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30xbrli:sharesprov:Officeiso4217:USDxbrli:pureprov:locationiso4217:USDxbrli:sharesprov:planprov:segmentTable of ContentsUNITED STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549â€‹FORMÂ 10-K(Mark one)â€‹â˜’Â Â Â Â Â Â ANNUAL REPORT PURSUANT TO SECTIONÂ 13 OR 15(d)Â OF THE SECURITIES EXCHANGE ACT OF 1934â€‹For the fiscalÂ year ended June 30, 2024Â Â Â Â Â Â Â Â Â Â Â Â Â orâ€‹â˜Â Â Â Â Â Â Â Â TRANSITION REPORT PURSUANT TO SECTIONÂ 13 OR 15(d)Â OF THE SECURITIES EXCHANGE ACT OF 1934â€‹Commission File Number: 000-28304â€‹PROVIDENT FINANCIAL HOLDINGS,Â INC.(Exact name of registrant as specified in its charter)â€‹DelawareÂ Â Â Â 33-0704889(State or other jurisdiction of incorporationâ€‹(I.R.S. Employeror organization)â€‹IdentificationÂ Â Number)â€‹â€‹3756 Central Avenue, Riverside, Californiaâ€‹92506(Address of principal executive offices)â€‹(Zip Code)â€‹Registrantâ€™s telephone number, including area code:Â Â Â (951) 686-6060â€‹Securities registered pursuant to SectionÂ 12(b)Â of the Act:â€‹Title of each classÂ Â Â Â Trading Symbol(s)Â Â Â Â NameÂ ofÂ eachÂ exchangeÂ onÂ whichÂ registeredCommon Stock, par value $.01 per shareâ€‹PROVâ€‹The NASDAQ Stock Market LLCâ€‹Securities registered pursuant to Section 12(g) of the Act: NoneIndicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. â˜ Yes â˜’ NoIndicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.â˜ Yes â˜’ NoIndicate 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. â˜’ Yes â˜ NoIndicate 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 (Â§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). â˜’ Yes â˜ NoIndicate 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and "emerging growth company" in Rule 12b-2 of the Exchange Act.Large accelerated filer â˜Â Â Â Â Accelerated filer â˜Non-accelerated filer â˜’â€‹Smaller reporting company â˜’â€‹â€‹Emerging growth company â˜â€‹If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to SectionÂ 13(a)Â of the Exchange Act. â˜Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. â˜If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. â˜Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrantâ€™s executive officers during the relevant recovery period pursuant to Â§240.10D-1(b). â˜Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act RuleÂ 12b-2). â˜ Yes â˜’ NoThe aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant, based on the closing sales price of the registrantâ€™s common stock as quoted on the NASDAQ Global Select Market on December 31, 2023, was $77.6 million. As of August 23, 2024, there were 6,862,888 shares of the registrantâ€™s common stock issued and outstanding.DOCUMENTS INCORPORATED BY REFERENCE1.Portions of the definitive Proxy Statement for the fiscal 2024 Annual Meeting of Shareholders (â€œProxy Statementâ€) are incorporated by reference into PartÂ III of this Annual Report on Form 10-K where indicated. The 2024 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.â€‹Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Table of Contentsâ€‹Â Â Â Â PagePART Iâ€‹â€‹Â ItemÂ 1.â€‹Business:1â€‹â€‹General1â€‹â€‹Subsequent Events1â€‹â€‹Market Area2â€‹â€‹Competition2â€‹â€‹Reportable Segments3â€‹â€‹Internet Website3â€‹â€‹Lending Activities3â€‹â€‹Loan Servicing12â€‹â€‹Asset Quality13â€‹â€‹Investment Securities Activities19â€‹â€‹Deposit Activities and Other Sources of Funds21â€‹â€‹Subsidiary Activities25â€‹â€‹Regulation26â€‹â€‹Taxation34â€‹â€‹Employees and Human Capital35â€‹â€‹Executive Officers36Item 1A.â€‹Risk Factors37ItemÂ 1B.â€‹Unresolved Staff Comments47Item 1C.â€‹Cybersecurity47ItemÂ 2.â€‹Properties48ItemÂ 3.â€‹Legal Proceedings48ItemÂ 4.â€‹Mine Safety Disclosures49â€‹â€‹â€‹Â PART IIâ€‹â€‹Â ItemÂ 5.â€‹Market for Registrantâ€™s Common Equity, Related Stockholder Matters and Issuer Purchases ofÂ Equity Securities49ItemÂ 6.â€‹[Reserved]50ItemÂ 7.â€‹Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations:51â€‹â€‹General52â€‹â€‹Critical Accounting Estimates52â€‹â€‹Executive Summary and Operating Strategy53â€‹â€‹Comparison of Financial Condition at June 30, 2024 and 202354â€‹â€‹Comparison of Operating Results for the Fiscal Years Ended June 30, 2024 and 202355â€‹â€‹Average Balances, Interest and Average Yields/Costs59â€‹â€‹Rate/Volume Variance60â€‹â€‹Liquidity and Capital Resources60â€‹â€‹Impact of New Accounting Pronouncements62Item 7A.â€‹Quantitative and Qualitative Disclosures

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(the â€œCorporationâ€), a Delaware corporation, was organized in January 1996 for the purpose of becoming the holding company of Provident Savings Bank, F.S.B. (the â€œBankâ€) upon the Bankâ€™s conversion from a federal mutual to a federal stock savings bank (â€œConversionâ€). The Conversion was completed on June 27, 1996. The Corporation is regulated by the Board of Governors of the Federal Reserve System (â€œFederal Reserveâ€). At June 30, 2024, the Corporation had consolidated total assets of $1.27 billion, total deposits of $888.3 million and stockholdersâ€™ equity of $129.9 million. The Corporation has not engaged in any significant activity other than holding the stock of the Bank. Accordingly, the information set forth in this Annual Report on Form 10-K (â€œForm 10-Kâ€), including the audited consolidated financial statements and related data, relates primarily to the Bank. As used in this report, the terms â€œwe,â€ â€œour,â€ â€œus,â€ and the â€œCorporationâ€ refer to Provident Financial Holdings, Inc. and its consolidated subsidiaries, unless the context indicates otherwise. When we refer to the â€œProvidentâ€ in this report, we are referring to Provident Financial Holdings, Inc. Â When we refer to the â€œBankâ€ or â€œProvident Savings Bankâ€ in this report, we are referring to Provident Savings Bank, F.S.B., a wholly owned subsidiary of Provident.â€‹The Bank, founded in 1956, is a federally chartered stock savings bank headquartered in Riverside, California. The Bank is regulated by the Office of the Comptroller of the Currency (â€œOCCâ€), its primary federal regulator, and the Federal Deposit Insurance Corporation (â€œFDICâ€), the insurer of its deposits. The Bankâ€™s deposits are federally insured up to applicable limits by the FDIC. The Bank has been a member of the Federal Home Loan Bank (â€œFHLBâ€) â€“ San Francisco since 1956.â€‹The Bank is a financial services company committed to serving consumers and small to mid-sized businesses in the Inland Empire region of Southern California. The Bank conducts its business operations as Provident Bank, and through its subsidiary, Provident Financial Corp (â€œPFCâ€). The business activities of the Bank consist of community banking, investment services and trustee services for real estate transactions.â€‹The Bankâ€™s community banking operations primarily consist of accepting deposits from customers within the communities surrounding its full-service offices and investing those funds in the origination of single-family, multi-family and commercial real estate loans and, to a lesser extent, construction, commercial business, consumer and other mortgage loans to be held for investment. Through its subsidiary, PFC, the Bank conducts trustee services for the Bankâ€™s real estate transactions and in the past has held real estate for investment. For additional information, see â€œSubsidiary Activitiesâ€ in this Form 10-K. The activities of PFC are included in the Bank's operating segment results. The Bankâ€™s revenues are derived principally from interest earned on its loan and investment portfolios, and fees generated through its community banking activities.â€‹On June 22, 2006, the Bank established the Provident Savings Bank Charitable Foundation (â€œFoundationâ€) in order to further its commitment to the local community. The specific purpose of the Foundation is to promote and provide for the betterment of youth, education, housing and the arts in the Bankâ€™s primary market areas of Riverside and San Bernardino counties. The Foundation was funded with a $500,000 charitable contribution made by the Bank in the fourth quarter of fiscal 2006. The Bank contributed $40,000 to the Foundation in both fiscal 2024 and 2023.â€‹Subsequent Eventâ€‹On July 25, 2024, the Corporation announced that the Provident Board of Directors declared a cash dividend of $0.14 per share. Shareholders of Provident common stock at the close of business on August 15, 2024 were entitled to receive the cash dividend, payable on September 5, 2024.â€‹1Table of ContentsMarket Areaâ€‹The Bank is headquartered in Riverside, California and operates 12 full-service banking offices in Riverside County and one full-service banking office in San Bernardino County. Management considers Riverside and Western San Bernardino counties to be the Bankâ€™s primary market for deposits.Â As of June 30, 2024, the Bank was the largest independent community bank headquartered in Riverside County and held the eighth largest deposit market share of all banks in the county, with the largest share among community banks.â€‹The region encompassing Riverside and San Bernardino counties, known as the â€œInland Empire,â€ is the Bankâ€™s main market area. According to the 2020 Census Bureau, these counties have the fourth and fifth largest populations in California, respectively, and are part of the greater Los Angeles metropolitan area, consisting primarily of suburban and urban communities.Â The Inland Empire, with a population of approximately 4.7 million, is relatively densely populated. The U.S. Department of Laborâ€™s Bureau of Labor Statistics reported an unemployment rate of 5.3% in the Inland Empire in June 2024, slightly higher than Californiaâ€™s rate of 5.2% and the national rate of 4.1%. In June 2023, these rates were 4.4% in the Inland Empire, 4.6% in California, and 3.6% nationwide. Californiaâ€™s home sales remained stagnant for the second consecutive month in June 2024, with a 30-year fixed mortgage rate above 7% throughout most of May 2024. Closed escrow sales of existing single-family detached homes in California were at a seasonally adjusted annualized rate of 270,200 in June 2024, down 0.8% from the revised 272,410 homes sold in May 2024 and 2.7% from June 2023â€™s revised 277,690. This sales pace has been below the 300,000 threshold for 21 consecutive months, with year-to-date home sales falling behind last yearâ€™s level by 0.5% in the first half of 2024. After setting record highs in the past two months, the statewide median home price decreased by 0.8% from $908,040 in May 2024 to $900,720 in June 2024, marking the third month in a row above the $900,000 benchmark. The June 2024 median home price was 7.5% higher than the $837,850 recorded in June 2023, marking the 12th consecutive month of annual price increases, although the smallest since January 2024. The continued rise in million-dollar home sales in California contributed to median price growth, with the million-dollar-and-higher market segment increasing by 2.0% year-over-year in June 2024, while the sub-$500,000 segment declined by 21.0%. Homes priced above $1 million now account for 36.3% of all sales, the largest share in at least five years. (Source data from California Association of Realtors â€“ July 17, 2024 News Release).â€‹The Inland Empire, also known as the Riverside-San Bernardino-Ontario Metropolitan Statistical Area, is a large, two-county area where about 30% of the labor force commutes, with nearly 400,000 people traveling daily from the Inland Empire to coastal areas. Over the past 20 years, the region has undergone significant changes, particularly in the health care and transportation and warehousing sectors, which have seen substantial employment growth. Typically, the Inland Empire's unemployment rate is higher than those of California and the U.S. except during specific recessions like the dot-com and COVID-19 periods. The region performed better during the recovery from the 2020 recession, with the latest unemployment rate published by the Employment Development Department (EDD) for December 2023 at 5.1%. The change in unemployment rate from February 2020 to December 2023 was 0.2% for the U.S., 0.5% for California, and 1.2% for the Inland Empire, indicating a higher increase in the Inland Empire, which is less desirable. Conversely, the employment growth rate over the same period was 1.8% for the U.S., -1.2% for California, and 2.8% for the Inland Empire. In 2023, the Inland Empire was a top performer in job creation compared to other California regions, with a 1.9% increase. The Inland Empire also led the state in business creation during the recovery from the 2020 recession, with a significant acceleration starting in the second quarter of 2022 and reaching near-national levels by the second quarter of 2023. (Source data from the Lowe Institute of Political Economy - The State of the Region the Inland Empire 2024 â€“ March 2024).â€‹Competitionâ€‹The Bank faces significant competition in its market area in originating real estate loans and attracting deposits. The population growth in the Inland Empire has attracted numerous financial institutions to the Bankâ€™s market area. The Bankâ€™s primary competitors are large national and regional commercial banks as well as other community-oriented banks and savings institutions. The Bank also faces competition from credit unions and a large number of mortgage companies that operate within its market area, as well as unregulated or less regulated non-banking entities operating locally and elsewhere. Many of these institutions are significantly larger than the Bank and therefore have greater financial and marketing resources than the Bank. This competition may limit the Bankâ€™s growth and profitability in the future.â€‹2Table of ContentsReportable Segmentsâ€‹Management monitors the revenue and expense components of the various products and services the Bank offers, but operations are managed and financial performance is evaluated on a Corporation-wide basis in comparison to a business plan which is developed each year. Accordingly, all operations are considered by management to be one operating segment and one reportable segment as contained in the Consolidated Statements of Operations to the Corporationâ€™s audited consolidated financial statements included in Item 8 of this Form 10-K.â€‹Internet Websiteâ€‹The Corporation maintains a website at www.myprovident.com. The information contained on that website is not included as a part of, or incorporated by reference into, this Form 10-K. Other than an investorâ€™s own internet access charges, the Corporation makes available free of charge through that website the Corporationâ€™s annual report, quarterly reports on Form 10-Q and current reports on Form 8-K, including amendments to these reports, if any, as soon as reasonably practicable after these materials have been electronically filed with, or furnished to, the Securities and Exchange Commission (â€œSECâ€). In addition, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC. This information is available at www.sec.gov.â€‹Lending Activitiesâ€‹General. The lending activity of the Bank is comprised of the origination of single-family, multi-family and commercial real estate loans and, to a lesser extent, construction, commercial business, consumer and other mortgage loans to be held for investment. Additional lending activities have historically included originating saleable single-family loans, primarily fixed-rate first trust deed mortgages. The Bankâ€™s net loans held for investment were $1.05 billion at June 30, 2024, representing 83% of consolidated total assets. This compares to $1.08 billion, or 81% of consolidated total assets, at June 30, 2023.â€‹At June 30, 2024, the maximum amount that the Bank could have loaned to any one borrower and the borrowerâ€™s related entities under applicable regulations was $20.1 million, or 15% of the Bankâ€™s unimpaired capital and surplus.Â At June 30, 2024, the Bank had no loans or group of loans to related borrowers with outstanding balances in excess of this amount. The Bankâ€™s five largest lending relationships at June 30, 2024 consisted of: four multi-family loans totaling $5.0 million to one group of borrowers; eight single-family loans totaling $4.4 million to one group of borrowers; three multi-family loans totaling $4.1 million to one group of borrowers; one multi-family loan totaling $4.1 million to one group of borrowers; and one multi-family loan totaling $4.0 million to one group of borrowers. The real estate collateral for these loans are primarily located in Southern and Northern California. At June 30, 2024, all of these loans were performing in accordance with their repayment terms.â€‹3Table of ContentsLoans Held For Investment Analysis. The following table sets forth the composition of the Bankâ€™s loans held for investment at the dates indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AtÂ JuneÂ 30,Â â€‹â€‹2024â€‹2023â€‹(Dollars In Thousands)Â Â Â Â AmountÂ Â Â Â PercentÂ Â Â Â AmountÂ Â Â Â PercentÂ Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Mortgage loans:Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â Single-familyâ€‹$ 518,091Â 49.30%Â Â $ 518,821Â 48.30%Â Â Multi-familyâ€‹Â 445,182Â 42.36â€‹Â 461,113Â 42.93â€‹ Commercial real estateâ€‹Â 83,349Â 7.93â€‹Â 90,558Â 8.43â€‹ Constructionâ€‹Â 2,692Â 0.26â€‹Â 1,936Â 0.18â€‹ Otherâ€‹Â 95Â 0.01â€‹Â 106Â 0.01â€‹Total mortgage loansâ€‹Â 1,049,409Â 99.86â€‹Â 1,072,534Â 99.85â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercial business loansâ€‹Â 1,372Â 0.13â€‹Â 1,565Â 0.14â€‹Consumer loansâ€‹Â 65Â 0.01â€‹Â 65Â 0.01â€‹Total loans held for investment, grossâ€‹Â 1,050,846Â 100.00%Â Â Â 1,074,164Â 100.00%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Advance payments of escrowsâ€‹Â 102Â Â Â â€‹Â 148Â Â Â â€‹Deferred loan costs, netâ€‹Â 9,096Â Â Â â€‹Â 9,263Â Â Â â€‹ACL(1) on loansâ€‹Â (7,065)Â Â Â â€‹Â (5,946)Â Â Â â€‹Total loans held for investment, netâ€‹$ 1,052,979Â Â Â â€‹$ 1,077,629Â Â Â â€‹â€‹(1)Allowance for credit losses (â€œACLâ€)â€‹Maturity of Loans Held for Investment. The following table sets forth information at June 30, 2024 regarding the dollar amount of principal payments becoming contractually due during the periods indicated for loans held for investment. Demand loans, loans having no stated schedule of principal payments, loans having no stated maturity, and overdrafts are reported as becoming due within one year. The table does not include any estimate of prepayments, which can significantly shorten the average life of loans held for investment and may cause the Bankâ€™s actual principal payment experience to differ materially from that shown below:â€‹Â Â Â Â â€‹â€‹Â Â Â Â AfterÂ Â Â Â AfterÂ Â Â Â â€‹â€‹Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹OneÂ Yearâ€‹5Â Yearsâ€‹â€‹â€‹â€‹â€‹â€‹â€ Thousands)â€‹OneÂ Yearâ€‹5Â Yearsâ€‹15Â Yearsâ€‹15Â Yearsâ€‹Totalâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Mortgage loans:Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Single-familyâ€‹$ 15â€‹$ 1,523â€‹$ 25,691â€‹$ 490,862â€‹$ 518,091Multi-familyâ€‹Â â€”â€‹Â 16,055â€‹Â 9,149â€‹Â 419,978â€‹Â 445,182Commercial real estateâ€‹Â 4,100â€‹Â 18,490â€‹Â 53,851â€‹Â 6,908â€‹Â 83,349Constructionâ€‹Â 228â€‹Â 1,480â€‹Â â€”â€‹Â 984â€‹Â 2,692Otherâ€‹Â 95â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â 95Commercial business loansâ€‹Â 1,239â€‹Â 133â€‹Â â€”â€‹Â â€”â€‹Â 1,372Consumer loansâ€‹Â 65â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â 65Total loans held for investment, grossâ€‹$ 5,742â€‹$ 37,681â€‹$ 88,691â€‹$ 918,732â€‹$ 1,050,846â€‹4Table of ContentsThe following table sets forth the dollar amount of all loans held for investment due after one year from June 30, 2024 which have fixed and floating or adjustable interest rates:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â â€‹â€‹Â Â Â Â â€‹Â Â Â Â FloatingÂ orÂ Â Â Â â€‹Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹Adjustableâ€‹â€‹Â (Dollars In Thousands)â€‹Fixed-Rateâ€‹%(1)Â â€‹Rateâ€‹%Â (1)Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Mortgage loans:Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Single-familyâ€‹$ 108,754Â 21%Â Â $ 409,322Â 79%Multi-familyâ€‹Â 94Â â€”%Â Â Â 445,088Â 100%Commercial real estateâ€‹Â 387Â â€”%Â Â Â 78,862Â 100%Constructionâ€‹Â â€”Â â€”%Â Â Â 2,464Â 100%Commercial business loansâ€‹Â â€”Â â€”%Â Â Â 133Â 100%Total loans held for investment, grossâ€‹$ 109,235Â 10%Â Â $ 935,869Â 90%â€‹(1)As a percentage of each category.â€‹Scheduled contractual principal payments of loans do not reflect the actual life of such assets. The average life of loans is generally substantially less than their contractual terms because of prepayments. In addition, due-on-sale clauses generally give the Bank the right to declare loans immediately due and payable in the event, among other things, the borrower sells the real property that secures the loan. The average life of mortgage loans tends to increase, however, when current market interest rates are substantially higher than the interest rates on existing loans held for investment and, conversely, decrease when the interest rates on existing loans held for investment are substantially higher than current market interest rates, as borrowers are generally less inclined to refinance their loans when market rates increase and more inclined to refinance their loans when market rates decrease.â€‹The table below describes the geographic dispersion of real estate secured loans held for investment (gross) at June 30, 2024 and 2023, as a percentage of the total dollar amount outstanding (dollars in thousands):â€‹As of June 30, 2024:â€‹Inlandâ€‹Southernâ€‹Otherâ€‹Otherâ€‹â€‹â€‹â€‹â€‹Â â€‹â€‹Empire(1)â€‹California(2)â€‹Ca Categoryâ€‹Balanceâ€‹%â€‹Balanceâ€‹%â€‹Balanceâ€‹%â€‹Balanceâ€‹%â€‹Balanceâ€‹%Â Single-familyÂ Â Â Â $ 146,003Â Â Â Â 28%Â Â $ 175,127Â Â Â Â 34%Â Â $ 196,707Â Â Â Â 38%Â Â $ 254Â Â Â Â â€”%Â Â $ 518,091Â Â Â Â 100%Multi-familyâ€‹Â 56,693Â 13%Â Â Â 256,692Â 58%Â Â Â 131,797Â 29%Â Â Â â€”Â â€”%Â Â Â 445,182Â 100%Commercial real estateâ€‹Â 13,583Â 16%Â Â Â 44,574Â 54%Â Â Â 25,192Â 30%Â Â Â â€”Â â€”%Â Â Â 83,349Â 100%Constructionâ€‹Â 228Â 8%Â Â Â 1,480Â 55%Â Â Â 984Â 37%Â Â Â â€”Â â€”%Â Â Â 2,692Â 100%Otherâ€‹Â â€”Â â€”%Â Â Â 95Â 100%Â Â Â â€”Â â€”%Â Â Â â€”Â â€”%Â Â Â 95Â 100%Totalâ€‹$ 216,507Â 21%Â Â $ 477,968Â 45%Â Â $ 354,680Â 34%Â Â $ 254Â â€”%Â Â $ 1,049,409Â 100%â€‹(1)Comprised of Riverside and San Bernardino counties.(2)Other than the Inland Empire.â€‹5Table of ContentsAs of June 30, 2023:â€‹ â€‹â€‹Inlandâ€‹Southernâ€‹Otherâ€‹Otherâ€‹â€‹â€‹â€‹â€‹Â â€‹â€‹Empire(1)â€‹California(2)â€‹Californiaâ€‹Statesâ€‹TotalÂ Loan Categoryâ€‹Balanceâ€‹%â€‹Balanceâ€‹%â€‹Balanceâ€‹%â€‹Balanceâ€‹%â€‹Balanceâ€‹%Â Single-familyÂ Â Â Â $ 149,569Â Â Â Â 29%Â Â $ 174,421Â Â Â Â 34%Â Â $ 194,570Â Â Â Â 37%Â Â $ 261Â Â Â Â â€”%Â Â $ 518,821Â Â Â Â 100%Multi-familyâ€‹Â 61,672Â 13%Â Â Â 272,178Â 59%Â Â Â 127,263Â 28%Â Â Â â€”Â â€”%Â Â Â 461,113Â 100%Commercial real estateâ€‹Â 16,586Â 18%Â Â Â 49,183Â 54%Â Â Â 24,789Â 28%Â Â Â â€”Â â€”%Â Â Â 90,558Â 100%Constructionâ€‹Â 590Â 30%Â Â Â 1,116Â 58%Â Â Â 230Â 12%Â Â Â â€”Â â€”%Â Â Â 1,936Â 100%Otherâ€‹Â â€”Â â€”%Â Â Â 106Â 100%Â Â Â â€”Â â€”%Â Â Â â€”Â â€”%Â Â Â 106Â 100%Totalâ€‹$ 228,417Â 21%Â Â $ 497,004Â 47%Â Â $ 346,852Â 32%Â Â $ 261Â â€”%Â Â $ 1,072,534Â 100%â€‹(1)Comprised of Riverside and San Bernardino counties.(2)Other than the Inland Empire.â€‹Single-Family Mortgage Loans. One of the Bankâ€™s primary lending activities is the origination and purchase of adjustable and fixed rate mortgage loans to be held for investment, secured by first trust deed mortgages on owner-occupied, single-family (one to four units) residences in the communities where the Bankâ€™s branches are located and surrounding areas in Southern and Northern California. During fiscal 2024, the Bank originated $40.9 million of Â single-family loans to be held for investment, all of which were underwritten in accordance with the Bankâ€™s origination guidelines, and did not purchase any single-family loans. This compares to single-family loan originations of $165.9 million and no loan purchases during fiscal 2023. At June 30, 2024, total single-family loans held for investment decreased slightly to $518.1 million, or 49% of the total loans held for investment, from $518.8 million, or 48% of the total loans held for investment, at June 30, 2023. The decrease in the single-family loans in fiscal 2024 was primarily attributable to loan principal payments that exceeded new loans originated for investment. During fiscal 2024, the Bank did not have any recovery from non-performing single-family loans, as compared to net recoveries of $8,000 during fiscal 2023. At June 30, 2024 and 2023, total non-performing single-family loans were $2.6 million and $1.3 million, respectively, net of allowances and charge-offs, andÂ there were no loans past due 30 to 89 days at both dates.â€‹The Bank has underwriting standards that generally conform with the standards of the government sponsored entities (â€œGSEâ€) which include Fannie Mae and Freddie Mac. Mortgage insurance is usually required for all loans exceeding 80% loan-to-value (â€œLTVâ€) based on the lower of the purchase price or appraised value at the time of loan origination. The Bank is not currently offering loans with LTV ratios greater than 90%. The ratio is derived by dividing the original loan balance by the lower of the original appraised value or purchase price of the real estate collateral. Currently, the maximum LTV ratio is 90% for new purchases and limited cash-out refinances and 75% for cash-out refinances.Â The maximum loan amount offered on single-family homes is $1.5 million. A limited cash-out refinance transaction limits cash back to the borrower to the lesser of 2% of the new loan amount or $2,000. The lowest FICO score currently offered for a purchase or no cash-out refinance transaction is 700, while the lowest FICO score for a cash-out refinance transaction is 720. The FICO score represents the creditworthiness of a borrower based on the borrowerâ€™s credit history, as reported by an independent third party.Â A higher FICO score indicates a greater degree of creditworthiness.Â Bank regulators have issued guidance stating that a FICO score of 660 and below is indicative of a â€œsubprimeâ€ borrower. â€‹The Bank currently lends on residential properties classified as single-family units, planned unit developments and condominiums.Â Underwriting standards and guidelines may change at any time, based on shifts in real estate market conditions or changes to GSE policies and guidelines. To enhance protection, the Bank purchases lender-paid mortgage insurance for certain single-family mortgage loans. As of June 30, 2024, a total of approximately $141.8 million of single-family mortgage loans, with a 79% weighted average LTV at the time of origination have lender-paid mortgage insurance. This insurance provides a weighted average coverage ratio of approximately 11% of the original loan amount.â€‹Prior to fiscal 2009, many of the loans we originated for investment consisted of non-traditional single-family residential loans that do not conform to Fannie Mae or Freddie Mac underwriting guidelines as a result of the characteristics of the borrower or property, the loan terms, loan size or exceptions from agency underwriting guidelines. In exchange for the additional risk to us associated with these loans, these borrowers generally are required to pay a higher interest rate, and 6Table of Contentsdepending on the credit history, a lower loan-to-value ratio was generally required than for a conforming loan. Our non-traditional single-family residential loans include loans to borrowers who provided limited or no documentation of their income or stated income loans, negative amortization loans (a loan in which accrued interest exceeding the required monthly loan payment is added to loan principal up to 115% of the original loan amount), more than 30-year amortization loans, and loans to borrowers with a FICO score below 660 (these loans are considered subprime by the OCC).As of June 30, 2024, these non-traditional loans totaled $17.7 million, comprising 3% of total single-family residential loans held for investment and 2% of total loans held for investment, with a weighted average seasoning of 16.1 years. At that date, stated income loans totaled $13.0 million, more than 30-year amortization loans totaled $6.0 million, low FICO score loans totaled $1.7 million, and negative amortization loans totaled $402,000 (the outstanding balances described may overlap more than one category).The Bank currently offers fixed-rate loans in Riverside and San Bernardino counties, along with adjustable-rate mortgage (â€œARMâ€) loans throughout California. Substantially all the loans originated by the Bank comply with GSE underwriting standards concerning credit and collateral. The Bank's ARM products offer various options, with interest rates adjusting every six months after an initial fixed period of five to ten years. These adjustments are limited by caps on semi-annual and lifetime rate changes. â€‹Currently, the ARM programs have a rate consisting of an Index tied to the Secured Overnight Financing Rate (â€œSOFRâ€), plus a margin. The programs are limited to a maximum semi-annual increase or decrease of one percentage point with a maximum lifetime increase of five percentage points and the rate may not fall below the margin. The portfolio currently consists of the following indices, plus a margin of between 2.00% and 3.25%, which are used to calculate the periodic interest rate changes: SOFR, the 12-month average U.S. Treasury (â€œ12 MATâ€) or the weekly average yield on one-year U.S. Treasury securities adjusted to a constant maturity of one year (â€œCMTâ€). Loans based on the SOFR index constitute a majority of the Bankâ€™s loans held for investment. The majority of the ARM loans held for investment have five, seven, orÂ 10-year fixed periods prior to the first adjustment and provide for fully amortizing loan payments throughout the term of the loan. Loans of this type have embedded interest rate risk if interest rates should rise during the initial fixed rate period or if rates should rise beyond the periodic or lifetime caps.â€‹Borrower demand for ARM loans versus fixed-rate mortgage loans is a function of the level of interest rates, the expectations of changes in the level of interest rates and the difference between the initial interest rates and fees charged for each type of loan. The relative amount of fixed-rate mortgage loans and ARM loans that can be originated at any time is largely determined by the demand for each product in a given interest rate and competitive environment.â€‹The retention of ARM loans, rather than fixed-rate loans, helps to reduce the Bankâ€™s exposure to changes in interest rates. There is, however, unquantifiable credit risk resulting from the potential of increased interest charges to be paid by the borrower as a result of increases in interest rates. It is possible that, during periods of rising interest rates, the risk of default on ARM loans may increase as a result of the increase in the required payment from the borrower. Further, the risk of default may increase because ARM loans originated by the Bank occasionally provide, as a marketing incentive, for initial rates of interest below those rates that would apply if the adjustment index plus the applicable margin were initially used for pricing. Because of these characteristics, ARM loans are subject to increased risks of default or delinquency. Additionally, while ARM loans allow the Bank to increase the sensitivity of its assets as a result of changes in interest rates, the extent of this interest rate sensitivity is limited by the periodic and lifetime interest rate adjustment limits.Â Furthermore, because loan indexes may not respond perfectly to changes in market interest rates, upward adjustments on loans may occur more slowly than increases in the Bankâ€™s cost of interest-bearing liabilities, especially during periods of rapidly increasing interest rates.Â Conversely, downward adjustments on the Bankâ€™s cost of funds typically lag adjustments on ARM loans which may occur more rapidly during periods of declining interest rates. For additional information concerning the effect of interest rates on our loan portfolio, see Item 7A, â€œQuantitative and Qualitative Disclosures about Market Riskâ€ of this Form 10-K.â€‹The Dodd-Frank Wall Street Reform and Consumer Protection Act (the â€œDodd-Frank Actâ€) requires lenders to make a reasonable, good faith determination of a borrowerâ€™s ability to repay any consumer closed-end credit transaction secured by a dwelling and to limit prepayment penalties. Increased risks of legal challenge, private right of action and regulatory enforcement actions result from these rules. The Bank may originate loans that do not meet the definition of a â€œqualified mortgageâ€ (â€œQMâ€). To mitigate the risks involved with non-QM loans, the Bank has implemented systems, processes, 7Table of Contentsprocedural and product changes, and maintains its underwriting standards, to ensure that the â€œability-to-repayâ€ requirements are adequately addressed.â€‹A decline in real estate values subsequent to the time of origination of real estate secured loans could result in higher loan delinquency levels, foreclosures, provisions for credit losses and net charge-offs. Real estate values and real estate markets are beyond the Bankâ€™s control and are generally affected by changes in national, regional or local economic conditions and other factors. These factors include fluctuations in interest rates and the availability of loans to potential purchasers, housing supply and demand, changes in tax laws and other governmental statutes, regulations and policies and acts of nature, such as earthquakes, fires, droughts and other natural disasters particular to California where substantially all of our real estate collateral is located. If real estate values decline from the levels at the time of loan origination, the value of our real estate collateral securing the loans could be significantly reduced. The Bankâ€™s ability to recover on defaulted loans by foreclosing and selling the real estate collateral would then be diminished and it would be more likely that the Bank could suffer losses on defaulted loans.â€‹Multi-Family and Commercial Real Estate Loans. At June 30, 2024, multi-family loans were $445.2 million and commercial real estate loans were $83.3 million, or 42% and 8%, respectively, of loans held for investment. This compares to multi-family loans of $461.1 million and commercial real estate loans of $90.6 million, or 43% and 8%, respectively, of loans held for investment at June 30, 2023. Consistent with its strategy to diversify the composition of loans held for investment, the Bank has emphasized the origination and purchase of multi-family and commercial real estate loans. During fiscal 2024, the Bank originated $31.9 million in multi-family and commercial real estate loans but did not purchase any. This is a decrease from fiscal 2023, when $69.3 million of such loans were originated and none were purchased. As of June 30, 2024, the average outstanding loan balance was approximately $724,000 for multi-family loans and approximately $731,000 for commercial real estate loans.â€‹The multi-family loans originated by the Bank are predominately adjustable-rate loans, including hybrid ARM loans, with terms ranging from 10 to 30 years and amortization schedules of 25 to 30 years. Similarly, the Bankâ€™s commercial real estate loans are mainly adjustable-rate loans, also including hybrid ARM loans, with the same maturity terms and amortization schedules. The interest rates on multi-family and commercial real estate ARM loans generally adjust monthly, quarterly, semi-annually, or annually, based on a specific margin over the relevant interest rate index and are subject to periodic and lifetime interest rate caps. At June 30, 2024, $428.4 million, or 96%, of the Bankâ€™s multi-family loans were secured by projects with five to 36 units. The Bankâ€™s commercial real estate loan portfolio primarily consists of loans secured by small office buildings, light industrial buildings, warehouses, and small retail centers. The properties securing these loans are mainly located in the counties of Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Francisco, and Santa Clara. The Bank typically originates multi-family and commercial real estate loans in amounts ranging from $350,000 to $6.0 million. At June 30, 2024, the Bank had 57 commercial real estate and multi-family loans with principal balances greater than $1.5 million, totaling $125.7 million. Appraisals are obtained for all properties securing multi-family and commercial real estate loans. The underwriting process for these loans includes a thorough analysis of the property's cash flows to ensure adequate debt service coverage, as well as an evaluation of the financial resources, experience, and income levels of the borrowers and guarantors.â€‹Multi-family and commercial real estate loans afford the Bank an opportunity to price the loans with higher interest rates than those generally available from single-family mortgage loans. However, loans secured by such properties are generally greater in amount, more difficult to evaluate and monitor and are more susceptible to default as a result of general economic conditions and, therefore, involve a greater degree of risk than single-family residential mortgage loans. Because payments on loans secured by multi-family and commercial real estate properties are often dependent on the successful operation and management of the properties, repayment of such loans may be impacted by adverse conditions in the real estate market or the economy. During both fiscal 2024 and 2023, the Bank had no charge-offs or recoveries on multi-family and commercial real estate loans.Â At June 30, 2024 and 2023, there were no non-performing or 30 to 89 days delinquent multi-family and commercial real estate loans.Â Non-performing loans and/or delinquent loans may increase if there is a general decline in California real estate markets and in the event poor general economic conditions prevail.â€‹Construction Loans. The Bank originates from time to time two types of construction loans: short-term construction loans and construction/permanent loans. During fiscal 2024 and 2023, the Bank originated a total of $1.5 million and $1.6 million of construction loans (including undisbursed loan funds), respectively. As of June 30, 2024 and 2023, the Bank had construction loans totaling $2.7 million and $1.9 million, net of undisbursed loan funds of $435,000 and $1.9 million, 8Table of Contentsrespectively. On these dates, the loans consisted of bridge loans totaling $1.5 million and $0, short-term construction loans totaling $228,000 and $1.7 million, and construction/permanent loans totaling $984,000 and $230,000 respectively.â€‹Short-term construction loans include three types of loans: custom construction, tract construction, and speculative construction. The Bank provides construction financing for single-family, multi-family and commercial real estate properties. Custom construction loans are made to individuals who, at the time of application, have a contract executed with a builder to construct their residence. Custom construction loans are generally originated for a term of 12 to 18 months, with adjustable or fixed interest rates at the prime lending rate plus a margin and with loan-to-value ratios of up to 75% of the appraised value of the completed property. The owner secures long-term permanent financing at the completion of construction. At June 30, 2024, there were no custom short-term single-family construction loans. This compares to June 30, 2023 when the Bank had one custom short-term single-family construction loan totaling $496,000, net of undisbursed loan funds of $49,000.â€‹From time to time the Bank makes lot loans to individuals to finance land acquisition prior to the start of construction or tract construction loans to subdivision builders. These subdivisions are usually financed and built in phases. A thorough analysis of market trends and demand within the area are reviewed for feasibility. Tract construction may include the building and financing of model homes under a separate loan.Â At June 30, 2024, there was one land loan of $95,000 (reported as other mortgage loans) and no tract construction loans; as compared to one land loan for $106,000 (reported as other mortgage loans) and one tract construction loan for $1.1 million, net of undisbursed loan funds of $567,000 at June 30, 2023.â€‹Speculative construction loans are made to home builders and are termed â€œspeculativeâ€ because the home builder does not have, at the time of loan origination, a signed sale contract with a home buyer who has a commitment for permanent financing with either the Bank or another lender for the finished home. The home buyer may be identified during or after the construction period. The builder may be required to debt service the speculative construction loan for a significant period of time after the completion of construction until the homebuyer is identified. At June 30, 2024, the Bank had one speculative construction loan of $228,000, net of undisbursed loan funds of $32,000, as compared to one construction loan of $94,000, net of undisbursed loan funds of $166,000 at June 30, 2023.â€‹Construction/permanent loans automatically roll from the construction to the permanent phase. The construction phase generally lasts 12 to 18 months and the interest rate charged is generally fixed at a margin above prime rate and with a loan-to-value ratio of up to 75% of the appraised value of the completed property.Â At June 30, 2024, there were $984,000 of custom construction/permanent loans, net of undisbursed loan funds of $403,000 as compared to $230,000 of custom construction/permanent loans, net of undisbursed loan funds of $1.2 million at June 30, 2023.â€‹Construction loans under $1.0 million are approved by Bank personnel specifically designated to approve construction loans. The Bankâ€™s Loan Committee, comprised of the Chief Executive Officer, Chief Lending Officer, Senior Vice President â€“ Single-Family Division and Vice President - Loan Administration, approves all construction loans over $1.0 million. Prior to approval of any construction loan, an independent fee appraiser inspects the site and the Bank reviews the existing or proposed improvements, identifies the market for the proposed project, and analyzes the pro-forma data and assumptions on the project. In the case of a tract or speculative construction loan, the Bank also reviews the experience and expertise of the builder. The Bank obtains credit reports, financial statements and tax returns on the borrowers and guarantors, an independent appraisal of the project, and any other expert report necessary to evaluate the proposed project. In the event of cost overruns, the Bank requires the borrower to deposit their own funds into a loan-in-process account, which the Bank disburses consistent with the completion of the subject property pursuant to a revised disbursement schedule.â€‹The construction loan documents require that construction loan proceeds be disbursed in increments as construction progresses. Disbursements are based on periodic on-site inspections by independent inspectors and/or Bank personnel.Â At inception, the Bank also requires borrowers to deposit funds into a loan-in-process account covering the difference between the actual cost of construction and the loan amount. The Bank regularly monitors the construction loan portfolio, economic conditions and housing inventory.Â The Bankâ€™s property inspectors perform periodic inspections.Â The Bank believes that the internal monitoring system helps reduce many of the risks inherent in its construction loans.â€‹9Table of ContentsConstruction loans afford the Bank the opportunity to achieve higher interest rates and fees with shorter terms to maturity than its single-family mortgage loans.Â Construction loans, however, are generally considered to involve a higher degree of risk than single-family mortgage loans because of the inherent difficulty in estimating both a propertyâ€™s value at completion of the project and the cost of the project. The nature of these loans is such that they are generally more difficult to evaluate and monitor. If the estimate of construction costs proves to be inaccurate, the Bank may be required to advance funds beyond the amount originally committed to permit completion of the project.Â If the estimate of value upon completion proves to be inaccurate, the Bank may be confronted with a project whose value is insufficient to assure full repayment. Projects may also be jeopardized by disagreements between borrowers and builders and by the failure of builders to pay subcontractors. Loans to builders to construct homes for which no purchaser has been identified carry additional risk because the payoff for the loan depends on the builderâ€™s ability to sell the property prior to the time that the construction loan matures.Â The Bank has sought to address these risks by adhering to strict underwriting policies, disbursement procedures and monitoring practices. In addition, because the Bankâ€™s construction lending is in its primary market area, changes in the local or regional economy and real estate market could adversely affect the Bankâ€™s construction loans held for investment. During fiscal 2024 and 2023, the Bank had no charge-offs or recoveries on construction loans, and no construction loans were non-performing or 30-89 days delinquent at both June 30, 2024 and June 30, 2023.â€‹Participation Loan Purchases and Sales. To expand production and diversify risk, the Bank purchases loans and loan participations, primarily with collateral located in California, which allows for greater geographic distribution outside of the Bankâ€™s primary lending areas. The Bank typically purchases between 50% and 100% of the total loan amount. When purchasing a participation loan, the lead lender usually retains a servicing fee, which reduces the loan yield to approximately the cost the Bank would incur if it serviced the loan itself. All properties serving as collateral for these loan participations are inspected by either a Bank employee or a third-party inspection service before being approved by the Loan Committee. The Bank uses the same underwriting criteria for these purchases as it does for loans it originates. The Bank did not purchase any loans to be held for investment in fiscal 2024 and 2023, due primarily to concerns over asset quality in light of the current economic climate and fewer loans available for purchase. As of June 30, 2024 and 2023, there were $1.8 million and $10.6 million of loans serviced by other financial institutions, respectively.Â As of June 30, 2024 and 2023, all loans serviced by others were performing according to their original contractual payment terms, except for one loan totaling $362,000 that was classified as non-performing as of June 30, 2024. â€‹The Bank also sells participating interests in loans when it has been determined that it is beneficial to diversify the Bankâ€™s risk. Participation sales enable the Bank to maintain acceptable loan concentrations and comply with the Bankâ€™s loans to one borrower policy. Generally, selling a participating interest in a loan increases the yield to the Bank on the portion of the loan that is retained. The Bank did not sell any participation loans in fiscal 2024 or fiscal 2023.â€‹Commercial Business Loans. The Bank has a Business Banking Department that primarily serves businesses located within the Inland Empire. Commercial business loans allow the Bank to diversify its lending and increase the average loan yield. As of June 30, 2024, commercial business loans were $1.4 million, down from $1.6 million at June 30, 2023. These loans represent secured and unsecured lines of credit and term loans secured by business assets.â€‹Commercial business loans are generally made to customers who are well known to the Bank and are generally secured by accounts receivable, inventory, business equipment and/or other assets. The Bankâ€™s commercial business loans may be structured as term loans or as lines of credit. Lines of credit are made at variable rates of interest equal to a negotiated margin above the prime rate and term loans are at a fixed or variable rate. The Bank may also require personal guarantees from financially capable parties associated with the business based on a review of personal financial statements. Commercial business term loans are generally made to finance the purchase of assets and have maturities of five years or less. Commercial lines of credit are typically made for the purpose of providing working capital and are typically approved with a term of one year or less.â€‹Commercial business loans involve greater risk than residential mortgage loans and involve risks that are different from those associated with residential and commercial real estate loans. Real estate loans are generally considered to be collateral based lending with loan amounts based on predetermined loan to collateral value and liquidation of the underlying real estate collateral is viewed as the primary source of repayment in the event of borrower default. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable or other business assets including real estate, the liquidation of collateral in the event of a borrower default is often an insufficient source of repayment because accounts receivable may not be collectible and inventories and equipment may be obsolete or of limited 10Table of Contentsuse. Accordingly, the repayment of a commercial business loan depends primarily on the creditworthiness of the borrower (and any guarantors), while liquidation of collateral is secondary and oftentimes an insufficient source of repayment. At June 30, 2024 and 2023, there were no non-performing commercial business loans.Â During fiscal 2024 and 2023, the Bank had no charge-offs or recoveries on commercial business loans.â€‹Consumer Loans. At June 30, 2024, the Bankâ€™s consumer loans were $65,000, unchanged from June 30, 2023. The Bank offers open-ended lines of credit on an unsecured basis, primarily deposit overdraft lines of credit.â€‹Consumer loans potentially have a greater risk than residential mortgage loans, particularly in the case of loans that are unsecured. Consumer loan collections are dependent on the borrowerâ€™s ongoing financial stability, and thus are more likely to be adversely affected by job loss, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans. The Bank had no non-performing consumer loans at both June 30, 2024 and 2023. During fiscal 2024 and 2023, the Bank had no charge-offs or recoveries on consumer loans.â€‹Loans Originations, Purchases, Sales and Repaymentsâ€‹Mortgage loans are primarily originated for investment. Prior to scaling back originations of saleable single-family fixed-rate mortgage loans during fiscal 2019, a large amount of single-family fixed-rate mortgage loans were originated for sale to institutional investors. Mortgage loans sold to investors generally were sold without recourse other than standard representations and warranties.Â Generally, mortgage loans sold to Fannie Mae and Freddie Mac were sold on a non-recourse basis and foreclosure losses are generally the responsibility of the purchaser and not the Bank, except in the case of Federal Housing Administration (â€œFHAâ€) and Veteransâ€™ Administration (â€œVAâ€) loans used to form Government National Mortgage Association pools, which are subject to limitations on the FHAâ€™s and VAâ€™s loan guarantees.â€‹11Table of ContentsThe following table shows the Bankâ€™s loan originations, purchases, sales and principal repayments during the periods indicated. No loans were purchased during the periods indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans originated for sale:Â â€‹Â Â Â â€‹Â Â Wholesale originationsâ€‹$ 5,605â€‹$ 512Total loans originated for saleâ€‹Â 5,605â€‹Â 512â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans sold:â€‹Â Â Â â€‹Â Â Â Servicing retainedâ€‹Â (5,605)â€‹Â (512)Total loans soldâ€‹Â (5,605)â€‹Â (512)â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans originated for investment:â€‹Â Â Â â€‹Â Â Â Mortgage loans:â€‹Â Â Â â€‹Â Â Â Single-familyâ€‹Â 40,920â€‹Â 165,942Multi-familyâ€‹Â 22,112â€‹Â 50,323Commercial real estateâ€‹Â 9,757â€‹Â 18,979Constructionâ€‹Â 1,480â€‹Â 1,648Commercial business loansâ€‹â€‹ 1,250â€‹â€‹ 190Total loans originated for investmentâ€‹Â 75,519â€‹Â 237,082â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loan principal repaymentsâ€‹Â (99,915)â€‹Â (102,288)(Decrease) increase in other items, net (1)â€‹Â (254)â€‹Â 2,843Net (decrease) increase in loans held for investmentâ€‹$ (24,650)â€‹$ 137,637â€‹(1)Includes net changes in undisbursed loan funds, deferred loan fees or costs, ACL, fair value of loans held for investment and advance payments of escrows.â€‹Loan Servicingâ€‹The Bank receives fees from a variety of investors in return for performing the traditional services of collecting individual loan payments on loans sold by the Bank to such investors. At June 30, 2024, the Bank was servicing $34.6 million of loans for others, a 6% increase from $32.6 million at June 30, 2023. The increase was primarily attributable to new loans Â sold with servicing retained, partly offset by scheduled principal payments and prepayments. Loan servicing includes processing payments, accounting for loan funds and collecting and paying real estate taxes, hazard insurance and other loan-related items such as private mortgage insurance. After the Bank receives the gross mortgage payment from individual borrowers, it remits to the investor a predetermined net amount based on the loan sale agreement for that mortgage.â€‹Servicing assets are amortized in proportion to and over the period of the estimated net servicing income and are carried at the lower of cost or fair value. The fair value of servicing assets is determined by calculating the present value of the estimated net future cash flows consistent with contractually specified servicing fees. The Bank periodically evaluates servicing assets for impairment, which is measured as the excess of cost over fair value. This review is performed on a disaggregated basis, based on loan type and interest rate. Generally, loan servicing becomes more valuable when interest rates rise (as prepayments typically decrease) and less valuable when interest rates decline (as prepayments typically increase). In estimating fair values at June 30, 2024 and 2023, the Bank used a weighted average Constant Prepayment Rate (â€œCPRâ€) of 9.59% and 7.44%, and a weighted average discount rate of 9.06% and 9.05%, respectively.Â The required impairment reserve against servicing assets at June 30, 2024 and 2023 was $170,000 and $165,000, respectively.Â In aggregate, servicing assets had a carrying value of $272,000 and a fair value of $102,000 at June 30, 2024, compared to a carrying value of $256,000 and a fair value of $91,000 at June 30, 2023.â€‹12Table of ContentsAsset Qualityâ€‹Delinquent Loans. When a mortgage loan borrower fails to make a required payment when due, the Bank initiates collection procedures. In most cases, delinquencies are cured promptly; however, if the loan remains delinquent on the 120th day for single-family loans or the 90th day for other loans, or sooner if the borrower is chronically delinquent, and after all reasonable means of obtaining the payment have been exhausted, foreclosure proceedings, according to the terms of the security instrument and applicable law, are initiated. Interest income is reduced by the full amount of accrued and uncollected interest on such loans.â€‹As of June 30, 2024, total non-performing assets, net of the ACL and fair value adjustments, were $2.6 million, or 0.20% of total assets, which was comprised of 10 single-family loans.Â As of June 30, 2024, $1.1 million or 43% of the total non-performing loans had a current payment status. In comparison, as of June 30, 2023, total non-performing assets, net of the ACL and fair value adjustments, were $1.3 million, or 0.10% of total assets, consisting of six single-family loans, with $175,000 or 13% having a current payment status. The Bank had no real estate owned (â€œREOâ€) both at June 30, 2024 and 2023.â€‹The following table sets forth information with respect to the Bankâ€™s non-performing assets, net of the ACL and fair value adjustments, at the dates indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹AtÂ JuneÂ 30,Â (Dollars In Thousands)Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans on non-performing status:Â Â Â Â â€‹Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â Mortgage loans:Â â€‹Â Â Â Â â€‹Â Â Â Single-familyâ€‹$ 2,596â€‹$ 1,300â€‹Totalâ€‹Â 2,596â€‹Â 1,300â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Accruing loans past due 90 days or moreâ€‹Â â€”â€‹Â â€”â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total non-performing loansâ€‹Â 2,596â€‹Â 1,300â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Real estate owned, netâ€‹Â â€”â€‹Â â€”â€‹Total non-performing assetsâ€‹$ 2,596â€‹$ 1,300â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Non-performing loans as a percentage of loans held for investment, netâ€‹Â 0.25%Â Â Â 0.12%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Non-performing loans as a percentage of total assetsâ€‹Â 0.20%Â Â Â 0.10%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Non-performing assets as a percentage of total assetsâ€‹Â 0.20%Â Â Â 0.10%Â Â â€‹The Bank assesses loans individually and classifies the loans as non-performing and substandard in accordance with regulatory requirements when the accrual of interest has been discontinued, loans have been modified or management has serious doubts about the future collectability of principal and interest, even though the loans may be currently performing. Factors considered in determining classification include, but are not limited to, expected future cash flows, collateral value, the financial condition of the borrower and/or guarantor and current economic conditions. The Bank measures each non-performing loan based on Accounting Standards Codification (â€œASCâ€) 326, â€œFinancial Instruments â€“ Credit Losses,â€ establishes a collectively evaluated or individually evaluated allowance, and charges off those loans or portions of loans deemed uncollectible.â€‹Modified Loans to Borrowers Experiencing Financial Difficulty. We occasionally modify loans to alleviate temporary difficulties in the borrowerâ€™s financial condition and/or constraints on the borrowerâ€™s ability to repay the loan, and to minimize our potential losses. We refer to these modifications as modified loans to troubled borrowers. Modifications may include changes in the amortization terms of the loan, reductions in interest rates, acceptance of interest only payments, and, in very limited cases, reductions to the outstanding loan balance. Such loans are typically placed on nonaccrual status 13Table of Contentswhen there is doubt concerning the full repayment of principal and interest or the loan has been past due for a period of 120th day for single-family loans or the 90th day for other loans or sooner if other activities have taken place such as a notice of default has been issued, or if the borrower is chronically delinquent. Such loans may be returned to accrual status when all contractual amounts past due have been brought current, and the borrowerâ€™s performance under the modified terms of the loan agreement and the ultimate collectability of all contractual amounts due under the modified terms is no longer in doubt. â€‹In March 2022, the Financial Accounting Standards Board (â€œFASBâ€) issued Accounting Standards Update (â€œASUâ€) 2022-02, â€œFinancial Instruments-Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures.â€ This ASU provides new guidance on the treatment of troubled debt restructurings (â€œTDRâ€) in relation to the adoption of the current expected credit loss methodology, or CECL model, for the accounting for credit losses (discussed below). Previous accounting guidance related to TDRs is eliminated and new disclosure requirements are adopted in regards to loan modifications made to borrowers experiencing financial difficulties under the assumption that the CECL model will capture credit losses related to TDRs. The required disclosures regarding gross write-offs for financing receivables by year of origination and loan modifications are presented under Note 3 of the Notes to Consolidated Financial Statements. Subsequent to the adoption of ASC 326, the Bank no longer reports TDRs or classifies loans as TDRs given those loans previously recognized as TDRs have been incorporated into the CECL methodology in regard to credit loss reserves as of July 1, 2023. As of June 30, 2024, there were no loan modifications for borrowers experiencing financial difficulties. â€‹Foreclosed Real Estate. Real estate acquired by the Bank as a result of foreclosure or by deed-in-lieu of foreclosure is classified as REO until it is sold. When a property is acquired, it is recorded at its fair market value less the estimated cost of sale. Subsequent declines in value are charged to operations. As of both June 30, 2024 and 2023, there was no REO property.Â In managing the real estate owned properties for quick disposition, the Bank completes the necessary repairs and maintenance to the individual properties before listing for sale, obtains new appraisals and broker price opinions (â€œBPOâ€) to determine current market listing prices, and engages local realtors who are most familiar with real estate sub-markets, among other techniques, which generally results in the quick disposition of real estate owned.â€‹Asset Classification. The OCC has adopted various regulations regarding the problem assets of savings institutions. The regulations require that each institution review and classify its assets on a regular basis. In addition, in connection with examinations of institutions, OCC examiners have the authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified as a loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. If an asset or portion thereof is classified as loss, the institution establishes an individually evaluated allowance and may subsequently charge-off the amount of the asset classified as loss. A portion of the ACL established to cover probable losses related to assets classified substandard or doubtful may be included in determining an institutionâ€™s regulatory capital. Assets that do not currently expose the institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as special mention and are closely monitored by the Bank.â€‹14Table of ContentsThe following table summarizes classified assets, which is comprised of classified loans located in California, including loans classified by the Bank as special mention, net of the ACL, and REO at the dates indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹AtÂ JuneÂ 30,Â 2024â€‹AtÂ JuneÂ 30,Â 2023(Dollars In Thousands)â€‹Balanceâ€‹Countâ€‹Balanceâ€‹Countâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Special mention loans:Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â Mortgage loans:Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Single-familyâ€‹$ 1,099Â 1â€‹$ â€”Â â€”Multi-familyâ€‹Â â€”Â â€”â€‹Â 510Â 1Total special mention loansâ€‹Â 1,099Â 1â€‹Â 510Â 1â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Substandard loans:â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â Mortgage loans:â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â Single-familyâ€‹Â 2,596Â 10â€‹Â 1,300Â 6Multi-familyâ€‹â€‹ 2,066â€‹ 3â€‹â€‹ â€”â€‹ â€”Commercial real estateâ€‹â€‹ â€”â€‹ â€”â€‹â€‹ 547â€‹ 1Total substandard loansâ€‹Â 4,662Â 13â€‹Â 1,847Â 7â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total classified loansâ€‹Â 5,761Â 14â€‹Â 2,357Â 8â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Real estate owned:â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â Single-familyâ€‹Â â€”Â â€”â€‹Â â€”Â â€”Total real estate ownedâ€‹Â â€”Â â€”â€‹Â â€”Â â€”â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total classified assetsâ€‹$ 5,761Â 14â€‹$ 2,357Â 8â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total classified assets as a percentage of total assetsâ€‹Â 0.45%Â Â Â Â â€‹Â 0.18%Â Â Â Â â€‹Not all of the Bankâ€™s classified assets are delinquent or non-performing. In determining whether the Bankâ€™s assets expose the Bank to sufficient risk to warrant classification, the Bank may consider various factors, including the payment history of the borrower, the loan-to-value ratio, the reserves of the borrower and guarantors, and the debt coverage ratio of the property securing the loan, among other factors. After consideration of these and other factors, the Bank may determine that the asset in question, though not currently delinquent, presents a risk of loss that requires it to be classified or designated as special mention. In addition, the Bankâ€™s loans held for investment may include single-family, commercial and multi-family real estate loans with a balance exceeding the current market value of the collateral which are not classified because they are performing and have borrowers and/or guarantor who have sufficient resources to support the repayment of the loan.â€‹Allowance for Credit Losses. On July 1, 2023, the Corporation adopted ASC 326 that replaced the incurred loss methodology with the current expected credit loss or CECL methodology. CECL requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and applies to financial assets measured at amortized cost, including loans held for investment, held-to-maturity investment securities and some off-balance sheet credit exposures such as unfunded loan commitments to extend credit. Financial assets measured at amortized cost are presented at the net amount expected to be collected by using an ACL. The responsibility for the review of the Bankâ€™s assets and the determination of the adequacy of the ACL lies with the Internal Asset Review Committee (â€œIAR Committeeâ€). The Bank adjusts its ACL by charging (crediting) its provision for (recovery of) credit losses against the Bankâ€™s operations.â€‹The Bank has established a methodology for the determination of the provision for credit losses. The methodology is set forth in a formal policy and takes into consideration the need for a collectively evaluated allowance for groups of homogeneous loans and an individually evaluated allowance that is tied to individual problem loans. The Bankâ€™s methodology for assessing the appropriateness of the ACL consists of several key elements.â€‹15Table of ContentsUnder ASC 326,Â the ACL is a valuation account that is deducted from the related loanâ€™s amortized cost basis to present the net amount expected to be collected on the loans. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Bankâ€™s ACL is calculated quarterly, with any difference in the calculated ACL and the recorded ACL trued-up through an entry to the provision for credit losses. Management calculates the quantitative portion of the collectively evaluated allowance for all loan categories using an average charge-off or loss rate methodology and generally evaluates collectively evaluated loans by Call Report code in order to group and determine portfolio loan segments with similar risk characteristics. The Bank primarily utilizes historical loss rates for the CECL calculation based on its own specific historical losses and/or with peer loss history where applicable. â€‹The expected loss rates are applied to expected monthly loan balances estimated through the consideration of contractual repayment terms and expected prepayments. The prepayment assumptions applied to expected cash flow over the contractual life of the loans are estimated based on historical and bank-specific experience and the consideration of current and expected conditions and circumstances including the level of interest rates. The prepayment assumptionsÂ mayÂ be updated by management in the event that changing conditions impact managementâ€™s estimate or additional historical data gathered has resulted in the need for a reevaluation.â€‹For its reasonable and supportable forecasting of current expected credit losses, the Bank utilizes a regression model using forecasted economic metrics and historical loss data. The regression model utilized upon implementation of CECL onÂ July 1, 2023,Â and as ofÂ June 30, 2024,Â relied upon reasonable and supportable 12-month forecasts of the National Unemployment Rate and change in the Real

Gross Domestic Product, after which it reverts to a historical loss rate. Management selected the National Unemployment Rate and the Real Gross Domestic Product as the drivers of the forward look component of the collectively evaluated allowance, primarily as a result of high correlation coefficients identified in regression modeling, the availability of forecasts, including the quarterly Federal Open Market Committee (â€œFOMCâ€) forecast, and the widespread familiarity of these economic metrics.â€‹Management recognizes that there are additional factors impacting risk of loss in the loan portfolio beyond what is captured in the quantitative portion of allowance on collectively evaluated loans. As current and expected conditionsÂ mayÂ vary compared with conditions over the historical lookback period, which is utilized in the calculation of the quantitative allowance, management considers whether additional or reduced allowance levels on collectively evaluated loansÂ mayÂ be warranted, given the consideration of a variety of qualitative factors. The following qualitative factors (â€œQ-factorsâ€) considered by management reflect the regulatory guidance on the Q-factors:â€‹â—Changes in the experience, ability, and depth of lending management and other relevant staff.â—Changes in the value of underlying collateral for collateral-dependent loans.â—The existence and effect of any concentrations of credit, and changes in the level of such concentrations.â—Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.â—The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.â—Changes in the volume and severity of past due loans, the volume of non-performing loans, and the volume and severity of adversely classified or graded loans.â—Changes in the quality of the Bankâ€™s loan review system.â—Changes in the nature, volume and terms of loans in the portfolio.â—Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.Â The qualitative portion of the Bankâ€™s allowance on collectively evaluated loans are calculated using management judgment, to determine risk categorizations in each of the Q-factors presented above. The amount of qualitative allowance is also contingent upon the relative weighting of the Q-factors according to managementâ€™s judgment.Â Loans that do not share similar risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date, less selling costs. 16Table of Contentsâ€‹Accrued interest receivable for loans is included in the accrued interest receivable line item on the Corporationâ€™s Consolidated Statements of Financial Condition.Â The Bank electedÂ notÂ to measure an allowance for accrued interest receivable and instead elected to reverse accrued interest income on loans that are placed on non-performing status.Â A loan is deemed non-performing when the Bank has stopped accruing interest income, or it is 90 days or more delinquent. Any outstanding interest receivable that has not been collected is reversed, disclosed accordingly; and therefore, no allowance is established. The Bank believes this policy results in the timely reversal of potentially uncollectible interest.â€‹Management believes the ACL on loans held for investment is maintained at a level sufficient to provide for expected losses on the Corporationâ€™s loans held for investment based on historical loss experience, current conditions, and reasonable and supportable forecasts. The provision for (recovery of) credit losses is charged (credited) against operations on a quarterly basis, as necessary, to maintain the ACL at appropriate levels. Future adjustments to the ACL may be necessary and results of operations could be significantly and adversely affected as a result of economic, operating, regulatory, and other conditions beyond the Corporationâ€™s control.Non-performing loans are charged-off to their fair market values in the period the loans, or portion thereof, are deemed uncollectible, generally after the loan becomes 150 days delinquent for real estate secured first trust deed loans and 120 days delinquent for commercial business or real estate secured second trust deed loans. For loans that were previously modified from their original terms, were re-underwritten and identified as modified loans, the charge-off occurs when the loan becomes 90 days delinquent; and where borrowers file bankruptcy, the charge-off occurs when the loan becomes 60 days delinquent. The amount of the charge-off is determined by comparing the loan balance to the estimated fair value of the underlying collateral, less disposition costs, with the loan balance in excess of the estimated fair value charged-off against the ACL. For modified loans that are less than 90 days delinquent, the ACL is segregated into (a) individually evaluated allowances for those loans with applicable discounted cash flow calculations still in their modification period, classified lower than pass, and containing an embedded loss component or (b) collectively evaluated allowances based on the aggregated pooling method. For non-performing loans less than 60 days delinquent where the borrower has filed bankruptcy, the collectively evaluated allowances are assigned based on the aggregated pooling method. For non-performing commercial real estate loans, an individually evaluated allowance is derived based on the loan's discounted cash flow fair value (for modified loans) or collateral fair value less estimated selling costs and if the fair value is higher than the loan balance, no allowance is required.â€‹17Table of ContentsThe following table shows certain credit ratios at and for the periods indicated and each component of the ratioâ€™s calculations:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹AtÂ orÂ ForÂ TheÂ YearÂ EndedÂ JuneÂ 30,â€‹(Dollars In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ACL on loans as a percentage of total gross loans held for investment at period endâ€‹â€‹ 0.67%Â Â â€‹ 0.55%Â Â ACL on loansâ€‹$ 7,065â€‹$ 5,946â€‹Total gross loans held for investmentâ€‹$ 1,050,846â€‹$ 1,074,164â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Non-performing loans as a percentage of net loans held for investment at period endâ€‹â€‹ 0.25%Â Â â€‹ 0.12%Â Â Total non-performing loans, netâ€‹$ 2,596â€‹$ 1,300â€‹Total loans held for investment, netâ€‹$ 1,052,979â€‹$ 1,077,629â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ACL on loans as a percentage of gross non-performing loans at period endâ€‹â€‹ 264.71%Â Â â€‹ 418.14%Â Â ACL on loansâ€‹$ 7,065â€‹$ 5,946â€‹Total gross non-performing loansâ€‹$ 2,669â€‹$ 1,422â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net recoveries (charge-offs) to average loans receivable during the period:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Mortgage loans:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Single-family:â€‹â€‹ -%Â Â â€‹ -%Â Â Net recoveriesâ€‹$ -â€‹$ 8â€‹Average loans receivableâ€‹$ 520,071â€‹$ 471,347â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Multi-family:â€‹â€‹ -%Â Â â€‹ -%Â Â Net charge-offsâ€‹$ -â€‹$ -â€‹Average loans receivableâ€‹$ 459,025â€‹$ 464,511â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercial real estate:â€‹â€‹ -%Â Â â€‹ -%Â Â Net charge-offsâ€‹$ -â€‹$ -â€‹Average loans receivableâ€‹$ 86,425â€‹$ 89,060â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Construction:â€‹â€‹ -%Â Â â€‹ -%Â Â Net charge-offsâ€‹$ -â€‹$ -â€‹Average loans receivableâ€‹$ 2,340â€‹$ 2,606â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Other:â€‹â€‹ -%Â Â â€‹ -%Â Â Net charge-offsâ€‹$ -â€‹$ -â€‹Average loans receivableâ€‹$ 99â€‹$ 111â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercial business loans:â€‹â€‹ -%Â Â â€‹ -%Â Â Net charge-offsâ€‹$ -â€‹$ -â€‹Average loans receivableâ€‹$ 1,592â€‹$ 1,290â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Consumer loans:â€‹â€‹ -%Â Â â€‹ -%Â Â Net charge-offsâ€‹$ -â€‹$ -â€‹Average loans receivableâ€‹$ 64â€‹$ 75â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total loans:â€‹â€‹ -%Â Â â€‹ -%Â Â Total net recoveriesâ€‹$ -â€‹$ 8â€‹Total average loans receivableâ€‹$ 1,069,616â€‹$ 1,029,000â€‹18Table of ContentsThe distribution of the ACL on loans at the dates indicated is summarized as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AtÂ JuneÂ 30,Â â€‹â€‹2024â€‹2023â€‹â€‹â€‹â€‹â€‹â€‹%Â ofâ€‹â€‹â€‹â€‹%Â ofâ€‹â€‹â€‹â€‹â€‹â€‹LoansÂ inâ€‹â€‹â€‹â€‹LoansÂ inâ€‹â€‹â€ In Thousands)â€‹Amountâ€‹Loansâ€‹Amountâ€‹Loansâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ Mortgage loans:Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Single-familyâ€‹$ 6,295Â 49.30%Â Â $ 1,720Â 48.30%Â Â Multi-familyâ€‹Â 595Â 42.36â€‹Â 3,270Â 42.93â€‹ Commercial real estateâ€‹Â 66Â 7.93â€‹Â 868Â 8.43â€‹ Constructionâ€‹Â 97Â 0.26â€‹Â 15Â 0.18â€‹ Otherâ€‹Â 1Â 0.01â€‹Â 2Â 0.01â€‹ Commercial business loansâ€‹Â 11Â 0.13â€‹Â 67Â 0.14â€‹ Consumer loansâ€‹Â â€”Â 0.01â€‹Â 4Â 0.01â€‹ Total ACLâ€‹$ 7,065Â 100.00%Â Â $ 5,946Â 100.00%Â Â â€‹â€‹Investment Securities Activitiesâ€‹Federally chartered savings institutions are permitted under federal and state laws to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies and government sponsored enterprises and of state and municipal governments, deposits at the FHLB, certificates of deposit of federally insured institutions, certain bankersâ€™ acceptances, mortgage-backed securities and federal funds. Subject to various restrictions, federally chartered savings institutions may also invest a portion of their assets in commercial paper and corporate debt securities.Â â€‹The investment policy of the Bank, established by the Board of Directors and implemented by the Bankâ€™s Asset-Liability Committee, seeks to provide and maintain adequate liquidity, complement the Bankâ€™s lending activities, and generate a favorable return on investment without incurring undue interest rate risk or credit risk. Investments are made based on certain considerations, such as credit quality, yield, maturity, liquidity and marketability. The Bank also considers the effect that the proposed investment would have on the Bankâ€™s risk-based capital requirements and interest rate risk sensitivity.â€‹At June 30, 2024 and 2023, the Bankâ€™s investment securities portfolio was $131.9 million and $156.6 million, respectively, which primarily consisted of federal agency and GSE obligations. The Bank did not purchase any investment securities during fiscal 2024 and 2023. At June 30, 2024 and 2023, the Bankâ€™s securities portfolio did not contain securities of any issuer with an aggregate book value in excess of 10% of our equity capital, excluding those issued by the United States government or its agencies or a GSE.â€‹19Table of ContentsThe following table sets forth the composition of the Bankâ€™s investment portfolio at the dates indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹AtÂ JuneÂ 30,Â â€‹â€‹20242023â€‹Â Â Â Â â€‹â€‹Â Â Â Â EstimatedÂ Â Â Â â€‹Â Â Â Â â€‹â€‹Â Â Â Â EstimatedÂ Â Â Â â€‹Â Â Â Â â€‹â€‹Amortizedâ€‹Fairâ€‹â€‹â€‹Amortizedâ€‹Fairâ€‹â€‹â€‹(Dollars In Thousands)â€‹Costâ€‹Valueâ€‹Percentâ€‹Costâ€‹Valueâ€‹Percentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Held to maturity securities:Â â€‹Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â â€‹Â Â Â Â Â Â U.S. government sponsored enterprise MBS(1)â€‹$ 125,883â€‹$ 110,478Â 95.04%Â Â $ 149,803â€‹$ 131,344Â 95.39%Â Â U.S. government sponsored enterprise CMO(2)â€‹â€‹ 3,713â€‹â€‹ 3,460â€‹ 2.97â€‹â€‹ 3,883â€‹â€‹ 3,547â€‹ 2.58â€‹U.S. SBA securities(3)â€‹Â 455â€‹Â 455Â 0.39â€‹Â 651â€‹Â 650Â 0.47â€‹Total investment securities - held to maturityâ€‹$ 130,051â€‹$ 114,393Â 98.40%Â Â $ 154,337â€‹$ 135,541Â 98.44%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Available for sale securities:â€‹Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â â€‹Â Â Â Â Â Â â€‹U.S. government agency MBS(1)â€‹$ 1,222â€‹$ 1,208Â 1.04%Â Â $ 1,417â€‹$ 1,370Â 0.99%Â Â U.S. government sponsored enterprise MBS(1)â€‹Â 548â€‹Â 553Â 0.48â€‹Â 697â€‹Â 683Â 0.50â€‹Private issue CMO(2)â€‹Â 91â€‹Â 88Â 0.08â€‹Â 103â€‹Â 102Â 0.07â€‹Total investment securities - available for saleâ€‹$ 1,861â€‹$ 1,849Â 1.60%Â Â $ 2,217â€‹$ 2,155Â 1.56%Â Â Total investment securitiesâ€‹$ 131,912â€‹$ 116,242Â 100.00%Â Â $ 156,554â€‹$ 137,696Â 100.00%Â Â â€‹(1)Mortgage-backed securities (â€œMBSâ€)(2)Collateralized mortgage obligations (â€œCMOâ€)(3)Small Business Administration ("SBA")â€‹The following table sets forth the outstanding balance, maturity and weighted average yield of the investment securities at June 30, 2024. The weighted average yields were calculated by multiplying each carrying value by its yield and dividing the sum of these results by the total carrying values.â€‹ â€‹â€‹DueÂ inâ€‹Dueâ€‹â€‹â€‹Dueâ€‹â€‹â€‹Dueâ€‹â€‹â€‹â€‹â€‹Â â€‹â€‹OneÂ Yearâ€‹AfterÂ OneÂ toâ€‹â€‹â€‹AfterÂ FiveÂ toâ€‹â€‹â€‹Afterâ€‹â€‹â€‹â€‹â€‹Â â€‹â€‹orÂ Lessâ€‹FiveÂ Yearsâ€‹â€ in Thousands)â€‹Amountâ€‹Yield â€‹Amountâ€‹Yield â€‹Amountâ€‹Yield â€‹Amountâ€‹Yield â€‹Amountâ€‹Yield Â Held to maturity securities:Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â â€‹U.S. government sponsored enterprise MBSâ€‹$ 349Â 2.52%Â Â $ 3,390Â 2.95%Â Â $ 49,331Â 1.27%Â Â $ 72,813Â 1.67%Â Â $ 125,883Â 1.55%U.S. government sponsored enterprise CMOâ€‹â€‹ â€”â€‹ â€”â€‹â€‹ 938â€‹ 2.70â€‹â€‹ â€”â€‹ â€”â€‹â€‹ 2,775â€‹ 1.97â€‹â€‹ 3,713â€‹ 2.16â€‹U.S. SBA securitiesâ€‹Â â€”Â â€”â€‹Â â€”Â â€”â€‹Â â€”Â â€”â€‹Â 455Â 5.85â€‹Â 455Â 5.85â€‹Total investment securities - held to maturityâ€‹$ 349Â 2.52%Â Â $ 4,328Â 2.89%Â Â $ 49,331Â 1.27%Â Â $ 76,043Â 1.71%Â Â $ 130,051Â 1.58%â€‹Available for sale securities:â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹U.S. government agency MBSâ€‹$ â€”Â â€”%Â Â $ â€”Â â€”%Â Â $ 466Â 4.13%Â Â $ 742Â 3.75%Â Â $ 1,208Â 3.89%U.S. government sponsored enterprise MBSâ€‹Â â€”Â â€”â€‹Â â€”Â â€”â€‹Â 499Â 6.50â€‹Â 54Â 7.44â€‹Â 553Â 6.59â€‹Private issue CMOâ€‹Â â€”Â â€”â€‹Â â€”Â â€”â€‹Â 88Â 6.17â€‹Â â€”Â â€”â€‹Â 88Â 6.17â€‹Total investment securities - available for saleâ€‹$ â€”Â â€”%Â Â $ â€”Â â€”%Â Â $ 1,053Â 5.42%Â Â $ 796Â 4.00%Â Â $ 1,849Â 4.81%Total investment securitiesâ€‹$ 349Â 2.52%Â Â $ 4,328Â 2.89%Â Â $ 50,384Â 1.36%Â Â $ 76,839Â 1.73%Â Â $ 131,900Â 1.63%â€‹The actual maturity and yield for MBS and CMO may differ from the stated maturity and stated yield due to scheduled amortization, prepayments and acceleration of premium amortization or discount accretion.â€‹20Table of Contentsâ€‹As of JuneÂ 30,Â 2024â€‹Unrealized Holding Lossesâ€‹Unrealized Holding Lossesâ€‹Unrealized Holding Losses(In Thousands)â€‹Less Than 12 Monthsâ€‹12 Months or Moreâ€‹Totalâ€‹â€‹Fairâ€‹Unrealizedâ€‹Fairâ€‹Unrealizedâ€‹Fairâ€‹UnrealizedDescription of SecuritiesÂ Â Â Â ValueÂ Â Â Â LossesÂ Â Â Â ValueÂ Â Â Â LossesÂ Â Â Â ValueÂ Â Â Â LossesHeld to maturityâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S. government sponsored enterprise MBSâ€‹$ â€”â€‹$ â€”â€‹$ 105,530â€‹$ 15,481â€‹$ 105,530â€‹$ 15,481U.S. government sponsored enterprise CMOâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 3,460â€‹â€‹ 253â€‹â€‹ 3,460â€‹â€‹ 253U.S. SBA securitiesâ€‹â€‹ 455â€‹$ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 455â€‹â€‹ â€”Total investment securities - held to maturityâ€‹â€‹ 455â€‹â€‹ â€”â€‹â€‹ 108,990â€‹â€‹ 15,734â€‹â€‹ 109,445â€‹â€‹ 15,734â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Available for saleâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S government agency MBSâ€‹â€‹ 91â€‹â€‹ â€”â€‹â€‹ 1,117â€‹â€‹ 14â€‹â€‹ 1,208â€‹â€‹ 14U.S. government sponsored enterprise MBSâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 8â€‹â€‹ â€”â€‹â€‹ 8â€‹â€‹ â€”Private issue CMOâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 88â€‹â€‹ 3â€‹â€‹ 88â€‹â€‹ 3Total investment securities - available for saleâ€‹â€‹ 91â€‹â€‹ â€”â€‹â€‹ 1,213â€‹â€‹ 17â€‹â€‹ 1,304â€‹â€‹ 17Total investment securitiesâ€‹$ 546â€‹$ â€”â€‹$ 110,203â€‹$ 15,751â€‹$ 110,749â€‹$ 15,751â€‹The Bank evaluates individual investment securities quarterly for impairment based on ASC 326 since the adoption on July 1, 2023.Â At June 30, 2024, the Bank reported $15.8 million of unrealized holding losses, which were in a loss position for 12 months or more. The unrealized losses on investment securities were attributable to changes in interest rates relative to when the investment securities were purchased and not due to the credit quality of the investment securities, which are predominately GSE securities that are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. Therefore, the Corporation has determined that the unrealized losses are due to the fluctuating nature of interest rates, and not related to any potential credit risks within the investment portfolio. The Bank does not currently intend to sell any investment securities classified as held to maturity or available for sale and as such, records the investment security at book value or fair market value as prescribed by accounting principles generally accepted in the U.S. ("U.S. GAAP."). As a part of the Bankâ€™s monthly risk assessment, it runs a number of stressed liquidity scenarios to determine if it is more likely than not that the Bank will be required to sell the investment security before the recovery of its amortized costs basis. These liquidity scenarios support the Bankâ€™s assessment that it has the ability to hold these held to maturity securities until maturity or available for sale securities until recovery of the amortized costs is realized and it is not more likely than not that the Bank will be required to sell the securities prior to recovery of the amortized costs. There were no ACL on investment securities held to maturity and there was no impairment on investment securities available for sale at the adoption date of ASC 326 on July 1, 2023 and at June 30, 2024.â€‹At June 30, 2024 and 2023, the Corporation did not hold any investment securities held to maturity or investment securities available for sale with the intent to sell and determined it had the ability to hold these investment securities until maturity. As previously discussed, it also determined that it was more likely than not that the Bank would not be required to sell the securities prior to recovery of the amortized cost basis; therefore, no impairment losses were recorded on investment securities available for sale and investment securities held to maturity for the fiscal years ended June 30, 2024 and 2023.â€‹â€‹Deposit Activities and Other Sources of Fundsâ€‹General. Deposits and loan repayments are the major sources of the Bankâ€™s funds for lending and other investment purposes. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows are influenced significantly by general interest rates and money market conditions. Borrowings through the FHLB â€“ San 21Table of ContentsFrancisco, Federal Reserve Bank (â€œFRBâ€) of San Francisco and the correspondent bank may be used to compensate for declines in the availability of funds from other sources.â€‹Deposit Accounts. Substantially all of the Bankâ€™s depositors are residents of the State of California. Deposits are attracted from within the Bankâ€™s market area by offering a broad selection of deposit instruments, including checking, savings, money market and time deposit accounts.Â Deposit account terms vary, differentiated by the minimum balance required, the time periods that the funds must remain on deposit and the interest rate, among other factors. In determining the terms of its deposit accounts, the Bank considers current interest rates, profitability to the Bank, interest rate risk characteristics, competition and its customersâ€™ preferences and concerns. Generally, the Bankâ€™s deposit rates are commensurate with the median rates of its competitors within a given market. The Bank may occasionally pay above-market interest rates to attract or retain deposits when less expensive sources of funds are not available.Â The Bank may also pay above-market interest rates in specific markets in order to increase the deposit base of a particular office or group of offices. The Bank reviews its deposit composition and pricing on a weekly basis.â€‹The Bank generally offers time deposits for terms not exceeding seven years.Â As illustrated in the following table, time deposits represented approximately 31% of the Bankâ€™s deposit portfolio at June 30, 2024, compared to approximately 23% at June 30, 2023.Â The time deposits included $131.8 million and $106.4 million of brokered certificates of deposit at June 30, 2024 and 2023, respectively.Â At June 30, 2024, the Bank had related party deposits of approximately $6.3 million, compared to $8.1 million at June 30, 2023. For additional information, see Item 7, â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ in this Form 10-K.â€‹The following table sets forth information concerning the Bankâ€™s weighted average interest rate of deposits at June 30, 2024:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weighted Â Â Â â€‹Â Â Â Â â€‹Â Â Â Â â€‹Minimum Â Â Â â€‹â€‹Â Â Â Â PercentageÂ Averageâ€‹â€‹â€‹â€‹â€‹Amountâ€‹Balanceâ€‹ofÂ Total Rateâ€‹Â OriginalÂ Termâ€‹DepositÂ Â AccountÂ Typeâ€‹(In Thousands)â€‹(InÂ Thousands)â€‹DepositsÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Transaction accounts:Â â€‹Â Â Â â€‹Â Â Â Â Â Â â€‹â€"%â€‹N/AÂ Checking accounts â€" noninterest-bearingâ€‹$ â€"â€‹$ 95,627Â 10.77%0.04%â€‹N/AÂ Checking accounts â€" interest-bearingâ€‹$ â€"â€‹Â 254,624Â 28.66â€‹0.18%â€‹N/AÂ Savings accountsâ€‹$ â€"â€‹Â 238,878Â 26.89â€‹0.50%â€‹N/AÂ Money market accountsâ€‹$ â€"â€‹Â 25,324Â 2.85â€‹Â Time deposits:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹4.55%â€‹30 days or lessÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 1,713Â 0.19â€‹2.34%â€‹31 to 90 daysÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 2,856Â 0.32â€‹4.08%â€‹91 to 180 daysÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 24,572Â 2.77â€‹3.81%â€‹181 to 365 daysÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 71,688Â 8.07â€‹4.61%â€‹Over 1 to 2 yearsÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 144,636Â 16.28â€‹0.65%â€‹Over 2 to 3 yearsÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 10,234Â 1.15â€‹0.73%â€‹Over 3 to 5 yearsÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 15,182Â 1.71â€‹0.84%â€‹Over 5 to 10 yearsÂ Fixed-term, fixed rateâ€‹$ 1â€‹Â 3,014Â 0.34â€‹1.29%â€‹Â Â Â Â Â â€‹Â Â Â â€‹$ 888,348Â 100.00%â€‹22Table of ContentsDeposit Flows. The following table sets forth the balances (inclusive of interest credited) and changes in the dollar amount of deposits in the various types of accounts offered by the Bank at and between the dates indicated:â€‹AtÂ JuneÂ 30,Â â€‹â€‹2024â€‹2023â€‹â€‹â€‹â€‹â€‹Percentâ€‹â€‹â€‹â€‹â€‹â€‹Percentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ofâ€‹I In Thousands)â€‹Amountâ€‹Totalâ€‹(Decrease)â€‹Amountâ€‹Totalâ€‹(Decrease)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Checking accounts â€" noninterest-bearingÂ Â Â Â $ 95,627Â Â Â Â 10.77%Â Â $ (7,379)Â Â Â Â $ 103,006Â Â Â Â 10.84%Â Â $ (22,083)Checking accounts â€" interest-bearingâ€‹Â 254,624Â 28.66â€‹Â (48,248)â€‹Â 302,872Â 31.86â€‹Â (32,916)Savings accountsâ€‹Â 238,878Â 26.89â€‹Â (51,326)â€‹Â 290,204Â 30.53â€‹Â (43,377)Money market accountsâ€‹Â 25,324Â 2.85â€‹Â (8,227)â€‹Â 33,551Â 3.53â€‹Â (6,346)Time deposits:(1)â€‹Â Â Â Â Â Â Â â€‹Â Â Â â€‹Â Â Â Â Â Â Â â€‹Â Â Â Fixed-term, fixed rate which mature:â€‹Â Â Â Â Â Â Â â€‹Â Â Â â€‹Â Â Â Â Â Â Â â€‹Â Â Â Within one yearâ€‹Â 245,713Â 27.66â€‹Â 79,212â€‹Â 166,501Â 17.51â€‹Â 87,857Over one to two yearsâ€‹Â 19,604Â 2.21â€‹Â (17,458)â€‹Â 37,062Â 3.90â€‹Â 16,462Over two to five yearsâ€‹Â 7,324Â 0.82â€‹Â (8,245)â€‹Â 15,569Â 1.64â€‹Â (5,059)Over five yearsâ€‹Â 1,254Â 0.14â€‹Â (552)â€‹Â 1,806Â 0.19â€‹Â 529Total(2)â€‹$ 888,348Â 100.00%Â Â $ (62,223)â€‹$ 950,571Â 100.00%Â Â $ (4,933)â€‹(1)Includes brokered certificates of deposit of $131.8 million and $106.4 million at June 30, 2024 and 2023, respectively.(2)Includes uninsured deposits of approximately $122.7 million and $140.1 million at June 30, 2024 and 2023, respectively. The amounts of uninsured deposits are based on estimated amounts of uninsured deposits as of the reported period. Such estimates are based on the same methodologies and assumptions used for regulatory reporting requirements.â€‹Time Deposits by Rates. The following table sets forth the aggregate balance of time deposits categorized by interest rates at the dates indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹AtÂ JuneÂ 30,Â (Dollars In Thousands)â€‹2024â€‹2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹Below 1.00%â€‹$ 54,668Â Â Â Â $ 71,2111.00 to 1.99%â€‹Â 6,190â€‹Â 12,4092.00 to 2.99%â€‹Â 424â€‹Â 14,5723.00 to 3.99%â€‹Â 6,447â€‹Â 13,4454.00 to 4.99%â€‹â€‹ 111,996â€‹â€‹ 57,4375.00 to 5.99%â€‹â€‹ 94,170â€‹â€‹ 51,864Totalâ€‹$ 273,895â€‹$ 220,938â€‹23Table of ContentsTime Deposits by Remaining Maturity. The following table sets forth the aggregate dollar amount of time deposits at June 30, 2024, differentiated by interest rates and remaining maturity:â€‹Â Â Â Â â€‹â€‹Â Â Â Â OverÂ OneÂ Â Â Â OverÂ TwoÂ Â Â Â OverÂ ThreeÂ Â Â Â AfterÂ Â Â Â â€‹â€‹â€‹â€‹OneÂ Year In Thousands)â€‹orÂ Lessâ€‹TwoÂ Yearsâ€‹ThreeÂ Yearsâ€‹FourÂ Yearsâ€‹Yearsâ€‹Totalâ€‹Below 1.00 %â€‹$ 33,130â€‹$ 13,204â€‹$ 3,628â€‹$ 1,896â€‹$ 2,810â€‹$ 54,6681.00 to 1.99 %â€‹Â 4,837â€‹Â 1,109â€‹Â 151â€‹Â â€"â€‹Â 93â€‹Â 6,1902.00 to 2.99 %â€‹Â 356â€‹Â 68â€‹Â â€"â€‹Â â€"â€‹Â â€"â€‹Â 4243.00 to 3.99%â€‹â€‹ 6,447â€‹â€‹ â€"â€‹â€‹ â€"â€‹â€‹ â€"â€‹â€‹ â€"â€‹â€‹ 6,4474.00 to 4.99%â€‹â€‹ 111,773â€‹â€‹ 223â€‹â€‹ â€"â€‹â€‹ â€"â€‹â€‹ â€"â€‹â€‹ 111,9965.00 to 5.99%â€‹â€‹ 89,170â€‹â€‹ 5,000â€‹â€‹ â€"â€‹â€‹ â€"â€‹â€‹ â€"â€‹â€‹ 94,170Totalâ€‹$ 245,713â€‹$ 19,604â€‹$ 3,779â€‹$ 1,896â€‹$ 2,903â€‹$ 273,895â€‹Time Deposits Insurance Coverage by the FDIC. The following tables set forth the time deposit FDIC insurance coverage by account and remaining maturity at the dates indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AtÂ JuneÂ 30,Â 2024Maturity PeriodÂ Â Â Â InsuredUninsuredTotal(In Thousands)Â â€‹Â Â â€‹Â Â â€‹Â Â Three months or lessâ€‹$ 58,386$ 8,470$ 66,856Over three to six monthsâ€‹Â 72,995Â 8,576Â 81,571Over six to twelve monthsâ€‹Â 93,014Â 4,272Â 97,286Over twelve monthsâ€‹Â 25,715Â 2,467Â 28,182Totalâ€‹$ 250,110$ 23,785$ 273,895â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AtÂ JuneÂ 30,Â 2023Maturity PeriodÂ Â Â Â InsuredUninsuredTotal(In Thousands)Â â€‹Â Â â€‹Â Â â€‹Â Â Three months or lessâ€‹$ 55,317$ 1,849$ 57,166Over three to six monthsâ€‹Â 52,583Â 4,292Â 56,875Over six to twelve monthsâ€‹Â 49,829Â 2,631Â 52,460Over twelve monthsâ€‹Â 49,669Â 4,768Â 54,437Totalâ€‹$ 207,398$ 13,540$ 220,938â€‹DepositÂ Activity. The following table sets forth the deposit activity of the Bank at and for the periods indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹AtÂ orÂ ForÂ theÂ Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹Beginning balanceâ€‹$ 950,571â€‹$ 955,504â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net deposits before interest creditedâ€‹Â (71,889)â€‹Â (8,079)Interest creditedâ€‹Â 9,666â€‹Â 3,146Net (decrease) increase in deposits â€‹Â (62,223)â€‹Â (4,933)â€‹â€‹â€‹â€‹â€‹â€‹â€‹Ending balanceâ€‹$ 888,348â€‹$ 950,571â€‹â€‹â€‹24Table of ContentsBorrowings. The FHLB â€" San Francisco functions as a central reserve bank providing credit for member financial institutions. As a member, the Bank is required to own capital stock in the FHLB â€" San Francisco and is authorized to apply for advances using such stock and certain of its mortgage loans and other assets (principally investment securities) as collateral, provided certain creditworthiness standards have been met. Advances are made pursuant to several different credit programs. Each credit program has its own interest rate, maturity, terms and conditions. Depending on the program, limitations on the amount of advances are based on the financial condition of the member institution and the adequacy of collateral pledged to secure the credit. The Bank utilizes advances from the FHLB â€" San Francisco as an alternative to deposits to supplement its supply of lendable funds, to meet deposit withdrawal requirements and to help manage interest rate risk. The FHLB â€" San Francisco has served as the Bankâ€™s primary borrowing source. â€‹As of June 30, 2024, the FHLB â€" San Francisco borrowing capacity was limited to 40% of the Bankâ€™s total assets, amounting to $516.0 million, as compared to $534.1 million at June 30, 2023.Â Advances from the FHLB â€" San Francisco are typically secured by the Bankâ€™s single-family residential, multi-family and commercial real estate mortgage loans. Total mortgage loans pledged to the FHLB â€" San Francisco were $774.1 million at June 30, 2024 as compared to $967.6 million at June 30, 2023.Â In addition, the Bank pledged investment securities totaling $3.9 million and $4.2 million at June 30, 2024 and 2023, respectively, to collateralize its FHLB â€" San Francisco advances under the Securities-Backed Credit (â€œSBCâ€) facility.Â At June 30, 2024 and 2023, the Bank had $238.5 million and $235.0 million of outstanding borrowings from the FHLB â€" San Francisco with a weighted average interest rate of 4.88% and 4.34%, respectively. At June 30, 2024, the outstanding borrowings mature between 2024 and 2028 with a weighted average maturity of 13 months. â€‹In addition to the total borrowings mentioned above, the Bank utilized its borrowing facility for letters of credit and credit enhancement for loans previously sold to the FHLB â€" San Francisco under the Mortgage Partnership Finance (â€œMPFâ€) program which have a recourse liability. The letters of credit are used to collateralize the local agency deposits. The outstanding letters of credit were $16.0 million and $11.0 million at June 30, 2024 and 2023; while the outstanding MPF credit enhancement was $216,000 at both June 30, 2024 and 2023.Â As of June 30, 2024 and 2023, the remaining financing availability through the FHLB â€" San Francisco was $261.3 million and $287.9 million, with remaining available collateral of $367.4 million and $468.6 million, respectively. â€‹As of June 30, 2024 and 2023, the Bank also had secured a discount window facility of $208.6 million and $139.0 million at the FRB of San Francisco, respectively. As of June 30, 2024, the Bank collateralized $126.6 million of investment securities and $178.6 million of loans held for investment. This compared to a total of $150.3 million of investment securities collateralized under the discount window facility at June 30, 2023. As of June 30, 2024 and 2023, there were no outstanding borrowings under the discount window facility at both dates.â€‹At June 30, 2024 and 2023, the Bank also has a federal funds facility with its correspondent bank for $50.0 million, which matures annually on June 30th. As of June 30, 2024 and 2023, there were no outstanding borrowings under the federal funds facility with the correspondent bank at both dates.â€‹As a member of the FHLB â€" San Francisco, the Bank is required to maintain a minimum investment in FHLB â€" San Francisco stock. The Bank held the required investment in stock at June 30, 2024 and 2023 of $9.6 million and $9.5 million with no excess investment, respectively.â€‹During fiscal 2024 and 2023, the Bank purchased FHLB â€" San Francisco capital stock totaling $63,000 and $1.3 million, respectively, and did not redeem any of the capital stock during both periods. In fiscal 2024 and 2023, the FHLB â€" San Francisco distributed cash dividends to the Bank totaling $793,000 and $556,000, respectively.â€‹â€‹Subsidiary Activitiesâ€‹Federal savings institutions generally may invest up to 3% of their assets in service corporations, provided that at least one-half of any amount in excess of 1% is used primarily for community, inner-city and community development projects. The Bankâ€™s investment in its service corporations did not exceed these limits at June 30, 2024 and 2023.â€‹25Table of ContentsThe Bank has three wholly owned subsidiaries: PFC, Profed Mortgage, Inc., and First Service Corporation. PFCâ€™s current activities include: (i) acting as trustee for the Bankâ€™s real estate transactions and (ii) holding real estate for investment, if any. Profed Mortgage, Inc and First Service Corporation are currently inactive. In fiscal 2024 and 2023, the Bank contributed capital of $0 and $10,000 to PFC, respectively. At June 30, 2024 and 2023, the Bankâ€™s investment in all its combined subsidiaries totaled $8,000 and $13,000, respectively.â€‹â€‹REGULATIONâ€‹The following is a brief description of certain laws and regulations which are applicable to the Corporation and the Bank. The description of these laws and regulations, as well as descriptions of laws and regulations contained elsewhere herein, does not purport to be complete and is qualified in its entirety by reference to the applicable laws and regulations. Legislation is introduced from time to time in the United States Congress (â€œCongressâ€) that may affect the Corporationâ€™s and the Bankâ€™s operations. In addition, the regulations governing the Corporation and the Bank may be amended from time to time by the OCC, FDIC, FRB and SEC, as appropriate. Any such legislation or regulatory changes in the future could adversely affect the operations and financial condition of the Corporation and the Bank. The Bank cannot predict whether any such changes may occur.â€‹Generalâ€‹The Bank, as a federally chartered savings institution, is subject to extensive regulation, examination and supervision by the OCC, as its primary federal regulator, and the FDIC, as its insurer of deposits. The Bank's relationship with its depositors and borrowers is regulated by federal consumer protection laws, which must be complied with by the Bank. The Bank is a member of the FHLB System and its deposits are insured up to applicable limits by the FDIC. The Bank must file reports with the OCC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. There are periodic examinations by the OCC to evaluate the Bankâ€™s safety and soundness and compliance with various regulatory requirements.Â This regulatory structure establishes a comprehensive framework of activities in which the Bank may engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate allowance for credit loss for regulatory purposes. Any change in such policies, whether by the OCC, the FRB, the FDIC or Congress, could have a material adverse impact on the Corporation and the Bank and their operations. The Corporation, as a savings and loan holding company, is required to file certain reports with, is subject to examination by, and otherwise must comply with the rules and regulations of the FRB, its primary regulator. The Corporation is also subject to the rules and regulations of the SEC under the federal securities laws. For additional information, see â€œSavings and Loan Holding Company Regulationsâ€ below in this Form 10-K.â€‹Set forth below is a brief description of material regulatory requirements that are applicable to the Bank and the Corporation. The description is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on the Bank and the Corporation.â€‹Federal Regulation of Savings Institutionsâ€‹Office of the Comptroller of the Currency. The OCC has extensive authority over the operations of federal savings institutions. As part of this authority, the Bank is required to file periodic reports with the OCC and is subject to periodic examinations by the OCC. The OCC also has extensive enforcement authority over all federal savings institutions, including the Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease-and-desist or removal orders and initiate prompt corrective action orders. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OCC. Except under certain circumstances, public disclosure of final enforcement actions by the OCC is required by law.â€‹All federal savings institutions must pay assessments to the OCC, to fund the agencyâ€™s operations. The general assessments, paid on a semi-annual basis, are determined based on the savings institutionâ€™s total assets, including 26Table of Contentsconsolidated subsidiaries. The Bankâ€™s OCC annual assessments for the fiscal years ended June 30, 2024 and 2023 were $179,000 and $198,000, respectively.â€‹The Bank's general permissible lending limit for loans to one borrower is equal to the greater of $500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus).Â The Bankâ€™s limits on loans to one borrower or group of related borrowers at June 30, 2024 and 2023 were $20.1 million and $19.8 million, respectively. At June 30, 2024, the Bankâ€™s largest lending relationship to a single borrower or group of borrowers consisted of four multi-family loans totaling $5.0 million, which were performing according to their original payment terms.â€‹Effective July 1, 2019, the OCC issued a final rule implementing a section of the Economic Growth, Regulatory Relief and Consumer Protection Act (â€œEGRRCPAâ€) which permits an eligible federal savings bank with assets of $20.0 billion or less as of December 31, 2017 to elect to operate with the business powers of a national bank, generally subject to the same limitations and restrictions, without converting to a national bank charter. A federal savings bank that makes the so-called â€œcovered savings associationâ€ election must divest any activities or investments that are not permitted for a national bank. The Bank had not made such an election as of June 30, 2024.â€‹Federal Home Loan Bank System. The Bank is a member of the FHLB â€" San Francisco, which is one of 11 regional FHLBs,Â each of which serves as a reserve or central bank for its members within its assigned region. The FHLB - San Francisco is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans or advances to members in accordance with policies and procedures, established by the Board of Directors of the FHLB, which are subject to the oversight of the Federal Housing Finance Agency. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB - San Francisco. At June 30, 2024 and 2023, the Bank had $238.5 million and $235.0 million of outstanding advances, respectively, from the FHLB â€" San Francisco with a remaining available credit facility of $261.3 million and $287.9 million, respectively, based on 40% of total assets for both dates, which is limited to available collateral. For additional information, see â€œBusiness â€" Deposit Activities and Other Sources of Funds â€" Borrowingsâ€ above in this Form 10-K.â€‹As a member of the FHLB - San Francisco, the Bank is required to purchase and maintain stock in the FHLB â€" San Francisco. At June 30, 2024 and 2023, the Bank held $9.6 million and $9.5 million of FHLB - San Francisco stock, respectively, which were in compliance with this membership requirement. During fiscal 2024 and 2023, the Bank was required to purchase $63,000 and $1.3 million of FHLB â€" San Francisco capital stock, respectively, and the Bank did not redeem any capital stock during both periods.Â In fiscal 2024 and 2023, the FHLB â€" San Francisco distributed cash dividends to the Bank totaling $793,000 and $556,000, respectively. There is no guarantee in the future that the FHLB â€" San Francisco will pay cash dividends or redeem excess capital stock held by its members.â€‹Under federal law, the FHLB - San Francisco is required to contribute to low and moderately priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low and moderate income housing projects. These contributions have in the past adversely affected the level of dividends paid by the FHLB - San Francisco and could continue to do so in the future. These contributions also could have an adverse effect on the value of FHLB - San Francisco stock in the future. A reduction in value of the Bankâ€™s FHLB - San Francisco stock may result in a corresponding reduction in the Bankâ€™s capital.â€‹Insurance of Accounts and Regulation by the FDIC. The Deposit Insurance Fund (â€œDIFâ€) of the FDIC insures deposits up to $250,000 per account owner as defined by the FDIC, backed by the full faith and credit of the United States. As an insurer, the FDIC imposes deposit insurance premiums in the form of assessments to maintain the DIF and is authorized to conduct examinations of and to require reporting by FDIC insured institutions. On October 18, 2022, the FDIC adopted a final rule to increase its initial base insurance assessment rate schedules by two basis points to improve the likelihood that the reserve ratio of the DIF would be restored to at least 1.35% by September 30, 2028. The revised assessment rate schedules became effective January 1, 2023, with the first invoice payment date of June 30, 2023 for the assessment period of January 1, 2023 through March 31, 2023. The Bankâ€™s FDIC annual assessments for the fiscal years ended June 30, 2024 and 2023 were $601,000 and $459,000, respectively.â€‹27Table of ContentsUnder the FDICâ€™s risk-based assessment system, institutions deemed less likely to fail pay lower assessments. Assessments for institutions of less than $10 billion in assets are based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of an institutionâ€™s failure within three years.â€‹The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. We cannot predict what assessment rates will be in the future.â€‹Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of any practice, condition or violation that may lead to termination of the Bankâ€™s deposit insurance.â€‹Qualified Thrift Lender Test. Like all savings institutions (subject to a narrow exception not applicable to the Bank), the Bank is required to meet a qualified thrift lender (â€œQTLâ€) test to avoid certain restrictions on its operations. This test requires a savings institution to have at least 65% of its total assets as defined by regulation, in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis. As an alternative, a savings institution may maintain 60% of its assets in those assets specified in Section 7701(a)(19) of the Internal Revenue Code of 1986 (â€œCodeâ€), as amended. Under either test, such assets primarily consist of residential housing related loans and investments.â€‹Any savings institution that fails to meet the QTL test is subject to certain operating restrictions and may be required to convert to a national bank charter, and a savings and loan holding company of such an institution may become regulated as a bank holding company. As of June 30, 2024 and 2023, the Bank maintained 92.3% and 92.1% of its portfolio assets in qualified thrift investments, respectively, and therefore, met the qualified thrift lender test at both dates. During fiscal 2024 and 2023, the Bank was in compliance with the QTL test as of each month end.â€‹Capital Requirements.Â Federally insured savings institutions, such as the Bank, are required by the OCC to maintain minimum levels of regulatory capital, including a Tier 1 capital to adjusted average assets leverage ratio, a common equity Tier 1 (â€œCET1â€) to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio and a total capital to risk-based assets ratio. The capital standards require the maintenance of the following minimum capital ratios: (i) a Tier 1 leverage ratio of 4%, (ii) a CET1 capital ratio of 4.5%; (iii) a Tier 1 capital ratio of 6%; and (iv) a total capital ratio of 8%.â€‹Mortgage servicing assets and deferred tax assets over designated percentages of CET1 are also deducted from capital. In addition, Tier 1 capital includes accumulated other comprehensive income, which includes all unrealized gains and losses on available for sale debt securities and interest-only strips. Because of the Bankâ€™s asset size, the Bank was given a one-time option to permanently opt-out of the inclusion of unrealized gains and losses on available for sale debt securities and interest-only strips in its capital calculations. The Bank elected to exercise this option to opt-out in order to reduce the impact of market volatility on its regulatory capital levels.â€‹The Bank also must maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum risk-based capital levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses. If the Bank does not have the ability to pay dividends to the Corporation, the Corporation may be limited in its ability to pay dividends to its stockholders.â€‹In order to be considered well-capitalized under the prompt corrective action regulations, the Bank must maintain a minimum Tier 1 leverage capital ratio of 5%, a CET1 risk-based capital ratio of 6.5%, a Tier 1 risk-based capital ratio of 8% and a total risk-based capital ratio of 10% and the Bank must not be subject to certain mandates by the OCC requiring it as an individual institution to meet any specified capital level. â€‹EGRRCPA required the federal banking agencies, including the OCC, to establish a â€œcommunity bank leverage ratioâ€ of between 8% and 10% for institutions with assets of less than $10.0 billion. Institutions with a capital level at or exceeding the ratio and otherwise meeting the specified requirements, and electing the alternative framework, are considered to comply with the applicable regulatory capital requirements, including the risk-based requirements. Final rules issued by the agencies established the community bank leverage ratio at 9% of Tier 1 capital to adjusted average assets, effective January 1, 2020. A qualifying institution may opt in or out of the community bank leverage ratio framework on its quarterly Call Report. An institution that temporarily ceases to meet any qualifying criteria is provided with a two quarter grace 28Table of Contentsperiod to regain compliance. Failure to meet the qualifying criteria within the grace period or maintain a leverage ratio of 8% or greater requires the institution to comply with the generally applicable regulatory capital requirements. The Corporation did not opt in to the community bank leverage ratio framework for the year ended June 30, 2024.â€‹The FASB has issued a new accounting standard, ASC 326, for U.S. GAAP that was adopted by the Corporation on July 1, 2023. This standard, referred to as Current Expected Credit Loss or CECL requires all entities holding leases that are not accounted for at fair value to recognize credit losses expected over the life of certain financial assets. CECL covers a broader range of assets than the previous method of recognizing credit losses and generally results in earlier recognition of credit losses. Upon adoption of CECL, a banking organization must record a one-time adjustment to its credit loss allowances as of the beginning of the fiscal year of adoption equal to the difference, if any, between the amount of credit loss allowances under the current methodology and the amount required under CECL. For a banking organization, implementation of CECL is generally likely to reduce retained earnings, and to affect other items, in a manner that reduces its regulatory capital. The federal banking regulators (the FRB, the OCC and the FDIC) have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital. The Bank elected to recognize the full $824,000 adjustment to retained earnings resulting from the adoption of CECL on July 1, 2023, instead of over the permitted three-year phase-in option.â€‹Prompt Corrective Action. An institution is considered adequately capitalized if it meets the minimum capital ratios described above. The OCC is required to take certain supervisory actions against undercapitalized savings institutions, the severity of which depends upon the institution's degree of undercapitalization. Subject to a narrow exception, the OCC is required to appoint a receiver or conservator for a savings institution that is "critically undercapitalized." OCC regulations also require that a capital restoration plan be filed with the OCC within 45 days of the date a savings institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. In addition, â€œsignificantly undercapitalizedâ€ and â€œcritically undercapitalizedâ€ institutions are subject to even more extensive mandatory regulatory actions. The OCC also may take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors.â€‹As of June 30, 2024, the most recent notification from the OCC categorized the Bank as â€œwell capitalizedâ€ under the regulatory framework for prompt corrective action. See Note 9 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.â€‹Limitations on Capital Distributions. OCC regulations impose various restrictions on savings institutions and on their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. Generally, savings institutions, such as the Bank, that before and after the proposed distribution are well-capitalized, may make capital distributions during any calendar year up to 100% of net income for the year-to-date plus retained net income for the two preceding years, without regulatory approval. However, an institution deemed to be in need of more than normal supervision or in troubled condition by the OCC may have its dividend authority restricted by the OCC. If the Bank, however, proposes to make a capital distribution when it does not meet its capital requirements (or will not following the proposed capital distribution) or that will exceed these net income-based limitations, it must obtain the OCC's approval prior to making such distribution. In addition, the Bank must file a prior written notice of a dividend with the FRB.Â The FRB or the OCC may object to a capital distribution based on safety and soundness concerns. Further restrictions on Bankâ€™s dividends may apply if the Bank fails the QTL test. In addition, as noted above, if the Bank does not have the required capital conservation buffer, its ability to pay dividends to the Corporation will be limited, which may limit the ability of the Corporation to pay dividends to its stockholders.â€‹Activities of Savings Associations and Their Subsidiaries. When a savings institution establishes or acquires a subsidiary or elects to conduct any new activity through a subsidiary that the savings institution controls, the savings institution must file a notice or application with the OCC and in certain circumstances with the FDIC and receive regulatory approval or non-objection.Â Savings institutions also must conduct the activities of subsidiaries in accordance with existing regulations and orders. With respect to subsidiaries generally, the OCC may determine that investment by a savings institution in, or the activities of, a subsidiary must be restricted or eliminated based on safety and soundness or legal reasons.29Table of Contentsâ€‹Transactions with Affiliates. The Bankâ€™s authority to engage in transactions with â€œaffiliatesâ€ is limited by Sections 23A and 23B of the Federal Reserve Act as implemented by the FRBâ€™s Regulation W. The term â€œaffiliatesâ€ for these purposes generally mean any company that controls or is under common control with an institution except subsidiaries of the institution. The Corporation and its non-savings institution subsidiaries are affiliates of the Bank. In general, transactions with affiliates must be on terms that are as favorable to the institution as comparable transactions with non-affiliates. In addition, certain types of transactions are restricted to an aggregate percentage of the institutionâ€™s capital. Institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.Â FDIC-insured institutions are subject, with certain exceptions, to certain restrictions on extensions of credit to their parent holding companies or other affiliates, on investments in the stock or other securities of affiliates and on the taking of such stock or securities as collateral from any borrower. Collateral in specified amounts must be provided by affiliates in order to receive loans from an institution. In addition, these institutions are prohibited from engaging in certain tying arrangements in connection with any extension of credit or the providing of any property or service.â€‹Community Reinvestment Act. Under the Community Reinvestment Act of 1977 (â€œCRAâ€), every FDIC-insured institution has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods.Â The CRA requires that the OCC assess the Bank's record in meeting the credit needs of the communities it serves, especially low and moderate income neighborhoods. While CRA modernization is underway and scheduled for implementation by 2026, the current evaluation system focuses on three tests: (1) a lending test, to evaluate the institution's record of making loans in its assessment areas; (2) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing and programs benefiting low or moderate income individuals and businesses; and (3) a service test, to evaluate the institution's delivery of banking services through its branches, ATM centers and other offices. Â Institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "substantial non-compliance." The Bank received a rating of satisfactory when it was last examined for CRA compliance. On October 24, 2023, the federal banking agencies, including the OCC, issued a final rule designed to strengthen and modernize regulations implementing the CRA. The changes are designed to encourage banks to expand access to credit, investment and banking services in low- and moderate-income communities, adapt to changes in the banking industry including mobile and internet banking, provide greater clarity and consistency in the application of the CRA regulations and tailor CRA evaluations and data collection to bank size and type. The applicability date for the majority of the provisions in the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027. The Bank cannot predict the impact the changes to the CRA will have on its operations at this time. â€‹Anti-Money Laundering and Customer Identification. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act) was signed into law on October 26, 2001. The USA Patriot Act and the Bank Secrecy Act requires financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasuryâ€™s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts, and, effective in 2018, the beneficial owners of accounts. Bank regulators are directed to consider a holding companyâ€™s effectiveness in combating money laundering when reviewing mergers and acquisitions.â€‹Regulatory and Criminal Enforcement Provisions. The OCC has primary enforcement responsibility over federally chartered savings institutions and has the authority to bring action against all â€œinstitution-affiliated parties,â€ including stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease-and-desist order to removal of officers or directors, receivership, conservatorship or termination of deposit insurance. Civil penalties cover a wide range of violations and can be nearly $2.0 million per day per violation in especially egregious cases. The FDIC has the authority to recommend to the OCC that enforcement action be taken with respect to a particular savings institution. If the OCC does not take action, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations.â€‹30Table of ContentsStandards for Safety and Soundness. As required by statute, the federal banking agencies have adopted interagency guidelines prescribing standards for safety and soundness. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the OCC determines that a savings institution fails to meet any standard prescribed by the guidelines, the OCC may require the institution to submit an acceptable plan to achieve compliance with the standard.â€‹Federal Reserve System. The FRB requires that all depository institutions maintain reserves on transaction accounts or non-personal time deposits. These reserves may be in the form of cash or noninterest-bearing deposits with the regional FRB. Interest-bearing checking accounts and other types of accounts that permit payments or transfers to third parties fall within the definition of transaction accounts and are subject to Regulation D reserve requirements, as are any non-personal time deposits at a bank. Effective March 26, 2020, the FRB reduced reserve requirement ratios to 0%, which eliminated reserve requirements for all depository institutions.â€‹Environmental Issues Associated with Real Estate Lending. The Comprehensive Environmental Response, Compensation and Liability Act (â€œCERCLAâ€), is a federal statute, that generally imposes strict liability on all prior and present "owners and operators" of sites containing hazardous waste. However, Congress acted to protect secured creditors by providing that the term "owner and operator" excludes a person whose ownership is limited to protecting its security interest in the site. Since the enactment of the CERCLA, this â€œsecured creditor exemptionâ€ has been the subject of judicial interpretations which have left open the possibility that lenders could be liable for cleanup costs on contaminated property that they hold as collateral for a loan.â€‹To the extent that legal uncertainty exists in this area, all creditors, including the Bank, that have made loans secured by properties with potentially hazardous waste contamination (such as petroleum contamination) could be subject to liability for cleanup costs, which often substantially exceed the value of the collateral property.â€‹Privacy and Cybersecurity Regulations. Federal regulations generally require that the Bank disclose its privacy policy, including identifying with whom it shares a customerâ€™s â€œnon-public personal information,â€ to customers at the time of establishing the customer relationship and annually thereafter. In addition, the Bank is required to provide its customers with the ability to â€œopt-outâ€ of having their personal information shared with unaffiliated third parties and not to disclose account numbers or access codes to non-affiliated third parties for marketing purposes. In addition, the California Consumer Privacy Act of 2018 (the "CCPA"), which became effective on January 1, 2020, gives California residents the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of personal information, and the right not to be discriminated against for exercising these rights. The CCPA also created a private right of action with statutory damages for data security breaches, thereby increasing potential liability associated with a data breach, which has triggered a number of class actions against other companies since January 1, 2020. Although the Bank may enjoy several fairly broad exemptions from the CCPA's privacy requirements, those exemptions do not extend to the private right of action for a data security breach. The CCPA, including any amendments thereto or final regulations implemented thereunder, as well as other similar state data privacy laws and regulations, may require the establishment by the Bank of certain regulatory compliance and risk management controls. In addition, on November 18, 2021, the federal banking agencies announced the adoption of a final rule providing for new notification requirements for banking organizations and their service providers for significant cybersecurity incidents. Specifically, the new rule requires a banking organization to notify its primary federal regulator as soon as possible, and no later than 36 hours after, the banking organization determines that a â€œcomputer-security incidentâ€ rising to the level of a â€œnotification incidentâ€ has occurred. Â Notification is required for incidents that have materially affected or are reasonably likely to materially affect the viability of a banking organizationâ€™s operations, its ability to deliver banking products and services, or the stability of the financial sector. Â Service providers are required under the rule to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect the banking organizationâ€™s customers for four or more hours. Compliance with the new rule was required by May 1, 2022. Â â€‹In July 2023, the SEC adopted rules requiring registrants to disclose material cybersecurity incidents they experience and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy, and governance. The new rules require registrants to disclose on Form 8-K any cybersecurity incident they determine to be material and to describe the material aspects of the incident's nature, scope, and timing, as well as its material impact or 31Table of Contentsreasonably likely material impact on the registrant. The Corporation provided disclosures on its cybersecurity risk management and governance on this Form 10-K for fiscal years ended June 20, 2024 (See Part I, Item 1C - Cybersecurity).Non-compliance with federal or similar state privacy and cybersecurity laws and regulations could lead to substantial regulatory imposed fines and penalties, damages from private causes of action and/or reputational harm. The Bank currently has a privacy protection policy in place and believes that such policy is in compliance with the regulations.â€‹Other Consumer Protection Laws and Regulations. The Consumer Financial Protection Bureau (â€œCFPBâ€) exercises broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws. The Bank is subject to consumer protection regulations issued by the CFPB, but as a financial institution with assets of less than $10.0 billion in assets, the Bank is generally subject to supervision and enforcement by the OCC with respect to compliance with consumer financial protection laws and CFPB regulations.â€‹The Bank is subject to a broad array of federal and state consumer protection laws and regulations that govern almost every aspect of its business relationships with consumers.Â While not exhaustive, these laws and regulations include the Truth-in-Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Right to Financial Privacy Act, the Home Ownership and Equity Protection Act, the Consumer Leasing Act, the Fair Credit Billing Act, the Homeowners Protection Act, the Check Clearing for the 21st Century Act, laws governing flood insurance, laws governing consumer protections in connection with the sale of insurance, federal and state laws prohibiting unfair and deceptive business practices and various regulations that implement some or all of the foregoing.Â These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans and providing other services.Â Failure to comply with these laws and regulations can subject the Bank to various penalties, including but not limited to, enforcement actions, injunctions, fines, civil liability, criminal penalties, punitive damages and the loss of certain contractual rights.â€‹Savings and Loan Holding Company Regulationâ€‹General. The Corporation is a unitary savings and loan holding company, subject to the regulatory oversight of the FRB. Accordingly, the Corporation is required to register and file reports with the FRB and is subject to regulation and examination by the FRB. In addition, the FRB has enforcement authority over the Corporation and its non-savings institution subsidiaries, which also permits the FRB to restrict or prohibit activities that are determined to present a serious risk to the Bank. The FRB has promulgated regulations implementing the â€œsource of strengthâ€ doctrine that require holding companies, including savings and loan holding companies, to act as a source of financial and managerial strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress. These and other FRB policies, as well as the capital conservation buffer may restrict the Corporationâ€™s ability to pay dividends.â€‹Capital Requirements. For a savings and loan holding company with less than $3.0 billion in consolidated assets that qualifies as a small bank holding company under the FRBâ€™s Small Bank Holding Company Policy Statement, such as the Corporation, the capital regulations apply to its savings institution subsidiaries, but not the Corporation, unless the FRB determines otherwise in particular cases. For a description of the capital regulations, see â€œFederal Regulation of Savings Institutions - Capital Requirementsâ€ above.â€‹Activities Restrictions. The Gramm-Leach-Bliley Act of 1999 (â€œGLBAâ€) provides that no company may acquire control of a savings association after May 4, 1999 unless it engages only in the financial activities permitted for financial holding companies under the law or for multiple savings and loan holding companies. The GLBA also specifies, subject to a grandfather provision, that existing savings and loan holding companies may only engage in such activities. The Corporation qualifies for the grandfathering and is therefore not restricted in terms of its activities. Upon any non-supervisory acquisition by the Corporation of another savings association as a separate subsidiary, the Corporation would become a multiple savings and loan holding company and would be limited to those activities permitted by FRB regulation. Multiple savings and loan holding companies may engage in activities permitted for financial holding companies, and certain other activities including acting as a trustee under a deed of trust and real estate investments.â€‹32Table of ContentsIf the Bank were to fail the QTL test, the Corporation must, within one year of that failure, register as, and become subject to the restrictions applicable to bank holding companies. For additional information, see â€œFederal Regulation of Savings Institutions â€" Qualified Thrift Lender Testâ€ in this Form 10-K.â€‹Mergers and Acquisitions. The Corporation must obtain approval from the FRB before acquiring more than 5% of the voting stock of another savings institution or savings and loan holding company or acquiring such an institution or holding company by merger, consolidation or purchase of its assets. In evaluating an application for the Corporation to acquire control of a savings institution, the FRB would consider the financial and managerial resources and future prospects of the Corporation and the target institution, the effect of the acquisition on the risk to the DIF, the convenience and the needs of the community, including performance under the CRA and competitive factors.â€‹The FRB may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions; (i) supervisory acquisitions and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.â€‹Acquisition of the Corporation. Any company, except a bank holding company, that acquires control of a savings association or savings and loan holding company becomes a â€œsavings and loan holding companyâ€ subject to registration, examination and regulation by the FRB and must obtain the prior approval of the FRB under the Savings and Loan Holding Company Act before obtaining control of a savings association or savings and loan holding company. A bank holding company must obtain the prior approval of the FRB under the Bank Holding Company Act before obtaining control or more than 5% of a class of voting stock of a savings association or savings and loan holding company and remains subject to regulation under the Bank Holding Company Act. The term â€œcompanyâ€ includes corporations, partnerships, associations, and certain trusts and other entities. â€œControlâ€ of a savings association or savings and loan holding company is deemed to exist if a company has voting control, directly or indirectly of more than 25% of any class of the savings associationâ€™s voting stock or controls in any manner the election of a majority of the directors of the savings association or savings and loan holding company, and may be presumed under other circumstances, including, but not limited to, holding in certain cases 10% or more of a class of voting securities. Control may be direct or indirect and may occur through acting in concert with one or more other persons. In addition, a savings and loan holding company must obtain FRB approval prior to acquiring voting control of more than 5% of any class of voting stock of another savings association or another savings association holding company. A similar provision limiting the acquisition by a bank holding company of 5% or more of a class of voting stock of any company is included in the Bank Holding Company Act.â€‹Accordingly, the prior approval of the FRB would be required:â€‹â—before any savings and loan holding company or bank holding company could acquire 5% or more of the common stock of the Corporation; andâ—before any other company could acquire 25% or more of the common stock of the Corporation, and may be required for an acquisition of as little as 10% of such stock.â€‹In addition, persons that are not companies are subject to the same or similar definitions of control with respect to savings and loan holding companies and savings associations and requirements for prior regulatory approval by the FRB in the case of control of a savings and loan holding company or by the OCC in the case of control of a savings association not obtained through control of a holding company of such savings association.â€‹Federal Securities Laws. Provident Financial Holdings, Inc.â€™s common stock is registered with the SEC under Section 12(b) of the Securities Exchange Act of 1934, as amended (â€œExchange Actâ€). The Corporation is subject to information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.â€‹Dividends and Stock Repurchases. The FRBâ€™s policy statement on the payment of cash dividends applicable to savings and loan holding companies expresses its view that a savings and loan holding company must maintain an adequate capital position and generally should not pay cash dividends unless the companyâ€™s net income for the past year is sufficient to fully fund the cash dividends and that the prospective rate of earnings appears consistent with the companyâ€™s capital needs, asset quality, and overall financial condition. The FRB policy statement also indicates that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends.33Table of Contentsâ€‹In addition, a savings and loan holding company is required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of its consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, FRB order or any condition imposed by, or written agreement with, the FRB. As discussed above, the capital conservation buffer requirements may also limit or preclude dividends payable by the Corporation.â€‹â€‹TAXATIONâ€‹Federal Taxationâ€‹General. The Corporation reports its income on a fiscal year basis using the accrual method of accounting and is subject to federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bankâ€™s reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Corporation.â€‹Tax Bad Debt Reserves. As a result of legislation enacted in 1996, the reserve method of accounting for bad debt reserves was repealed for tax years beginning after December 31, 1995. Due to such repeal, the Bank is no longer able to calculate its deduction for bad debts using the percentage-of-taxable-income or the experience method. Instead, the Bank is permitted to deduct as bad debt expense its specific charge-offs during the taxable year. In addition, the legislation required savings institutions to recapture into taxable income, over a six-year period, their post 1987 additions to their bad debt tax reserves. As of the effective date of the legislation, the Bank had no post 1987 additions to its bad debt tax reserves. As of June 30, 2024, the Bankâ€™s total pre-1988 bad debt reserve for tax purposes was approximately $9.0 million. Under current law, a savings institution will not be required to recapture its pre-1988 bad debt reserve unless the Bank makes a â€œnon-dividend distributionâ€ as defined below. Currently, the Bank uses the specific charge-off method to account for bad debt deductions for income tax purposes.â€‹Distributions. In the event that the Bank makes â€œnon-dividend distributionsâ€ to Provident that are considered as made from the reserve for losses on qualifying real estate property loans, to the extent the reserve for such losses exceeds the amount that would have been allowed under the experience method or from the supplemental reserve for losses on loans (â€œExcess Distributionsâ€), then an amount based on the amount distributed will be included in the Bankâ€™s taxable income. Non-dividend distributions include distributions in excess of the Bankâ€™s current and accumulated earnings and profits, distributions in redemption of stock, and distributions in partial or complete liquidation. However, dividends paid out of the Bankâ€™s current or accumulated earnings and profits, as calculated for federal income tax purposes, will not be considered to result in a distribution from the Bankâ€™s bad debt reserve. Thus, any dividends to Provident that would reduce amounts appropriated to the Bankâ€™s bad debt reserve and deducted for federal income tax purposes would create a tax liability for the Bank. The amount of additional taxable income attributable to an Excess Distribution is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Thus, if the Bank makes a â€œnon-dividend distribution,â€ then approximately one and one-half times the amount distributed will be included in taxable income for federal income tax purposes. For additional information, see "Regulation - Federal Regulation of Savings Institutions - Limitations on Capital Distributionsâ€ in this Form 10-K for limits on the payment of dividends by the Bank. The Bank does not intend to pay dividends that would result in a recapture of any portion of its tax bad debt reserve. During fiscal 2024, the Bank declared and paid $7.0 million of cash dividends to Provident, while Provident declared and paid $3.9 million of cash dividends to shareholders.â€‹Excise Tax on Stock Repurchases. The Inflation Reduction Act of 2022 imposed a one percent excise tax on the value of corporate share repurchases (net of issuance). On December 27, 2022, the Internal Revenue Services issued Note 2023-2 which provides interim guidance on the implementation of the excise tax on stock repurchases. The excise tax is a non-deductible tax of one percent of the fair market value of the Corporationâ€™s stock repurchases, net of restricted stock distributions, stock option exercises, ESOP repurchases and contributions and other qualified activities, occurring after December 31, 2022 in excess of $1.0 million. The excise tax on the stock repurchases in fiscal 2024 was $26,000. Â â€‹34Table of ContentsTax Effect from Stock-Based Compensation. During fiscal 2024, there were no shares of restricted common stock vested and distributed to employees but there were 2,000 shares of restricted stock distributed to non-employee members of the Corporationâ€™s Board of Directors. Also, there were no non-qualified stock options exercised and no incentive stock options exercised as disqualifying dispositions, but there were 39,220 shares of non-qualified stock options that expired and/or were forfeited and 3,350 shares of restricted stock that were forfeited. As a result, there was a $38,000 adjustment to federal tax expense from stock-based compensation in fiscal 2024.â€‹Other Matters.Â The Internal Revenue Service has audited the Bankâ€™s income tax returns through 1996 and the California Franchise Tax Board has audited the Bank through 1990. Also, the Internal Revenue Service completed a review of the Corporationâ€™s income tax returns for fiscal 2006 and 2007; and the California Franchise Tax Board completed a review of the Corporationâ€™s income tax returns for fiscal 2009 and 2010. Fiscal 2022 and fiscal years thereafter remain subject to federal examination, while the California state tax returns for fiscal 2021 and fiscal years thereafter are subject to examination by state taxing authorities.â€‹State Taxationâ€‹California. The California franchise tax rate applicable to the Bank, equals the franchise tax rate applicable to corporations generally, plus an â€œin lieuâ€ rate of 2%, which is approximately equal to personal property taxes and business license taxes paid by such corporations (but not generally paid by banks or financial corporations such as the Corporation). At June 30, 2024, the Corporationâ€™s net state tax rate was 8.5%. Bad debt deductions are available in computing California franchise taxes using the specific charge-off method. The Bank and its California subsidiaries file California franchise tax returns on a combined basis. The Corporation will be treated as a general corporation subject to the general corporate tax rate. There was $22,000 adjustment to state tax expense from stock-based compensation in fiscal 2024.â€‹Delaware. As a Delaware holding company not earning income in Delaware, the Corporation is exempted from Delaware corporate income tax, but is required to file an annual report with and pay an annual franchise tax to the State of Delaware.Â During fiscal 2024, the Corporation paid franchise taxes of $200,000.â€‹â€‹Employees and Human Capitalâ€‹As of June 30, 2024, the Bank had 160 full-time equivalent employees, which consisted of 94 full-time, 66 prime-time and no part-time employees. The employees are not represented by a collective bargaining unit and management believes that its relationship with employees is good.â€‹To facilitate talent attraction and retention, we strive to make the Bank an inclusive, safe and healthy workplace, with opportunities for our employees to grow and develop in their careers, supported by market-based compensation, benefits, health and welfare programs. At June 30, 2024, approximately 73.0% of our workforce was female and 27.0% male, and our average employee tenure was approximately 8.3 years, down slightly from an average employee tenure of 8.5 years at June 30, 2023. The ethnicity of our workforce was 40.5% White, 42.2% Hispanic or Latino, 6.5% African American or Black, 6.0% Asian, 2.7% two or more races, 0.5% American Indian or Alaskan Native and 1.6% Not Specified. As part of our compensation philosophy, we offer and maintain market competitive compensation programs for our employees in order to attract and retain superior talent. In addition to strong base wages, additional programs include quarterly or annual bonus opportunities, an Employee Stock Ownership Plan, a Corporation-matched 401(k) Plan, healthcare and insurance benefits, flexible spending accounts, accrued vacation and sick time, family leave, and an employee assistance program. The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety, and wellness of our employees. In support of our commitment, we provide our employees and their families with access to a variety of flexible and convenient health and welfare programs, including benefits that support their physical and mental health by providing tools and resources to help them improve or maintain their health status; and that offer choice, where possible, so they can customize their benefits to meet their needs and the needs of their families. A core value of our talent management approach is to both develop talent from within and supplement with external hires. This approach has yielded loyalty and dedication in our employee base which in turn grows our business, our commitment to our communities, and our customers, while adding new employees and external ideas supports a continuous 35Table of Contentsimprovement mindset. We believe that our average employee tenure of over eight years reflects the engagement of our employees in this talent management philosophy. Turnover for employees, as measured by terminated employees to the average total employees, was 23.3% in fiscal 2024, down from 41.4% in fiscal 2023.â€‹â€‹EXECUTIVE OFFICERSâ€‹The following table sets forth information with respect to the executive officers of the Provident and the Bank:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹â€‹â€‹â€‹PositionNameÂ Â Â Age(1)Â Â Â Â ProvidentÂ Â Â Â Bank â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Donavon P. TernesÂ 64Â President andÂ President andâ€‹â€‹â€‹Â Chief Executive OfficerÂ Chief Executive Officerâ€‹â€‹â€‹â€‹â€‹Tam B. NguyenÂ 46Â Senior Vice President andÂ Senior Vice President andâ€‹â€‹â€‹Â Chief Financial OfficerÂ Chief Financial Officerâ€‹â€‹â€‹Â Corporate SecretaryÂ Corporate Secretaryâ€‹â€‹â€‹â€‹â€‹â€‹â€‹Robert "Scott" RitterÂ 55Â â€"Â Senior Vice Presidentâ€‹â€‹â€‹Â Â Â Â Single-Family Divisionâ€‹â€‹â€‹Â Â Â Â Â Â David S. WeiantÂ 65Â â€"Â Senior Vice Presidentâ€‹â€‹â€‹Â Â Â Â Chief Lending Officerâ€‹â€‹â€‹Â Â Â Â Â Â Gwendolyn L. WertzÂ 58Â â€"Â Senior Vice Presidentâ€‹â€‹â€‹Â Â Â Â Retail Banking Divisionâ€‹(1)As of June 30, 2024.â€‹Biographical Informationâ€‹Set forth below is certain information regarding the executive officers of the Corporation and the Bank. There are no family relationships among or between the executive officers.â€‹Tam B. Nguyen was appointed Senior Vice President, Chief Financial Officer and Corporate Secretary of Provident and the Bank effective January 2, 2024. Ms. Nguyen's previous position was Vice President, Chief Accounting Officer, and Controller of the Bank since September 2022. Â Prior to that, Ms. Nguyen served the Bank as Vice President and Controller from her first employment date in October 2016 to September 2022. Ms. Nguyenâ€™s professional designations include Certified Public Accountant, Chartered Global Management Accountant, and Certified Management Accountant. Her educational background includes a Master of Business Administration from California State University, San Marcos, and a Bachelor of Arts in Economics and a Bachelor of Science in Biochemistry/Cell Biology both from the University of California, San Diego. Â Ms. Nguyen is also a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants, and the Financial Managers Society.â€‹Robert "Scott" Ritter joined the Bank as Senior Vice President on September 26, 2016 and currently oversees the single-family mortgage operations. Prior to joining the Bank, Mr. Ritter was the Chief Operating Officer at California Mortgage Advisors since November 2011 where he was responsible for overseeing all of

California Mortgage Advisors' operations, including product development, underwriting, loan processing and information technology. Prior to that, he held positions with increasing responsibilities at mortgage banking firms such as Green Point Financial and its predecessor Headlands Mortgage Company, among others.â€‹Donavon P. Ternes was appointed President and Chief Executive Officer of Provident and the Bank effective January 2, 2024. Donavon P. Ternes joined Provident and the Bank as Senior Vice President and Chief Financial Officer on November 1, 2000 and was appointed Secretary in April 2003. Effective January 1, 2008, Mr. Ternes was appointed Executive Vice President and Chief Operating Officer, while continuing to serve as the Chief Financial Officer and Corporate Secretary 36Table of Contentsof Provident and the Bank. Effective June 27, 2011, the Boards of Directors of Provident and the promoted Mr. Ternes to serve as President of Provident and the Bank, while continuing to serve as Chief Operating Officer, Chief Financial Officer and Corporate Secretary. Prior to joining the Bank, Mr. Ternes was the President, Chief Executive Officer, Chief Financial Officer and Director of Mission Savings and Loan Association, located in Riverside, California, holding those positions for over 11 years.â€‹David S. Weiant joined the Bank as Senior Vice President and Chief Lending Officer on June 29, 2007. Prior to joining the Bank, Mr. Weiant was a Senior Vice President of Professional Business Bank (June 2006 to June 2007) where he was responsible for commercial lending in the Los Angeles and Inland Empire regions of Southern California.â€‹Gwendolyn L. Wertz joined the Bank as Senior Vice President of Retail Banking on February 3, 2014. Prior to joining the Bank, Ms. Wertz was with CommerceWest Bank where she was responsible for the management of commercial banking activities, treasury management and specialty banking. Prior to that she was with Opportunity Bank, N.A. where she was responsible for the commercial treasury sales and service team. Ms. Wertz has more than 35 years of experience with financial institutions including the last 20 years in senior management roles. Her experience includes depository growth initiatives, operations, compliance and deposit acquisition management.â€‹â€‹Item 1A. Risk Factorsâ€‹We assume and manage a certain degree of risk in order to conduct our business. In addition to the risk factors described below, other risks and uncertainties not specifically mentioned, or that are currently known to, or deemed by, management to be immaterial also may materially and adversely affect our financial position, results of operation and/or cash flows. Before making an investment decision, you should carefully consider the risks described below together with all of the other information included in this Form 10-K. If any of the circumstances described in the following risk factors actually occur, the value of our common stock could decline and you could lose all or part of your investment.â€‹Risks Related to Macroeconomic Conditionsâ€‹Our business may be adversely affected by downturns in the national economy and the regional economies on which we depend.â€‹As of June 30, 2024, approximately 66% of our real estate loans were secured by collateral and made to borrowers located in Southern California with the balance located predominantly throughout the rest of California.Â A return of recessionary conditions or adverse economic conditions in California may reduce our rate of growth, affect our customers' ability to repay loans and adversely impact our capital, liquidity, financial condition and earnings. General economic conditions, including inflation, unemployment and money supply fluctuations, may also adversely affect our profitability. Weakness in the global economy and global supply chain issues have adversely affected many businesses operating in our markets that are dependent upon international trade. Changes in agreements or relationships between the United States and other countries may also affect these businesses.â€‹A deterioration in economic conditions in our market areas could result in the following consequences, any of which could have a materially adverse impact on our business, financial condition and results of operations:â€‹â—an increase in loan delinquencies, problem assets and foreclosures;â—an increase in our ACL;â—the slowing of sales of foreclosed assets;â—a decline in demand for our products and services;â—a decline in the value of collateral for loans may in turn reduce customers' borrowing power, and the value of assets and collateral associated with existing loans;â—the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; andâ—a decrease in the amount of our low cost or noninterest-bearing deposits.â€‹37Table of ContentsA decline in California economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are more geographically diverse. Many of the loans in our portfolio are secured by real estate. Deterioration in the real estate markets where collateral for a mortgage loan is located could negatively affect the borrowerâ€™s ability to repay the loan and the value of the collateral securing the loan. Real estate values are affected by various other factors, including changes in general or regional economic conditions, governmental rules or policies and natural disasters such as fires, droughts and earthquakes. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values, our financial condition and profitability could be adversely affected.â€‹External economic factors, such as changes in monetary policy and inflation and deflation, may have an adverse effect on our business, financial condition and results of operations.Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the FRB. Actions by monetary and fiscal authorities, including the FRB, could lead to inflation, deflation, or other economic phenomena that could adversely affect our financial performance. Inflation has risen sharply since the end of 2021 and, while dissipating, remains elevated. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to the Corporation to increase, which could adversely affect our results of operations and financial condition. Â Virtually all of our assets and liabilities are monetary in nature. As a result, interest rates tend to have a more significant impact on our performance than general levels of inflation or deflation. Interest rates do not necessarily move in the same direction or by the same magnitude as the prices of goods and services.Risks Related to our Lending Activitiesâ€‹Our business may be adversely affected by credit risk associated with residential property.â€‹At June 30, 2024, $518.1 million, or 49% of our loans held for investment, were secured by single-family residential real property.Â This type of lending is generally sensitive to regional and local economic conditions that may significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. Jumbo single-family loans which do not conform to secondary market mortgage requirements for our market areas are not immediately saleable in the secondary market and may expose us to increased risk because of their larger balances. Higher market interest rates, recessionary conditions or declines in the volume of single-family real estate sales and/or the sales prices as well as elevated unemployment rates, may result in higher than expected loan delinquencies or problem assets, and a decline in demand for our products and services. These potential negative events may cause us to incur losses, adversely affect our capital and liquidity and damage our financial condition and business operations.â€‹A few of our legacy residential mortgage loans are secured by properties in which the borrowers have little or no equity because either we originated a first mortgage with an 80% loan-to-value ratio and a concurrent second mortgage for a combined loan-to-value ratio of up to 100% or because of a decline in home values in our market areas. Residential loans with high loan-to-value ratios will be more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses.â€‹Our multi-family and commercial real estate loans involve higher principal amounts than other loans and repayment of these loans may be dependent on factors outside our control or the control of our borrowers.â€‹We originate multi-family and commercial real estate loans for individuals and businesses for various purposes, which are secured by residential and non-residential properties. At June 30, 2024, we had $528.5 million or 50% of total loans held for investment in multi-family and commercial real estate loans. These loans typically involve higher principal amounts than other types of loans and some of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a single-family residential loan. Repayment on these loans typically is dependent upon income generated, or expected to be generated, by the property securing the loan 38Table of Contentsin amounts sufficient to cover operating expenses and debt service, which may be adversely affected by changes in the economy or local market conditions. For example, if the cash flow from the borrower's project is reduced as a result of leases not being obtained or renewed, the borrower's ability to repay the loan may be impaired. Multi-family and commercial real estate loans also expose a lender to greater credit risk than loans secured by single-family residential real estate because the collateral securing these loans typically cannot be sold as easily as single-family residential real estate. In addition, many of our multi-family and commercial real estate loans are not fully amortizing and contain large balloon payments upon maturity, which would require the borrower to either sell or refinance the underlying property to make the balloon payment at maturity, thus increasing the risk of default or non-payment. â€‹A secondary market for many types of multi-family and commercial real estate loans is not readily liquid, so we have less opportunity to mitigate credit risk by selling part or all of our interest in these loans. As a result of these characteristics, if we foreclose on a multi-family or commercial real estate loan, our holding period for the collateral typically is longer than for a single-family residential mortgage loan because there are fewer potential purchasers of the collateral. Accordingly, charge-offs on multi-family and commercial real estate loans may be larger on a per loan basis than those incurred within the single-family residential loan portfolio.â€‹We occasionally purchase loans in bulk or â€œpools.â€ We may experience lower yields or losses on loan â€œpoolsâ€ because the assumptions we use when purchasing loans in bulk may not prove correct.â€‹In order to achieve our loan growth objectives and/or improve earnings, we may purchase loans, either individually, through participations, or in bulk. We did not purchase any loans in fiscal 2024 and 2023. When we determine the purchase price we are willing to pay to purchase loans in bulk, management makes certain assumptions about, among other things, how fast borrowers will prepay their loans, the real estate market, our ability to collect on loans successfully and, if necessary, our ability to dispose of any real estate that may be acquired through foreclosure. In addition, when we purchase loans, we perform certain due diligence procedures and typically require customary limited indemnities. To the extent that our underlying assumptions prove to be inaccurate or the basis for those assumptions change, the purchase price paid for â€œpoolsâ€ of loans may prove to have been excessive, resulting in a lower yield or a loss of some or all of the loan principal. For example, if we purchase pools of loans at a premium and some of the loans are prepaid before we modeled, we will earn less interest income on the purchase than expected. Our success in growing our loan portfolio through purchases of loan â€œpoolsâ€ depends on our ability to price loan â€œpoolsâ€ properly and on the general economic conditions within the geographic areas where the underlying properties of the purchased loans are located.â€‹Acquiring loans through bulk purchases may involve acquiring loans of a type or in geographic areas where management may not have substantial prior experience. We may be exposed to a greater risk of loss to the extent that bulk purchases contain such loans.â€‹Our allowance for credit losses may not be sufficient to absorb losses in our loan portfolio.â€‹Our business relies significantly on the creditworthiness of our customers. To account for potential defaults and nonperformance in our loan portfolio, we maintain an ACL on loans using the CECL methodology. This allowance represents management's best estimate of the lifetime expected credit losses in our loan portfolio. The amount of this allowance is determined by management through periodic reviews and consideration of several factors, including, but not limited to:â—our collective allowance, for loans evaluated on a pool basis with similar risk characteristics based on our and peer life of loan historical loss experience, certain qualitative factors consisting of macroeconomic conditions and external factors as regulatory requirements, and reasonable and supportable forecasts relating to managementâ€™s expectations of future events; andâ—our individual allowance, for evaluation of individual loans that do not share similar risk characteristics based on the present value of the expected future cash flows or the fair value of the underlying collateral.â€‹The determination of the appropriate ACL involves a significant degree of subjectivity, relying on substantial estimates of both current credit risks and future trends, all of which are subject to potential material changes. Inaccuracies in our estimations could lead to an insufficient ACL, necessitating increases through provisions for credit losses, adversely impacting our recorded income. Â â€‹39Table of ContentsFurther, included in our single-family residential loan portfolio, which comprised 49% of our total loan portfolio at June 30, 2024, were $17.7 million or 2% of total loans held for investment that were non-traditional single-family loans, which include negative amortization and more than 30-year amortization loans, stated income loans and low FICO score loans, all of which have a higher risk of default and loss than conforming residential mortgage loans. Additionally, as we acknowledge the potential impact of significant portfolio growth, new loan products, and refinancing activities, these actions may result in portfolios consisting of unseasoned loans that may not perform as anticipated, elevating the risk of an inadequate allowance to absorb losses without additional provisions. A material decrease in the credit quality of our loan portfolio, significant changes in the risk profile of markets, industries, or customer groups, or inadequacy in the ACL could have a materially adverse impact on our business, financial condition, liquidity, capital, and results of operations.â€‹Bank regulatory agencies also periodically review our ACL and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on their judgment about information available to them at the time of their examination. Â â€‹If charge-offs in future periods exceed the ACL, we may need additional provisions to increase the ACL. Â Any increases in the ACL will result in a decrease in net income and, most likely, capital, and may have a material negative effect on our financial condition, results of operations, liquidity and capital.â€‹Non-performing assets take significant time to resolve and adversely affect our results of operations and financial condition and could result in further losses in the future.â€‹Non-performing assets, consisting of non-performing loans and real estate acquired through foreclosure, adversely affect our earnings in various ways. We reverse accrued interest on non-performing loans and do not record interest income on foreclosed assets. Additionally, non-performing loans increase our loan administration costs and costs also increase due to the improvement, maintenance and repairs of the foreclosed assets. Upon foreclosure or similar proceedings, we record the repossessed asset at the estimated fair value, less costs to sell, which may result in a write-down or loss. A significant increase in the level of non-performing assets from current levels would also increase our risk profile and may impact the capital levels our regulators believe are appropriate in light of the increased risk profile. While we attempt to reduce problem assets through various means such as collection efforts, asset sales, workouts and modifications, a decline in the value of the underlying collateral or in the borrowerâ€™s performance or financial condition could adversely affect our business, results of operations and financial condition. In addition, the resolution of non-performing assets often requires a significant time commitment from management, diverting their attention from other aspects of our operations.â€‹Risks Related to Market and Interest Rate Changesâ€‹Fluctuating interest rates can adversely affect our profitability.â€‹Our earnings and cash flows are largely dependent upon our net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the FRB. Beginning in March 2022, in response to high inflation, the FOMC commenced increasing the target range for the federal funds rates by implementing multiple increases. As of June 30, 2024, the FOMC target range for the federal funds rate was 5.25% to 5.50% as economic conditions remained relatively resilient and inflation remained elevated. As inflation eases, the FOMC has indicated rate decreases may be expected during the second half of 2024, although to date that has not been the case. However, if the FOMC further increases the targeted federal funds rate, overall interest rates will likely continue to rise, which will negatively impact our net interest income and may negatively impact both the housing market, by reducing refinancing activity and new home purchases, and the U.S. economy.We principally manage interest rate risk by managing our volume and mix of our earning assets and funding liabilities. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially affected.â€‹A sustained increase in market interest rates could adversely affect our earnings. As is the case with many financial institutions, we attempt to increase our proportion of deposits comprising either no or relatively low-interest-bearing accounts, which has been challenging over the last couple of years. At June 30, 2024, we had $245.7 million in time 40Table of Contentsdeposits that mature within one year, $95.6 million in noninterest-bearing checking accounts and $518.8 million in interest-bearing checking, savings and money market accounts. We would incur a higher cost of funds to retain these deposits in a rising interest rate environment. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. â€‹In addition, most of our mortgage loans have adjustable interest rates. As a result, these loans may experience a higher rate of default in a rising interest rate environment.â€‹Changes in interest rates also affect the value of our securities portfolio available for sale. Generally, the fair value of fixed-rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale are reported as a separate component of stockholdersâ€™ equity, net of tax. Decreases in the fair value of securities available for sale resulting from increases in interest rates could have an adverse effect on stockholdersâ€™ equity.â€‹Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our consolidated balance sheet or projected operating results. For additional information concerning the effect of interest rates on our loan portfolio, see Item 7A, â€œQuantitative and Qualitative Disclosures about Market Riskâ€ of this Form 10-K.â€‹Certain hedging strategies that we may use to manage investment in mortgage servicing assets, mortgage loans held for sale and interest rate lock commitments may be ineffective to offset any adverse changes in the fair value of these assets due to changes in interest rates and market liquidity.We may use derivative instruments to economically hedge mortgage servicing assets, mortgage loans held for sale and interest rate lock commitments to offset changes in fair value resulting from changing interest rate environments. Our hedging strategies are susceptible to prepayment risk, basis risk, market volatility and changes in the shape of the yield curve, among other factors. In addition, hedging strategies rely on assumptions and projections regarding assets and general market factors. If these assumptions and projections prove to be incorrect or our hedging strategies do not adequately mitigate the impact of changes in interest rates, we may incur losses that would adversely impact earnings.â€‹We may incur losses on our securities portfolio as a result of changes in interest rates.Factors beyond our control can significantly impact the fair value of securities within our portfolio, potentially leading to adverse changes in their value. These factors include, but are not limited to, actions taken by rating agencies regarding the securities, defaults by the issuer, adverse events affecting either the issuer or the underlying securities, and shifts in market interest rates along with continued instability in the capital markets. These influences could result in impairments that are not just temporary, leading to realized and/or unrealized losses in future periods. Such developments could also lead to declines in other comprehensive income, thereby potentially affecting our business, financial condition, and results of operations in a significant manner. Â We evaluate individual investment securities quarterly for expected credit losses based on Accounting Standards Codification (â€œASCâ€) 326, â€œFinancial Instruments â€" Credit Losses,â€ since the adoption on July 1, 2023. The process usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security. Despite our efforts to evaluate these factors, there can be no assurance that the declines in market value will not result in credit losses on these assets. Â Such credit losses could lead to accounting charges that might materially impact our net income and capital levels. There were no ACL on investment securities held to maturity at adoption of ASC 326 or at June 30, 2024 and there were no impairment on investment securities available for sale at June 30, 2024.â€‹41Table of ContentsRisks Related to Regulatory, Legal and Compliance Mattersâ€‹We are subject to an extensive body of accounting rules and best practices. Periodic changes to such rules may change the treatment and recognition of critical financial line items and affect our profitability. â€‹Our business operations are significantly influenced by the extensive body of accounting regulations in the United States. Regulatory bodies periodically issue new guidance, altering accounting rules and reporting requirements, which can substantially affect the preparation and reporting of our financial statements. These changes might necessitate retrospective application, potentially leading to restatements of prior period financial statements.â€‹One such significant change in fiscal 2024 was the implementation of the CECL model, which we adopted on July 1, 2023. Â Under the CECL model, financial assets carried at amortized cost, such as loans and held-to-maturity debt securities, are presented at the net amount expected to be collected. This forward-looking approach in estimating expected credit losses contrasts starkly with the prior, "incurred loss" model, which delays recognition until a loss is probable. CECL mandates considering historical experience, current conditions, and reasonable forecasts affecting collectability, leading to periodic adjustments of financial asset values. However, this forward-looking methodology, reliant on macroeconomic variables, introduces the potential for increased earnings volatility due to unexpected changes in these indicators between periods. An additional consequence of CECL is an accounting asymmetry between loan-related income, recognized periodically based on the effective interest method, and credit losses, recognized upfront at origination. This asymmetry might create the perception of reduced profitability during loan expansion periods due to the immediate recognition of expected credit losses. Conversely, periods with stable or declining loan levels might seem relatively more profitable as income accrues gradually for loans where losses had been previously recognized.â€‹As a result of the change in methodology from the incurred loss model to the CECL model, on July 1, 2024, the Corporation recorded a one-time, net of tax charge of $824,000 to retained earnings, a $1.2 million increase to the ACL for credit losses for loans, and no change to the ACL on unfunded loan commitments.â€‹Non-compliance with the USA Patriot Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions.â€‹The USA Patriot and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasuryâ€™s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations.â€‹If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected.â€‹Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report, analyze, and control the types of risk to which we are subject to. These risks include, among others, liquidity, credit, market, interest rate, operational, legal and compliance, and reputational risk. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. We also maintain a compliance program to identify, measure, assess, and report on our adherence to applicable laws, policies, and procedures.Â While we assess and improve these programs on an ongoing basis, there can be no assurance that our risk management or compliance programs, along with other related controls, will effectively mitigate risk under all circumstances,Â or that it will adequately mitigate any risk or loss to us. However, as with any risk management framework, there are inherent limitations to our risk management strategies as they may exist, or develop in the future, including risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and our business, financial condition, results of operations or growth prospects could be materially adversely affected. We may also be subject to potentially adverse regulatory consequences.42Table of Contentsâ€‹Climate change and related legislative and regulatory initiatives may materially affect our business and results of operations.Climate change continues to be a pressing concern, prompting heightened awareness and action on a global scale. Efforts include international agreements such as the Paris Agreement, with the United States rejoining, and ongoing initiatives at various governmental levels to address climate-related issues. Under the current administration, additional measures are anticipated, potentially impacting banks' risk management practices, stress testing, credit portfolio concentrations, and investment strategies. The lack of empirical data makes it challenging to predict the precise financial impact of climate change, though its physical effects, such as more frequent weather disasters, could directly affect our real estate collateral and loan portfolios. Inadequate insurance coverage for borrowers may compound these risks, impacting our financial condition. Furthermore, climate change's broader economic effects could adversely affect our customers and the communities we serve, potentially impacting our financial performance.On March 6, 2024, the SEC implemented new climate-related disclosure rules for U.S. public companies and foreign private issuers. These rules introduce extensive disclosure requirements, increasing reporting costs, risks, and complexity. Challenges include short compliance timelines, interpretive issues, legal liabilities, and global regulatory overlaps. Lawsuits contesting these rules add further uncertainty. However, on March 15, 2024, the Fifth Circuit granted an administrative stay, temporarily halting the implementation of the SEC's climate rules.Our litigation related costs may increase.â€‹We are subject to a variety of legal proceedings that have arisen in the ordinary course of the Bank's business. Our involvement in litigation may increase significantly. The expenses of some legal proceedings will adversely affect our results of operations until they are resolved. Further, there can be no assurance that loan workouts and other activities will not expose us to additional legal actions, including lender liability or environmental claims. â€‹Risks Related to Cybersecurity, Data and Fraudâ€‹We are subject to certain risks in connection with our use of technology.â€‹Our security measures may not be sufficient to mitigate the risk of a cyber attack. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, fraudulent or unauthorized access, denial or degradation of service attacks, misuse, computer viruses, malware or other malicious code and cyber-attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our customers' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. We could also suffer significant reputational damage.â€‹Further, our cardholders use their debit and credit cards to make purchases from third parties or through third party processing services. As such, we are subject to risk from data breaches of such third partyâ€™s information systems or their payment processors. Such a data security breach could compromise our customerâ€™s account information. The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment-related data is compromised due to a breach or misuse of data, we may be liable for losses associated with reimbursing our customers for such fraudulent transactions on customersâ€™ card accounts, as well as costs incurred by payment card issuing banks and other third parties or may be subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. We may also incur other costs related to data security breaches, such as replacing cards 43Table of Contentsassociated with compromised card accounts or credit monitoring services. In addition, our customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs.â€‹Breaches of information security may also occur through intentional or unintentional acts by those having access to our systems, our customersâ€™ or counterpartiesâ€™ confidential information, including employees. We are continuously working to install new, and upgrade our existing, information technology systems and provide employee awareness training around ransomware, phishing, malware, and other cyber risks to further protect the Corporation against cyber risks and security breaches.â€‹There continues to be a rise in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. Insider or employee cyber and security threats are increasingly a concern for companies, including ours. We are not aware that we have experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a cyber-security breach or other act, however, some of our customers may have been affected by these breaches, which could increase their risks of identity theft, debit and card fraud and other fraudulent activity that could involve their accounts with us.â€‹Security breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our customers and underlying transactions. Any compromise of our security could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on internet security systems to provide the security and authentication necessary to effect secure transmission of data. Although we have developed and continue to invest in systems and processes that are designed to detect and prevent security breaches and cyber-attacks and periodically test our security, these precautions may not protect our systems from compromises or breaches of our security measures, and could result in losses to us or our customers, our loss of business and/or customers, damage to our reputation, the incurrence of additional expenses, disruption to our business, our inability to grow our online services or other businesses, additional regulatory scrutiny or penalties, or our exposure to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations.â€‹Our security measures may not protect us from system failures or interruptions. While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing and other operational functions to certain third-party providers. While we select our third-party vendors carefully, we do not control their actions. If our third-party providers encounter difficulties including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher transaction volumes, cyber-attacks and security breaches or if we otherwise have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our ability to deliver products and services to our customers and otherwise conduct business operations could be adversely impacted. Replacing these third-party vendors could also entail significant delay and expense. Threats to information security also exist in the processing of customer information through various other vendors and their personnel. We cannot ensure that such breaches, failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. We may not be insured against all types of losses as a result of third party failures and insurance coverage may be inadequate to cover all losses resulting from breaches, system failures or other disruptions. If any of our third-party service providers experience financial, operational or technological difficulties, or if there is any other disruption in our relationships with them, we may be required to identify alternative sources of such services, and we cannot assure that we could negotiate terms that are as favorable to us, or could obtain services with similar functionality as found in our existing systems without the need to expend substantial resources, if at all. Further, the occurrence of any systems failure or interruption could damage our reputation and result in a loss of customers and 44Table of Contentsbusiness, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.â€‹Our business may be adversely affected by an increasing prevalence of fraud and other financial crimes.â€‹We are susceptible to fraudulent activity that may be committed against us or our customers, which may result in financial losses or increased costs to us or our customers, disclosure or misuse of our information or our customerâ€™s information, misappropriation of assets, privacy breaches against our customers, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Nationally, reported incidents of fraud and other financial crimes have increased. We have also experienced losses due to apparent fraud and other financial crimes. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur.â€‹Risks Related to Our Business and Industry Generallyâ€‹Ineffective liquidity management could adversely affect our financial results and condition.â€‹Liquidity is essential to our business. We rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, cash flows from loan payments and our securities portfolio. Borrowings also provide us with a source of funds to meet liquidity demands. An inability to raise funds through deposits, borrowings or other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities on terms acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the California markets in which our loans are concentrated, negative operating results, or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry or deterioration in credit markets. Any decline in available funding in amounts adequate to finance our activities on acceptable terms could adversely impact our ability to originate loans, invest in securities, meet our expenses, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have a material adverse effect on our business, financial condition and results of operations. See â€œItem 7. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations â€" Liquidity and Capital Resourcesâ€ of this Form 10-K.â€‹We rely on other companies to provide key components of our business infrastructure.â€‹We rely on numerous external vendors to provide us with products and services necessary to maintain our day-to-day operations. Accordingly, our operations are exposed to the risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements because of changes in the vendorâ€™s organizational structure, financial condition, support for existing products and services, strategic focus or for any other reason, could be disruptive to our operations, which in turn could have a material negative impact on our financial condition and results of operations. We also could be adversely affected to the extent such an agreement is not renewed by a third party vendor or is renewed on terms less favorable to us. Additionally, the bank regulatory agencies expect financial institutions to be responsible for all aspects of our vendorsâ€™ performance, including aspects which they delegate to third parties. Disruptions or failures in the physical infrastructure or operating systems that support our business and customers, or cyber-attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.â€‹Managing reputational risk is important to attracting and maintaining customers, investors and employees.â€‹Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our customers. We have policies and procedures in place to protect 45Table of Contentsour reputation and promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation.â€‹Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed or the cost of that capital may be exceedingly high.â€‹We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside of our control, and on our financial condition and performance. Accordingly, we cannot make assurances that we will be able to raise additional capital if needed on terms that are acceptable to us, or at all. If we cannot raise additional capital when needed, our ability to further expand our operations could be materially impaired and our financial condition and liquidity could be materially and adversely affected. In addition, any additional capital we obtain may dilute the interests of existing holders of our common stock. Further, if we are unable to raise additional capital when required by our bank regulators, we may be subject to adverse regulatory action.â€‹The financial services market is undergoing rapid technological changes, and if we are unable to stay current with those changes, we will not be able to effectively compete.â€‹The financial services market is undergoing rapid changes with frequent introductions of new technology-driven products and services. Our future success will depend, in part, on our ability to keep pace with the technological changes and to use technology to satisfy and grow customer demand for our products and services and to create additional efficiencies in our operations. We expect that we will need to make substantial investments in our technology and information systems to compete effectively and to stay current with technological changes. Some of our competitors have substantially greater resources to invest in technological improvements and will be able to invest more heavily in developing and adopting new technologies, which may put us at a competitive disadvantage. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and our business, financial condition or results of operations may be adversely affected.â€‹Earthquakes, fires, mudslides and other natural disasters in our primary market area may result in material losses because of damage to collateral properties and borrowers' inability to repay loans.â€‹Since our geographic concentration is in California, we are subject to earthquakes, fires, mudslides, droughts and other natural disasters. A major earthquake or other natural disaster may disrupt our business operations for an indefinite period of time and could result in material losses, although we have not experienced any losses in many years as a result of earthquake damage or other natural disaster. Although we are in an earthquake prone area, we and other lenders in the market area may not require earthquake insurance as a condition of making a loan. In addition to possibly sustaining damage to our own properties, if there is a major earthquake, fire, mudslide, or other natural disaster, we face the risk that many of our borrowers may experience uninsured property losses, or sustained job interruption and/or loss which may materially impair their ability to meet the terms of their loan obligations.â€‹Any breach of representations and warranties made by us to our loan purchasers or credit default on our loan sales may require us to repurchase or substitute such loans we have sold.â€‹We have previously engaged in bulk loan sales pursuant to agreements that generally require us to repurchase or substitute loans in the event of a breach of a representation or warranty made by us to the loan purchaser. Any misrepresentation during the mortgage loan origination process or, in some cases, upon any fraud or early payment default on such mortgage loans, may require us to repurchase or substitute loans. Any claims asserted against us in the future by one of our loan purchasers may result in liabilities or legal expenses that could have a material adverse effect on our results of operations and financial condition. During fiscal 2024 and 2023, the Bank did not repurchase any loans. Additionally, the Bank did not have any claims or settlements for previously sold loans during fiscal 2024 and 2023. â€‹â€‹46Table of ContentsOur assets as of June 30, 2024 include a deferred tax asset, the full value of which we may not be able to realize.â€‹We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of assets and liabilities. At June 30, 2024, the net deferred tax asset was approximately $606,000, an Â increase from $218,000 at the prior fiscal year end. The net deferred tax asset results primarily from (1) deferred loan costs, (2) provisions for credit losses recorded for financial reporting purposes, which were in the past significantly larger than net loan charge-offs deducted for tax reporting proposes and (3) deferred compensation, among others.â€‹We regularly review our deferred tax assets for recoverability based on our history of earnings, expectations for future earnings and expected timing of reversals of temporary differences. Realization of deferred tax assets ultimately depends on the existence of sufficient taxable income, including taxable income in prior carryback years, as well as future taxable income. We believe the recorded net deferred tax asset at June 30, 2024 is fully realizable based on our expected future earnings; however, expected future earnings may not be realized, which could impact our deferred tax assets.â€‹Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.â€‹Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance (â€œESGâ€) practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, due diligence, and disclosure.â€‹We rely on dividends from the Bank for substantially all of our revenue at the holding company level.â€‹We are an entity separate and distinct from our principal subsidiary, the Bank, and derive substantially all of our revenue at the holding company level in the form of dividends from that subsidiary. Accordingly, we are, and will continue to be, dependent upon dividends from the Bank to pay the principal of and interest on our indebtedness, to satisfy our other cash needs, to pay for share buybacks and to pay dividends on our common stock. The Bank's ability to pay dividends is subject to its ability to earn net income and to meet certain regulatory requirements. In the event the Bank is unable to pay dividends to us, we may not be able to pay dividends on our common stock nor share buybacks. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In fiscal 2024 and 2023, the Bank paid cash dividends to its holding company totaling $7.0 million and $9.5 million, respectively.â€‹â€‹Item 1B. Unresolved Staff Commentsâ€‹None.â€‹â€‹Item 1C. Cybersecurityâ€‹Managing technology risks, including cybersecurity risks, is a fundamental part of the Corporationâ€™s risk management framework and processes. The Corporation employs a variety of processes, risk assessments, and controls to assess, identify, and manage these risks. This includes estimating the likelihood and potential impact of cybersecurity incidents. To manage these risks, the Corporation designs, documents, and implements controls, which are then tested through compliance assessments and internal and external audits. In some cases, the Corporation also transfers risk, either wholly or partially, through insurance and other methods. When an incident occurs, the Corporation responds by remediating the incident while complying with regulatory obligations, and then evaluates the remediationâ€™s effectiveness. Communication about risk management matters is conducted through documented policies and procedures, management and Board 47Table of Contentscommittee reporting, and employee training and communications. For a detailed description of how cybersecurity risks may materially affect the Corporationâ€™s business strategy or results, see "Item 1A. Risk Factors.â€â€‹The Corporationâ€™s information technology risk management department consists of professionals with experience and expertise in cybersecurity, including specialists in identity and access management, cyber defense operations, security engineering, and information technology governance, risk, and compliance. This department is led by the Chief Information Officer (â€œCIOâ€), who has over 27 years of experience in technology risk management, and the Information Security Officer (â€œISOâ€), who has a bachelor in computer science and has over 18 years of experience in cybersecurity risk management. The ISO reports to the CIO, and the CIO reports directly to the President and Chief Executive Officer. Additionally, the Corporation engages third-party experts as needed to assess, manage, and respond to cybersecurity risks through various methods, including risk assessments, IT audits based on different frameworks, penetration and vulnerability testing, social engineering, incident response, threat intelligence, education, and managed security services.â€‹The Corporation also monitors risks from third parties, such as service providers, through efforts like monitoring, information sharing, risk assessments, audits, contractual due diligence, and adherence to third-party security standards. Senior management governs risk management and is informed about and monitors the prevention, detection, mitigation, and mediation of cybersecurity incidents. This is facilitated through working review committees, on which the ISO and/or CIO serve. These committees receive risk management reports appropriate to their scope of review, covering assessment results, risk ratings, and critical issues. They report significant matters to enterprise-wide risk committees, which oversee the broader scope of risk management for the enterprise. Through these efforts, senior management makes decisions and sets priorities for allocating resources to address risk management issues.â€‹The Corporationâ€™s Board of Directors, including the Audit Committee, oversees all risk management policies, procedures, and practices, including those related to cybersecurity. Senior management generally reports quarterly, or more frequently as necessary, to the Enterprise Risk Committee on technology risks, including those from cybersecurity threats. The Boardâ€™s Audit Committee and the Board of Directors receive these reports as part of their risk management oversight responsibilities. Board members have direct access to senior management and other relevant personnel and may direct questions and request further information as needed to fulfill their oversight responsibilities.â€‹â€‹Item 2. Propertiesâ€‹At June 30, 2024, the net book value of the Corporationâ€™s properties (including land and buildings) and its furniture, fixtures and equipment was $8.0 million.Â The Corporationâ€™s home office is located in Riverside, California. Including the home office, the Corporation has 13 retail banking offices, 12 of which are located in Riverside County in the cities of Riverside (5), Moreno Valley, Hemet, Sun City, Rancho Mirage, Corona, Temecula and Blythe. One office is located in Redlands, San Bernardino County, California.Â The Corporation owns six of the retail banking offices and has seven leased retail banking offices. The lease term maturity dates range from 2024 to 2029, some of which has remaining extension options. In the opinion of management, all properties are adequately covered by insurance, are in a good state of repair and are appropriately designed for their present and future use.â€‹â€‹Item 3. Legal Proceedingsâ€‹Periodically, there have been various claims and lawsuits involving the Corporation, such as claims to enforce liens, condemnation proceedings on properties in which the Corporation holds security interests, claims involving the making and servicing of real property loans, employment matters and other issues in the ordinary course of and incidental to the Corporationâ€™s business. These proceedings and the associated legal claims are often contested and the outcome of individual matters is not always predictable. Additionally, in some actions, it is difficult to assess potential exposure because the Corporation is still in the early stages of the litigation. The Corporation is not a party to any pending legal proceedings that it believes would have a material adverse effect on its financial condition, operations or cash flows.â€‹â€‹48Table of ContentsItem 4. Mine Safety Disclosuresâ€‹Not applicable.â€‹PART IIâ€‹Item 5. Market for Registrantâ€™s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securitiesâ€‹Market Information and Holdersâ€‹The common stock of Provident Financial Holdings, Inc. is listed on the NASDAQ Global Select Market under the symbol â€œPROV.â€Â At August 15, 2024, there were 400 shareholders of record, and there were approximately 1,917 persons or entities that hold stock in nominee or â€œstreet nameâ€ accounts with brokers.â€‹Dividendsâ€‹The Corporationâ€™s cash dividend payout policy is reviewed regularly by management and the Board of Directors. The Board of Directors has declared quarterly cash dividends on the Corporationâ€™s common stock for consecutive quarters since September 30, 2002. On April 25, 2024, the Corporation declared a quarterly cash dividend of $0.14 per share withÂ a record date of May 16, 2024 and the dividend was paid on June 6, 2024. Future declarations or payments of dividends will be subject to the consideration of the Corporationâ€™s Board of Directors, which will take into account the Corporationâ€™s financial condition, results of operations, tax considerations, capital requirements, industry standards, legal restrictions, economic conditions and other factors, including the regulatory restrictions which affect the payment of dividends by the Bank to the Corporation. Under Delaware law, dividends may be paid either out of surplus or, if there is no surplus, out of net profits for the current fiscal year and/or the preceding fiscal year in which the dividend is declared. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in future periods. Â Dividends on common stock from Provident depend substantially upon receipt of dividends from the Bank, which is Providentâ€™s predominant source of income. Managementâ€™s projections show an expectation that cash dividends will continue for the foreseeable future.â€‹Purchases of Equity Securities by the Issuer and Affiliated Purchasersâ€‹On September 28, 2023, the Board approved a stock repurchase plan, authorizing the purchase of up to 350,353 shares of the Corporationâ€™s outstanding common stock over a one-year period. Simultaneously, the Board canceled the remaining 25,428 shares available for purchase under the prior repurchase plan. The Corporation may purchase the shares from time to time in the open market or through privately negotiated transactions depending on market conditions, the capital requirements of the Corporation, and available cash that can be allocated to the stock repurchase program, among other considerations. The September 2023 stock repurchase plan terminates on September 28, 2024, unless completed sooner or extended.â€‹The table below sets forth information regarding the Corporationâ€™s purchases of its common stock during the fourth quarter of fiscal 2024.â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â â€‹Â Â Â Â â€‹â€‹Â Â Â Â â€‹Â Â Â Â Maximumâ€‹â€‹â€‹â€‹â€‹â€‹â€‹TotalÂ NumberÂ ofâ€‹NumberÂ ofÂ Sharesâ€‹â€‹â€‹â€‹â€‹â€‹â€‹Shares 1, 2024 â€“ April 30, 2024Â 18,351â€‹$ 13.52Â 18,351Â 219,241May 1, 2024 â€“ May 31, 2024Â 18,494â€‹$ 12.71Â 18,494Â 200,747June 1, 2024 â€“ June 30, 2024Â 11,631â€‹$ 12.64Â 11,631Â 189,116TotalÂ 48,476â€‹$ 13.00Â 48,476Â 189,116â€‹(1)Represents the remaining shares available for future purchases under the September 2023 stock repurchase plan.â€‹49Table of ContentsPerformance Graphâ€‹The following graph compares the cumulative total shareholder return on the Corporationâ€™s common stock with the cumulative total return of the Nasdaq Stock Index (U.S. Stock) and Nasdaq Bank Index. Total return assumes the reinvestment of all dividends.â€‹ â€‹Â Â Â Â 6/30/2019Â Â Â Â 6/30/2020Â Â Â Â 6/30/2021Â Â Â Â 6/30/2022Â Â Â Â 6/30/2023Â Â Â Â 6/30/2024PROVâ€‹$ 100.00â€‹$ 65.88â€‹$ 88.15â€‹$ 78.33â€‹$ 70.14â€‹$ 71.83NASDAQÂ Stock Indexâ€‹$ 100.00â€‹$ 106.96â€‹$ 154.52â€‹$ 132.54â€‹$ 157.83â€‹$ 195.09NASDAQ Bank Indexâ€‹$ 100.00â€‹$ 77.27â€‹$ 133.59â€‹$ 109.09â€‹$ 105.72â€‹$ 144.54â€‹(1)Assumes that the value of the investment in the Corporationâ€™s common stock and each index was $100 on June 30, 2019 and that all dividends were reinvested.â€‹Securities Authorized for Issuance under Equity Compensation Plansâ€‹See Part III, Item 12 of this Form 10-K for information regarding the Corporationâ€™s Equity Compensation Plans, which is incorporated into this Item 5 by reference.â€‹â€‹Item 6. [Reserved]â€‹â€‹50Table of ContentsItem 7. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€‹Safe-Harbor Statementâ€‹Certain matters discussed in this Form 10-K constitute â€œforward-looking statementsâ€ within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to the Corporationâ€™s financial condition, liquidity, results of operations, plans, objectives, future performance or business. You should not place undue reliance on these statements as they are subject to various risks and uncertainties. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements the Corporation may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to the Corporation. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors which could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements include, but are not limited to:â—adverse economic conditions in our local market areas or other markets where we have lending relationshipsâ—effects of employment levels, labor shortages, inflation, a recession or slowed economic growth; â—changes in the interest rate environment, including the past increases in the Federal Reserve benchmark rate and the duration of such increased levels, which could adversely affect our revenues and expenses, the value of assets and obligations, and the availability and cost of capital and liquidity;â—the impact of inflation and the Federal Reserve monetary policy;â—the effects of any Federal government shutdown;â—credit risks of lending activities, including loan delinquencies, write-offs, changes in our ACL, and provision for credit losses;â—increased competitive pressures; â—quality and composition of our securities portfolio and the impact of adverse changes in the securities markets;â—quality and composition of our securities portfolio and the impact of adverse changes in the securities markets;â—fluctuations in deposits; â—secondary market conditions for loans and our ability to sell loans in the secondary market;â—liquidity issues, including our ability to borrow funds or raise additional capital, if necessary;â—expectations regarding key growth initiatives and strategic priorities;â—the impact of bank failures or adverse developments at other banks and related negative press about the banking industry in general on investor and depositor sentiment;â—results of examinations of us by regulatory authorities, which may the possibility that any such regulatory authority may, among other things, institute a formal or informal enforcement action against us or our bank subsidiary which could require us to increase our ACL, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits or impose additional requirements or restrictions on us, any of which could adversely affect our liquidity and earnings;â—legislative and regulatory changes, including changes in banking, securities and tax law, in regulatory policies and principles, or the interpretation of regulatory capital or other rules;â—use of estimates in determining the fair value of assets, which may prove incorrect;â—disruptions or security breaches, or other adverse events, failures or interruptions in or attacks on our information technology systems or on the our third-party vendors;â—staffing fluctuations in response to product demand or corporate implementation strategies;â—our ability to pay dividends on our common stock;â—environmental, social and governance goals;â—effects of climate change, severe weather events, natural disasters, pandemics, epidemics and other public health crises, acts of war or terrorism, civil unrest and other external events;â—and other factors described in this Form 10-K and in Quarterly Reports on Form 10-Q and other reports filed with and furnished to the Securities and Exchange Commission (â€œSECâ€), which are available on our website at www.myprovident.com and on the SECâ€™s website at www.sec.gov. â€‹51Table of ContentsForward-looking statements are based upon managementâ€™s beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included in this document or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this document might not occur, and you should not put undue reliance on any forward-looking statements. These factors could cause our actual results for the fiscal 2025 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us and could negatively affect the Corporationâ€™s consolidated financial condition and consolidated results of operations as well as its stock price performance.â€‹Generalâ€‹Provident, a Delaware corporation, was organized in January 1996 for the purpose of becoming the holding company of the Bank upon the Bankâ€™s conversion completed on June 27, 1996. Provident is regulated by the FRB. At June 30, 2024, the Corporation, on a consolidated basis, had total assets of $1.27 billion, total deposits of $888.3 million and total stockholdersâ€™ equity of $129.9 million. Â Provident has not engaged in any significant activity other than holding the stock of the Bank. Accordingly, the information set forth in this report, including financial statements and related data, relates primarily to the Bank and its subsidiaries.â€‹The Bank, founded in 1956, is a federally chartered stock savings bank headquartered in Riverside, California. The Bank is regulated by the OCC, its primary federal regulator, and the FDIC, the insurer of its deposits. The Bankâ€™s deposits are federally insured up to applicable limits by the FDIC. The Bank has been a member of the Federal Home Loan Bank System since 1956.â€‹The Corporation operates in a single business segment through the Bank. The Bank's activities include attracting deposits, offering banking services and originating and purchasing single-family, multi-family, commercial real estate, construction and, to a lesser extent, other mortgage (generally land loans), commercial business and consumer loans. Deposits are collected primarily from 13 banking locations located in Riverside and San Bernardino counties in California.Â Loans are primarily originated and purchased in Southern and Northern California to be held for investment.Â There are various risks inherent in the Corporationâ€™s business including, among others, the general business environment, interest rates, the California real estate market, the demand for loans, the prepayment of loans, the repurchase of loans previously sold to investors, the secondary market conditions to sell loans, competitive conditions, legislative and regulatory changes, fraud and other risks.â€‹Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations is intended to assist in understanding the financial condition and results of operations of the Corporation. The information contained in this section should be read in conjunction with the audited Consolidated Financial Statements and accompanying selected Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.â€‹Critical Accounting Estimatesâ€‹The discussion and analysis of the Corporationâ€™s financial condition and results of operations is based upon the Corporationâ€™s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make difficult, subjective or complex judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the consolidated financial statements and, therefore, management considers the following to be critical accounting estimates. These estimates involve a significant level of uncertainty at the time they are made, and changes in these estimates that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. Â Accordingly, actual results may differ from these estimates under different assumptions or conditions. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We have reviewed our critical accounting estimates with the audit committee of our Board of Directors. See Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a summary of significant accounting policies and the effect on our financial statements.â€‹52Table of Contentsâ€‹Allowance for Credit Losses. The ACL involves significant judgment and assumptions by management, which has a material impact on the carrying value of financial assets. The Corporation adopted ASC 326 using the prospective transition approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after July 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards.â€‹As required by ASC 326,Â onÂ July 1, 2023Â the Corporation implemented CECL and recognized a $1.2 million one-time increase to its ACL, which was recorded directly to retained earnings. Under ASC 326,Â the ACL is a valuation account that is deducted from the related loanâ€™s amortized cost basis to present the net amount expected to be collected on the loans. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.â€‹Management believes the ACL on loans held for investment is maintained at a level sufficient to provide for expected losses on the Corporationâ€™s loans held for investment based on historical loss experience, current conditions, and reasonable and supportable forecasts. The provision for (recovery of) credit losses is charged (credited) against operations on a quarterly basis, as necessary, to maintain the ACL at appropriate levels. Future adjustments to the ACL may be necessary and results of operations could be significantly and adversely affected as a result of economic, operating, regulatory, and other conditions beyond the Corporationâ€™s control.Provision for Income Taxes. Management accounts for income taxes by estimating future tax effects of temporary differences between the tax and book basis of assets and liabilities considering the provisions of enacted tax laws. These differences result in deferred tax assets and liabilities, which are included in the Corporationâ€™s Consolidated Statements of Financial Condition. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, management is required to make many subjective assumptions and judgments regarding the Corporationâ€™s income tax exposures, including judgments in determining the amount and timing of recognition of the resulting deferred tax assets and liabilities, including projections of future taxable income. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in managementâ€™s subjective assumptions and judgments can materially affect amounts recognized in the Consolidated Statements of Financial Condition and Consolidated Statements of Operations.â€‹Executive Summary and Operating Strategyâ€‹Provident Savings Bank, F.S.B., established in 1956, is a financial services company committed to serving consumers and small to mid-sized businesses in the Inland Empire region of Southern California. The Bank conducts its business operations as Provident Bank and through its subsidiary, PFC. The business activities of the Corporation, primarily through the Bank, consist of community banking and, to a lesser degree, investment services for customers and trustee services on behalf of the Bank.â€‹Community banking operations primarily consist of accepting deposits from customers within the communities surrounding the Bankâ€™s full service offices and investing those funds in single-family, multi-family and commercial real estate loans. Also, to a lesser extent, the Bank originates construction, commercial business, consumer and other mortgage loans. The primary source of income in community banking is net interest income, which is the difference between the interest income earned on loans and investment securities, and the interest expense paid on interest-bearing deposits and borrowed funds. Additionally, certain fees are collected from depositors, such as returned check fees, deposit account service charges, ATM fees, IRA/KEOGH fees, safe deposit box fees, wire transfer fees and overdraft protection fees, among others.â€‹The Corporation plans to enhance its community banking business by moderately increasing its total assets, focusing on expanding single-family, multi-family, commercial real estate, construction, and commercial business loans. Additionally, the Corporation aims to reduce the percentage of retail time deposits in its deposit base while increasing the proportion of lower-cost checking and savings accounts. To diversify its deposit instruments, the Corporation will consider utilizing brokered certificates of deposit and the State of Californiaâ€™s time deposits, subject to market conditions and its funding 53Table of Contentsneeds. Â This strategy is designed to improve core revenue by achieving a higher net interest margin and, combined with the Corporationâ€™s growth, ultimately increase net interest income. While the Corporationâ€™s long-term strategy targets moderate growth, management acknowledges that this growth may be influenced by general economic conditions and other factors.â€‹Investment services operations primarily consist of selling alternative investment products such as annuities and mutual funds to the Bankâ€™s depositors. Investment services and trustee services contribute a very small percentage of gross revenue.â€‹PFC performs trustee services for the Bankâ€™s real estate secured loan transactions and has in the past held, and may in the future hold, real estate for investment.â€‹There are a number of risks associated with the business activities of the Corporation, many of which are beyond the Corporationâ€™s control, including: changes in accounting principles, laws, regulation, interest rates and the economy, among others. The Corporation attempts to mitigate many of these risks through prudent banking practices, such as interest rate risk management, credit risk management, operational risk management, and liquidity risk management. The California economic environment presents heightened risk for the Corporation primarily with respect to real estate values and loan delinquencies. Since the majority of the Corporationâ€™s loans are secured by real estate located within California, significant declines in the value of California real estate may also inhibit the Corporationâ€™s ability to recover on defaulted loans by selling the underlying real estate.Â For further details on risk factors and uncertainties, see â€œSafe-Harbor Statementâ€ included above in this Item 7, and Item 1A, "Risk Factors.â€â€‹Comparison of Financial Condition at June 30, 2024 and 2023â€‹Total assets decreased $60.7 million, or 5%, to $1.27 billion at June 30, 2024 from $1.33 billion at June 30, 2023. The decrease was primarily attributable to decreases in loans held for investment, investment securities and cash and cash equivalents.â€‹Total cash and cash equivalents, primarily excess cash deposited with the FRB of San Francisco, decreased $14.4 million, or 22%, to $51.4 million at June 30, 2024 from $65.8 million at June 30, 2023.Â The decrease was consistent with the Corporationâ€™s strategy of adequately managing credit and liquidity risk.â€‹Total investment securities (held to maturity and available for sale) decreased $24.6 million, or 16%, to $131.9 million at June 30, 2024 from $156.5 million at June 30, 2023. The decrease was the result of scheduled and accelerated principal payments on investment securities.Â During fiscal 2024 and 2023, the Bank did not purchase or sell any investment securities. For additional information on investment securities, see Note 2 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.â€‹Loans held for investment, net decreased $24.7 million, or 2%, to $1.05 billion at June 30, 2024 from $1.08 billion at June 30, 2023. In fiscal 2024, the Bank originated $75.5 million of loans held for investment, down 68% from $237.1 million during fiscal 2023. In both years these loans consisted primarily of single-family, multi-family and commercial real estate loans. The Bank did not purchase any loans in fiscal 2024 or 2023. Management attributes the decrease in loan originations to the higher interest rate environment and overall uncertainty in the economy. Total loan principal payments in fiscal 2024 were $99.9 million, down 2% from $102.3 million in fiscal 2023. There was no REO in both fiscal 2024 and 2023. The balance of multi-family, commercial real estate, construction and commercial business loans, net of undisbursed loan funds, decreased $22.6 million, or 4%, to $532.6 million at June 30, 2024 from $555.2 million at June 30, 2023, and represented 51% and 52% of loans held for investment, respectively. The balance of single-family loans held for investment decreased slightly to $518.1 million at June 30, 2024, from $518.8 million at June 30, 2023. For additional information on loans held for investment, see Note 3 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.â€‹FHLB â€“ San Francisco and other equity investments increased $603,000, or 6%, to $10.1 million at June 30, 2024 from $9.5 million at June 30, 2023. The increase was due to a VISA stock conversion and the purchase of additional FHLB stock. In May 2024, the Bank converted its Class B1 VISA stock to Class B2 VISA stock and Class C VISA stock. Subsequently, the Bank recorded the Class C VISA stock at its fair value on its Consolidated Statements of Condition. As 54Table of Contentsof June 30, 2024, the fair value of the Class C VISA stock was $540,000. Â The Bank also purchased $63,000 of required additional FHLB - San Francisco stock during the year.â€‹Total deposits decreased $62.3 million, or 7%, to $888.3 million at June 30, 2024 from $950.6 million at June 30, 2023. Transaction accounts decreased $115.1 million, or 16%, to $614.5 million at June 30, 2024 from $729.6 million at June 30, 2023, while time deposits increased $53.0 million, or 24%, to $273.9 million at June 30, 2024 from $220.9 million at June 30, 2023. The increase in time deposits includes the increased utilization of brokered certificates of deposit. Brokered certificates of deposit increased $25.4 million, or 24%, to $131.8 million at June 30, 2024 from $106.4 million at June 30, 2023. As of June 30, 2024 and 2023, the percentage of transaction accounts to total deposits was 69% and 77%, respectively. Total retail deposits, defined as total deposits excluding brokered certificates of deposit, decreased by $87.7 million, or 10% to $756.5 million at June 30, 2024 from $844.2 million at June 30, 2023, due primarily to the decline of transaction account balances related to some customers seeking higher interest rates elsewhere. For additional information on deposits, see Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.â€‹Borrowings, consisting of FHLB â€“ San Francisco advances increased $3.5 million, or 1%, to $238.5 million at June 30, 2024 from $235.0 million at June 30, 2023. The increase was primarily due to new advances to augment the decrease in deposits. The weighted average maturity of the Corporationâ€™s FHLB â€“ San Francisco advances was approximately 13 months at June 30, 2024, up from 12 months at June 30, 2023. For additional information on borrowings, see Note 7 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.â€‹Total stockholdersâ€™ equity increased slightly to $129.9 million at June 30, 2024 from $129.7 million at June 30, 2023, primarily as a result of net income and the amortization of stock-based compensation in fiscal 2024, partly offset by stock repurchases (see Part II, Item 5, â€œMarket for Registrantâ€™s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securitiesâ€ of this Form 10-K) and quarterly cash dividends paid to shareholders.â€‹â€‹Comparison of Operating Results for the Fiscal Years Ended June 30, 2024 and 2023â€‹General. The Corporation recorded net income of $7.4 million, or $1.06 per diluted share, for the fiscal year ended June 30, 2024, down $1.2 million, or 14%, from $8.6 million, or $1.19 per diluted share, for the fiscal year ended June 30, 2023. The decrease in net income was primarily attributable to a $2.1 million decrease in net interest income, a $270,000 increase in non-interest expense and a $134,000 decrease in non-interest income, partly offset by a $437,000 change in the provision for credit losses resulting from a $63,000 recovery of credit losses recorded during fiscal 2024 compared to a $374,000 provision for credit losses during fiscal 2023. The Corporation's efficiency ratio, defined as non-interest expense divided by the sum of net interest income and non-interest income, increased to 73% in fiscal 2024 from 69% in fiscal 2023 due to both an increase in non-interest expenses and a decline in revenues. Return on average assets in fiscal 2024 decreased to 0.57% from 0.68% in fiscal 2023 and return on average stockholders' equity in fiscal 2024 decreased to 5.62% from 6.58% in fiscal 2023.â€‹Net Interest Income. Net interest income decreased $2.1 million, or 6%, to $34.9 million in fiscal 2024 from $37.0 million in fiscal 2023. This decrease resulted from interest expense on interest-bearing liabilities increasing at a faster pace than interest income earned on interest-earning assets. Net interest margin decreased 21 basis points to 2.78% in fiscal 2024 from 2.99% in fiscal 2023, due to the decline in net interest income coupled with an increase in average interest earning assets. Â The average balance of interest-earning assets increased $18.6 million, or 2%, to $1.25 billion in fiscal 2024 from $1.24 billion in fiscal 2023. The average balance of interest-bearing liabilities increased $16.8 million, or 2%, to $1.13 billion during fiscal 2024 as compared to $1.12 billion during fiscal 2023.â€‹Interest Income. Total interest income increased $8.7 million, or 19%, to $54.7 million for fiscal 2024 from $46.0 million for fiscal 2023. The increase was primarily attributable to an increase of interest income from loans receivable.â€‹Interest income on loans receivable increased $8.0 million, or 19%, to $50.2 million in fiscal 2024 from $42.2 million in fiscal 2023. The increase was attributable to a higher average loan yield and, to a lesser extent, a higher average loan balance. The weighted average loan yield during fiscal 2024 increased 59 basis points to 4.69% from 4.10% in fiscal 2023, reflecting new loans being originated at higher interest rates and adjustable rate loans repricing higher due to overall higher market interest rates resulting from the FOMC increases in the targeted federal funds rate during the latter half of fiscal 55Table of Contents2023. The average balance of loans receivable increased $40.6 million, or 4%, to $1.07 billion during fiscal 2024 from $1.03 billion during fiscal 2023. â€‹Interest income on investment securities decreased $109,000, or 5%, to $2.1 million in fiscal 2024 from $2.2 million in fiscal 2023, due to a decrease in the average balance, partly offset by an increase in the average yield.. The average balance of investment securities decreased $27.5 million, or 16%, to $144.5 million in fiscal 2024 from $172.0 million in fiscal 2023 as a result of scheduled and accelerated principal payments on mortgage-backed securities. The average yield on investment securities increased 17 basis points to 1.43% for fiscal 2024 from 1.26% for fiscal 2023. The increase in the average yield of investment securities was primarily attributable to a lower premium amortization resulting from lower principal payments. Total premium amortization in fiscal 2024 was $532,000, down $259,000, or 33%, from

$791,000 in fiscal 2023.â€‹During fiscal 2024, the Bank received $802,000 of cash dividends from the FHLB - San Francisco and other equity investments, an increase of $246,000 or 44% from the $556,000 of cash dividends received in fiscal 2023, resulting in an average yield of 8.35% during fiscal 2024 compared to 6.55% during fiscal 2023. â€‹Interest income on interest-earning deposits, primarily cash deposited at the FRB of San Francisco, increased $598,000, or 56%, to $1.7 million in fiscal 2024 from $1.1 million in fiscal 2023, due to a higher average yield and, to a lesser extent, a higher average balance. The average yield increased 133 basis points to 5.38% in fiscal 2024 from 4.05% in fiscal 2023, resulting from increases in the targeted federal funds interest rate since March 2022 to July 2023. The average balance of interest-earning deposits increased $4.4 million, or 17%, to $30.6 million in fiscal 2024 from $26.2 million in fiscal 2023.â€‹Interest Expense. Total interest expense for fiscal 2024 was $19.8 million compared to $9.0 million for fiscal 2023, an increase of $10.8 million or 120%.Â This increase was primarily attributable to a higher interest expense on deposits, particularly time deposits and, to a lesser extent, a higher interest expense on borrowings. The average cost of interest-bearing liabilities was 1.74% during fiscal 2024, up 94 basis points from 0.80% during fiscal 2023, and the average balance of interest-bearing liabilities was $1.14 billion during fiscal 2024, up $16.8 million or 2% from $1.12 billion during fiscal 2023. â€‹Interest expense on deposits for fiscal 2024 was $9.7 million compared to $3.1 million for fiscal 2023, an increase of $6.6 million or 213%. The increase was primarily attributable to a higher average cost for time deposits and, to a lesser extent, a higher average balance of such deposit. The average cost of time deposits in fiscal 2024 was 3.66%, up 196 basis points, from 1.70% in fiscal 2023, while the average cost of transaction accounts was 0.09% in fiscal 2024, up four basis points from 0.05% in fiscal 2023. The average cost of all deposits increased 73 basis points to 1.06% in fiscal 2024 from 0.33% in fiscal 2023. The average balance of time deposits increased $85.8 million, or 53%, to $247.9 million in fiscal 2024 from $162.1 million in fiscal 2023, which as partly offset a decrease in the average balance of transaction accounts which decreased $130.5 million, or 16%, to $668 2 million in fiscal 2024 from $798.7 million in fiscal 2023. The increase of time deposits included increased brokered certificates of deposit. The average balance of brokered certificates of deposit in fiscal 2024 was $118.8 million with the average cost of 5.17% compared to the average balance of $48.7 million with the average cost of 3.97% in fiscal 2023. â€‹Interest expense on borrowings, consisting of FHLB - San Francisco advances, for fiscal 2024 increased $4.2 million, or 71%, to $10.1 million as compared to $5.9 million in fiscal 2023.Â The increase in interest expense on borrowings was due to a higher average balance and, to a lesser extent, a higher average cost. The average balance of borrowings increased $61.7 million, or 39%, to $221.4 million during fiscal 2024 from $159.7 million during fiscal 2023 and the average cost of borrowings was 4.58% in fiscal 2024, up 91 basis points from 3.67% in fiscal 2023.â€‹Provision for (Recovery of) Credit Losses. During fiscal 2024, the Corporation recorded a recovery of credit losses of $63,000, compared to a provision for credit losses of $374,000 during fiscal 2023. The recovery of credit losses reflected in fiscal 2024 was primarily due to a $23.5 million decrease in loans held for investment at June 30, 2024 from June 30, 2023 and a slightly shorter estimated life of the single-family loan portfolio resulting from higher loan prepayment estimates, partly offset by higher unfunded loan commitments resulting from a higher outstanding balance at June 30, 2024 as compared to the prior fiscal year end. The provision for credit losses in fiscal 2023 was primarily due to a higher outstanding balance of loans held for investment.â€‹56Table of ContentsAt June 30, 2024, the ACL on loans held for investment was $7.1 million, comprised of collectively evaluated allowances of $7.1 million and individually evaluated allowances of $37,000; up 20% from $5.9 million at June 30, 2023. The ACL on loans as a percentage of gross loans held for investment was 0.67% at June 30, 2024, compared to 0.55% at June 30, 2023. The increase in the ACL on loans was due primarily to the adoption of the CECL methodology ($1.2 million), partly offset by the recovery of credit losses in fiscal 2024 ($63,000, net of a $15,000 provision for unfunded loan commitment reserves). The ACL on loans as a percentage of gross loans held for investment was 0.67% at June 30, 2024, compared to 0.55% at June 30, 2023.The following chart quantifies the factors contributing to the changes in the ACL on loans held for investment (â€œLHFIâ€) for the year ended June 30, 2024 subsequent to the adoption of the CECL methodology on July 1, 2023.â€‹â€‹Management believes, based on currently available information, the ACL is sufficient to absorb expected losses inherent in loans held for investment at June 30, 2024 under the CECL methodology adopted since July 1, 2023. For additional information, see Item 1, â€œBusiness - â€œAsset Qualityâ€ in this Form 10-K.â€‹Non-Interest Income. Total non-interest income was $3.9 million in fiscal 2024, a decrease of $134,000 or 3% from $4.1 million in fiscal 2023.â€‹Loan servicing and other fees decreased $77,000, or 19%, to $337,000 for fiscal 2024 from $414,000 in fiscal 2023, due primarily to lower loan prepayment fees, attributable to lower loan payoffs.â€‹Deposit account fees decreased $142,000, or 11%, to $1.2 million for fiscal 2024 from $1.3 million in fiscal 2023, due primarily to lower non-sufficient funds account fees, attributable to lower transactions and lower transaction account balances.â€‹Card and processing fees decreased $141,000, or 9%, to $1.4 million for fiscal 2024 from $1.5 million in fiscal 2023, due primarily to lower debit card transactions.â€‹Other fees increased $226,000, or 27%, to $1.1 million for fiscal 2024 from $840,000 in fiscal 2023, due primarily to a $540,000 net unrealized gain on other equity investments resulting from the VISA share conversion, partly offset by a net change of $190,000 on the losses on sale of loans (a net loss of $64,000 on sale of loans in fiscal 2024 compared to a net gain of $124,000 on sale of loans in the prior fiscal year). In May 2024, the Bank converted its VISA Class B1 shares into VISA Class B2 shares and VISA Class C shares and recorded the VISA Class C shares at fair value subsequent to the conversion.â€‹57Table of ContentsNon-Interest Expense. Total non-interest expense was $28.5 million in fiscal 2024, an increase of $270,000 or 1% from $28.3 million in fiscal 2023. The increase in non-interest expense was primarily attributable to increases in premises and occupancy expenses, equipment expense, deposit insurance premiums and regulatory assessments, partly offset by decreases in salaries and employee benefits and other operating expenses.â€‹Salaries and employee benefits expense decreased $95,000, or 1%, to $17.6 million in fiscal 2024 from $17.7 million in fiscal 2023. The decrease in salaries and employee benefits expense was primarily attributable to a decrease in incentive compensation, partly offset by increases in the supplemental executive retirement plans and compensation costs. â€‹Premises and occupancy expense increased $139,000, or 4%, to $3.6 million in fiscal 2024 from $3.4 million in fiscal 2023. The increase was primarily attributable to increases in building maintenance and fixture depreciation costs, resulting primarily from the relocation of one of our banking offices and ATM upgrades, partly offset by lower on-line service expenses. â€‹Equipment expense increased $157,000, or 14%, to $1.3 million in fiscal 2024 from $1.2 million in fiscal 2023, due primarily to the upgrades of computer hardware and software and an increase of equipment lease expenses. â€‹Deposit insurance premiums and regulatory assessments increased $123,000, or 19%, to $780,000 in fiscal 2024 from $657,000 in fiscal 2023, primarily attributable to the increase in FDIC insurance assessments. â€‹Provision for Income Taxes. The income tax provision reflects accruals for taxes at the applicable rates for federal income tax and California franchise tax based upon reported pre-tax income, adjusted for the effect of all permanent differences between income for tax and financial reporting purposes, such as non-deductible stock-based compensation and bank-owned life insurance policies, among others.Â Therefore, there are fluctuations in the effective income tax rate from period to period based on the relationship of net permanent differences to income before tax.â€‹The provision for income taxes was $3.0 million for fiscal 2024, representing an effective tax rate of 29.2%, down $788,000 or 21% from $3.8 million in fiscal 2023, representing an effective tax rate of 30.8%. The lower effective tax rate in fiscal 2024 was attributable primarily to the decreased tax benefit in fiscal 2023 from the equity incentive awards with the share price lower at vesting and distribution than the fair value estimated at the grant date, which was not replicated in fiscal 2024.â€‹The Corporationâ€™s effective tax rate may differ from the estimated tax rates described above due to discrete items such as further adjustments to net deferred tax assets, excess tax benefits derived from stock option exercises and non-taxable earnings from bank owned life insurance, among other items. The Corporation determined that the above tax rates meet its estimated income tax obligations. For additional information, see Note 8, "Income Taxes," of the Notes to Consolidated Financial Statements, contained in Item 8 of this Form 10-K. â€‹58Table of ContentsAverage Balances, Interest and Average Yields/Costsâ€‹The following table sets forth certain information for the periods regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities and average yields and costs thereof. Â Yields and costs for the periods indicated are derived by dividing income or expense by the average monthly balance of assets or liabilities, respectively, for the periods presented.â€‹Year Ended JuneÂ 30,Â â€‹â€‹2024â€‹2023â€‹â€‹â€‹Averageâ€‹â€‹â€‹â€‹Yield/â€‹Averageâ€‹â€‹â€‹â€‹Yield/â€‹(Dollars In Thousands)â€‹Balanceâ€‹Interestâ€‹Costâ€‹Balanceâ€‹Interestâ€‹Costâ€‹Interest-earning assets:Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Loans receivable, net(1)â€‹$ 1,069,616â€‹$ 50,194Â 4.69%Â Â $ 1,029,000â€‹$ 42,191Â 4.10%Â Â Investment securitiesâ€‹Â 144,466â€‹Â 2,060Â 1.43%Â Â Â 172,005â€‹Â 2,169Â 1.26%Â Â FHLB - San Francisco and other equity investmentsâ€‹Â 9,601â€‹Â 802Â 8.35%Â Â Â 8,488â€‹Â 556Â 6.55%Â Â Interest-earning depositsâ€‹Â 30,610â€‹Â 1,674Â 5.38%Â Â Â 26,214â€‹Â 1,076Â 4.05%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total interest-earning assetsâ€‹Â 1,254,293â€‹Â 54,730Â 4.36%Â Â Â 1,235,707â€‹Â 45,992Â 3.72%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Noninterest-earning assetsâ€‹Â 30,655â€‹Â Â Â Â Â Â â€‹Â 32,763â€‹Â Â Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total assetsâ€‹$ 1,284,948â€‹Â Â Â Â Â Â â€‹$ 1,268,470â€‹Â Â Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Interest-bearing liabilities:â€‹Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â â€‹Â Â Â Â Â Â â€‹Checking and money market accounts(2)â€‹$ 407,938â€‹Â 290Â 0.07%Â Â $ 479,921â€‹Â 227Â 0.05%Â Â Savings accountsâ€‹Â 260,249â€‹Â 313Â 0.12%Â Â Â 318,795â€‹Â 168Â 0.05%Â Â Time depositsâ€‹Â 247,863â€‹Â 9,063Â 3.66%Â Â Â 162,144â€‹Â 2,751Â 1.70%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total deposits(3)â€‹Â 916,050â€‹Â 9,666Â 1.06%Â Â Â 960,860â€‹Â 3,146Â 0.33%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Borrowingsâ€‹Â 221,368â€‹Â 10,141Â 4.58%Â Â Â 159,742â€‹Â 5,861Â 3.67%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total interest-bearing liabilitiesâ€‹Â 1,137,418â€‹Â 19,807Â 1.74%Â Â Â 1,120,602â€‹Â 9,007Â 0.80%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Noninterest-bearing liabilitiesâ€‹Â 16,731â€‹Â Â Â Â Â Â â€‹Â 17,307â€‹Â Â Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total liabilitiesâ€‹Â 1,154,149â€‹Â Â Â Â Â Â â€‹Â 1,137,909â€‹Â Â Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Stockholdersâ€™ equityâ€‹Â 130,799â€‹Â Â Â Â Â Â â€‹Â 130,561â€‹Â Â Â Â Â Â â€‹Total liabilities and stockholdersâ€™ equityâ€‹$ 1,284,948â€‹Â Â Â Â Â Â â€‹$ 1,268,470â€‹Â Â Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net interest incomeâ€‹Â Â Â â€‹$ 34,923Â Â Â â€‹Â Â Â â€‹$ 36,985Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Interest rate spread(4)â€‹Â Â Â â€‹Â Â Â Â 2.62%Â Â Â Â Â â€‹Â Â Â Â 2.92%Â Â Net interest margin(5)â€‹Â Â Â â€‹Â Â Â Â 2.78%Â Â Â Â Â â€‹Â Â Â Â 2.99%Â Â Ratio of average interest- earning assets to average interest-bearing liabilitiesâ€‹Â Â Â â€‹Â Â Â Â 110.28%Â Â Â Â Â â€‹Â Â Â Â 110.27%Â Â â€‹(1)Includes the average balance of non-performing loans of $2.1 million and $1.1 million, as well as net deferred loan costs of $955 thousand and $959 thousand for the fiscal years endedÂ June 30, 2024 and 2023, respectively.(2)Includes the average balance of noninterest-bearing checking accounts of $97.3 million and $112.9 million in the fiscal years ended June 30, 2024 and 2023, respectively.(3)Includes the average balance of uninsured deposits of $135.7 million and $170.2 million in the fiscal years ended June 30, 2024 and 2023, respectively.(4)Represents the difference between the weighted average yield on all interest-earning assets and the weighted average rate on all interest-bearingÂ liabilities.(5)Represents net interest income as a percentage of average interest-earning assets.â€‹59Table of ContentsRate/Volume Varianceâ€‹The following table sets forth the effects of changing rates and volumes on interest income and expense of the Corporation for the period presented. Information is provided with respect to the effects attributable to changes in volume (changes in volume multiplied by prior rate), the effects attributable to changes in rate (changes in rate multiplied by prior volume) and the effects attributable to changes that cannot be allocated between rate and volume.â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â 2024Â ComparedÂ â€‹â€‹ToÂ Year Ended JuneÂ 30,Â 2023â€‹â€‹IncreaseÂ (Decrease)Â DueÂ to(In Thousands)â€‹Rateâ€‹Volumeâ€‹Rate/Volumeâ€‹NetInterest-earning assets:Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Â Â Loans receivable(1)â€‹$ 6,098â€‹$ 1,665â€‹$ 240â€‹$ 8,003Investment securitiesâ€‹Â 285â€‹Â (347)â€‹Â (47)â€‹Â (109)FHLB â€“ San Francisco and other equity investmentsâ€‹Â 153â€‹Â 73â€‹Â 20â€‹Â 246Interest-bearing depositsâ€‹Â 362â€‹Â 178â€‹Â 58â€‹Â 598Total net change in income on interest-earning assetsâ€‹Â 6,898â€‹Â 1,569â€‹Â 271â€‹Â 8,738â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Interest-bearing liabilities:â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â Checking and money market accountsâ€‹Â 113â€‹Â (36)â€‹Â (14)â€‹Â 63 Savings accountsâ€‹Â 215â€‹Â (29)â€‹Â (41)â€‹Â 145 Time depositsâ€‹Â 3,175â€‹Â 1,457â€‹Â 1,680â€‹Â 6,312 Borrowingsâ€‹Â 1,457â€‹Â 2,262â€‹Â 561â€‹Â 4,280Total net change in expense on interest-bearing liabilitiesâ€‹Â 4,960â€‹Â 3,654â€‹Â 2,186â€‹Â 10,800Net increase (decrease) in net interest incomeâ€‹$ 1,938â€‹$ (2,085)â€‹$ (1,915)â€‹$ (2,062)â€‹(1)Includes non-performing loans. For purposes of calculating volume, rate and rate/volume variances, non-performing loansÂ were included in the weighted average balance outstanding.â€‹Liquidity and Capital Resourcesâ€‹The Bankâ€™s primary sources of funds are deposits, proceeds from principal and interest payments on loans, proceeds from the maturity and sale of investment securities, proceeds from FHLB - San Francisco advances, access to the discount window facility at the FRB of San Francisco and access to the correspondent bankâ€™s federal funds facility. While maturities and scheduled amortization of loans and investment securities are a relatively predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.â€‹The primary investing activity of the Bank has been the origination and, to a lesser extent, purchase of loans held for investment. During the fiscal years ended June 30, 2024 and 2023, the Bank originated loans held for investment of $75.5 million and $237.1 million, respectively.Â The Bank did not purchase any loans held for investment from other financial institutions in fiscal 2024 or 2023. At June 30, 2024 and 2023, the Bank had loan origination commitments totaling $9.4 million and $2.4 million, with undisbursed loan funds of $435,000 and $2.0 million, respectively. The Bank anticipates that it will have sufficient funds available to meet its current loan origination commitments.â€‹The Bank's primary financing activity is gathering deposits, which include both retail and brokered deposits. During the fiscal years ended June 30, 2024 and 2023, the net decrease in deposits was $62.2 million and $4.9 million, respectively. On June 30, 2024, time deposits scheduled to mature in one year or less were $245.7 million.Â Historically, the Bank has been able to retain a significant percentage of its time deposits as they mature by adjusting deposit rates based upon the current interest rate environment.â€‹The Bank must maintain an adequate level of liquidity to ensure the availability of sufficient funds to support loan growth and deposit withdrawals, to satisfy financial commitments and to take advantage of investment opportunities. The Bank generally maintains sufficient cash and cash equivalents to meet short-term liquidity needs. At June 30, 2024, total cash and cash equivalents were $51.4 million, or 4.0% of total assets. Depending on market conditions and the pricing of deposit products and FHLB - San Francisco advances, the Bank may continue to rely on FHLB - San Francisco advances for part 60Table of Contentsof its liquidity needs. As of June 30, 2024, the remaining financing availability at the FHLB - San Francisco was $261.3 million and the remaining available collateral was $367.4 million.Â In addition, the Bank has secured a $208.6 million discount window facility at the FRB of San Francisco, collateralized by $126.6 million of investment securities and $178.6 million of loans held for investment.Â The Bank also has a federal funds facility with its correspondent bank for $50.0 million which matures on June 30, 2025.Â As of June 30, 2024, there were no outstanding borrowings under the discount window facility or the federal funds facility with its correspondent bank. The total available borrowing capacity across all sources totals approximately $519.9 million at June 30, 2024.â€‹Regulations require the Bank to maintain adequate liquidity to assure safe and sound operations. The Bank's average liquidity ratio (defined as the ratio of average qualifying liquid assets to average deposits and borrowings) for the quarter ended June 30, 2024 decreased to 16.6% from 18.1% during the same quarter ended June 30, 2023.Â The decrease in the liquidity ratio was due primarily to the decrease in average qualifying liquid assets which exceeded the decrease in average deposits and borrowings during the quarter ended June 30, 2024 in comparison to the quarter ended June 30, 2023.Â The Bank augments its liquidity by maintaining sufficient borrowing capacity at the FHLB - San Francisco, FRB of San Francisco and its correspondent bank.â€‹We incur capital expenditures on an ongoing basis to expand and improve our product offerings, enhance and modernize our technology infrastructure, and to introduce new technology-based products to compete effectively in our markets. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impact on revenue growth, productivity, expenses, service levels and customer retention) and our expected return on investment. The amount of capital investment is influenced by, among other things, current and projected demand for our services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations.â€‹Based on our current capital allocation objectives, during fiscal 2025 we project expenditures of ranging from $270,000 to $1.5 million for capital investment in premises and equipment. For additional information regarding our commitments, see Note 13, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements, contained in Item 8 of this Form 10-K.â€‹Provident is a separate legal entity from the Bank and, on a stand-alone level, must provide for its own liquidity and pay its own operating expenses, cash dividends and stock repurchases. Providentâ€™s primary sources of funds consist of capital raised through dividends or capital distributions from the Bank, although there are regulatory restrictions on the ability of the Bank to pay dividends. During fiscal 2024, the Corporation purchased 197,349 shares of the Corporationâ€™s common stock with a weighted average cost of $13.05 per share. As of June 30, 2024, there are 189,116 shares available for purchase under the Corporationâ€™s existing stock repurchase plan. The Corporation purchases the shares from time to time in the open market or through privately negotiated transactions depending on market conditions, the capital requirements of the Corporation, and available cash that can be allocated to the stock repurchase program, among other considerations. In addition, we currently expect to continue our current practice of paying quarterly cash dividends on our common stock subject to our Board of Directors' discretion to modify or terminate this practice at any time and for any reason without prior notice. Our current quarterly common stock dividend rate is $0.14 per share, as approved by our Board of Directors, which we believe is a dividend rate per share which enables us to balance our multiple objectives of managing and investing in the Bank, and returning a substantial portion of our cash to our shareholders. Assuming continued payment during fiscal 2025 at this rate of $0.14 per share, our average total dividend paid each quarter would be approximately $959,000 based on the number of our current outstanding shares as of June 30, 2024. At June 30, 2024, Provident (on an unconsolidated basis) had liquid assets of approximately $3.4 million. â€‹The Bank, as a federally-chartered, federally insured savings bank, is subject to the capital requirements established by the OCC. Under the OCC's capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bankâ€™s assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bankâ€™s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors. In addition, Provident Financial Holdings, Inc., as a savings and loan holding company registered with the FRB, is required by the FRB to maintain capital adequacy that generally parallels the OCC requirements. Since the holding company has less than $3.0 billion in assets, the capital guidelines apply on a bank only basis, and the FRB expects the holding companyâ€™s subsidiary bank to be well capitalized under the prompt corrective action regulations.61Table of Contentsâ€‹At June 30, 2024, the Bank exceeded all regulatory capital requirements. Under the prompt corrective action provisions, minimum ratios of 5.0% for Tier 1 Leverage Capital, 6.5% for CET1 Capital, 8.0% for Tier 1 Risk-based Capital and 10.0% for Total Risk-based Capital are required to be deemed â€œwell capitalized.â€ As of June 30, 2024, the Bank exceeded the capital ratios needed to be considered well capitalized with Tier 1 Leverage Capital, CET1 Capital, Tier 1 Risk-based Capital and Total Risk-based Capital ratios of 10.0%, 19.3%, 19.3% and 20.4%, respectively. See also, â€œRegulation â€“ Federal Regulation of Savings Institutions â€“ Capital Requirementsâ€ and Note 9, "Capital" of the Notes to Consolidated Financial Statements contained in Items 1 and 8 of this Form 10-K, respectively.â€‹Impact of New Accounting Pronouncementsâ€‹Various elements of the Corporation's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, management has identified several accounting policies that, as a result of the judgments, estimates and assumptions inherent in those policies, are important to gain an understanding of the financial statements of the Corporation. These policies relate to the methodology for the recognition of interest income, determination of the provision for credit losses and the ACL, the estimated fair value of derivative financial instruments, the valuation of mortgage servicing assets and real estate owned and the provision for income taxes. These policies and judgments, estimates and assumptions are described in greater detail in this Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the section entitled â€œOrganization and Summary of Significant Accounting Policiesâ€ contained in Note 1 of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K. Management believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate based on the factual circumstances at the time. However, because of the sensitivity of the financial statements to these accounting policies, changes to the judgments, estimates and assumptions used could result in material differences in the results of operations or financial condition.â€‹â€‹Item 7A. Quantitative and Qualitative Disclosures about Market Riskâ€‹Quantitative Aspects of Market Risk. The Corporation does not maintain a trading account for any class of financial instrument nor does it purchase high-risk derivative financial instruments. Furthermore, the Corporation is not subject to foreign currency exchange rate risk or commodity price risk. The primary market risk that the Corporation faces is interest rate risk. For information regarding the sensitivity to interest rate risk of the Corporation's interest-earning assets and interest-bearing liabilities, see â€œInterest Rate Riskâ€ below and Item 1, â€œBusiness - Lending Activities - Maturity of Loans Held for Investment,â€ â€œ- Investment Securities Activities,â€ and â€œ- Deposit Activities and Other Sources of Funds - Time Deposits by Remaining Maturityâ€Â in this Form 10-K.â€‹Interest Rate Risk. One of the Corporation's principal financial objectives is to achieve long-term profitability while reducing its exposure to fluctuating interest rates. The Corporation, through the Corporation's Asset-Liability Committee, has sought to reduce the exposure of its earnings to changes in interest rates by attempting to manage the repricing mismatch between interest-earning assets and interest-bearing liabilities. The principal element in achieving this objective is to increase the interest rate sensitivity of the Corporation's interest-earning assets by retaining for its portfolio new loan originations with interest rates subject to periodic adjustment to market conditions. In addition, the Corporation maintains an investment portfolio, which is largely comprised of U.S. government agency MBS and U.S. government sponsored enterprise MBS and CMO with contractual maturities of up to 30 years that reprice frequently or have a relatively short-average life. The Corporation relies on retail deposits as its primary source of funds while utilizing brokered certificates of deposit and FHLB - San Francisco advances as secondary sources of funding. Management believes retail deposits, unlike brokered certificates of deposit, reduce the effects of interest rate fluctuations because they generally represent a more stable source of funds. As part of its interest rate risk management strategy, the Corporation promotes transaction accounts and time deposits with terms up to seven years. For additional information, see Item 7, â€œManagement's Discussion and Analysis of Financial Condition and Results of Operationsâ€ in this Form 10-K.â€‹Through the use of an internal interest rate risk model, the Corporation is able to analyze its interest rate risk exposure by measuring the change in net portfolio value (â€œNPVâ€) over a variety of interest rate scenarios. NPV is defined as the net present value of expected future cash flows from assets, liabilities and off-balance sheet contracts. The calculation is intended to illustrate the change in NPV that would occur in the event of an immediate change in interest rates of -300, -62Table of Contents200, -100, +100, +200 and +300 basis points (â€œbpâ€) with no effect given to steps that management might take to counter the effect of the interest rate movement. As of June 30, 2024, the targeted federal funds rate range was 5.25% to 5.50%.â€‹The following table sets forth as of June 30, 2024 the estimated changes in NPV based on the indicated interest rate environment (dollars in thousands):â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â NetÂ Â Â Â â€‹â€‹Â Â Â Â PortfolioÂ Â Â Â NPVÂ asÂ PercentageÂ Â Â Â â€‹â€‹Basis Points ("bp")â€‹Portfolioâ€‹NPVâ€‹ValueÂ ofâ€‹ofÂ PortfolioÂ Valueâ€‹Sensitivityâ€‹ Change in Ratesâ€‹Valueâ€‹Change(1)â€‹Assetsâ€‹Assets(2)â€‹Measure(3)â€‹+300 bpâ€‹$ 99,797â€‹$ (29,127)â€‹$ 1,233,560Â 8.09%Â Â (203)bp+200 bpâ€‹$ 114,840â€‹$ (14,084)â€‹$ 1,252,262Â 9.17%Â Â (95)bp+100 bpâ€‹$ 124,386â€‹$ (4,538)â€‹$ 1,265,538Â 9.83%Â Â (29)bp-â€‹$ 128,924â€‹$ â€”â€‹$ 1,273,858Â 10.12%Â Â â€”â€‹-100 bpâ€‹$ 136,297â€‹$ 7,373â€‹$ 1,285,088Â 10.61%Â Â 49bp-200 bpâ€‹$ 128,436â€‹$ (488)â€‹$ 1,281,017Â 10.03%Â Â (9)bp-300 bpâ€‹$ 129,438â€‹$ 514â€‹$ 1,286,155â€‹ 10.06%Â Â (6)bpâ€‹(1)Represents the (decrease) increase of the NPV at the indicated interest rate change in comparison to the NPV at June 30, 2024 (â€œbase caseâ€).(2)Calculated as the NPV divided by the portfolio value of total assets.(3)Calculated as the change in the NPV ratio (NPV as a Percentage of Portfolio Value Assets) from the base case amount assuming the indicated change in interest rates (expressed in basis points).â€‹The following table is derived from the internal interest rate risk model and represents the change in the NPV at a +200 bp rate shock at June 30, 2024 and -200 bp rate shock at June 30, 2023 which has been determined to be the most detrimental to the interest rate risk of the Corporation in a -200, -100, +100 and +200 bp rate shock scenario:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â AtÂ JuneÂ 30,Â 2024Â Â Â Â AtÂ JuneÂ 30,Â 2023Â â€‹Â (+200 bp rate shock)Â (-200 bp rate shock)â€‹Pre-Shock NPV Ratio: NPV as a % of PV AssetsÂ 10.12%â€‹9.29%â€‹Post-Shock NPV Ratio: NPV as a % of PV AssetsÂ 9.17%â€‹8.37%â€‹Sensitivity Measure: Change in NPV RatioÂ -95bpÂ -92bpâ€‹â€‹The pre-shock NPV ratio increased 83 basis points to 10.12% at June 30, 2024 from 9.29% Â at June 30, 2023, and the post-shock NPV ratio increased 80 basis points to 9.17% (+200 basis point rate shock) at June 30, 2024 from 8.37% (-200 basis point rate shock) at June 30, 2023. The increase of the NPV ratios was primarily attributable to the net income in fiscal 2024 and amortization of stock-based compensation, partly offset by a $7.0 million cash dividend distribution from the Bank to the Corporation in September 2023, an $824,000 CECL adoption charged to equity, and increases in market interest rates. The sensitivity measure increased to 95 basis points at June 30, 2024 from 92 basis points at June 30, 2023.â€‹As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing tables. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. Additionally, certain assets, such as ARM loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from time deposits could likely deviate significantly from those assumed when calculating the results described in the tables above. It is also possible that, as a result of an interest rate increase, the higher mortgage payments required from ARM borrowers could result in an increase in delinquencies and defaults. Accordingly, the data presented in the tables in this section should not be relied upon as indicative of actual results in the event of changes in interest rates. Furthermore, the NPV presented in the foregoing tables is not intended to present the fair market value of the Corporation, nor does it represent amounts that would be available for distribution to shareholders in the event of the liquidation of the Corporation.â€‹63Table of ContentsThe Corporation measures and evaluates the potential effects of interest rate movements through an interest rate sensitivity "gap" analysis. Interest rate sensitivity reflects the potential effect on net interest income when there is movement in interest rates. For loans, securities and liabilities with contractual maturities, the table presents contractual repricing or scheduled maturity. For transaction accounts (checking, money market and savings deposits) that have no contractual maturity, the table presents estimated principal cash flows and, as applicable, the Corporation's historical experience, management's judgment and statistical analysis concerning their most likely withdrawal behaviors.â€‹The following table represents the interest rate gap analysis of the Corporation's assets and liabilities as of June 30, 2024:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹TermÂ toÂ ContractualÂ Repricing,Â EstimatedÂ Repricing,Â orÂ ContractualÂ â€‹â€‹Maturity(1)Â â€‹â€‹AsÂ ofÂ JuneÂ 30,Â thanÂ Â Â Â Greater thanÂ Â Â Â Greater thanÂ Â Â Â â€‹â€‹Â â€‹â€‹12 months orâ€‹1 year to 3â€‹3 years toâ€‹5 years orâ€‹â€‹â€‹Â (Dollars In Thousands)â€‹lessÂ yearsÂ 5 yearsÂ non-sensitiveâ€‹Totalâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Repricing Assets:Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â â€‹Cash and cash equivalentsâ€‹$ 45,058â€‹$ â€”â€‹$ â€”â€‹$ 6,318â€‹$ 51,376â€‹Investment securitiesâ€‹Â 7,176â€‹Â â€”â€‹Â â€”â€‹Â 124,724â€‹Â 131,900â€‹Loans held for investmentâ€‹Â 273,678â€‹Â 199,276â€‹Â 245,557â€‹Â 334,468â€‹Â 1,052,979â€‹FHLB - San Francisco and other equity investmentsâ€‹Â 10,108â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â 10,108â€‹Other assetsâ€‹Â 4,287â€‹Â â€”â€‹Â â€”â€‹Â 21,550â€‹Â 25,837â€‹Total assetsâ€‹Â 340,307â€‹Â 199,276â€‹Â 245,557â€‹Â 487,060â€‹Â 1,272,200â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Repricing Liabilities and Equity:â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Checking deposits - noninterest-bearingâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â 95,627â€‹Â 95,627â€‹Checking deposits - interest bearingâ€‹Â 38,194â€‹Â 76,387â€‹Â 76,387â€‹Â 63,656â€‹Â 254,624â€‹Savings depositsâ€‹Â 47,776â€‹Â 95,551â€‹Â 95,551â€‹Â â€”â€‹Â 238,878â€‹Money market depositsâ€‹Â 12,662â€‹Â 12,662â€‹Â â€”â€‹Â â€”â€‹Â 25,324â€‹Time depositsâ€‹Â 245,713â€‹Â 23,383â€‹Â 3,545â€‹Â 1,254â€‹Â 273,895â€‹Borrowingsâ€‹Â 145,500â€‹Â 78,000â€‹Â 15,000â€‹Â â€”â€‹Â 238,500â€‹Other liabilitiesâ€‹Â 1,783â€‹Â â€”â€‹Â â€”â€‹Â 13,628â€‹Â 15,411â€‹Stockholders' equityâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â 129,941â€‹Â 129,941â€‹Total liabilities and stockholders' equityâ€‹Â 491,628â€‹Â 285,983â€‹Â 190,483â€‹Â 304,106â€‹Â 1,272,200â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Repricing gap positive (negative)â€‹$ (151,321)â€‹$ (86,707)â€‹$ 55,074â€‹$ 182,954â€‹$ â€”â€‹Cumulative repricing gap:â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Dollar amountâ€‹$ (151,321)â€‹$ (238,028)â€‹$ (182,954)â€‹$ â€”â€‹$ â€”â€‹Percent of total assetsâ€‹Â (12)%Â Â Â (19)%Â Â Â (14)%Â Â Â â€”%Â Â Â â€”%â€‹(1)Cash and cash equivalents are presented as estimated repricing; investment securities and loans held for investment are presented as contractual maturities or contractual repricing (without consideration for prepayments); FHLB - San Francisco and other equity investments are presented as contractual repricing; transaction accounts (checking, savings and money market deposits) are presented as estimated repricing; and time deposits (without consideration for early withdrawals) and borrowings are presented as contractual maturities.â€‹The static gap analysis under â€œ12 months or lessâ€ duration, â€œGreater than 1 year to 3 yearsâ€ duration and â€œGreater than 3 years to 5 yearsâ€ duration Â show negative positions in the "Cumulative repricing gap - dollar amount" category, indicating more liabilities are sensitive to repricing than assets in the short and intermediate terms. Management views noninterest-bearing deposits to be the least sensitive to changes in market interest rates and these accounts are therefore characterized as long-term funding. Interest-bearing checking deposits are considered more sensitive, followed by increased sensitivity 64Table of Contentsfor savings and money market deposits. For the purpose of calculating gap, a portion of these interest-bearing deposit balances are assumed to be subject to estimated repricing as follows: interest-bearing checking deposits at 15% per year, savings deposits at 20% per year and money market deposits at 50% in the first and second years.â€‹The gap results presented above could vary substantially if different assumptions are used or if actual experience differs from the assumptions used in the preparation of the gap analysis. Furthermore, the gap analysis provides a static view of interest rate risk exposure at a specific point in time without taking into account redirection of cash flows activity and deposit fluctuations.â€‹The extent to which the net interest margin will be impacted by changes in prevailing interest rates will depend on a number of factors, including how quickly interest-earning assets and interest-bearing liabilities react to interest rate changes. It is not uncommon for rates on certain assets or liabilities to lag behind changes in the market rates of interest. Additionally, prepayments of loans and early withdrawals of time deposits could cause interest sensitivities to vary. As a result, the relationship between interest-earning assets and interest-bearing liabilities, as shown in the previous table, is only a general indicator of interest rate sensitivity and the effect of changing interest rates on net interest income. Results are likely to be different from that predicted solely on the basis of the interest rate sensitivity analysis set forth in the previous table.â€‹The Corporation also models the sensitivity of net interest income for the 12-month period subsequent to any given month-end assuming a dynamic balance sheet accounting for, among other items:â€‹â—The Corporationâ€™s current balance sheet and repricing characteristics;â—Forecasted balance sheet growth consistent with the business plan;â—Current interest rates and yield curves and management estimates of projected interest rates;â—Embedded options, interest rate floors, periodic caps and lifetime caps;â—Repricing characteristics for market rate sensitive instruments;â—Loan, investment security, deposit and borrowing cash flows;â—Loan prepayment estimates for each type of loan; andâ—Immediate, permanent and parallel movements in interest rates of +300, +200 +100, and -100, -200 and -300 bp.â€‹The following table describes the results of the analysis at June 30, 2024 and 2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹At JuneÂ 30,Â 2024â€‹At JuneÂ 30,Â 2023Â Basis Point (bp)â€‹ChangeÂ inâ€‹BasisÂ PointÂ (bp)â€‹ChangeÂ inÂ Change in Ratesâ€‹NetÂ InterestÂ Incomeâ€‹ChangeÂ inÂ Ratesâ€‹NetÂ InterestÂ IncomeÂ +300 bpÂ Â Â Â -8.12%â€‹+300 bpÂ Â Â Â -10.56%â€‹+200 bpÂ -3.45%â€‹+200 bpÂ -5.26%â€‹+100 bpÂ -0.51%â€‹+100 bpÂ -1.95%â€‹-100 bpÂ -0.67%â€‹-100 bpÂ 1.25%â€‹-200 bpÂ -1.15%â€‹-200 bpÂ -0.59%â€‹-300 bpâ€‹-1.86%â€‹-300 bpâ€‹-3.33%â€‹â€‹At June 30, 2024, the Corporation was close to neutral with regard to the sensitivity of net interest income as projected net interest income declines slightly under rising or declining interest rates during the subsequent 12-month period.â€‹At June 30, 2023, the Corporation was liability sensitive as its interest-bearing liabilities are expected to reprice more quickly than its interest-earning assets during the subsequent 12-month period. Therefore, in a rising interest rate environment, the model projects a decrease in net interest income over the subsequent 12-month period. In a falling interest rate environment, the results project an increase in net interest income over the subsequent 12-month period at the -100 basis point scenario and a decrease in net interest income over the subsequent 12-month period for the -200 and -300 basis point scenarios.â€‹Management believes that the assumptions used to complete the analysis described in the table above are reasonable. However, past experience has shown that immediate, permanent and parallel movements in interest rates will not 65Table of Contentsnecessarily occur. Additionally, while the analysis provides a tool to evaluate the projected net interest income to changes in interest rates, actual results may be substantially different if actual experience differs from the assumptions used to complete the analysis, particularly with respect to the 12-month business plan when asset growth is forecast. Therefore, the model results that the Corporation discloses should be thought of as a risk management tool to compare the trends of the Corporationâ€™s current disclosure to previous disclosures, over time, within the context of the actual performance of the treasury yield curve.â€‹â€‹Item 8. Financial Statements and Supplementary Dataâ€‹Please refer to the Consolidated Financial Statements and Notes to Consolidated Financial Statements in this Form 10-K and incorporated into this Item 8 by reference.â€‹â€‹Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosureâ€‹None.â€‹â€‹Item 9A. Controls and Proceduresâ€‹a)An evaluation of the Corporationâ€™s disclosure controls and procedures (as defined in Section 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934 (the â€œActâ€)) was carried out under the supervision and with the participation of the Corporationâ€™s Chief Executive Officer (principal executive officer), Chief Financial Officer (principal financial officer) and the Corporationâ€™s Disclosure Committee as of the end of the period covered by this report. In designing and evaluating the Corporationâ€™s disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Also, because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been detected. Additionally, in designing disclosure controls and procedures, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based on their evaluation, the Corporationâ€™s Chief Executive Officer and Chief Financial Officer concluded that the Corporationâ€™s disclosure controls and procedures as of June 30, 2024 are effective, at the reasonable assurance level, in ensuring that the information required to be disclosed by the Corporation in the reports it files or submits under the Act is (i) accumulated and communicated to the Corporationâ€™s management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SECâ€™s rules and forms.â€‹b)There have been no changes in the Corporationâ€™s internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) that occurred during the quarter year ended June 30, 2024, that has materially affected, or is reasonably likely to materially affect, the Corporationâ€™s internal control over financial reporting. The Corporation does not expect that its internal control over financial reporting will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance 66Table of Contentswith the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.â€‹Management Report on Internal Control Over Financial Reportingâ€‹This management report includes the subsidiary institution of Provident Financial Holdings, Inc. (the "Corporation"), Provident Savings Bank, F.S.B. which is subject to Part 363 in the statement of management's responsibilities; the report on management's assessment of compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions; and the report on management's assessment of internal control over financial reporting.â€‹Management of the Corporation is responsible for preparing the Corporationâ€™s annual consolidated financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Parent Company Only Financial Statements for Small Holding Companies (Form FR Y-9SP); and for complying with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions. The Corporation's internal control over financial reporting was designed 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.â€‹To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, the Corporation designed and implemented a structured and comprehensive assessment process to evaluate its internal control over financial reporting across the enterprise. The assessment of the effectiveness of the Corporation's internal control over financial reporting was based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment of the Corporation's internal control over financial reporting was also conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), which include controls over the preparation of the schedules equivalent to the basic financial statements in accordance with the instructions for the Parent Company Only Financial Statements for Small Holding Companies (Form FR Y-9SP).â€‹Because of its inherent limitations, including the possibility of human error and the circumvention of overriding controls, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on its assessment, management has concluded that, as of June 30, 2024, the Corporation's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Parent Company Only Financial Statements for Small Holding Companies (Form FR Y-9SP), is effective based on the criteria established in Internal Control-Integrated Framework (2013).â€‹Management of the Corporation has assessed the Corporation's compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the fiscal year ended on June 30, 2024. Management has concluded that the Corporation complied with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions during the fiscal year ended on June 30, 2024.67Table of Contentsâ€‹â€‹Date: August 30, 2024â€‹Â â€‹Â /s/ Donavon P. TernesÂ Donavon P. TernesÂ President and Chief Executive OfficerÂ Â Â Â Â Â /s/ Tam B. NguyenÂ Tam B. NguyenÂ Senior Vice President and Chief Financial OfficerÂ â€‹â€‹Item 9B. Other Informationâ€‹(a) Â Noneâ€‹(b) Â Trading Plans. During the quarter ended June 30, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Corporation adopted or terminated a â€œRule 10b5-1 trading arrangementâ€ or â€œnon-Rule 10b5-1 trading arrangement,â€ as each term is defined in Item 408(a) of Regulation S-K.â€‹â€‹Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspectionsâ€‹â€‹Not Applicable.â€‹â€‹PART IIIâ€‹Item 10. Directors, Executive Officers and Corporate Governanceâ€‹Directors and Executive Officersâ€‹The information required by this item regarding the Corporationâ€™s Board of Directors is incorporated herein by reference from the section captioned â€œProposal I â€“ Election of Directorsâ€ in the Corporationâ€™s Proxy Statement, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the Corporationâ€™s fiscal year end.â€‹The executive officers of the Corporation and the Bank are elected annually and hold office until their respective successors have been elected and qualified or until death, resignation or removal by the Board of Directors. For information regarding the Corporationâ€™s executive officers, see Item 1, â€œBusiness - Executive Officersâ€ in this Form 10-K, which is incorporated herein by reference.â€‹Code of Ethics for Senior Financial Officersâ€‹The Corporation has adopted a Code of Ethics, which applies to all directors, officers, and employees of the Corporation. The Code of Ethics is publicly available as Exhibit 14 to the Corporationâ€™s Annual Report on Form 10-K for the fiscal year June 30, 2007, and is available on the Corporationâ€™s website, www.myprovident.com. If the Corporation makes any substantial amendments to the Code of Ethics or grants any waiver, including any implicit waiver, from a provision of the Code of Ethics to the Corporationâ€™s principal executive officer, principal financial and accounting officer, controller, or person performing similar functions, the Corporation will disclose the nature of such amendment or waiver on the Corporationâ€™s website and in a report on Form 8-K.â€‹68Table of ContentsAudit Committee and Audit Committee Financial Expertâ€‹The Corporation has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The audit committee consists of three independent directors of the Corporation: Judy A. Carpenter, Kathy M. Michalak and Matthew E. Webb. The Corporation has designated Judy A. Carpenter, Audit Committee Chair, as its audit committee financial expert. Ms. Carpenter is independent, as independence for audit committee members is defined under the listing standards of the NASDAQ Stock Market, is a Certified Public Accountant in California (inactive), has been in public accounting, and has extensive business knowledge, financial expertise and familiarity with our local market and communities.â€‹Nominating Proceduresâ€‹There have been no material changes to the procedures by which shareholders may recommend nominees to its Board of Directors since last disclosed to shareholders.â€‹â€‹Item 11. Executive Compensationâ€‹The information required by this item is incorporated herein by reference from the sections captioned â€œExecutive Compensationâ€ and â€œDirectorsâ€™ Compensationâ€ in the Proxy Statement, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the Corporationâ€™s fiscal year end.â€‹â€‹Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Mattersâ€‹a)Security Ownership of Certain Beneficial Owners.â€‹The information required by this item is incorporated herein by reference from the section captioned â€œSecurity Ownership of Certain Beneficial Owners and Managementâ€ in the Corporationâ€™s Proxy Statement, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the Corporationâ€™s fiscal year end.â€‹b)Security Ownership of Management.â€‹The information required by this item is incorporated herein by reference from the sections captioned â€œSecurity Ownership of Certain Beneficial Owners and Managementâ€ in the Corporationâ€™s Proxy Statement, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the Corporationâ€™s fiscal year end.â€‹c)Changes in Control.â€‹The Corporation is not aware of any arrangements, including any pledge by any person of securities of the Corporation, the operation of which may at a subsequent date result in a change in control of the Corporation.â€‹â€‹69Table of Contentsd)Equity Compensation Plan Information.â€‹â€‹The following table summarizes share and exercise price information regarding the Corporation's equity compensation plans as of June 30, 2024:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â â€‹Â Â Â Â â€‹Â Â Â Â NumberÂ ofÂ SecuritiesÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹RemainingÂ AvailableÂ forÂ â€‹â€‹NumberÂ ofÂ Securitiesâ€‹â€‹â€‹AverageÂ â€‹EquityÂ CompensationÂ â€‹â€‹ExerciseÂ ofâ€‹ExerciseÂ PriceÂ ofâ€‹PlansÂ (ExcludingÂ â€‹â€‹OutstandingÂ Options,â€‹OutstandingÂ Options,â€‹SecuritiesÂ ReflectedÂ inÂ Plan Categoryâ€‹WarrantsÂ andÂ Rightsâ€‹WarrantsÂ andÂ Rightsâ€‹ColumnÂ (a))Â â€‹Â (a)Â â€‹(b)Â (c)â€‹Equity compensation plans approved by security holders:Â Â Â Â â€‹Â Â Â Â Â â€‹2006 Equity Incentive Plan:Â Â Â Â â€‹Â Â Â Â Â â€‹Stock OptionsÂ 11,000â€‹$ 16.93Â â€”â€‹2010 Equity Incentive Plan:Â Â Â â€‹Â Â Â Â Â Â â€‹Stock OptionsÂ 158,000â€‹$ 15.65Â â€”â€‹2013 Equity Incentive Plan:Â Â Â Â â€‹Â Â Â Â Â Â â€‹Stock OptionsÂ 213,000â€‹$ 16.39Â â€”â€‹Restricted StockÂ 47,650â€‹Â N/AÂ â€”â€‹2022 Equity Incentive Plan:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Stock Optionsâ€‹ 98,000â€‹$ 12.44Â 77,000â€‹Restricted Stockâ€‹ 129,000â€‹Â N/AÂ 69,000â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Equity compensation plans not approved by security holdersÂ N/Aâ€‹Â N/AÂ N/Aâ€‹TotalÂ 656,650â€‹$ 15.35â€‹ 146,000â€‹â€‹â€‹â€‹â€‹Item 13. Certain Relationships and Related Transactions, and Director Independenceâ€‹Certain Relationships and Related Transactions. The information required by this item is incorporated herein by reference from the section captioned â€œBoard of Directorsâ€™ Meetings, Board Committees and Corporate Governance Matters - Corporate Governance - Certain Relationships and Related Transactionsâ€ in the Corporationâ€™s Proxy Statement, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the Corporationâ€™s fiscal year end.â€‹Director Independence. The information contained in the section captioned â€œBoard of Directorsâ€™ Meetings, Board Committees and Corporate Governance Matters - Corporate Governance - Director Independenceâ€ is incorporated herein by reference in the Corporationâ€™s Proxy Statement, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the Corporationâ€™s fiscal year end.â€‹â€‹Item 14. Principal Accountant Fees and Servicesâ€‹The information required by this item is incorporated herein by reference from the section captioned â€œProposal 3 - Ratification of Appointment of Independent Auditorâ€ in the Corporationâ€™s Proxy Statement, a copy of which will be filed with the Securities and Exchange Commission no later than 120 days after the Corporationâ€™s fiscal year end.â€‹70Table of ContentsPART IVâ€‹Item 15. Exhibits and Financial Statement Schedules.â€‹(a)Â Â 1. Financial StatementsÂ See Consolidated Financial Statements beginning on page 78 of this Form 10-K.â€‹Â Â Â Â Â Â Â Â 2. Financial Statement Schedules Schedules to the Consolidated Financial Statements have been omitted as the required information is inapplicable.â€‹(b)Â Â ExhibitsExhibits are available from the Corporation by written request.â€‹3.1Amended and Restated Certificate of Incorporation of Provident Financial Holdings, Inc. as filed with the Delaware Secretary of State on November 24, 2009 (incorporated by reference to Exhibit 3.1 to the Corporationâ€™s Quarterly Report on Form 10-Q filed on November 9, 2010)Â Â 3.2Amended and Restated Bylaws of Provident Financial Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Corporationâ€™s Current Report on Form 8-K filed on November 30, 2022)Â Â 4.1Form of Certificate of Provident's Common Stock (incorporated by reference to the Corporationâ€™s Registration Statement on Form S-1 (333-2230) filed on March 11, 1996))Â Â 4.2Description of Capital Stock of Provident Financial Holdings, Inc. (incorporated by reference to Exhibit 4.2 to the Corporationâ€™s AnnualÂ Report on Form 10-K for the year ended June 30, 2019)Â Â 10.1Transition Agreement with Craig G. Blunden (incorporated by reference to Exhibit 10.13 to the Corporationâ€™s Form 8-K dated October 31, 2023)Â Â 10.2Post-Retirement Compensation Agreement with Craig G. Blunden (incorporated by reference to Exhibit 10.2 to the Corporationâ€™s Form 8-K dated December 19, 2005)â€‹â€‹10.3Employment Agreement with Donavon P. Ternes (incorporated by reference to Exhibit 10.14 to the Corporationâ€™s Form 8-K dated October 31, 2023)â€‹â€‹10.4Post-Retirement Compensation Agreement with Donavon P. Ternes (incorporated by reference to Exhibit 10.1 to the Corporationâ€™s Form 8-K dated July 7, 2009)Â Â 10.5Form of Amended Severance Agreement with Tam B. Nguyen, Robert "Scott" Ritter, Lilian Salter, David S. Weiant and Gwendolyn L. Wertz (incorporated by reference to Exhibit 10.3 to the Corporationâ€™s Form 10-Q dated May 8, 2024)Â Â 10.62006 Equity Incentive Plan (incorporated by reference to Exhibit A to the Corporationâ€™s proxy statement dated October 12, 2006)Â Â 10.7Form of Incentive Stock Option Agreement for options granted under the 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 in the Corporationâ€™s Form 10-Q for the quarter ended December 31, 2006)Â Â 10.82010 Equity Incentive Plan (incorporated by reference to Exhibit A to the Corporationâ€™s proxy statement dated October 28, 2010)Â Â 10.9Form of Incentive Stock Option Agreement for options granted under the 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 in the Corporationâ€™s Form 8-K dated November 30, 2010)Â Â 71Table of Contents10.10Form of Non-Qualified Stock Option Agreement for options granted under the 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 in the Corporationâ€™s Form 8-K dated November 30, 2010)Â Â 10.112013 Equity Incentive Plan (incorporated by reference to Exhibit A to the Corporationâ€™s proxy statement dated October 24, 2013)Â Â 10.12Form of Incentive Stock Option Agreement for options granted under the 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 in the Corporationâ€™s Registration Statement on Form S-8 (333-192727) dated December 9, 2013)Â Â 10.13Form of Non-Qualified Stock Option Agreement for options granted under the 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 in the Corporationâ€™s Registration Statement on Form S-8 (333-192727) dated December 9, 2013)Â Â 10.14Form of Restricted Stock Agreement for restricted shares awarded under the 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 in the Corporationâ€™s Registration Statement on Form S-8 (333-192727) dated December 9, 2013)Â Â 10.152022 Equity Incentive Plan (incorporated by reference to Exhibit A to the Corporationâ€™s proxy statement dated October 27, 2022)â€‹â€‹10.16Form of Incentive Stock Option Agreement for options granted under the 2022 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 in the Corporationâ€™s Form S-8 dated December 16, 2022)â€‹â€‹10.17Form of Non-Qualified Stock Option Agreement for options granted under the 2022 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 in the Corporationâ€™s Form S-8 dated December 16, 2022)â€‹â€‹10.18Form of Restricted Stock Agreement for restricted shares awarded under the 2022 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 in the Corporationâ€™s Form S-8 dated December 16, 2022)â€‹â€‹132024 Annual Report to Stockholdersâ€‹â€‹14.0Code of Ethics for the Corporationâ€™s directors, officers and employees (Registrant elects to satisfy Regulation S-K Â§229.406(c) by posting its Code of Ethics on its website at www.myprovident.com in the section titled About: Investor Relations.Â Â 21.1Subsidiaries of the RegistrantÂ Â 23.1Consent of Independent Registered Public Accounting FirmÂ Â 31.1Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002Â Â 31.2Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002Â Â 32.1Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002Â Â 32.2Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002Â Â 97Compensation Recovery Policy72Table of Contents101The following materials from the Corporationâ€™s Annual Report on Form 10-K for the fiscal year ended June 30, 2024, formatted in Extensible Business Reporting Language (XBRL): (1) Consolidated Statements of Financial Condition; (2) Consolidated Statements of Operations; (3) Consolidated Statements of Comprehensive Income; (4) Consolidated Statements of Stockholdersâ€™ Equity; (5) Consolidated Statements of Cash Flows; and (6) Selected Notes to Consolidated Financial Statementsâ€‹â€‹104The cover page from this Annual Report on Form 10-K for the year ended June 30, 2024, formatted in Inline XBRL and contained in Exhibit 101.â€‹â€‹â€‹Item 16. Form 10-K Summary.â€‹None.â€‹â€‹73Table of ContentsSIGNATURESâ€‹Pursuant to the requirements of Section 13 or 15(d) 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.â€‹Date:August 30, 2024Provident Financial Holdings, Inc.Â Â Â Â Â /s/ Donavon P. TernesÂ Â Donavon P. TernesÂ Â President and Chief Executive Officerâ€‹â€‹Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.â€‹SIGNATURESÂ Â Â Â Â Â Â Â Â Â Â TITLEDATEÂ Â Â /s/ Donavon P. TernesÂ President andAugust 30, 2024Donavon P. TernesÂ Chief Executive Officer(Principal Executive Officer)Â Â Â Â Â /s/ Tam B. NguyenÂ Senior Vice President andAugust 30, 2024Tam B. NguyenÂ Chief Financial Officer(Principal Financial andAccounting Officer)Â Â Â Â Â /s/ Craig G. BlundenÂ Chairman of the Board of DirectorsAugust 30, 2024Craig G. BlundenÂ Â Â Â Â Â /s/ Judy A. CarpenterÂ DirectorAugust 30, 2024Judy A.

CarpenterÂ Â Â Â Â Â Â /s/ Debbi H. GuthrieÂ DirectorAugust 30, 2024Debbi H. GuthrieÂ Â Â â€‹â€‹â€‹/s/ Brian N. HawleyÂ DirectorAugust 30, 2024Brian N. HawleyÂ Â Â â€‹â€‹â€‹/s/ Kathy M. MichalakÂ DirectorAugust 30, 2024Kathy M. MichalakÂ Â Â â€‹â€‹â€‹/s/ William E. ThomasÂ Lead DirectorAugust 30, 2024William E. ThomasÂ Â Â Â Â Â Â /s/ Matthew E. WebbÂ DirectorAugust 30, 2024Matthew E. WebbÂ Â Â â€‹â€‹â€‹74Table of ContentsProvident Financial Holdings, Inc.Consolidated Financial StatementsIndexâ€‹Â PageReport of Independent Registered Public Accounting Firm (PCAOB ID No. 34)76Consolidated Statements of Financial Condition as of June 30, 2024 and 202378Consolidated Statements of Operations for the fiscal years ended June 30, 2024 and 202379Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2024 and 202380Consolidated Statements of Stockholdersâ€™ Equity for the fiscal years ended June 30, 2024 and 202381Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2024 and 202382Notes to Consolidated Financial Statements83â€‹â€‹â€‹75Table of ContentsReport of Independent Registered Public Accounting Firmâ€‹To the Stockholders and the Board of Directors of Provident Financial Holdings, Inc.â€‹Opinion on the Financial Statementsâ€‹We have audited the accompanying consolidated statements of financial condition of Provident Financial Holdings, Inc. and subsidiary (the â€œCorporationâ€) as of June 30, 2024 and 2023, the related consolidated statements of operations, comprehensive income, stockholdersâ€™ equity, and cash flows, for each of the two years in the period ended June 30, 2024, and the related (collectively referred to as the â€œfinancial statementsâ€). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America.â€‹Basis for Opinionâ€‹These financial statements are the responsibility of the Corporationâ€™s management. Our responsibility is to express an opinion on the Corporationâ€™s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.â€‹We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Corporationâ€™s internal control over financial reporting. Accordingly, we express no such opinion.â€‹Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.â€‹Critical Audit Matterâ€‹The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.â€‹Allowance for Credit Losses related to Qualitative Factors for Single Family Mortgage, Multifamily Mortgage, and Commercial Real Estate - Refer to Notes 1 and 3 to the Financial Statementsâ€‹Critical Audit Matter Descriptionâ€‹Management estimates the Corporationâ€™s allowance for credit losses (â€œACLâ€) Management calculates the quantitative portion of the collectively evaluated allowance for all loan categories using an average charge-off methodology. The Corporation primarily utilizes historical loss rates for the ACL based on its own specific historical losses and/or with peer loss history where applicable. Management considers whether additional or reduced allowance levels on collectively evaluated loans may be warranted, given the consideration of a variety of qualitative factors. â€‹76Table of ContentsThe qualitative portion of the Corporationâ€™s allowance on collectively evaluated loans are calculated using management judgment, to determine risk categorizations in each of the qualitative factors. The amount of qualitative allowance is also contingent upon the relative weighting of the qualitative factors according to managementâ€™s judgment.â€‹Auditing the collectively evaluated loans of the Corporationâ€™s ACL, specifically managementâ€™s qualitative loss factors for certain single-family, multi-family and commercial real estate loans, involved significant judgment. Given the management judgments required for the determination of risk categorization and relative weighting of qualitative factors, performing audit procedures to evaluate the Qualitative Factors in the ACL requires a high degree of auditor judgment and an increased extent of effort, including the need to involve our credit specialists.â€‹How the Critical Audit Matter Was Addressed in the Auditâ€‹Our audit procedures related to the ACL included the following, among others:â—We performed inquiries and examined documentation to understand managementâ€™s methodology and process in determining the qualitative factors in the ACL, including the key assumptions and relevant data utilized.â€‹â—We involved our credit specialists to assist us in evaluating the reasonableness and conceptual soundness of the qualitative and methodologies applied by management.â€‹â—We tested the design and implementation of controls over the (i) selection of the risk categorizations and relative weighting in each of the qualitative factors used as an input to the model and (ii) overall calculation and disclosure.â€‹â—We evaluated the reasonableness of the ACL inputs, including managementâ€™s judgments and assumptions used in the development of the qualitative factors, including the directional consistency and magnitude of the qualitative factors applied, and the reasonableness of the period selected for the forecast and the associated economic factors identified by management.â€‹â—We compared the Corporationâ€™s ACL with benchmark data obtained independently to assess whether the ACL is within a reasonable range for specific loan categories.â€‹â€‹/s/Deloitte & Touche LLPâ€‹Costa Mesa, CaliforniaAugust 30, 2024â€‹We have served as the Corporation's auditor since 2001.â€‹â€‹â€‹77Table of ContentsPROVIDENT FINANCIAL HOLDINGS,Â INC.Consolidated Statements of Financial Conditionâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â â€‹JuneÂ 30,Â (In Thousands, Except Share and Per Share Information)â€‹2024Â Â Â 2023Assetsâ€‹â€‹â€‹â€‹â€‹Cash and cash equivalentsâ€‹$ 51,376â€‹$ 65,849Investment securities - held to maturity, at cost with no allowance for credit lossesâ€‹Â 130,051â€‹Â 154,337Investment securities - available for sale, at fair value with no allowance for credit lossesâ€‹Â 1,849â€‹Â 2,155Loans held for investment, net of allowance for credit losses of $7,065 and $5,946, respectively; includes $1,047 and $1,312 of loans held at fair value, respectively; $861.1 million and $967.6 million pledged to Federal Home Loan Bank ("FHLB") - San Francisco, respectively; $178.6 million and $0 pledged to Federal Reserve Bank ("FRB") - San Francisco, respectivelyâ€‹Â 1,052,979â€‹Â 1,077,629Accrued interest receivableâ€‹Â 4,287â€‹Â 3,711FHLB - San Francisco and other equity investments, includes $540 and $0 of other equity investments at fair value, respectivelyâ€‹Â 10,108â€‹Â 9,505Premises and equipment, netâ€‹Â 9,313â€‹Â 9,231Prepaid expenses and other assetsâ€‹Â 12,237â€‹Â 10,531â€‹â€‹Â â€‹â€‹Â â€‹Total assetsâ€‹$ 1,272,200â€‹$ 1,332,948â€‹â€‹Â â€‹â€‹Â â€‹Liabilities and Stockholdersâ€™ Equityâ€‹Â â€‹â€‹Â â€‹â€‹â€‹Â â€‹â€‹Â â€‹Liabilities:â€‹Â â€‹â€‹Â â€‹Noninterest-bearing depositsâ€‹$ 95,627â€‹$ 103,007Interest-bearing depositsâ€‹Â 792,721â€‹Â 847,564Total depositsâ€‹Â 888,348â€‹Â 950,571â€‹â€‹Â â€‹â€‹Â â€‹Borrowingsâ€‹Â 238,500â€‹Â 235,009Accounts payable, accrued interest and other liabilitiesâ€‹Â 15,411â€‹Â 17,681Total liabilitiesâ€‹Â 1,142,259â€‹Â 1,203,261â€‹â€‹Â â€‹â€‹Â â€‹Commitments and Contingencies (Note 13)â€‹Â â€‹â€‹Â â€‹â€‹Â â€‹â€‹Â â€‹Stockholdersâ€™ equity:â€‹Â â€‹â€‹Â â€‹Preferred stock, $0.01 par value (2,000,000 shares authorized; none issued and outstanding)â€‹Â â€”â€‹Â â€”Common stock, $0.01 par value; (40,000,000 shares authorized; 18,229,615 and 18,229,615 shares issued; 6,847,821 and 7,043,170 shares outstanding, respectively)â€‹Â 183â€‹Â 183Additional paid-in capitalâ€‹Â 98,532â€‹Â 99,505Retained earningsâ€‹Â 209,914â€‹Â 207,274Treasury stock at cost (11,381,794 and 11,186,445 shares, respectively)â€‹Â (178,685)â€‹Â (177,237)Accumulated other comprehensive loss, net of taxâ€‹Â (3)â€‹Â (38)â€‹â€‹Â â€‹â€‹Â â€‹Total stockholdersâ€™ equityâ€‹Â 129,941â€‹Â 129,687â€‹â€‹Â â€‹â€‹Â â€‹Total liabilities and stockholdersâ€™ equityâ€‹$ 1,272,200â€‹$ 1,332,948â€‹The accompanying notes are an integral part of these consolidated financial statements.â€‹78Table of ContentsPROVIDENT FINANCIAL HOLDINGS,Â INC.Consolidated Statements of Operationsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Fiscal Year Ended JuneÂ 30,Â (In Thousands, Except Per Share Information)Â Â Â Â 2024â€‹2023Interest income:â€‹â€‹â€‹â€‹â€‹Â Â Loans receivable, netâ€‹$ 50,194Â Â $ 42,191Investment securitiesâ€‹Â 2,060Â Â Â 2,169FHLB - San Francisco and other equity investmentsâ€‹Â 802Â Â Â 556Interest-earning depositsâ€‹Â 1,674Â Â Â 1,076Total interest incomeâ€‹Â 54,730Â Â Â 45,992â€‹â€‹â€‹â€‹Â â€‹Interest expense:â€‹â€‹â€‹Â â€‹Depositsâ€‹Â 9,666Â Â Â 3,146Borrowingsâ€‹Â 10,141Â Â Â 5,861Total interest expenseâ€‹Â 19,807Â Â Â 9,007â€‹â€‹â€‹Â â€‹Net interest incomeâ€‹Â 34,923Â Â Â 36,985(Recovery of) provision for credit lossesâ€‹Â (63)Â Â Â 374Net interest income, after (recovery of) provision for credit lossesâ€‹Â 34,986Â Â Â 36,611â€‹â€‹â€‹â€‹â€‹Â â€‹Non-interest income:â€‹â€‹â€‹â€‹Â â€‹Loan servicing and other feesâ€‹Â 337Â Â Â 414Deposit account feesâ€‹Â 1,154Â Â Â 1,296Card and processing feesâ€‹Â 1,384Â Â Â 1,525Otherâ€‹Â 1,066Â Â Â 840Total non-interest incomeâ€‹Â 3,941Â Â Â 4,075â€‹â€‹â€‹â€‹Â â€‹Non-interest expense:â€‹â€‹â€‹Â â€‹Salaries and employee benefitsâ€‹Â 17,642Â Â Â 17,737Premises and occupancyâ€‹Â 3,586Â Â Â 3,447Equipmentâ€‹Â 1,309Â Â Â 1,152Professionalâ€‹Â 1,530Â Â Â 1,517Sales and marketingâ€‹Â 709Â Â Â 622Deposit insurance premium and regulatory assessmentsâ€‹Â 780Â Â Â 657Otherâ€‹Â 2,984Â Â Â 3,138Total non-interest expenseâ€‹Â 28,540Â Â Â 28,270â€‹â€‹â€‹â€‹â€‹Â â€‹Income before income taxesâ€‹Â 10,387Â Â Â 12,416Provision for income taxesâ€‹Â 3,036Â Â Â 3,824Net incomeâ€‹$ 7,351Â Â $ 8,592â€‹â€‹â€‹â€‹â€‹Â â€‹Basic earnings per shareâ€‹$ 1.06Â Â $ 1.20Diluted earnings per shareâ€‹$ 1.06Â Â $ 1.19â€‹â€‹The accompanying notes are an integral part of these consolidated financial statements.â€‹79Table of ContentsPROVIDENT FINANCIAL HOLDINGS,Â INC.Consolidated Statements of Comprehensive Incomeâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Fiscal Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023Net incomeâ€‹$ 7,351Â Â $ 8,592â€‹â€‹â€‹â€‹Â â€‹Change in unrealized holding gains (losses) on securities available for sale and interest-only stripsâ€‹Â 50Â Â Â (57)Less: Income tax expense (benefit)â€‹Â 15Â Â Â (17)Other comprehensive income (loss)â€‹Â 35Â Â Â (40)Total comprehensive incomeâ€‹$ 7,386Â Â $ 8,552â€‹The accompanying notes are an integral part of these consolidated financial statements.â€‹â€‹80Table of ContentsPROVIDENT FINANCIAL HOLDINGS,Â INC.Consolidated Statements of Stockholdersâ€™ Equityâ€‹Accumulatedâ€‹(In Thousands, Except Share Information)Â Â Â Â SharesÂ Â Â Â AmountÂ Â Â Â Paid-InÂ CapitalÂ Â Â Â RetainedÂ EarningsÂ Â Â Â TreasuryÂ StockÂ Â Â Â NetÂ ofÂ TaxÂ Â Â Â â€‹TotalBalance at JuneÂ 30,Â 2022â€‹ 7,285,184Â Â $ 183Â $ 98,826Â Â $ 202,680Â Â $ (173,041)Â Â $ 2Â Â $ 128,650â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Net incomeâ€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â 8,592â€‹Â Â Â â€‹â€‹â€‹â€‹Â 8,592Other comprehensive lossâ€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Â Â Â â€‹Â (40)Â Â Â (40)Purchase of treasury stock(1)â€‹ (335,764)Â Â â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Â (4,648)â€‹Â Â Â â€‹Â (4,648)Awards for restricted stockâ€‹ 93,750â€‹â€‹â€‹â€‹ (479)â€‹â€‹â€‹â€‹ 479â€‹â€‹â€‹â€‹â€‹â€”Forfeiture of restricted stockâ€‹â€‹â€‹Â Â Â â€‹Â 27Â Â â€‹â€‹â€‹Â (27)â€‹â€‹â€‹Â â€”Amortization of restricted stock, net of taxâ€‹â€‹â€‹â€‹â€‹â€‹ 1,109â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ 1,109Stock options expense, net of taxâ€‹â€‹â€‹Â Â Â â€‹Â 76Â Â â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Â 76Tax effect from stock-based compensationâ€‹â€‹â€‹â€‹â€‹â€‹ (54)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ (54)Cash dividends(2)â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â (3,998)â€‹Â Â Â â€‹â€‹â€‹Â (3,998)Balance at JuneÂ 30,Â 2023â€‹ 7,043,170Â Â $ 183Â $ 99,505Â Â $ 207,274Â Â $ (177,237)Â Â $ (38)Â Â $ 129,687â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Net incomeâ€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â 7,351â€‹Â Â Â â€‹â€‹â€‹â€‹Â 7,351Other comprehensive incomeâ€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Â Â Â â€‹Â 35Â Â Â 35Purchase of treasury stockâ€‹ (197,349)Â Â â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Â (2,601)â€‹Â Â Â â€‹Â (2,601)Distribution of restricted stockâ€‹ 2,000â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€”Awards for restricted stockâ€‹â€‹â€‹â€‹â€‹â€‹ (1,183)â€‹â€‹â€‹â€‹ 1,183â€‹â€‹â€‹â€‹ â€”Forfeiture of restricted stockâ€‹â€‹â€‹Â Â Â â€‹Â 30Â Â â€‹â€‹â€‹Â (30)â€‹â€‹â€‹â€‹Â â€”Amortization of restricted stock, net of taxâ€‹â€‹â€‹â€‹â€‹â€‹ 203â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ 203Stock options expense, net of taxâ€‹â€‹â€‹Â Â Â â€‹Â 37Â Â â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹Â 37Tax effect from stock-based compensationâ€‹â€‹â€‹â€‹â€‹â€‹ (60)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ (60)Cash dividends(2)â€‹â€‹â€‹Â Â Â â€‹â€‹â€‹â€‹Â (3,887)â€‹Â Â Â â€‹â€‹â€‹Â (3,887)Adoption of CECL standardâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ (824)â€‹â€‹â€‹â€‹â€‹â€‹â€‹ (824)Balance at JuneÂ 30,Â 2024â€‹ 6,847,821Â Â $ 183Â $ 98,532Â Â $ 209,914Â Â $ (178,685)Â Â $ (3)Â Â $ 129,941â€‹(1)Includes the purchase of 33,045 shares of distributed restricted stock in fiscal 2023 in settlement of employees' withholding tax obligations.(2)Cash dividends of $0.56 per share were paid in both fiscal 2024 and 2023.â€‹The accompanying notes are an integral part of these consolidated financial statements.â€‹â€‹81Table of ContentsPROVIDENT FINANCIAL HOLDINGS,Â INC.Consolidated Statements of Cash Flowsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Fiscal Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023Cash flows from operating activities:â€‹â€‹â€‹Â Â Net incomeâ€‹$ 7,351Â $ 8,592Adjustments to reconcile net income to net cash provided by operating activities:â€‹â€‹Â Â â€‹Depreciation and amortizationâ€‹Â 3,155Â Â 3,188(Recovery of) provision for credit lossesâ€‹Â (63)Â Â 374Net unrealized gain on other equity investmentsâ€‹â€‹ (540)â€‹â€‹ â€”Stock-based compensationâ€‹Â 240Â Â 1,185(Benefit) provision for deferred income taxesâ€‹Â (58)Â Â 1,231(Decrease) increase in accounts payable, accrued interest and other liabilitiesâ€‹Â (2,399)Â Â 121(Increase) decrease in prepaid expenses and other assetsâ€‹â€‹ (2,001)â€‹â€‹ 1,634Net cash provided by operating activitiesâ€‹Â 5,685Â Â 16,325â€‹â€‹â€‹â€‹Â â€‹Cash flows from investing activities:â€‹â€‹â€‹Â â€‹Decrease (increase) in loans held for investment, netâ€‹Â 22,604Â Â (138,970)Maturity of investment securities - held to maturityâ€‹Â â€”Â Â 400Principal payments from investment securities - held to maturityâ€‹Â 23,754Â Â 30,217Principal payments from investment securities - available for saleâ€‹Â 356Â Â 464Purchase of FHLB - San Francisco stockâ€‹â€‹ (63)â€‹â€‹ (1,266)Purchase of premises and equipmentâ€‹Â (1,589)Â Â (741)Net cash provided by (used for) investing activitiesâ€‹â€‹ 45,062Â â€‹ (109,896)â€‹â€‹â€‹â€‹â€‹â€‹Cash flows from financing activities:â€‹â€‹â€‹â€‹â€‹Decrease in deposits, netâ€‹â€‹ (62,223)Â â€‹ (4,933)Proceeds from long-term borrowingsâ€‹â€‹ 85,500Â â€‹ 65,000Repayments of long-term borrowingsâ€‹â€‹ (30,009)Â â€‹ (30,000)(Repayment of) proceeds from short-term borrowings, netâ€‹â€‹ (52,000)Â â€‹ 115,009Treasury stock purchasesâ€‹â€‹ (2,601)Â â€‹ (4,648)Withholding taxes on stock-based compensationâ€‹â€‹ â€”Â â€‹ (424)Cash dividendsâ€‹â€‹ (3,887)Â â€‹ (3,998)Net cash (used for) provided by financing activitiesâ€‹â€‹ (65,220)Â â€‹ 136,006â€‹â€‹â€‹â€‹â€‹â€‹Net (decrease) increase in cash and cash equivalentsâ€‹â€‹ (14,473)Â â€‹ 42,435Cash and cash equivalents at beginning of yearâ€‹â€‹ 65,849Â â€‹ 23,414Cash and cash equivalents at end of yearâ€‹$ 51,376â€‹$ 65,849Supplemental information:â€‹Â Â Â â€‹Â Â Â Cash paid for interestâ€‹$ 19,762â€‹$ 7,480Cash paid for income taxesâ€‹$ 3,090â€‹$ 2,725â€‹The accompanying notes are an integral part of these consolidated financial statements.â€‹â€‹82Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsNoteÂ 1: Organization and Summary of Significant Accounting Policiesâ€‹Basis of presentationThe consolidated financial statements include the accounts of Provident Financial Holdings,Â Inc., and its wholly owned subsidiary, Provident Savings Bank, F.S.B. (collectively, the â€œCorporationâ€). All inter-company balances and transactions have been eliminated.â€‹Provident Savings Bank, F.S.B. (the â€œBankâ€) converted from a federally chartered mutual savings bank to a federally chartered stock savings bank effective JuneÂ 27, 1996. Provident Financial Holdings,Â Inc., a Delaware corporation organized by the Bank, acquired all of the capital stock of the Bank issued in the conversion; the transaction was recorded on a book value basis.â€‹The Corporation has determined that it operates in one business segment through the Bank. The Bank's activities include attracting deposits, offering banking services and originating and purchasing single-family, multi-family, commercial real estate, construction and other mortgage loans and, to a lesser extent, commercial business and consumer loans held for investment. Deposits are collected primarily from 13 banking locations located in Riverside and San Bernardino counties in California. Additional activities may include originating saleable single-family loans, primarily fixed-rate first mortgages. Loans are primarily originated and purchased in California.â€‹Use of estimatesThe accounting and reporting policies of the Corporation conform to generally accepted accounting principles in the United States of America (â€œGAAPâ€). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of investment securities, the valuation of loans held for investment at fair value, deferred tax assets, mortgage servicing assets, real estate owned and deferred compensation costs.â€‹The following accounting policies, together with those disclosed elsewhere in the consolidated financial statements, represent the significant accounting policies of Provident Financial Holdings,Â Inc. and the Bank.â€‹Cash and cash equivalentsCash and cash equivalents include cash on hand and due from banks, as well as overnight deposits placed at the FRB â€“ San Francisco and correspondent banks.â€‹Investment securitiesThe Corporation classifies its qualifying investments as available for sale or held to maturity. The Corporation classifies investments as held to maturity when it has the ability and it is managementâ€™s positive intent to hold such securities to maturity. Securities held to maturity are carried at amortized historical cost. All other securities are classified as available for sale and are carried at fair value. Fair value generally is determined based upon quoted market prices. Changes in net unrealized gains (losses) on debt securities available for sale are included in accumulated other comprehensive income, net of tax. Gains and losses on sale or dispositions of investment securities are included in non-interest income and are determined using the specific identification method. Purchase premiums and discounts are amortized over the expected average life of the securities using the effective interest method.â€‹The Corporation evaluates individual investment securities quarterly for impairment based on Accounting Standards Codification (â€œASCâ€) 326, â€œFinancial Instruments â€“ Credit Losses,â€ which was adopted on July 1, 2023. The Corporation does not currently intend to sell any investment securities classified as held to maturity or available for sale and as such, records the investment security at book value or fair market value as prescribed by GAAP. As a part of the Corporationâ€™s monthly risk assessment, the Corporation runs a number of stressed liquidity scenarios to determine if it is more likely than not that the Bank will be required to sell the investment security before the recovery of its amortized costs basis. These liquidity scenarios support the Corporationâ€™s assessment that the Corporation has the ability to hold these held to maturity securities until maturity or available for sale securities until recovery of the amortized costs is realized and it is not more likely than not that the Corporation will be required to sell the securities prior to recovery of the amortized costs.83Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹Loans held for investmentLoans held for investment consist of long-term single-family adjustable and fixed rate loans secured by single-family residences and multi-family and commercial real estate loans secured by commercial property, land and other residential properties, which the Corporation intends to hold for the foreseeable future. These loans are generally offered to customers and businesses located in California.â€‹Net loan origination fees and certain direct origination expenses are deferred and amortized to interest income over the contractual life of the loan using the effective interest method. Amortization is discontinued for non-performing loans. Interest receivable represents primarily the current monthâ€™s interest, which will be included as a part of the borrowerâ€™s next monthly loan payment. Interest receivable is accrued only if deemed collectible. Loans are placed on non-performing status when they become 90 days past due. When a loan is placed on non-performing status, interest accrued but not received is reversed against interest income. Interest income on non-performing loans is subsequently recognized only to the extent that cash is received and the principal balance is deemed collectible. If the principal balance is not deemed collectible, the entire payment received (principal and interest) is applied to the outstanding loan balance. Non-performing loans that become current as to both principal and interest are returned to accrual status after demonstrating satisfactory payment history (usually six consecutive months) and when future payments are expected to be collectible.â€‹Allowance for credit lossesThe allowance for credit losses involves significant judgment and assumptions by management, which has a material impact on the carrying value of financial assets. The Corporation adopted ASC 326 using the prospective transition approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after July 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards. â€‹Non-performing loansThe Corporation assesses loans individually and classifies them as non-performing when the accrual of interest has been discontinued, loans have been modified or management has serious doubts about the future collectability of principal and interest, even though the loans may currently be performing. Factors considered in determining classification include, but are not limited to, expected future cash flows, the financial condition of the borrower and current economic conditions. The Corporation measures each non-performing loan based on ASC 326, establishes a collectively evaluated or individually evaluated allowance, and charges off those loans or portions of loans deemed uncollectible. Loans identified to be individually evaluated have an allowance that is based upon the appraised value of the collateral, less selling costs or discounted cash flow with an appropriate default factor.â€‹Real estate ownedReal estate acquired through foreclosure is initially recorded at the fair value of the real estate acquired, less estimated selling costs. Subsequent to foreclosure, the Corporation charges current earnings for estimated losses if the carrying value of the property exceeds its fair value. Gains or losses on the sale of real estate are recognized upon disposition of the property. Costs relating to improvement, maintenance and repairs of the property are expensed as incurred under gain (loss) on sale and operations of real estate owned acquired in the settlement of loans in the Consolidated Statements of Operations.â€‹Impairment of long-lived assetsThe Corporation reviews its long-lived assets for impairment annually or when events or circumstances indicate that the carrying amount of these assets may not be recoverable. Long-lived assets include buildings, land, fixtures, furniture and equipment. An asset is considered impaired when the expected discounted cash flows over the remaining useful life are less than the net book value. When impairment is indicated for an asset, the amount of impairment loss is the excess of the net book value over its fair value.â€‹84Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsPremises and equipmentPremises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed primarily on a straight-line basis over the estimated useful lives as follows:â€‹â€‹â€‹â€‹BuildingsÂ Â Â Â 10 to 40 yearsFurniture and fixturesâ€‹3 to 10 yearsAutomobilesâ€‹3 to 5 yearsComputer equipmentâ€‹3 to 5 yearsâ€‹Leasehold improvements are amortized over the lesser of their respective lease terms or the useful life of the improvement, which ranges from one to 10 years. Maintenance and repair costs are charged to operations as incurred.â€‹Income taxesThe Corporation accounts for income taxes in accordance with ASC 740, â€œIncome Taxes.â€Â Â ASC 740 requires the affirmative evaluation that it is more likely than not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements.â€‹ASC 740 requires that when determining the need for a valuation allowance against a deferred tax asset, management must assess both positive and negative evidence with regard to the realizability of the tax losses represented by that asset. To the extent available, if sources of taxable income are insufficient to absorb tax losses, a valuation allowance is necessary. Sources of taxable income for this analysis include priorÂ yearsâ€™ tax returns, the expected reversals of taxable temporary differences between book and tax income, prudent and feasible tax-planning strategies, and future taxable income. The deferred income tax asset related to the allowance for credit losses will be realized when actual charge-offs are made against the allowance. Based on the availability of loss carry-backs and projected taxable income during the periods for which loss carry-forwards are available, management believes it is more likely than not the Corporation will realize the deferred tax asset. The Corporation continues to monitor the deferred tax asset on a quarterly basis for a valuation allowance. The future realization of these tax benefits primarily hinges on adequate future earnings to utilize the tax benefit. Prospective earnings or losses, tax law changes or capital changes could prompt the Corporation to reevaluate the assumptions which may be used to establish a valuation allowance. As of June 30, 2024 and 2023, the estimated net deferred tax asset, which is included in prepaid expenses and other assets in the Consolidated Statements of Financial Condition, was $606,000 and $218,000, respectively. The Corporation maintains net deferred tax assets for deductible temporary tax differences, such as loss reserves, deferred compensation, non-accrued interest and unrealized gains (losses), among other items. The increase in the net deferred tax asset resulted primarily from higher loss reserves and a decrease in deferred tax liabilities from lower net deferred loan costs. The Corporation did not have any liabilities for uncertain tax positions or any known unrecognized tax benefit at June 30, 2024 or 2023.â€‹Bank owned life insurance ("BOLI")ASC 715-60-35, "Accounting for Deferred Compensation and Post-retirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," requires an employer to recognize obligations associated with endorsement split-dollar life insurance arrangements that extend into the participantâ€™s post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. The Corporation adopted ASC 715-60-35 using the latter option, i.e., based on the future death benefit. The Bank purchases BOLI policies on the lives of certain executive officers while they are employed by the Bank and is the owner and beneficiary of the policies. The Bank invests in BOLI to provide an efficient form of funding for long-term retirement and other employee benefits costs. The Bank records these BOLI policies within prepaid expenses and other assets in the Consolidated Statements of Financial Condition at each policyâ€™s respective cash surrender value, with net changes recorded in other non-interest income in the Consolidated Statements of Operations.â€‹Cash dividendA declaration or payment of dividends is at the discretion of the Corporationâ€™s Board of Directors, who take into account the Corporationâ€™s financial condition, results of operations, tax considerations, capital requirements, industry standards, economic conditions and other factors, including the regulatory restrictions which affect the payment of dividends by the Bank to the Corporation. Under Delaware law, dividends may be paid either out of surplus or, if there is no surplus, out of net profits for the current fiscalÂ year and/or the preceding fiscalÂ year in which the dividend is declared. For additional 85Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsinformation, see NoteÂ 18 of the NotesÂ to Consolidated Financial Statements regarding the subsequent event related to the cash dividend.â€‹Stock repurchasesThe Corporation repurchased 197,349 shares of its common stock with an average cost of $13.05 per share during fiscal 2024 pursuant to its publicly announced stock repurchase plans. As of June 30, 2024, a total of 189,116 shares or 54% of the shares authorized for repurchase under the Corporationâ€™s existing stock repurchase plan remain available to purchase until the plan expires on September 28, 2024.â€‹Earnings per common share (â€œEPSâ€)Basic EPS represents net income divided by the weighted average common shares outstanding during the period excluding any potential dilutive effects. Diluted EPS gives effect to any potential issuance of common stock that would have caused basic EPS to be lower as if the issuance had already occurred. Accordingly, diluted EPS reflects an increase in the weighted average shares outstanding as a result of the assumed exercise of stock options and the vesting of restricted stock. The computation of diluted EPS does not assume exercise of stock options and vesting of restricted stock that would have an anti-dilutive effect on EPS.â€‹Stock-based compensationASC 718, â€œCompensationÂ â€“ Stock Compensation,â€ requires companies to recognize in the Consolidated Statements of Operations the grant-date fair value of stock options and other equity-based compensation issued to employees and directors. Stock-based compensation, inclusive of restricted stock expense, recognized in the Consolidated Statements of Operations for theÂ fiscal years ended June 30, 2024 and 2023 was $240,000 and $1.2 million, respectively.â€‹Employee Stock Ownership Plan ("ESOP")The Corporation recognizes compensation expense when the Bank contributes funds to the ESOP for the purchase of the Corporationâ€™s common stock to be allocated to the ESOP participants. Since the contributions are discretionary, the benefits payable under the ESOP cannot be estimated.â€‹Restricted stockThe Corporation recognizes compensation expense over the vesting period of the shares awarded, equal to the fair value of the shares at the award date. A total of $203,000 and $1.1 million of restricted stock expense was amortized during fiscal 2024 and 2023, respectively.â€‹Post-retirement benefitsThe estimated obligation for post-retirement health care and life insurance benefits is determined based on an actuarial computation of the cost of current and future benefits for the eligible (grandfathered) retirees and employees. The post retirement benefit liability is included in accounts payable, accrued interest and other liabilities in the Consolidated Statements of Financial Condition. Effective JulyÂ 1, 2003, the Corporation discontinued the post-retirement health care and life insurance benefits to any employee not previously qualified (grandfathered) for these benefits, unless included within an employment agreement. At June 30, 2024 and 2023, the accrued liability for post-retirement benefits was $450,000 and $270,000, respectively.â€‹Comprehensive incomeASC 220, â€œComprehensive Income,â€ requires that realized revenues, expenses, gains and losses be included in net income (loss). Unrealized gains (losses) on available for sale securities and interest-only strips are reported as a separate component of the stockholdersâ€™ equity section of the Consolidated Statements of Financial Condition and the change in the unrealized gains (losses) are reported on the Consolidated Statements of Comprehensive Income and Consolidated Statements of Stockholdersâ€™ Equity.86Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsAccounting Standard Updates (â€œASUâ€)ASU 2023-09:In December 2023, the Financial Accounting Standards Board (â€œFASBâ€) issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU requires public business entities to annually (a) disclose specific categories in the rate reconciliation and (b) provide additional information for reconciling items that meet a quantitative threshold of equal to or greater than five percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate. This ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Corporation is in the process of reviewing the impact of this ASU and has not yet determined the impact of the adoption of this ASU on its consolidated financial statements. â€‹ASU 2023-07:In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The key amendments include: (a) introducing a new requirement to disclose significant segment expenses regularly provided to the chief operating decision makerâ€¨(â€œCODMâ€), (b) extending certain annual disclosures to interim periods, (c) clarifying that single reportable segment entities must apply ASC 280 in its entirety, (d) permitting more than one measure of segment profit or loss to be reported under certain conditions, and (e) requiring disclosure of the title and position of the CODM. This ASU is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Corporation is in the process of reviewing the impact of this ASU and has not yet determined the impact of the adoption of this ASU on its consolidated financial statements.â€‹ASU 2020-04:In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU applies to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate (â€œLIBORâ€) or other rate references expected to be discontinued as a result of reference rate reform. The ASU permits an entity to make necessary modifications to eligible contracts or transactions without requiring contract remeasurement or reassessment of a previous accounting determination. In January 2021, ASU 2021-01 clarified that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the changes in the interest rates used for margining, discounting, or contract price alignment for derivative instruments that are being implemented as part of the market-wide transition to new reference rates (commonly referred to as the â€œdiscounting transitionâ€). In December 2022, the FASB issued ASU 2022-06, Deferral of the Sunset Date of Topic 848. The FASB had originally included a sunset provision within Topic 848 based on expectations of when the LIBOR would cease being published. In March 2021, it was announced that the intended cessation date of LIBOR was extended to June 30, 2023. As a result, the FASB issued ASU 2022-06 deferring the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. This ASU is effective for all entities as of March 12, 2020 through December 31, 2024. As of June 30, 2023, the Corporation had approximately $469.4 million in loans held for investment with LIBOR indices. Beginning July 1, 2023, the Corporation started to transition these loans to Secured Overnight Financing Rate (â€œSOFRâ€) indices or other rate indices in accordance with the government agency guidelines. As of September 30, 2023, all loans held for investment with LIBOR indices had been transitioned to SOFR or other rate indices. The Corporation determined that the impact of the adoption of this ASU did not have a material impact to its consolidated financial statements.â€‹ASU 2016-13:In June 2016, the FASB issued ASU 2016-13, â€œFinancial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,â€ and subsequent amendments to the initial guidance. On July 1, 2023, the Corporation adopted this ASU that replaced the incurred loss methodology with the current expected credit loss (â€œCECLâ€) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and applies to financial assets measured at amortized cost, including loans held for investment, held-to-maturity investment securities and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses (â€œACLâ€). â€‹87Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsIn addition, CECL made changes to the accounting for available for sale investment securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell.â€‹The Corporation adopted ASC 326, â€œFinancial Instruments â€“ Credit Losses,â€ and all related subsequent amendments using the prospective transition approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an $1.2 million increase in the ACL, which is presented as a reduction to net loans held for investment. The Corporation recorded a net decrease to retained earnings of $824,000 as of July 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after July 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards. â€‹The Corporation adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to July 1, 2023. As of June 30, 2023, the Corporation did not have any other-than-temporary impaired investment securities. Therefore, upon adoption of ASC 326, the Corporation determined that an ACL on available for sale securities was not deemed necessary.â€‹The following table illustrates the impact on the ACL from the adoption of ASC 326:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Allowance forAllowanceImpact toâ€‹credit losses before adoptionallowance after ASCâ€‹under ASC 326of ASC 326326 adoption(In Thousands)(07/01/2023)(06/30/2023)(07/01/2023)Assets:â€‹Â Â Â â€‹Â Â Â Â â€‹Â Â Mortgage loans:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Single-family$ 6,325â€‹$ 1,720Â $ 4,605â€‹Multi-familyâ€‹ 656â€‹â€‹ 3,270â€‹â€‹ (2,614)â€‹Commercial real estateâ€‹ 82â€‹â€‹ 868â€‹â€‹

(786)â€‹Constructionâ€‹ 62â€‹â€‹ 15â€‹â€‹ 47â€‹Otherâ€‹ 5â€‹â€‹ 2â€‹â€‹ 3â€‹Commercial business loansâ€‹ 13â€‹â€‹ 67â€‹â€‹ (54)â€‹Consumer loansâ€‹ â€”â€‹â€‹ 4â€‹â€‹ (4)â€‹ACL on loans$ 7,143â€‹$ 5,946â€‹$ 1,197â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Liabilities:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Unfunded loan commitment reserve$ 42â€‹$ 42â€‹$ â€”â€‹â€‹In March 2022, FASB issued ASU 2022-02, â€œFinancial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures.â€ This ASU eliminates the concept and treatment of troubled debt restructurings (â€œTDRâ€) in relation to the adoption of the CECL model for the accounting for credit losses (see note above regarding ASU 2016-13). The new disclosure requirements are adopted in regards to loan modifications made to borrowers experiencing financial difficulties. The required disclosures regarding gross write-offs for financing receivables by year of origination and loan modifications are presented under Note 3 of the Notes to Consolidated Financial Statements. Subsequent to the adoption of ASC 326 on July 1, 2023, the Corporation did have any loan modifications for borrowers experiencing financial difficulties during fiscal 2024. â€‹â€‹88Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsNoteÂ 2: Investment Securitiesâ€‹The amortized cost and estimated fair value of investment securities as of June 30, 2024 and 2023 were as follows:â€‹Â Â Â Â Â Â Â Â â€‹Â Â Â Â GrossÂ Â Â Â GrossÂ Â Â Â EstimatedÂ Â Â Â â€‹â€‹â€‹Amortizedâ€‹Unrealizedâ€‹Unrealizedâ€‹Fairâ Thousands)Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Held to maturityÂ â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â U.S. government sponsored enterprise MBS(1)â€‹$ 125,883â€‹$ 76â€‹$ (15,481)â€‹$ 110,478â€‹$ 125,883U.S. government sponsored enterprise CMO(2)â€‹â€‹ 3,713â€‹â€‹ â€”â€‹â€‹ (253)â€‹â€‹ 3,460â€‹â€‹ 3,713U.S. SBA securities(3)â€‹Â 455â€‹Â â€”â€‹Â â€”â€‹Â 455â€‹Â 455Total investment securities - held to maturityâ€‹â€‹ 130,051â€‹â€‹ 76â€‹â€‹ (15,734)â€‹â€‹ 114,393â€‹â€‹ 130,051â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â Available for saleâ€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â U.S. government agency MBS(1)â€‹â€‹ 1,222â€‹â€‹ â€”â€‹â€‹ (14)â€‹â€‹ 1,208â€‹â€‹ 1,208U.S. government sponsored enterprise MBS(1)â€‹Â 548â€‹â€‹ 5â€‹â€‹ â€”â€‹â€‹ 553â€‹â€‹ 553Private issue CMO(2)â€‹Â 91â€‹â€‹ â€”â€‹â€‹ (3)â€‹â€‹ 88â€‹â€‹ 88Total investment securities - available for saleâ€‹â€‹ 1,861â€‹â€‹ 5â€‹â€‹ (17)â€‹â€‹ 1,849â€‹â€‹ 1,849Total investment securitiesâ€‹$ 131,912â€‹$ 81â€‹$ (15,751)â€‹$ 116,242â€‹$ 131,900â€‹(1)Mortgage-backed securities (â€œMBSâ€).(2)Collateralized mortgage obligations (â€œCMOâ€).(3)Small Business Administration ("SBA").â€‹Â Â Â Â Â Â Â Â â€‹Â Â Â Â GrossÂ Â Â Â GrossÂ Â Â Â EstimatedÂ Â Â Â â€‹â€‹â€‹Amortizedâ€‹Unrealizedâ€‹Unrealizedâ€‹F Thousands)Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Held to maturityÂ â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â U.S. government sponsored enterprise MBSâ€‹$ 149,803â€‹$ â€”â€‹$ (18,459)â€‹$ 131,344â€‹$ 149,803U.S. government sponsored enterprise CMOâ€‹â€‹ 3,883â€‹â€‹ â€”â€‹â€‹ (336)â€‹â€‹ 3,547â€‹â€‹ 3,883U.S. SBA securitiesâ€‹Â 651â€‹Â â€”â€‹Â (1)â€‹Â 650â€‹Â 651Total investment securities - held to maturityâ€‹â€‹ 154,337â€‹â€‹ â€”â€‹â€‹ (18,796)â€‹â€‹ 135,541â€‹â€‹ 154,337â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â Available for saleâ€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â U.S. government agency MBSâ€‹â€‹ 1,417â€‹â€‹ â€”â€‹â€‹ (47)â€‹â€‹ 1,370â€‹â€‹ 1,370U.S. government sponsored enterprise MBSâ€‹â€‹ 697â€‹â€‹ â€”â€‹â€‹ (14)â€‹â€‹ 683â€‹â€‹ 683Private issue CMOâ€‹â€‹ 103â€‹â€‹ â€”â€‹â€‹ (1)â€‹â€‹ 102â€‹â€‹ 102Total investment securities - available for saleâ€‹â€‹ 2,217â€‹â€‹ â€”â€‹â€‹ (62)â€‹â€‹ 2,155â€‹â€‹ 2,155Total investment securitiesâ€‹$ 156,554â€‹$ â€”â€‹$ (18,858)â€‹$ 137,696â€‹$ 156,492â€‹In fiscal 2024 and 2023, the Corporation received principal payments from its investment securities of $24.1 million and $30.7 million, respectively and did not sell any investment securities. The Corporation did not purchase any investment securities in fiscal 2024 and 2023. 89Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsAs of June 30, 2024 and 2023, the Corporation held investments with an unrealized loss position of $15.8 million and $18.9 million, respectively.â€‹As of JuneÂ 30,Â 2024â€‹Unrealized Holding Lossesâ€‹Unrealized Holding Lossesâ€‹Unrealized Holding Losses(In Thousands)â€‹Less Than 12 Monthsâ€‹12 Months or Moreâ€‹Totalâ€‹â€‹Fairâ€‹Unrealizedâ€‹Fairâ€‹Unrealizedâ€‹Fairâ€‹UnrealizedDescription of SecuritiesÂ Â Â Â ValueÂ Â Â Â LossesÂ Â Â Â ValueÂ Â Â Â LossesÂ Â Â Â ValueÂ Â Â Â LossesHeld to maturityâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S. government sponsored enterprise MBSâ€‹$ â€”â€‹$ â€”â€‹$ 105,530â€‹$ 15,481â€‹$ 105,530â€‹$ 15,481U.S. government sponsored enterprise CMOâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 3,460â€‹â€‹ 253â€‹â€‹ 3,460â€‹â€‹ 253U.S. SBA securitiesâ€‹â€‹ 455â€‹$ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 455â€‹â€‹ â€”Total investment securities - held to maturityâ€‹â€‹ 455â€‹â€‹ â€”â€‹â€‹ 108,990â€‹â€‹ 15,734â€‹â€‹ 109,445â€‹â€‹ 15,734â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Available for saleâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S government agency MBSâ€‹â€‹ 91â€‹â€‹ â€”â€‹â€‹ 1,117â€‹â€‹ 14â€‹â€‹ 1,208â€‹â€‹ 14U.S. government sponsored enterprise MBSâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 8â€‹â€‹ â€”â€‹â€‹ 8â€‹â€‹ â€”Private issue CMOâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 88â€‹â€‹ 3â€‹â€‹ 88â€‹â€‹ 3Total investment securities - available for saleâ€‹â€‹ 91â€‹â€‹ â€”â€‹â€‹ 1,213â€‹â€‹ 17â€‹â€‹ 1,304â€‹â€‹ 17Total investment securitiesâ€‹$ 546â€‹$ â€”â€‹$ 110,203â€‹$ 15,751â€‹$ 110,749â€‹$ 15,751â€‹As of JuneÂ 30,Â 2023â€‹Unrealized Holding Lossesâ€‹Unrealized Holding Lossesâ€‹Unrealized Holding Losses(In Thousands)â€‹Less Than 12 Monthsâ€‹12 Months or Moreâ€‹Totalâ€‹â€‹Fairâ€‹Unrealizedâ€‹Fairâ€‹Unrealizedâ€‹Fairâ€‹UnrealizedDescription of SecuritiesÂ Â Â Â ValueÂ Â Â Â LossesÂ Â Â Â ValueÂ Â Â Â LossesÂ Â Â Â ValueÂ Â Â Â LossesHeld to maturityâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S. government sponsored enterprise MBSâ€‹$ 10,839â€‹$ 253â€‹$ 120,506â€‹$ 18,206â€‹$ 131,345â€‹$ 18,459U.S. government sponsored enterprise CMOâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 3,547â€‹â€‹ 336â€‹â€‹ 3,547â€‹â€‹ 336U.S. SBA securitiesâ€‹â€‹ 650â€‹â€‹ 1â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 650â€‹â€‹ 1Total investment securities - held to maturityâ€‹â€‹ 11,489â€‹â€‹ 254â€‹â€‹ 124,053â€‹â€‹ 18,542â€‹â€‹ 135,542â€‹â€‹ 18,796â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Available for saleâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S government agency MBSâ€‹â€‹ 696â€‹â€‹ 20â€‹â€‹ 673â€‹â€‹ 27â€‹â€‹ 1,369â€‹â€‹ 47U.S. government sponsored enterprise MBSâ€‹â€‹ 87â€‹â€‹ 2â€‹â€‹ 558â€‹â€‹ 12â€‹â€‹ 645â€‹â€‹ 14Private issue CMOâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 102â€‹â€‹ 1â€‹â€‹ 102â€‹â€‹ 1Total investment securities - available for saleâ€‹â€‹ 783â€‹â€‹ 22â€‹â€‹ 1,333â€‹â€‹ 40â€‹â€‹ 2,116â€‹â€‹ 62Total investment securitiesâ€‹$ 12,272â€‹$ 276â€‹$ 125,386â€‹$ 18,582â€‹$ 137,658â€‹$ 18,858â€‹The Corporation evaluates individual investment securities quarterly for impairment based on ASC 326 since the adoption on July 1, 2023.Â At June 30, 2024, all of the $15.8 million of unrealized holding losses were in a loss position for 12 months or more, while at June 30, 2023, $18.6 million of the $18.9 million of unrealized holding losses were in a loss position for 12 months or more. The unrealized losses on investment securities were attributable to changes in interest rates relative to when the investment securities were purchased and not due to the credit quality of the investment securities, 90Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementswhich are predominately U.S. government sponsored enterprise (GSE) securities that are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. Therefore, the Corporation has determined that the unrealized losses are due to the fluctuating nature of interest rates, and not related to any potential credit risks within the investment portfolio. The Bank does not currently intend to sell any investment securities classified as held to maturity or available for sale and as such, records the investment security at amortized cost or fair market value as prescribed by GAAP. As a part of the Corporationâ€™s monthly risk assessment, the Corporation runs a number of stressed liquidity scenarios to determine if it is more likely than not that the Bank will be required to sell the investment security before the recovery of its amortized costs basis. These liquidity scenarios support the Corporationâ€™s assessment that the Corporation has the ability to hold these held to maturity securities until maturity or available for sale securities until recovery of the amortized costs is realized and it is not more likely than not that the Corporation will be required to sell the securities prior to recovery of the amortized costs. There were no ACL or impairment on investment securities held to maturity and there was no impairment on investment securities available for sale at the adoption date of ASC 326 on July 1, 2023 and at June 30, 2024.â€‹In order to maintain adequate liquidity, the Bank has established borrowing facilities with various counterparties. The Bank had a remaining borrowing capacity of $261.3 million as of June 30, 2024 at the FHLB of San Francisco.Â In addition, the Bank has secured an estimated $208.6 million discount window facility at the FRB of San Francisco collateralized by investment securities totaling $126.6 million and loans held for investment totaling $178.6 million as of June 30, 2024.Â As of June 30, 2024, the Bank also has an unsecured borrowing arrangement in the form of a federal funds facility with its correspondent bank for $50.0 million. The Bank had no advances under the Federal Reserve discount window or correspondent bank facility as of June 30, 2024. The total available borrowing capacity across all sources totaled approximately $519.9 million at June 30, 2024.â€‹At June 30, 2023, the Bank had a remaining borrowing capacity of $287.9 million at the FHLB of San Francisco. In addition, the Bank had secured an estimated $139.0 million discount window facility at the FRB of San Francisco collateralized by investment securities totaling $150.3 million at June 30, 2023. As of June 30, 2023, the Bank also had an unsecured borrowing arrangement in the form of a federal funds facility with its correspondent bank for $50.0 million. The Bank had no advances under the Federal Reserve discount window or the correspondent bank facility as of June 30, 2023. The total available borrowing capacity across all sources totaled approximately $476.9 million at June 30, 2023.â€‹At June 30, 2024 and 2023, the Corporation did not hold any investment securities held to maturity or investment securities available for sale with the intent to sell and determined it had the ability to hold these investment securities until maturity. It also determined that it was more likely than not that the Corporation would not be required to sell the securities prior to recovery of the amortized cost basis; therefore, no impairment losses were recorded on investment securities available for sale for fiscal years ended June 30, 2024 and 2023. In addition, no allowance for credit losses were recorded on investment securities held to maturity for the fiscal years ended June 30, 2024 and 2023.â€‹91Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsContractual maturities of investment securities as of June 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2024â€‹JuneÂ 30,Â 2023â€‹Â Â Â Â â€‹â€‹Â Â Â Â EstimatedÂ Â Â Â â€‹â€‹Â Â Â Â Estimatedâ€‹â€‹Amortizedâ€‹Fairâ€‹Am Thousands)â€‹Costâ€‹Valueâ€‹Costâ€‹ValueHeld to maturityÂ â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Due in one year or lessâ€‹$ 349â€‹$ 343â€‹$ 303â€‹$ 300Due after one through five yearsâ€‹Â 4,328â€‹Â 4,167â€‹Â 7,686â€‹Â 7,365Due after five through ten yearsâ€‹Â 49,331â€‹Â 44,830â€‹Â 61,043â€‹Â 54,686Due after ten yearsâ€‹Â 76,043â€‹Â 65,053â€‹Â 85,305â€‹Â 73,190Total investment securities - held to maturityâ€‹â€‹ 130,051â€‹â€‹ 114,393â€‹â€‹ 154,337â€‹â€‹ 135,541â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â Available for saleâ€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â Due in one year or lessâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”Due after one through five yearsâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”Due after five through ten yearsâ€‹â€‹ 1,055â€‹â€‹ 1,053â€‹â€‹ 590â€‹â€‹ 580Due after ten yearsâ€‹â€‹ 806â€‹â€‹ 796â€‹â€‹ 1,627â€‹â€‹ 1,575Total investment securities - available for saleâ€‹â€‹ 1,861â€‹â€‹ 1,849â€‹â€‹ 2,217â€‹â€‹ 2,155Total investment securitiesâ€‹$ 131,912â€‹$ 116,242â€‹$ 156,554â€‹$ 137,696â€‹â€‹â€‹NoteÂ 3: Loans Held for Investmentâ€‹Loans held for investment consisted of the following at June 30, 2024 and 2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹(In Thousands)â€‹JuneÂ 30,Â 2024â€‹JuneÂ 30,Â 2023Mortgage loans:â€‹â€‹â€‹â€‹â€‹â€‹Single-familyÂ Â Â Â $ 518,091Â Â Â Â $ 518,821Multi-familyâ€‹â€‹ 445,182â€‹â€‹ 461,113Commercial real estateâ€‹â€‹ 83,349â€‹â€‹ 90,558Constructionâ€‹â€‹ 2,692â€‹â€‹ 1,936Otherâ€‹â€‹ 95â€‹â€‹ 106Commercial business loansâ€‹â€‹ 1,372â€‹â€‹ 1,565Consumer loansâ€‹â€‹ 65â€‹â€‹ 65Total loans held for investment, grossâ€‹â€‹ 1,050,846â€‹â€‹ 1,074,164â€‹â€‹â€‹â€‹â€‹â€‹Advance payments of escrowsâ€‹â€‹ 102â€‹â€‹ 148Deferred loan costs, netâ€‹â€‹ 9,096â€‹â€‹ 9,263ACL on loansâ€‹â€‹ (7,065)â€‹â€‹ (5,946)Total loans held for investment, netâ€‹$ 1,052,979â€‹$ 1,077,629â€‹â€‹92Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe following table sets forth information at June 30, 2024 regarding the dollar amount of loans held for investment that are contractually repricing during the periods indicated, segregated between adjustable rate loans and fixed rate loans. Fixed-rate loans comprised 10% and 11% of loans held for investment at June 30, 2024 and 2023, respectively. Adjustable rate loans having no stated repricing date that reprice when the index to which they are tied to reprices (e.g. prime rate index) and checking account overdrafts are reported as repricing within oneÂ year, subject to periodic and maximum rate caps. The table does not include any estimate of prepayments which may cause the Corporationâ€™s actual repricing experience to differ materially from that shown.â€‹Adjustable Rateâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Afterâ€‹Afterâ€‹Afterâ€‹â€‹â€‹â€‹â€‹Withinâ€‹OneÂ Ye Thousands)â€‹OneÂ Yearâ€‹ThroughÂ 3Â Yearsâ€‹ThroughÂ 5Â Yearsâ€‹ThroughÂ 10Â Yearsâ€‹FixedÂ Rateâ€‹TotalMortgage loans:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Single-familyÂ Â Â $ 54,686Â Â Â $ 30,234Â Â Â $ 104,979Â Â Â $ 219,436Â Â Â $ 108,756Â Â Â $ 518,091Multi-familyâ€‹â€‹ 180,464â€‹â€‹ 144,227â€‹â€‹ 115,785â€‹â€‹ 4,612â€‹â€‹ 94â€‹â€‹ 445,182Commercial real estateâ€‹â€‹ 33,863â€‹â€‹ 24,241â€‹â€‹ 24,018â€‹â€‹ â€”â€‹â€‹ 1,227â€‹â€‹ 83,349Constructionâ€‹â€‹ 2,692â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 2,692Otherâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 95â€‹â€‹ 95Commercial business loansâ€‹â€‹ 1,372â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 1,372Consumer loansâ€‹â€‹ 65â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 65Total loans held for investment, grossâ€‹$ 273,142â€‹$ 198,702â€‹$ 244,782â€‹$ 224,048â€‹$ 110,172â€‹$ 1,050,846â€‹The following tables present the Corporationâ€™s commercial real estate loans by property type and LTV as of June 30, 2024 and 2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Ownerâ€‹â€‹Non-Ownerâ€‹â€‹â€‹â€‹% of Totalâ€‹â€‹Weightedâ€‹JuneÂ 30,Â 2024â€‹Occupied Loanâ€‹Occupied Loanâ€‹â€‹Totalâ€‹ Commercialâ€‹â€‹Averageâ€‹(Dollars In Thousands)â€‹Balanceâ€‹â€‹Balanceâ€‹â€‹Balanceâ€‹ Real Estateâ€‹â€‹LTV (1)â€‹OfficeÂ Â Â $ 6,690Â Â Â $ 20,084Â Â Â $ 26,774Â Â 32%Â Â Â Â 43%Â Â Mixed use (2)â€‹â€‹ 293â€‹â€‹ 15,797â€‹â€‹ 16,090â€‹â€‹ 19â€‹â€‹ 35%Â Â Retailâ€‹â€‹ â€”â€‹â€‹ 12,501â€‹â€‹ 12,501â€‹â€‹ 15â€‹â€‹ 30%Â Â Warehouseâ€‹â€‹ 2,076â€‹â€‹ 9,848â€‹â€‹ 11,924â€‹â€‹ 14â€‹â€‹ 31%Â Â Medical/dental officeâ€‹â€‹ 2,439â€‹â€‹ 4,645â€‹â€‹ 7,084â€‹â€‹ 9â€‹â€‹ 44%Â Â Mobile home parkâ€‹â€‹ â€”â€‹â€‹ 6,909â€‹â€‹ 6,909â€‹â€‹ 8â€‹â€‹ 38%Â Â Restaurant/fast foodâ€‹â€‹ 690â€‹â€‹ 500â€‹â€‹ 1,190â€‹â€‹ 2â€‹â€‹ 46%Â Â Automotive - non gasolineâ€‹â€‹ â€”â€‹â€‹ 578â€‹â€‹ 578â€‹â€‹ 1â€‹â€‹ 26%Â Â Live/workâ€‹â€‹ â€”â€‹â€‹ 299â€‹â€‹ 299â€‹â€‹ â€”â€‹â€‹ 13%Â Â Total commercial real estateâ€‹$ 12,188â€‹$ 71,161â€‹$ 83,349â€‹â€‹ 100%Â Â â€‹ 37%Â Â â€‹(1)Current loan balance as a percentage of the original appraised value.(2)Mixed use includes $6.9 million in Office/Retail, $4.7 million in Multi-family/Retail, $3.0 million in Other Mixed Use, $754,000 in Multi-family/Commercial and $685,000 in Multi-family/Office.â€‹â€‹93Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Ownerâ€‹Non-Ownerâ€‹â€‹â€‹â€‹% of Totalâ€‹â€‹Weightedâ€‹JuneÂ 30,Â 2023â€‹Occupied Loanâ€‹Occupied Loanâ€‹â€‹Totalâ€‹ Commercialâ€‹â€‹Averageâ€‹(Dollars In Thousands)â€‹Balanceâ€‹Balanceâ€‹â€‹Balanceâ€‹ Real Estateâ€‹â€‹LTV (1)â€‹OfficeÂ Â Â $ 9,283Â Â Â $ 23,915Â Â Â $ 33,198Â Â 37%Â Â Â Â 44%Â Â Mixed use (2)â€‹â€‹ 306â€‹â€‹ 17,614â€‹â€‹ 17,920â€‹â€‹ 20â€‹â€‹ 36%Â Â Retailâ€‹â€‹ â€”â€‹â€‹ 12,991â€‹â€‹ 12,991â€‹â€‹ 14â€‹â€‹ 32%Â Â Warehouseâ€‹â€‹ 2,133â€‹â€‹ 8,511â€‹â€‹ 10,644â€‹â€‹ 12â€‹â€‹ 31%Â Â Mobile home parkâ€‹â€‹ â€”â€‹â€‹ 7,057â€‹â€‹ 7,057â€‹â€‹ 8â€‹â€‹ 39%Â Â Medical/dental officeâ€‹â€‹ 1,117â€‹â€‹ 5,524â€‹â€‹ 6,641â€‹â€‹ 7â€‹â€‹ 50%Â Â Restaurant/fast foodâ€‹â€‹ â€”â€‹â€‹ 1,014â€‹â€‹ 1,014â€‹â€‹ 1â€‹â€‹ 24%Â Â Automotive - non gasolineâ€‹â€‹ â€”â€‹â€‹ 485â€‹â€‹ 485â€‹â€‹ 1â€‹â€‹ 19%Â Â Live/workâ€‹â€‹ â€”â€‹â€‹ 337â€‹â€‹ 337â€‹â€‹ â€”â€‹â€‹ 15%Â Â Light industrial/manufacturingâ€‹â€‹ â€”â€‹â€‹ 271â€‹â€‹ 271â€‹â€‹ â€”â€‹â€‹ 8%Â Â Total commercial real estateâ€‹$ 12,839â€‹$ 77,719â€‹$ 90,558â€‹â€‹ 100%Â Â â€‹ 38%Â Â â€‹(1)Current loan balance as a percentage of the original appraised value.(2)Mixed use includes $8.2 million in Office/Retail, $5.6 million in Multi-family/Retail, $3.4 million in Other Mixed Use and $700,000 in Multi-family/Office.â€‹The following tables present the Corporationâ€™s commercial real estate loans by geographic concentration as of June 30, 2024 and 2023:â€‹Inlandâ€‹â€‹Southernâ€‹â€‹Otherâ€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2024â€‹Empire(1)â€‹â€‹Califor in Thousands)â€‹Balanceâ€‹%â€‹â€‹Balanceâ€‹%â€‹â€‹Balanceâ€‹%â€‹â€‹Balanceâ€‹%â€‹Owner occupied:â€‹OfficeÂ Â $ 1,540Â Â 23%Â Â Â Â Â $ 4,959Â Â 74%Â Â Â Â Â $ 191Â Â 3%Â Â Â Â Â $ 6,690Â Â 100%Â Â Mixed useâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 293â€‹ 100%Â Â â€‹â€‹ 293â€‹ 100%Â Â Warehouseâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 1,689â€‹ 81%Â Â â€‹â€‹ 387â€‹ 19%Â Â â€‹â€‹ 2,076â€‹ 100%Â Â Medical/dental officeâ€‹â€‹ 276â€‹ 11%Â Â â€‹â€‹ 1,791â€‹ 74%Â Â â€‹â€‹ 372â€‹ 15%Â Â â€‹â€‹ 2,439â€‹ 100%Â Â Restaurant/fast foodâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 690â€‹ 100%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 690â€‹ 100%Â Â Total owner occupiedâ€‹â€‹ 1,816â€‹ 15%Â Â â€‹â€‹ 9,129â€‹ 75%Â Â â€‹â€‹ 1,243â€‹ 10%Â Â â€‹â€‹ 12,188â€‹ 100%Â Â â€‹Non-owner occupied:â€‹Officeâ€‹â€‹ 2,951â€‹ 15%Â Â â€‹â€‹ 13,837â€‹ 69%Â Â â€‹â€‹ 3,296â€‹ 16%Â Â â€‹â€‹ 20,084â€‹ 100%Â Â Mixed useâ€‹â€‹ 505â€‹ 3%Â Â â€‹â€‹ 6,243â€‹ 40%Â Â â€‹â€‹ 9,049â€‹ 57%Â Â â€‹â€‹ 15,797â€‹ 100%Â Â Retailâ€‹â€‹ 1,050â€‹ 8%Â Â â€‹â€‹ 6,996â€‹ 56%Â Â â€‹â€‹ 4,455â€‹ 36%Â Â â€‹â€‹ 12,501â€‹ 100%Â Â Warehouseâ€‹â€‹ 605â€‹ 6%Â Â â€‹â€‹ 4,774â€‹ 49%Â Â â€‹â€‹ 4,469â€‹ 45%Â Â â€‹â€‹ 9,848â€‹ 100%Â Â Mobile home parkâ€‹â€‹ 4,859â€‹ 70%Â Â â€‹â€‹ 358â€‹ 5%Â Â â€‹â€‹ 1,692â€‹ 25%Â Â â€‹â€‹ 6,909â€‹ 100%Â Â Medical/dental officeâ€‹â€‹ 1,797â€‹ 39%Â Â â€‹â€‹ 2,159â€‹ 46%Â Â â€‹â€‹ 689â€‹ 15%Â Â â€‹â€‹ 4,645â€‹

100%Â Â Automotive - non gasolineâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 578â€‹ 100%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 578â€‹ 100%Â Â Restaurant/fast foodâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 500â€‹ 100%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 500â€‹ 100%Â Â Live/workâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 299â€‹ 100%Â Â â€‹â€‹ 299â€‹ 100%Â Â Total non-owner occupiedâ€‹â€‹ 11,767â€‹ 16%Â Â â€‹â€‹ 35,445â€‹ 50%Â Â â€‹â€‹ 23,949â€‹ 34%Â Â â€‹â€‹ 71,161â€‹
100%Â Â â€‹Total commercial real estateâ€‹$ 13,583â€‹ 16%Â Â â€‹$ 44,574â€‹ 54%Â Â â€‹$ 25,192â€‹ 30%Â Â â€‹$ 83,349â€‹ 100%â€‹(1)Inland Empire comprised of San Bernardino and Riverside counties.(2)Other than the Inland Empire.â€‹94Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹Inlandâ€‹â€‹Southernâ€‹â€‹Otherâ€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2023â€‹Empire(1)â€‹â€‹Cali
in Thousands)â€‹Balanceâ€‹%â€‹â€‹Balanceâ€‹%â€‹â€‹Balanceâ€‹%â€‹â€‹Balanceâ€‹%â€‹Owner occupied:â€‹OfficeÂ Â Â $ 2,649Â Â 29%Â Â Â Â Â $ 6,436Â Â 69%Â Â Â Â Â $ 198Â Â 2%Â Â Â Â Â $ 9,283Â Â 100%Â Â Mixed useâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 306â€‹ 100%Â Â â€‹â€‹ 306â€‹ 100%Â Â Warehouseâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 1,733â€‹ 81%Â Â â€‹â€‹ 400â€‹ 19%Â Â â€‹â€‹ 2,133â€‹ 100%Â Â Medical/dental officeâ€‹â€‹ 281â€‹ 25%Â Â â€‹â€‹ 453â€‹ 41%Â Â â€‹â€‹ 383â€‹ 34%Â Â â€‹â€‹ 1,117â€‹ 100%Â Â Total owner occupiedâ€‹â€‹ 2,930â€‹ 23%Â Â â€‹â€‹ 8,622â€‹ 67%Â Â â€‹â€‹ 1,287â€‹ 10%Â Â â€‹â€‹ 12,839â€‹ 100%Â Â â€‹Non-owner occupied:â€‹Officeâ€‹â€‹ 4,420â€‹ 18%Â Â â€‹â€‹ 14,767â€‹ 62%Â Â â€‹â€‹ 4,728â€‹ 20%Â Â â€‹â€‹ 23,915â€‹ 100%Â Â Mixed useâ€‹â€‹ 660â€‹ 4%Â Â â€‹â€‹ 7,292â€‹ 41%Â Â â€‹â€‹ 9,662â€‹ 55%Â Â â€‹â€‹ 17,614â€‹ 100%Â Â Retailâ€‹â€‹ 1,076â€‹ 8%Â Â â€‹â€‹ 7,353â€‹ 57%Â Â â€‹â€‹ 4,562â€‹ 35%Â Â â€‹â€‹ 12,991â€‹ 100%Â Â Warehouseâ€‹â€‹ 623â€‹ 7%Â Â â€‹â€‹ 5,690â€‹ 67%Â Â â€‹â€‹ 2,198â€‹ 26%Â Â â€‹â€‹ 8,511â€‹ 100%Â Â Mobile home parkâ€‹â€‹ 4,967â€‹ 70%Â Â â€‹â€‹ 364â€‹ 5%Â Â â€‹â€‹ 1,726â€‹ 25%Â Â â€‹â€‹ 7,057â€‹ 100%Â Â Medical/dental officeâ€‹â€‹ 1,910â€‹ 35%Â Â â€‹â€‹ 3,325â€‹ 60%Â Â â€‹â€‹ 289â€‹ 5%Â Â â€‹â€‹ 5,524â€‹ 100%Â Â Restaurant/fast foodâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 1,014â€‹ 100%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 1,014â€‹ 100%Â Â Automotive - non gasolineâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 485â€‹ 100%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 485â€‹ 100%Â Â Live/workâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 337â€‹ 100%Â Â â€‹â€‹ 337â€‹ 100%Â Â Light industrial/ manufacturingâ€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 271â€‹ 100%Â Â â€‹â€‹ â€”â€‹ â€”%Â Â â€‹â€‹ 271â€‹ 100%Â Â Total non-owner occupiedâ€‹â€‹ 13,656â€‹ 18%Â Â â€‹â€‹ 40,561â€‹ 52%Â Â â€‹â€‹ 23,502â€‹ 30%Â Â â€‹â€‹ 77,719â€‹ 100%Â Â â€‹Total commercial real estateâ€‹$ 16,586â€‹ 18%Â Â â€‹$ 49,183â€‹ 54%Â Â â€‹$ 24,789â€‹ 28%Â Â â€‹$ 90,558â€‹ 100%â€‹(1)Other than the Inland Empire.â€‹The Corporation has developed an internal loan grading system to evaluate and quantify loans held for investment with respect to quality and risk. Management continually evaluates the credit quality of the loan portfolio and conducts a quarterly review of the adequacy of the ACL. The Corporation has adopted an internal risk rating policy in which each loan is rated for credit quality with a rating of pass, special mention, substandard, doubtful or loss. The two primary components that are used during the loan review process to determine the proper allowance levels are individually evaluated allowances and collectively evaluated allowances. The collectively evaluated allowance is based on a pooling method for groups of homogeneous loans sharing similar loan characteristics to calculate an allowance which reflects an estimate of lifetime expected credit losses using historical experience, current conditions, and reasonable and supportable forecasts. Loans identified to be individually evaluated have an allowance that is based upon the appraised value of the collateral, less selling costs or discounted cash flow with an appropriate default factor.The Corporation categorizes all loans held for investment into risk categories based on relevant information about the ability of the borrower to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. A description of the general characteristics of the risk grades is as follows:â—PassÂ â€" A pass loan ranges from minimal credit risk to average, but still acceptable, credit risk. The likelihood of loss is considered remote.â—Special MentionÂ - A special mention loan has potential weaknesses that may be temporary or, if left uncorrected, may result in a loss. While concerns exist, the Corporation is currently protected and loss is considered unlikely and not imminent.â—SubstandardÂ - A substandard loan is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that may jeopardize the liquidation of the debt. A substandard loan is characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected.â—DoubtfulÂ - A doubtful loan has all of the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable.95Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ—LossÂ - A loss loan is considered uncollectible and of such little value that continuance as an asset of the Corporation is not warranted.â€‹The following table presents the Corporationâ€™s recorded investment in loans by risk categories and gross charge-offs by year of origination as of June 30, 2024:â€‹JuneÂ 30,Â 2024â€‹Term Loans by Year of Originationâ€‹Revolvingâ€‹â€‹â€‹(In Thousands)â€‹2024â€‹2023â€‹2022â€‹2021â€‹2020â€‹Priorâ€‹Loansâ€‹TotalMortgage loans:â€‹Single-family:â€‹ PassÂ Â Â Â $ 19,476Â Â Â Â $ 60,688Â Â Â Â $ 205,817Â Â Â Â $ 149,084Â Â Â Â $ 19,606Â Â Â Â $ 59,702Â Â $ 14Â Â Â Â $ 514,387 Special Mentionâ€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ 1,111â€‹â€‹ -â€‹â€‹ 1,111 Substandardâ€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ 2,593â€‹â€‹ -â€‹â€‹ 2,593Total single-familyâ€‹â€‹ 19,476â€‹â€‹ 60,688â€‹â€‹ 205,817â€‹â€‹ 149,084â€‹â€‹ 19,606â€‹â€‹ 63,406â€‹â€‹ 14â€‹â€‹ 518,091Current period gross charge-offâ€‹$ -â€‹$ -â€‹$ -â€‹$ -â€‹$ -â€‹$ -â€‹$ -â€‹$ -â€‹Multi-family:â€‹ Passâ€‹â€‹ 10,374â€‹â€‹ 28,892â€‹â€‹ 75,876â€‹â€‹ 86,916â€‹â€‹ 60,938â€‹â€‹ 180,119â€‹â€‹ -â€‹â€‹ 443,115 Special Mentionâ€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ -â€‹â€‹ - 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Under ASC 326,Â the ACL is a valuation account that is deducted from the related loansâ€™ amortized cost basis to present the net amount expected to be collected on the loans. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Corporationâ€™s ACL is calculated quarterly, with any difference in the calculated ACL and the recorded ACL trued-up through an entry to the provision for (recovery of) credit losses. Management calculates the quantitative portion of the collectively evaluated allowance for all loan categories using an average charge-off or loss rate methodology and generally evaluates collectively evaluated loans by Call Report code in order to group and determine portfolio loan segments with similar risk characteristics. The Corporation primarily utilizes historical loss rates for the CECL calculation based on its own specific historical losses and/or with peer loss history where applicable. â€‹The expected loss rates are applied to expected monthly loan balances estimated through the consideration of contractual repayment terms and expected prepayments. The prepayment assumptions applied to expected cash flow over the contractual life of the loans are estimated based on historical and bank-specific experience and the consideration of current and expected conditions and circumstances including the level of interest rates. The prepayment assumptionsÂ mayÂ be updated by management in the event that changing conditions impact managementâ€™s estimate or additional historical data gathered has resulted in the need for a reevaluation.â€‹For its reasonable and supportable forecasting of current expected credit losses, the Corporation utilizes a regression model using forecasted economic metrics and historical loss data. The regression model utilized upon implementation of CECL onÂ July 1, 2023,Â and as ofÂ June 30, 2024,Â relied upon reasonable and supportable 12-month forecasts of the National Unemployment Rate and change in the Real Gross Domestic Product, after which it reverts to a historical loss rate. Management selected the National Unemployment Rate and the Real Gross Domestic Product as the drivers of the forward look component of the collectively evaluated allowance, primarily as a result of high correlation coefficients identified in regression modeling, the availability of forecasts, including the quarterly Federal Open Market Committee forecast, and the widespread familiarity of these economic metrics.â€‹Management recognizes that there are additional factors impacting risk of loss in the loan portfolio beyond what is captured in the quantitative portion of allowance on collectively evaluated loans. As current and expected conditionsÂ mayÂ vary compared with conditions over the historical lookback period, which is utilized in the calculation of the quantitative allowance, management considers whether additional or reduced allowance levels on collectively evaluated loansÂ mayÂ be warranted, given the consideration of a variety of qualitative factors. The following qualitative factors (â€œQ-factorsâ€) considered by management reflect the regulatory guidance on the Q-factors:â€‹â—Changes in the experience, ability, and depth of lending management and other relevant staff.â—Changes in the value of underlying collateral for collateral-dependent loans.â—The existence and effect of any concentrations of credit, and changes in the level of such concentrations.â—Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.â—The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.â—Changes in the volume and severity of past due loans, the volume of non-performing loans, and the volume and severity of adversely classified or graded loans.â—Changes in the quality of the Corporationâ€™s loan review system.â—Changes in the nature, volume and terms of loans in the portfolio.â—Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.Â The qualitative portion of the Corporationâ€™s allowance on collectively evaluated loans are calculated using management judgment, to determine risk categorizations in each of the Q-factors presented above. The amount of qualitative allowance is also contingent upon the relative weighting of the Q-factors according to managementâ€™s judgment.Â 98Table of ContentsPROVIDENT FINANCIAL HOLDINGS,

INC.Notes to Consolidated Financial StatementsLoans that do not share similar risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable or the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date, less selling costs. â€‹Accrued interest receivable for loans is included in accrued interest receivable in the Â Consolidated Statements of Financial Condition.Â The Corporation electedÂ notÂ to measure an allowance for accrued interest receivable and instead elected to reverse accrued interest income on loans that are placed on non-performing status.Â A loan is deemed non-performing when it is 90 days or more delinquent. The Corporation believes this policy results in the timely reversal of potentially uncollectible interest.â€‹Pursuant to ASU 2022-02, â€œTroubled Debt Restructurings and Vintage Disclosures,â€ the CorporationÂ mayÂ agree to different types of modifications, including principal forgiveness, interest rate reductions, term extension, significant payment delay or any combination of modifications noted above. During the fiscal year ended June 30, 2024, there wereÂ noÂ loan modifications to borrowers experiencing financial difficulties.â€‹Management believes the ACL on loans held for investment is maintained at a level sufficient to provide for expected losses on the Corporationâ€™s loans held for investment based on historical loss experience, current conditions, and reasonable and supportable forecasts. The provision for (recovery of) credit losses is charged (credited) against operations on a quarterly basis, as necessary, to maintain the ACL at appropriate levels. Future adjustments to the ACL may be necessary and results of operations could be significantly and adversely affected as a result of economic, operating, regulatory, and other conditions beyond the Corporationâ€™s control.Non-performing loans are charged-off to their fair market values in the period the loans, or portion thereof, are deemed uncollectible, generally after the loan becomes 150 days delinquent for real estate secured first trust deed loans and 120 days delinquent for commercial business or real estate secured second trust deed loans. For loans that were previously modified from their original terms, were re-underwritten and identified as modified loans, the charge-off occurs when the loan becomes 90 days delinquent; and where borrowers file bankruptcy, the charge-off occurs when the loan becomes 60 days delinquent. The amount of the charge-off is determined by comparing the loan balance to the estimated fair value of the underlying collateral, less disposition costs, with the loan balance in excess of the estimated fair value charged-off against the ACL. For modified loans that are less than 90 days delinquent, the ACL is segregated into (a) individually evaluated allowances for those loans with applicable discounted cash flow calculations still in their modification period, classified lower than pass, and containing an embedded loss component or (b) collectively evaluated allowances based on the aggregated pooling method. For non-performing loans less than 60 days delinquent where the borrower has filed bankruptcy, the collectively evaluated allowances are assigned based on the aggregated pooling method. For non-performing commercial real estate loans, an individually evaluated allowance is derived based on the loan's discounted cash flow fair value (for modified loans) or collateral fair value less estimated selling costs and if the fair value is higher than the loan balance, no allowance is required. A non-performing loan can be restored to accrual status when a borrower is current in payments for six consecutive months. Â 99Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe following tables summarize the Corporationâ€™s ACL and recorded investment in gross loans, by portfolio type, at the dates and for the years indicated.â€‹Year Ended JuneÂ 30,Â 2024â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercialâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercialâ€‹â€‹â€‹â€‹â€‹â€‹â€‹(In Thousands)â€‹Single-familyâ€‹Multi-familyâ€‹RealÂ Estateâ€‹Constructionâ€‹OtherÂ Mortgageâ€‹Businessâ€‹Consumerâ€‹Totalâ€‹ACL:â€‹ACL, beginning of periodÂ Â Â Â $ 1,720Â Â Â Â $ 3,270Â Â Â Â $ 868Â Â Â Â $ 15Â Â Â Â $ 2Â Â Â Â $ 67Â Â Â Â $ 4Â Â Â Â $ 5,946â€‹Adjustment to ACL for adoption of ASC 326â€‹â€‹ 4,605â€‹â€‹ (2,614)â€‹â€‹ (786)â€‹â€‹ 47â€‹â€‹ 3â€‹â€‹ (54)â€‹â€‹ (4)â€‹â€‹ 1,197â€‹(Recovery of) provision for credit lossesâ€‹Â (30)â€‹Â (61)â€‹Â (16)â€‹Â 35â€‹Â (4)â€‹Â (2)â€‹Â â€”â€‹Â (78)â€‹Recoveriesâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Charge-offsâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹ACL, end of periodâ€‹$ 6,295â€‹$ 595â€‹$ 66â€‹$ 97â€‹$ 1â€‹$ 11â€‹$ â€”â€‹$ 7,065â€‹ACL:â€‹Individually evaluated for allowancesâ€‹$ 37â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ 37â€‹Collectively evaluated for allowancesâ€‹Â 6,258â€‹Â 595â€‹Â 66â€‹Â 97â€‹Â 1â€‹Â 11â€‹Â â€”â€‹Â 7,028â€‹ACL, end of periodâ€‹$ 6,295â€‹$ 595â€‹$ 66â€‹$ 97â€‹$ 1â€‹$ 11â€‹$ â€”â€‹$ 7,065â€‹Loans held for investment:â€‹Individually evaluated for allowancesâ€‹$ 1,134â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ 1,134â€‹Collectively evaluated for allowancesâ€‹Â 516,957â€‹Â 445,182â€‹Â 83,349â€‹Â 2,692â€‹Â 95â€‹Â 1,372â€‹Â 65â€‹Â 1,049,712â€‹Total loans held for investment, grossâ€‹$ 518,091â€‹$ 445,182â€‹$ 83,349â€‹$ 2,692â€‹$ 95â€‹$ 1,372â€‹$ 65â€‹$ 1,050,846â€‹ACL on loans as a percentage of gross loans held for investmentâ€‹â€‹ 1.22%Â Â â€‹ 0.13%Â Â â€‹ 0.08%Â Â â€‹ 3.60%Â Â â€‹ 1.05%Â Â â€‹ 0.80%Â Â â€‹ â€”%Â Â â€‹ 0.67%Net (recoveries) charge-offs to average loans receivable, net during the periodâ€‹â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%â€‹Year Ended JuneÂ 30,Â 2023Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercialâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercialâ€‹â€‹â€‹â€‹â€‹â€‹â€‹(In Thousands)â€‹Single-familyâ€‹Multi-familyâ€‹ Real Estateâ€‹Constructionâ€‹Other Mortgageâ€‹Businessâ€‹Consumerâ€‹Totalâ€‹ACL:â€‹ ACL, beginning of periodÂ Â Â Â $ 1,383Â Â Â Â $ 3,282Â Â Â Â $ 816Â Â Â Â $ 23Â Â Â Â $ 3Â Â Â Â $ 52Â Â Â Â $ 5Â Â Â Â $ 5,564â€‹Provision for (recovery of) credit lossesâ€‹Â 329â€‹Â (12)â€‹Â 52â€‹Â (8)â€‹Â (1)â€‹Â 15â€‹Â (1)â€‹Â 374â€‹Recoveriesâ€‹Â 8â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â 8â€‹Charge-offsâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹ACL, end of periodâ€‹$ 1,720â€‹$ 3,270â€‹$ 868â€‹$ 15â€‹$ 2â€‹$ 67â€‹$ 4â€‹$ 5,946â€‹ACL:â€‹Â â€‹Individually evaluated for allowancesâ€‹$ 37â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ 37â€‹Collectively evaluated for allowancesâ€‹Â 1,683â€‹Â 3,270â€‹Â 868â€‹Â 15â€‹Â 2â€‹Â 67â€‹Â 4â€‹Â 5,909â€‹ACL, end of periodâ€‹$ 1,720â€‹$ 3,270â€‹$ 868â€‹$ 15â€‹$ 2â€‹$ 67â€‹$ 4â€‹$ 5,946â€‹Loans held for investment:â€‹Â â€‹Individually evaluated for allowancesâ€‹$ 996â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ 996â€‹Collectively evaluated for allowancesâ€‹Â 517,825â€‹Â 461,113â€‹Â 90,558â€‹Â 1,936â€‹Â 106â€‹Â 1,565â€‹Â 65â€‹Â 1,073,168â€‹Total loans held for investment, grossâ€‹$ 518,821â€‹$ 461,113â€‹$ 90,558â€‹$ 1,936â€‹$ 106â€‹$ 1,565â€‹$ 65â€‹$ 1,074,164â€‹ACL on loans as a percentage of gross loans held for investmentâ€‹â€‹ 0.33%Â Â â€‹ 0.71%Â Â â€‹ 0.96%Â Â â€‹ 0.77%Â Â â€‹ 1.89%Â Â â€‹ 4.28%Â Â â€‹ 6.15%Â Â â€‹ 0.55%Net (recoveries) charge-offs to average loans receivable, net during the periodâ€‹â€‹ (0.00)%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ â€”%Â Â â€‹ (0.00)%â€‹100Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe following summarizes the components of the net change in the allowance for credit losses for the years indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Balance, beginning of yearâ€‹$ 5,946â€‹$ 5,564Adjustment to ACL for adoption of ASC 326â€‹â€‹ 1,197â€‹â€‹ â€”(Recovery of) provision for credit lossesâ€‹Â (78)â€‹Â 374Recoveriesâ€‹Â â€”â€‹Â 8Charge-offsâ€‹Â â€”â€‹Â â€”Balance, end of yearâ€‹$ 7,065â€‹$ 5,946â€‹The following tables identify the Corporationâ€™s total recorded investment in non-performing loans by type at the dates and for the periods indicated. Generally, a loan is placed on non-performing status when it becomes 90Â days past due as to principal or interest or after considering economic and business conditions and collection efforts, where the borrowerâ€™s financial condition is such that collection of the contractual principal or interest on the loan is doubtful. In addition, interest income is not recognized on any loan where management has determined that collection is not reasonably assured. A non-performing loan may be restored to accrual status when delinquent principal and interest payments are brought current, the borrower(s)Â has demonstrated sustained payment performance and futureÂ monthly principal and interest payments are expected to be collected on a timely basis. Loans with a related allowance have been (a) collectively evaluated using a pooling method analysis or (b) individually evaluated using either a discounted cash flow analysis or, for collateral dependent loans, current appraisals less costs to sell, to establish realizable value. This analysis may identify a specific allowance amount needed or may conclude that no allowance is needed.â€‹AtÂ orÂ ForÂ the Year Ended JuneÂ 30,Â 2024â€‹â€‹Unpaidâ€‹â€‹â€‹â€‹â€‹â€‹â€‹Netâ€‹Averageâ€‹Interestâ€‹â€‹Principalâ€‹Relatedâ€‹Recordedâ€‹â€‹â€‹Recordedâ€‹Recordedâ€‹Income(In Thousands)Â Â Â Â BalanceÂ Â Â Â Charge-offsÂ Â Â Â InvestmentÂ Â Â Â ACL(1)Â Â Â Â InvestmentÂ Â Â Â InvestmentÂ Â Â Â Recognizedâ€‹Mortgage loans:â€‹Single-family:Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â With a related allowanceâ€‹$ 2,267â€‹$ â€”â€‹$ 2,267â€‹$ (73)â€‹$ 2,194â€‹$ 1,627â€‹$ 96Without a related allowance(2)â€‹Â 427â€‹Â (25)â€‹Â 402â€‹Â â€”â€‹Â 402â€‹Â 444â€‹Â 23Total single-family loansâ€‹Â 2,694â€‹Â (25)â€‹Â 2,669â€‹Â (73)â€‹Â 2,596â€‹Â 2,071â€‹Â 119â€‹Total non-performing loansâ€‹$ 2,694â€‹$ (25)â€‹$ 2,669â€‹$ (73)â€‹$ 2,596â€‹$ 2,071â€‹$ 119â€‹(1)ACL, specifically assigned to the individual loan.(2)There was no related ACL because the loans were charged-off to their fair value or the fair value of the collateral was higher than the loan balance.â€‹AtÂ orÂ ForÂ the Year Ended JuneÂ 30,Â 2023â€‹â€‹Unpaidâ€‹â€‹â€‹â€‹â€‹â€‹â€‹Netâ€‹Averageâ€‹Interestâ€‹â€‹Principalâ€‹Relatedâ€‹Recordedâ€‹â€‹â€‹Recordedâ€‹Recordedâ€‹Income(In Thousands)Â Â Â Â BalanceÂ Â Â Â Charge-offsÂ Â Â Â InvestmentÂ Â Â Â ACL(1)Â Â Â Â InvestmentÂ Â Â Â InvestmentÂ Â Â Â Recognizedâ€‹Mortgage loans:Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Single-family:Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â With a related allowanceâ€‹$ 1,171â€‹$ â€”â€‹$ 1,171â€‹$ (122)â€‹$ 1,049â€‹$ 996â€‹$ 42Without a related allowance(2)â€‹Â 276â€‹Â (25)â€‹Â 251â€‹Â â€”â€‹Â 251â€‹Â 112â€‹Â â€”Total single-family loansâ€‹Â 1,447â€‹Â (25)â€‹Â 1,422â€‹Â (122)â€‹Â 1,300â€‹Â 1,108â€‹Â 42â€‹Total non-performing loansâ€‹$ 1,447â€‹$ (25)â€‹$ 1,422â€‹$ (122)â€‹$ 1,300â€‹$ 1,108â€‹$ 42â€‹(1)ACL, specifically assigned to the individual loan.(2)There was no related ACL because the loans were charged-off to their fair value or the fair value of the collateral was higher than the loan balance.101Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹At June 30, 2024 and 2023, there were no commitments to lend additional funds to those borrowers whose loans were classified as non-performing.â€‹During the fiscal years ended June 30, 2024 and 2023, the Corporationâ€™s average investment in non-performing loans was $2.1 million and $1.1 million, respectively. The Corporation records payments on non-performing loans utilizing the cash basis or cost recovery method of accounting during the periods when the loans are on non-performing status. For the fiscal year ended June 30, 2024, the Corporation received $119,000 in interest payments from non-performing loans, all of which was recognized as interest income and none was applied to reduce the loan balances under the cost recovery method. In comparison, for the fiscal year ended June 30, 2023, the Bank received $49,000 in interest payments from non-performing loans, of which $42,000 was recognized as interest income. The remaining $7,000 was applied to reduce the loan balances under the cost recovery method.As outlined in the implementation of ASC 326, the Bank includes the off-balance sheet reserve for unfunded loan commitments within the provision for (recovery of) credit losses.â€‹The following table provides information regarding the unfunded loan commitment reserve for the fiscal years ended June 30, 2024 and 2023.â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended â€‹â€‹JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023Balance, beginning of the yearâ€‹$ 42â€‹$ 130Impact of ASC 326 CECL adoptionâ€‹â€‹ â€”â€‹â€‹ â€”Provision for (recovery of) credit lossesâ€‹Â 15â€‹Â (88)Balance, end of the yearâ€‹$ 57â€‹$ 42â€‹The method for calculating the unfunded commitment reserve is based on a historical funding rate applied to the undisbursed loan amount to estimate an average outstanding amount during the life of the loan commitment. The Corporation applies the same assumptions and methodologies by loan groupings to these unfunded loan commitments as it does for its funded loans held for investment to determine the reserve rate and the allowance. Assumptions are evaluated by management periodically as part of the CECL procedures. The unfunded loan commitment reserve is recorded in accounts payable, accrued interest and other liabilities in the Consolidated Statements of Financial Condition.â€‹The following tables provide information on the past due status of the Corporationâ€™s loans held for investment, gross, at the dates indicated.â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2024â€‹â€‹â€‹â€‹â€‹30-89Â DaysÂ Pastâ€‹â€‹â€‹TotalÂ LoansÂ HeldÂ for(In Thousands)Â Â Â Â CurrentÂ Â Â Â DueÂ Â Â Â Non-Accrual(1)Â Â Â Â Investment,Â Grossâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Mortgage loans:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Single-familyâ€‹$ 515,498â€‹$ â€”â€‹$ 2,593â€‹$ 518,091Multi-familyâ€‹Â 445,182â€‹Â â€”â€‹Â â€”â€‹Â 445,182Commercial real estateâ€‹Â 83,349â€‹Â â€”â€‹Â â€”â€‹Â 83,349Constructionâ€‹Â 2,692â€‹Â â€”â€‹Â â€”â€‹Â 2,692Otherâ€‹Â 95â€‹Â â€”â€‹Â â€”â€‹Â 95Commercial business loansâ€‹Â 1,372â€‹Â â€”â€‹Â â€”â€‹Â 1,372Consumer loansâ€‹Â 64â€‹Â 1â€‹Â â€”â€‹Â 65Total loans held for investment, grossâ€‹$ 1,048,252â€‹$ 1â€‹$ 2,593â€‹$ 1,050,846â€‹(1)All loans 90 days or greater past due are placed on non-accrual status.â€‹102Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2023â€‹Â Â Â Â â€‹â€‹Â Â Â Â 30-89Â DaysÂ PastÂ Â Â Â â€‹â€‹Â Â Â Â TotalÂ LoansÂ HeldÂ for(In Thousands)â€‹Currentâ€‹Dueâ€‹Non-Accrual(1)â€‹Investment,Â Grossâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Mortgage loans:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Single-familyâ€‹$ 517,399â€‹$ â€”â€‹$ 1,422â€‹$ 518,821Multi-familyâ€‹Â 461,113â€‹Â â€”â€‹Â â€”â€‹Â 461,113Commercial real estateâ€‹Â 90,558â€‹Â â€”â€‹Â â€”â€‹Â 90,558Constructionâ€‹Â 1,936â€‹Â â€”â€‹Â â€”â€‹Â 1,936Otherâ€‹â€‹ 106â€‹Â â€”â€‹Â â€”â€‹Â 106Commercial business loansâ€‹Â 1,565â€‹Â â€”â€‹Â â€”â€‹Â 1,565Consumer loansâ€‹Â 64â€‹Â 1â€‹Â â€”â€‹Â 65Total loans held for investment, grossâ€‹$ 1,072,741â€‹$ 1â€‹$ 1,422â€‹$ 1,074,164â€‹(1)All loans 90 days or greater past due are placed on non-accrual status.â€‹In the ordinary course of business, the Bank may offer loans to its directors, officers and employees on substantially the same terms prevailing at the time of origination for comparable transactions with unaffiliated borrowers. During fiscal 2024 and 2023, there were no related-party loan activities and as of June 30, 2024 and 2023, there were no outstanding related-party loans.â€‹â€‹â€‹NoteÂ 4: Leasesâ€‹The Corporation accounts for its leases in accordance with ASC 842, which was implemented on July 1, 2019, and requires the Corporation to record liabilities for future lease obligations as well as assets representing the right to use the underlying leased assets. The Corporationâ€™s leases primarily represent future obligations to make payments for the use of buildings, space or equipment for its operations. Liabilities to make future lease payments are recorded in accounts payable, accrued interest and other liabilities, while right-of-use assets are recorded in premises and equipment in the Consolidated Statements of Financial Condition. At June 30, 2024, all the Corporationâ€™s leases were classified as operating leases and the Corporation did not have any operating leases with an initial term of 12 months or less (â€œshort-term leasesâ€). â€‹Liabilities to make future lease payments and right-of-use assets are recorded for operating leases and do not include short-term leases. These liabilities and right-of-use assets are determined based on the total contractual base rents for each lease, which include options to extend or renew each lease, where applicable, and where the Corporation believes it has an economic incentive to extend or renew the lease. Since lease extensions are not reasonably certain, the Corporation generally does not recognize payments occurring during option periods in the calculation of its operating right-of-use lease assets and operating lease liabilities. The Bank utilizes the FHLB - San Francisco interest rates as a discount rate for each of the remaining contractual terms at the adoption date as well as for future leases if the discount rate is not stated in the lease. For leases that contain variable lease payments, the Corporation assumes future lease payment escalations based on a lease payment escalation rate specified in the lease or the specified index rate observed at the time of lease commencement. Liabilities to make future lease payments are accounted for using the interest method, being reduced by periodic contractual lease payments net of periodic interest accretion. Right-of-use assets for operating leases are amortized over the term of the associated lease by amounts that represent the difference between periodic straight-line lease expense and periodic interest accretion in the related liability to make future lease payments.â€‹For the fiscal years ended June 30, 2024 and 2023, expenses associated with the Corporationâ€™s leases totaled $927,000 and $882,000, respectively, and were recorded in premises and occupancy expenses and equipment expenses in the Consolidated Statements of Operations.â€‹â€‹103Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe following table presents supplemental information related to operating leases at the date and for the years indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â As of JuneÂ 30,Â (In Thousands)â€‹2024â€‹â€‹2023Consolidated Statements of Condition:Â â€‹Â Â Â â€‹Â Â Premises and equipment - Operating lease right of use assetsâ€‹$ 1,356Â $ 2,147Accounts payable, accrued interest and other liabilities â€“ Operating lease liabilitiesâ€‹$ 1,407Â $ 2,169â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â â€‹â€‹2024â€‹â€‹2023Consolidated Statements of Operations:â€‹Â Â Â Â â€‹Â Â Premises and occupancy expenses from operating leases(1)â€‹$ 789Â $ 787Equipment expenses from operating leases(1)â€‹â€‹ 138Â â€‹ 95Total lease expenseâ€‹$ 927â€‹$ 882â€‹â€‹â€‹â€‹Consolidated Statements of Cash Flows:â€‹Â Â Â Â Â Â Â Operating cash flows from operating leases, netâ€‹$ 884Â $ 879â€‹(1)Includes immaterial variable lease costs.The following table provides information related to remaining minimum contractual lease payments and other information associated with the Corporationâ€™s leases as of June 30, 2024:â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Amount(1)Â Year Ending JuneÂ 30,Â Â (InÂ Thousands)â€‹2025â€‹$ 678â€‹2026â€‹Â 387â€‹2027â€‹Â 192â€‹2028â€‹Â 156â€‹2029â€‹Â 74â€‹Thereafterâ€‹Â â€”â€‹Total contract lease paymentsâ€‹$ 1,487â€‹â€‹â€‹â€‹Total liability to make lease paymentsâ€‹$ 1,407â€‹Difference in undiscounted and discounted future lease paymentsâ€‹$ 80â€‹Weighted average discount rateâ€‹Â 3.34%Weighted average remaining lease term (years)â€‹Â 3.0â€‹â€‹(1)Contractual base rents do not include property taxes and other operating expenses due under respective lease agreements.â€‹â€‹104Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsNoteÂ 5: Premises and Equipmentâ€‹Premises and equipment at June 30, 2024 and 2023 consisted of the following:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023Landâ€‹$ 2,853â€‹$ 2,853Buildingsâ€‹Â 10,136â€‹Â 10,311Leasehold improvementsâ€‹Â 4,065â€‹Â 3,135Furniture and equipmentâ€‹Â 5,458â€‹Â 5,226Automobilesâ€‹Â 149â€‹Â 176Operating lease â€“ right of use assets (1)â€‹â€‹ 1,356â€‹â€‹ 2,147â€‹â€‹Â 24,017â€‹Â 23,848Less accumulated depreciation and amortizationâ€‹Â (14,704)â€‹Â (14,617)Total premises and equipment, netâ€‹$ 9,313â€‹$ 9,231â€‹(1)Net of accumulated amortization.â€‹Depreciation and amortization expense for theÂ fiscal years ended June 30, 2024 and 2023 amounted to $1.6 million and $1.4 million, respectively.â€‹â€‹NoteÂ 6: Depositsâ€‹Deposits at June 30, 2024 and 2023 consisted of the following:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2024â€‹JuneÂ 30,Â 2023Â (Dollars in Thousands)Â Â Â Â InterestÂ RateÂ Â Â Â AmountÂ Â Â Â InterestÂ RateÂ Â Â Â AmountÂ Checking deposits â€“ noninterest-bearingÂ Â â€”â€‹$ 95,627Â Â â€”â€‹$ 103,006â€‹Checking deposits â€“ interest-bearing(1)Â 0.00% - 0.20%â€‹Â 254,624Â 0.00% - 0.20%â€‹Â 302,872â€‹Savings deposits(1)Â 0.00% - 4.64%â€‹Â 238,878Â 0.00% - 0.70%â€‹Â 290,204â€‹Money market deposits(1)Â 0.00% - 4.64%â€‹Â 25,324Â 0.00% - 2.00%â€‹Â 33,551â€‹Time deposits:Â Â â€‹Â Â Â Â Â â€‹Â Â â€‹Â â€‹ $250 and under(1)(2)Â 0.00% - 5.35%â€‹Â 226,110Â 0.00% - 5.25%â€‹Â 192,147â€‹ Over $250Â 0.10% - 5.12%â€‹Â 47,785Â 0.10% - 5.35%â€‹Â 28,791â€‹Total deposits(3)â€‹Â â€‹$ 888,348Â â€‹â€‹$ 950,571â€‹Weighted average interest rate on depositsÂ â€‹â€‹Â 1.29%Â Â â€‹â€‹Â 0.73%Â Â â€‹(1)Certain interest-bearing checking, savings, money market and time deposits require a minimum balance to earn interest.(2)Includes brokered certificates of deposit of $131.8 million and $106.4 million at June 30, 2024 and 2023, respectively.(3)Includes uninsured deposits of approximately $122.7 million and $140.1 million at June 30, 2024 and 2023, respectively.â€‹The aggregate annual maturities of time deposits at June 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023One year or lessâ€‹$ 245,713â€‹$ 166,501Over one to two yearsâ€‹Â 19,604â€‹Â 37,062Over two to three yearsâ€‹Â 3,779â€‹Â 9,922Over three to four yearsâ€‹Â 1,896â€‹Â 3,069Over four to five yearsâ€‹Â 1,649â€‹Â 2,578Over five yearsâ€‹Â 1,254â€‹Â 1,806Total time depositsâ€‹$ 273,895â€‹$ 220,938â€‹105Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsInterest expense on deposits for the years indicated is summarized as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023Checking deposits â€“ interest-bearingâ€‹$ 118â€‹$ 140Savings depositsâ€‹Â 313â€‹Â 168Money market depositsâ€‹Â 172â€‹Â 87Time depositsâ€‹Â 9,063â€‹Â 2,751Total interest expense on depositsâ€‹$ 9,666â€‹$ 3,146â€‹At June 30, 2024, the Bank had related party deposits of approximately $6.3 million, compared to $8.1 million at June 30, 2023. At June 30, 2024 and 2023, deposits with negative balances (i.e. overdrafts) that were reclassified to loans held for investment totaled $24,000 and $15,000, respectively. The Bank is required to maintain reserve balances with the Federal Reserve Bank of San Francisco. Effective March 26, 2020, the FRB lowered the reserve ratios on transaction accounts maintained at a depository institution to zero percent so there was no required reserve balance at June 30, 2024 and 2023.â€‹â€‹NoteÂ 7: Borrowingsâ€‹As of June 30, 2024, the Bankâ€™s FHLB â€“ San Francisco maximum borrowing capacity was approximately $516.0 million, which is limited to 40% of total assets reported on the Bankâ€™s quarterly Call Report. This borrowing capacity was collateralized by pledges of certain real estate loans with an aggregate loan balance of $774.1 million and investment securities of $3.9 million. As of June 30, 2024, the Bankâ€™s borrowings from the FHLB â€“ San Francisco were $238.5 million, with varying maturity dates through the year 2028. In addition, the Bank utilizes its borrowing facility for letters of credit and for the Mortgage Partnership Finance (â€œMPFâ€) program credit enhancement. The outstanding letters of credit was $16.0 million and the outstanding MPF credit enhancement was $216,000 at June 30, 2024. As of June 30, 2024, the remaining borrowing capacity with the FHLB â€“ San Francisco was $261.3 million.â€‹As of June 30, 2023, the Bankâ€™s FHLB â€“ San Francisco maximum borrowing capacity was approximately $534.1 million, which is limited to 40% of total assets reported on the Bankâ€™s quarterly Call Report. This borrowing capacity was collateralized by pledges of certain real estate loans with an aggregate loan balance of $967.6 million and investment securities of $4.2 million. As of June 30, 2023, the Bankâ€™s borrowings from the FHLB â€“ San Francisco were $235.0 million, with varying maturity dates through the year 2028. In addition, the Bank utilizes its borrowing facility for letters of credit and for the MPF program credit enhancement. The outstanding letters of credit were $11.0 million and the outstanding MPF credit enhancement was $216,000 at June 30, 2023. As of June 30, 2023, the remaining borrowing capacity with FHLB â€“ San Francisco was $287.9 million.â€‹In addition, as of June 30, 2024 and 2023, the Bank had $208.6 million and $139.0 million of borrowing capacity available from the discount window facility at the FRB of San Francisco, respectively, collateralized by investment securities and loans held for investment at June 30, 2024 and collateralized by investment securities only at June 30, 2023. As of June 30, 2024 and 2023, the Bank also had a borrowing arrangement in the form of a federal funds facility with its correspondent bank for $50.0 million at both dates. The Bank intends to request a renewal of its borrowing arrangement with the correspondent bank prior to maturity on June 30, 2025. As of both June 30, 2024 and 2023, there were no outstanding borrowings under the discount window facility or the federal funds facility.â€‹Borrowings at June 30, 2024 and 2023 consisted of the following:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹FHLB - San Francisco advancesâ€‹$ 238,500â€‹$ 235,009â€‹As a member of the FHLB â€“ San Francisco, the Bank is required to maintain a minimum investment in FHLB â€“ San Francisco capital stock. At June 30, 2024 and 2023, the Bank held a stock investment of $9.6 million and $9.5 million, respectively, with no excess capital stock.106Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹During fiscal 2024 and 2023, the Bank purchased $63,000 and $1.3 million of FHLB - San Francisco capital stock, respectively. In fiscal 2024 and 2023, the FHLB â€“ San Francisco distributed $793,000 and $556,000 of cash dividends, respectively, to the Bank.â€‹The following tables set forth certain information regarding borrowings by the Bank at the dates and for theÂ years indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AtÂ orÂ ForÂ theÂ Year Ended JuneÂ 30,Â â€‹(Dollars in Thousands)Â Â Â Â 2024Â Â Â Â 2023Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Balance outstanding at the end of year:â€‹â€‹â€‹â€‹â€‹â€‹FHLB - San Francisco advancesâ€‹$ 238,500â€‹$ 235,009â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weighted average rate at the end of year:â€‹â€‹â€‹â€‹â€‹â€‹FHLB - San Francisco advancesâ€‹Â 4.88%Â Â Â 4.34%Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Maximum amount of borrowings outstanding at any month end:â€‹â€‹â€‹â€‹â€‹â€‹FHLB - San Francisco advancesâ€‹$ 242,500â€‹$ 235,009â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Average short-term borrowings during the year with respect to:(1)â€‹Â Â Â â€‹Â Â Â â€‹FHLB - San Francisco advancesâ€‹$ 127,506â€‹$ 113,688â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weighted average short-term borrowing rate during the year with respect to:(1)â€‹Â Â Â â€‹Â Â Â â€‹FHLB - San Francisco advancesâ€‹Â 4.70%Â Â Â 3.87%Â Â â€‹(1)Borrowings with a remaining term of 12Â months or less.â€‹The aggregate annual contractual maturities of borrowings at June 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â (Dollars in Thousands)Â Â Â Â 2024Â Â Â Â 2023Â Within one yearâ€‹$ 145,500â€‹$ 150,009â€‹Over one to two yearsâ€‹Â 68,000â€‹Â 70,000â€‹Over two to three yearsâ€‹Â 10,000â€‹Â 10,000â€‹Over three to four yearsâ€‹Â 5,000â€‹Â â€”â€‹Over four to five yearsâ€‹Â 10,000â€‹Â 5,000â€‹Over five yearsâ€‹Â â€”â€‹Â â€”â€‹Total borrowingsâ€‹$ 238,500â€‹$ 235,009â€‹Weighted average interest rateâ€‹Â 4.88%Â Â Â 4.34%â€‹â€‹â€‹NoteÂ 8: Income Taxesâ€‹ASC 740, â€œIncome Taxes,â€ requires the affirmative evaluation that it is more likely than not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. Management has determined that there were no unrecognized tax benefits to be reported in the Corporationâ€™s consolidated financial statements for the fiscal years ended June 30, 2024 and 2023.â€‹Under generally accepted accounting principles, the Corporation uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their 107Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsrespective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. â€‹The Corporationâ€™s effective tax rate may differ from the estimated statutory tax rates described above due to discrete items such as further adjustments to net deferred tax assets, excess tax benefits derived from stock option exercises and non-taxable earnings from bank owned life insurance, among other items.â€‹The Corporation utilizes the asset and liability method of accounting for income taxes whereby deferred tax assets are recognized for deductible temporary differences and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment. â€‹The provision for income taxes for the years indicated consisted of the following:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹Current:Â â€‹Â Â Â â€‹Â Â Federalâ€‹$ 2,161â€‹$ 1,638Stateâ€‹Â 1,278â€‹Â 955â€‹â€‹Â 3,439â€‹Â 2,593Deferred:â€‹Â Â Â â€‹Â Â Â Federalâ€‹Â (238)â€‹Â 783Stateâ€‹Â (165)â€‹Â 448â€‹â€‹Â (403)â€‹Â 1,231Provision for income taxesâ€‹$ 3,036â€‹$ 3,824â€‹The Corporationâ€™s tax expense from non-qualified stock-based compensation recognized in the Consolidated Statements of Operations in connection with the adoption of ASU 2016-09 for fiscal 2024 and 2023 was $0 and $186,000, respectively.â€‹The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to net income before income taxes as a result of the following differences for the years indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â â€‹â€‹2024â€‹2023â€‹(In Thousands)Â Â Â Â AmountÂ Â Â Â TaxÂ RateÂ Â Â Â AmountÂ Â Â Â TaxÂ RateÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Federal income tax at statutory rateâ€‹$ 2,181Â 21.00%Â Â $ 2,607Â 21.00%Â Â State income tax, net of federal income tax benefitâ€‹Â 880Â 8.48%Â Â Â 1,107Â 8.92%Â Â Changes in taxes resulting from:â€‹Â Â Â Â â€‹Â Â Â Â â€‹Bank-owned life insuranceâ€‹Â (39)Â (0.38)%Â Â Â (39)Â (0.31)%Â Â Non-deductible expensesâ€‹Â 12Â 0.12%Â Â Â 11Â 0.09%Â Â Shortfall on stock-based compensationâ€‹Â â€”Â â€”%Â Â Â 132Â 1.06%Â Â Return to provision adjustmentâ€‹â€‹ (1)â€‹ (0.01)%Â Â â€‹ 4â€‹ 0.03%Â Â Otherâ€‹Â 3Â 0.02%Â Â Â 2Â 0.01%Â Â Effective income taxâ€‹$ 3,036Â 29.23%Â Â $ 3,824Â 30.80%Â Â â€‹108Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsDeferred tax assets at June 30, 2024 and 2023 by jurisdiction were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹Deferred taxes - federalâ€‹$ 404â€‹$ 179Deferred taxes - stateâ€‹Â 202â€‹Â 39Total net deferred tax assetsâ€‹$ 606â€‹$ 218â€‹Net deferred tax assets at June 30, 2024 and 2023 were comprised of the following:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹Loss reservesâ€‹$ 2,387â€‹$ 2,032Non-accrued interestâ€‹Â 175â€‹Â 188Deferred compensationâ€‹Â 2,388â€‹Â 2,339Accrued vacationâ€‹Â 187â€‹Â 194Depreciationâ€‹Â 174â€‹Â 155State taxâ€‹Â 203â€‹Â 199Unrealized loss on investment securitiesâ€‹Â 4â€‹Â 19Lease liabilityâ€‹â€‹ 448â€‹â€‹ 691Otherâ€‹Â 208â€‹Â 288Total deferred tax assetsâ€‹Â 6,174â€‹Â 6,105â€‹â€‹â€‹â€‹â€‹â€‹FHLB - San Francisco stock dividendsâ€‹Â (645)â€‹Â (645)Prepaid expensesâ€‹Â (39)â€‹Â (45)Unrealized gain on interest-only stripsâ€‹Â (3)â€‹Â (3)Right-of-use assetâ€‹â€‹ (432)â€‹â€‹ (684)Deferred loan costs, netâ€‹Â (4,449)â€‹Â (4,510)Total deferred tax liabilitiesâ€‹Â (5,568)â€‹Â (5,887)Net deferred tax assetsâ€‹$ 606â€‹$ 218â€‹The net deferred tax assets were included in prepaid expenses and other assets in the Consolidated Statements of Financial Condition. The Corporation analyzes the deferred tax assets to determine whether a valuation allowance is required based on the more-likely-than-not criteria that such assets will be realized principally through future taxable income. This criteria takes into account the actual earnings and the estimates of future profitability. The Corporation may carryback net federal tax losses to the preceding five taxableÂ years and forward to the succeeding 20 taxableÂ years. At June 30, 2024 and 2023, the Corporation had no federal and state net tax loss carryforwards. Based on managementâ€™s consideration of historical and anticipated future income before income taxes, as well as the reversal period for the items giving rise to the deferred tax assets and liabilities, a valuation allowance was not considered necessary at June 30, 2024 and 2023 and management believes it is more likely than not the Corporation will realize its deferred tax asset.â€‹Retained earnings at June 30, 2024 and 2023 include approximately $9.0 million (pre-1988 bad debt reserve for tax purposes) for which federal income tax of $3.1 million has not been provided. If the amounts that qualify as deductions for federal income tax purposes are later used for purposes other than for bad debt losses, including distribution in liquidation, they will be subject to federal income tax at the then-current corporate tax rate. If those amounts are not so used, they will not be subject to tax even in the event the Bank were to convert its charter from a thrift to a bank.â€‹The Corporation files income tax returns for the United States and California jurisdictions. The Internal Revenue Service has audited the Bankâ€™s income tax returns through 1996 and the California Franchise Tax Board has audited the Bank through 1990. Also, the Internal Revenue Service completed a review of the Corporationâ€™s income tax returns for fiscal 2006 and 2007; and the California Franchise Tax Board completed a review of the Corporationâ€™s income tax returns for 109Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsfiscal 2009 and 2010. Fiscal years 2022 and thereafter remain subject to federal examination, while the California state tax returns for fiscal years 2021 and thereafter are subject to examination by state taxing authorities.â€‹It is the Corporationâ€™s policy to record any penalties or interest charges arising from federal or state taxes as a component of income tax expense. For the fiscal years ended June 30, 2024 and 2023, there were no tax penalties and no interest charges arising from federal or state taxes.â€‹â€‹NoteÂ 9: Capitalâ€‹The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporationâ€™s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bankâ€™s assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bankâ€™s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.â€‹For a bank holding company such as the Corporation with less than $3.0 billion in assets, the capital guidelines apply on a bank only basis. The FRB expects the holding companyâ€™s subsidiary bank to be well capitalized under the prompt corrective action regulations. If the Corporation was subject to regulatory guidelines for bank holding companies at June 30, 2024, it would have exceeded all regulatory capital requirements.â€‹The Bank is subject to capital regulations which establish minimum required capital ratios for Tier 1 leverage, common equity Tier 1 (â€œCET1â€), Tier 1 risk-based and total risk-based capital. Additionally, a capital conservation buffer is required over the required minimum capital ratios, and capital regulations also defines what qualifies as capital for purposes of meeting the capital requirements. Failure to meet minimum requirements can initiate certain mandatory and possibly additional discretionary actions by bank regulators that, if undertaken, could have a direct material effect on the Corporationâ€™s financial statements. â€‹In addition to the minimum capital ratios, the Bank must maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions.â€‹110Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe Bankâ€™s actual and required minimum capital amounts and ratios at the dates indicated are as follows (dollars in thousands):â€‹Regulatory RequirementsÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹MinimumÂ forÂ Capitalâ€‹MinimumÂ toÂ BeÂ â€‹â€ Savings Bank, F.S.B.:â€‹As of

JuneÂ 30,Â 2024(2)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Tier 1 leverage capital (to adjusted average assets)â€‹$ 126,601Â 10.02%Â Â $ 50,555Â 4.00%Â Â $ 63,194Â 5.00%CET1 capital (to risk-weighted assets)â€‹$ 126,601Â 19.29%Â Â $ 45,934Â 7.00%Â Â $ 42,653Â 6.50%Tier 1 capital (to risk-weighted assets)â€‹$ 126,601Â 19.29%Â Â $ 55,777Â 8.50%Â Â $ 52,496Â 8.00%Total capital (to risk-weighted assets)â€‹$ 133,723Â 20.38%Â Â $ 68,900Â 10.50%Â Â $ 65,620Â 10.00%â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹As of JuneÂ 30,Â 2023â€‹Â Â Â Â Â Â â€‹Â Â Â Â Â Â â€‹Tier 1 leverage capital (to adjusted average assets)â€‹$ 125,979Â 9.59%Â Â $ 52,521Â 4.00%Â Â $ 65,651Â 5.00%CET1 capital (to risk-weighted assets)â€‹$ 125,979Â 18.50%Â Â $ 47,674Â 7.00%Â Â $ 44,269Â 6.50%Tier 1 capital (to risk-weighted assets)â€‹$ 125,979Â 18.50%Â Â $ 57,890Â 8.50%Â Â $ 54,485Â 8.00%Total capital (to risk-weighted assets)â€‹$ 131,967Â 19.38%Â Â $ 71,511Â 10.50%Â Â $ 68,106Â 10.00%â€‹(1)Inclusive of the conservation buffer of 2.50% for CET1 capital, Tier 1 capital and Total capital ratios.(2)The Bank elected to recognize the full $824 thousand adjustment to retained earnings resulting from the adoption of CECL on July 1, 2023 instead of over the permitted three-year phase-in option.â€‹At June 30, 2024, the Bank exceeded all regulatory capital requirements. The Bank was categorized as "well-capitalized" at June 30, 2024 under the regulations of the Office of the Comptroller of the Currency (â€œOCCâ€).â€‹The ability of Provident Financial Holdings to pay dividends to stockholders depends primarily on the ability of the Bank to pay dividends to Provident Financial Holdings. Provident Financial Holdings and the Bank may not declare or pay cash dividends on or repurchase any of its shares of common stock, if the effect would cause stockholdersâ€™ equity to be reduced below applicable regulatory capital maintenance requirements or if such declaration and payment would otherwise violate regulatory requirements.â€‹Generally, savings institutions, such as the Bank, that are well-capitalized before and after the proposed distribution may make capital distributions during any calendarÂ year up to 100% of net income for theÂ year-to-date plus retained net income for the two precedingÂ years. However, an institution deemed to be in need of more than normal supervision or classified as troubled condition by the OCC may have its dividend authority restricted by the OCC. If the Bank, however, proposes to make a capital distribution when it does not meet its capital requirements (or will not following the proposed capital distribution) or that will exceed the net income-based limitations, it must obtain the OCC's approval prior to making such distribution. In addition, the Bank must file a prior written notice of a dividend with the FRB. The FRB or the OCC may object to a capital distribution based on safety and soundness concerns. Additional restrictions on Bank dividends may apply if the Bank fails the Qualified Thrift Lender test. In fiscal 2024 and 2023, the Bank declared and paid $7.0 million and $9.5 million of cash dividends to its parent, Provident Financial Holdings, respectively.â€‹â€‹NoteÂ 10: Benefit Plansâ€‹The Corporation has a 401(k) defined-contribution plan covering all employees meeting specific age and service requirements. Under the plan, employees may contribute to the plan from their pretax compensation up to the limits set by the Internal Revenue Service. The Corporation makes matching contributions up to 3% of a participantsâ€™ pretax compensation. Participants vest immediately in their own contributions with 100% vesting in the Corporationâ€™s 111Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementscontributions occurring after six years of credited service. The Corporationâ€™s expense for the plan was approximately $303,000 and $306,000 for the fiscal years ended June 30, 2024 and 2023, respectively.â€‹The Corporation has a multi-year employment agreement and a post-retirement compensation agreement with one executive officer. In addition, the Corporation has a transition agreement and a post-retirement compensation agreement with the previous executive officer (currently the Chairman of the Board of Directors). At June 30, 2024 and 2023, the accrued liability of the post-retirement compensation agreements was $5.7 million at both dates; any costs (recoveries) are being accrued and expensed quarterly. In fiscal 2024, the increase in the discount rate and a lower life expectancy was offset by a higher current compensation. For fiscal 2024 and 2023, the accrued expense (recovery) for these liabilities was $85,000 and $(1.1 million), respectively. The current obligation for these post-retirement benefits was fully funded consistent with contractual requirements and actuarially determined estimates of the total future obligation. The Corporation invests in BOLI to provide sufficient funding for these post-retirement obligations. As of June 30, 2024 and 2023, the total outstanding cash surrender value of the BOLI was $8.6 million and $8.4 million, respectively. For fiscal 2024 and 2023, total BOLI non-taxable income, net of mortality cost, was $186,000 for both periods.â€‹Employee Stock Ownership PlanThe Corporation established an ESOP on JuneÂ 27, 1996 for all employees who are age 21 or older and have completed oneÂ year of service with the Corporation during which they have served a minimum of 1,000 hours.â€‹The Corporation recognizes compensation expense when the Corporation contributes funds to the ESOP for the purchase of the Corporationâ€™s common stock to be allocated to the ESOP participants. The Corporation's contribution to the ESOP plan is discretionary. During fiscal 2024 and 2023, there were 40,000 shares for each year that were purchased in the open market to fulfill the annual discretionary allocation. Since the annual contributions are discretionary, the benefits payable under the ESOP cannot be estimated.â€‹Benefits generally become 100% vested after six years of credited service. Vesting accelerates upon retirement, death or disability of the participant or in the event of a change in control of the Corporation. Forfeitures are reallocated among remaining participating employees in the same proportion as contributions. Benefits are payable upon death, retirement, early retirement, disability or separation from service.â€‹The net expense related to the ESOP for the fiscal years ended June 30, 2024 and 2023 was $540,000 and $563,000, respectively. Available shares and cash contributions, if any, are allocated every calendar year end. The total ESOP allocation for calendar 2023 was 40,000 shares, as compared to 20,000 shares and $317,000 of cash contributions for calendar 2022.â€‹â€‹NoteÂ 11: Incentive Plansâ€‹As of June 30, 2024, the Corporation had four share-based compensation plans: the 2022 Equity Incentive Plan (â€œ2022 Planâ€); the 2013 Equity Incentive Plan (â€œ2013 Planâ€); the 2010 Equity Incentive Plan (â€œ2010 Planâ€); and the 2006 Equity Incentive Plan (â€œ2006 Planâ€), collectively, the â€œPlansâ€. For the fiscal years ended June 30, 2024 and 2023, the compensation cost for the Plans was $240,000 and $1.2 million, respectively.â€‹Equity Incentive Plans. The Corporation established the Plans, which were all approved by shareholders for directors, advisory directors, directors emeriti, officers and employees of the Corporation and its subsidiary. The 2022 Plan authorizes 175,000 stock options and 200,000 shares of restricted stock. The 2022 Plan also provides that no person may be granted more than 35,000 stock options or 30,000 shares of restricted stock in any one year. The 2013 Plan authorizes 300,000 stock options and 300,000 shares of restricted stock. The 2013 Plan also provides that no person may be granted more than 60,000 stock options or 45,000 shares of restricted stock in any one year. The 2010 Plan authorized 586,250 stock options and 288,750 shares of restricted stock. The 2006 Plan authorized 365,000 stock options and 185,000 shares of restricted stock. As of June 30, 2024, equity awards may be granted only from the 2022 Plan, while no new equity awards can be granted from the 2013 Plan, 2010 Plan and 2006 Plan.â€‹Equity Incentive Plans - Stock Options. Under the Plans, options may not be granted at a price less than the fair market value at the date of the grant. Options typically vest over a five-year or shorter period as long as the director, advisory 112Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsdirector, director emeritus, officer or employee remains in service to the Corporation. The options are exercisable after vesting for up to the remaining term of the original grant. The maximum term of the options granted is 10 years.â€‹The fair value of each option grant is estimated using the Black-Scholes option valuation model with the following assumptions as of the grant date for the periods indicated. The expected volatility is based on implied volatility from historical common stock closing prices for the prior 84 months. The expected dividend yield is based on the most recent quarterly dividend on an annualized basis. The expected term is based on the historical experience of all fully vested stock option grants and is reviewed annually. The risk-free interest rate is based on the U.S. Treasury note rate with a term similar to the underlying stock option on the particular grant date.â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Fiscal 2024Â Â Â Â Fiscal 2023Â Â Â Â Expected volatilityÂ 21.6% - 22.9%Â Â 20.3%Â Â Weighted average volatilityÂ 22.5%Â Â 20.3%Â Â Expected dividend yieldÂ 4.5%Â Â 3.9%Â Â Expected term (in years)Â 7.4Â 7.3Â Risk-free interest rateÂ 4.3%Â Â 2.9%Â Â â€‹As of June 30, 2024, there were 77,000 options available for future grants under the 2022 Plan. As of June 30, 2023, there were 175,000 options available for future grants under the 2022 Plan and 21,000 options available for future grants under the 2013 Plan. â€‹The following tables summarize the stock option activity in the Plans during the fiscal years ended June 30, 2024 and
2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â â€‹Â Â Â Â â€‹â€‹Â Â Â WeightedÂ Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹Weightedâ€‹Averageâ€‹Aggregateâ€‹â€‹â€‹â€‹Averageâ€‹Remainingâ€‹Intr at JuneÂ 30,Â 2022Â 431,000â€‹$ 16.24Â Â â€‹Â Â Â GrantedÂ 30,000â€‹$ 14.52Â Â â€‹Â Â Â ExercisedÂ â€”â€‹$ â€”Â Â â€‹Â Â Â ForfeitedÂ (7,500)â€‹$ 20.19Â Â â€‹Â Â Â ExpiredÂ (19,000)â€‹$ 16.47â€‹â€‹â€‹â€‹Outstanding at JuneÂ 30,Â 2023Â 434,500â€‹$ 16.04Â 3.01â€‹$ â€”Vested and expected to vest at JuneÂ 30,Â 2023Â 425,700â€‹$ 16.06Â 2.89â€‹$ â€”Exercisable at JuneÂ 30,Â 2023Â 390,500â€‹$ 16.13Â 2.34â€‹$ â€”â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Outstanding at JuneÂ 30,Â 2023Â 434,500â€‹$ 16.04Â Â â€‹Â Â Â GrantedÂ 98,000â€‹$ 12.44Â Â â€‹Â Â Â ExercisedÂ â€”â€‹$ â€”Â Â â€‹Â Â Â ForfeitedÂ (5,000)â€‹$ 14.52Â Â â€‹Â Â Â ExpiredÂ (47,500)â€‹$ 15.71â€‹â€‹â€‹â€‹Outstanding at JuneÂ 30,Â 2024Â 480,000â€‹$ 15.35Â 3.29â€‹$ â€”Vested and expected to vest at JuneÂ 30,Â 2024Â 475,950â€‹$ 16.36Â 3.25â€‹$ â€”Exercisable at JuneÂ 30,Â 2024Â 355,000â€‹$ 16.18Â 1.14â€‹$ â€”â€‹As of June 30, 2024 and 2023, there was $231,000 and $72,000 of unrecognized compensation expense, respectively, related to unvested share-based compensation arrangements with respect to stock options issued under the Plans. The expense is expected to be recognized over a weighted average period of 3.5 years and 2.9 years, respectively. The forfeiture rate during fiscal 2024 and 2023 was 15% and 20%, respectively, and was calculated by using the historical forfeiture experience of all fully vested stock option grants which is reviewed annually.â€‹113Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsEquity Incentive Plans â€“ Restricted Stock. Awarded shares typically vest over a five-year or shorter period as long as the director, advisory director, director emeriti, officer or employee remains in service to the Corporation. Once vested, a recipient of restricted stock will have all rights of a shareholder, including the power to vote and the right to receive dividends. The Corporation recognizes compensation expense for the restricted stock awards based on the fair value of the shares at the award date.â€‹As of June 30, 2024, there were 69,000 shares available for future awards under the 2022 Plan. As of June 30, 2023, there were 200,000 shares available for future awards under the 2022 Plan and 18,250 shares available for future awards under the 2013 Plan. â€‹The following table summarizes the restricted stock activity for the fiscal years ended June 30, 2024 and 2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â â€‹Â Â Â Â Weighted Averageâ€‹â€‹â€‹â€‹AwardÂ DateUnvested Sharesâ€‹SharesFairÂ ValueUnvested at JuneÂ 30,Â 2022Â 94,750â€‹$ 18.57AwardedÂ 53,000â€‹$ 12.95VestedÂ (93,750)â€‹$ 18.57ForfeitedÂ (3,000)â€‹$ 14.82Unvested at JuneÂ 30,Â 2023Â 51,000â€‹$ 12.95Expected to vest at JuneÂ 30,Â 2023Â 40,800â€‹$ 12.95â€‹â€‹â€‹â€‹Unvested at JuneÂ 30,Â 2023Â 51,000â€‹$ 12.95AwardedÂ 131,000â€‹$ 11.08VestedÂ (2,000)â€‹$ 12.09ForfeitedÂ (3,350)â€‹$ 12.95Unvested at JuneÂ 30,Â 2024Â 176,650â€‹$ 11.57Expected to vest at JuneÂ 30,Â 2024Â 150,153â€‹$ 11.57â€‹As of June 30, 2024 and 2023, the unrecognized compensation expense was $1.8 million and $544,000, respectively, related to unvested share-based compensation arrangements with respect to restricted stock issued under the Plans, and reported as a reduction to stockholdersâ€™ equity. This expense is expected to be recognized over a weighted average period of 3.5 years and 3.1 years, respectively. Similar to stock options, a forfeiture rate of 15% and 20% was applied to the restricted stock compensation expense calculations in fiscal 2024 and 2023, respectively. For the fiscal years ended June 30, 2024 and 2023, the fair value of shares vested and distributed was $24,000 and $1.1 million, respectively.â€‹â€‹NoteÂ 12: Earnings Per Shareâ€‹Basic earnings per share (â€œEPSâ€) excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the earnings of the Corporation.â€‹As of June 30, 2024 and 2023, there were outstanding options to purchase 480,000 shares and 434,500 shares of the Corporationâ€™s common stock, of which 382,000 shares and 434,500 shares, respectively, were excluded from the diluted EPS computation as their effect was anti-dilutive. As of June 30, 2024 and 2023, there were outstanding restricted stock awards of 176,650 shares and 51,000 shares, respectively.â€‹114Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe following table provides the basic and diluted EPS computations for the fiscal years ended June 30, 2024 and 2023, respectively:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ForÂ theÂ Year Ended JuneÂ 30,Â 2024â€‹Â Â Â IncomeÂ Â Â SharesÂ Â Â Per-Share(Dollars in Thousands, Except Share Amount)â€‹(Numerator)â€‹(Denominator)â€‹Amountâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Basic EPSâ€‹$ 7,351Â 6,942,918â€‹$ 1.06Effect of dilutive shares:â€‹Â Â Â Â Â Â â€‹Â Â Â Stock optionsâ€‹â€‹â€‹Â 76â€‹â€‹â€‹Restricted stockâ€‹â€‹â€‹Â 16,149â€‹â€‹â€‹Diluted EPSâ€‹$ 7,351Â 6,959,143â€‹$ 1.06â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ForÂ theÂ Year Ended JuneÂ 30,Â 2023â€‹Â Â Â IncomeÂ Â Â SharesÂ Â Â Per-Share(Dollars in Thousands, Except Share Amount)â€‹(Numerator)â€‹(Denominator)â€‹Amountâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Basic EPSâ€‹$ 8,592Â 7,143,273â€‹$ 1.20Effect of dilutive shares:â€‹Â Â Â Â Â Â â€‹Â Â Â Stock optionsâ€‹Â â€‹Â â€”â€‹â€‹â€‹Restricted stockâ€‹Â â€‹Â 48,412â€‹â€‹â€‹Diluted EPSâ€‹$ 8,592Â 7,191,685â€‹$ 1.19â€‹â€‹â€‹NoteÂ 13: Commitments and Contingenciesâ€‹Periodically, there have been various claims and lawsuits involving the Corporation, such as claims to enforce liens, condemnation proceedings on properties in which the Corporation holds security interests, claims involving the making and servicing of real property loans, employment matters and other issues in the ordinary course of and incidental to the Corporationâ€™s business. These proceedings and the associated legal claims are often contested and the outcome of individual matters is not always predictable. Additionally, in some actions, it is difficult to assess potential exposure because the Corporation is still in the early stages of the litigation. The Corporation is not a party to any pending legal proceedings that it believes would have a material adverse effect on its financial condition, operations or cash flows.â€‹The Corporation conducts a portion of its operations in leased facilities and has maintenance contracts under non-cancelable agreements classified as operating leases, which include leases recorded under ASC 842 on liabilities for future lease obligations as well as assets representing the right-to-use the underlying leased assets (See Note 4 of the Notes to Consolidated Financial Statements). â€‹The following is a schedule of the Corporationâ€™s lease and operating commitments:â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â AmountYear Ending JuneÂ 30,Â â€‹(InÂ Thousands)â€‹â€‹â€‹â€‹2025â€‹$ 1,8372026â€‹Â 1,1392027â€‹Â 3582028â€‹Â 1562029â€‹Â 74Thereafterâ€‹Â â€”Total minimum payments requiredâ€‹$ 3,564â€‹For the fiscal years ended June 30, 2024 and 2023, the lease and operating commitment expense was approximately $2.3 million and $1.9 million, respectively.115Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹The Bank sold single-family mortgage loans to unrelated third parties with standard representation and warranty provisions in the ordinary course of its business activities. Under these provisions, the Bank is required to repurchase any previously sold loan for which the representations or warranties of the Bank prove to be inaccurate, incomplete or misleading. In the event of a borrower default or fraud, pursuant to a breached representation or warranty, the Bank may be required to reimburse the investor for any losses suffered. As of June 30, 2024 and 2023, the Bank maintained a non-contingent recourse liability related to these representations and warranties of $18,000 and $25,000, respectively. In addition, the Bank maintained a recourse liability of $8,000 at both June 30, 2024 and 2023 for loans sold to the FHLB â€“ San Francisco under the MPF program.â€‹In the ordinary course of business, the Corporation enters into contracts with third parties under which the third parties provide services on behalf of the Corporation. In many of these contracts, the Corporation agrees to indemnify the third party service provider under certain circumstances. The terms of the indemnity vary from contract to contract and the amount of the indemnification liability, if any, cannot be determined. The Corporation also enters into other contracts and agreements; such as, loan sale agreements, litigation settlement agreements, confidentiality agreements, loan servicing agreements, leases and subleases, among others, in which the Corporation agrees to indemnify third parties for acts by the Corporationâ€™s agents, assignees and/or sub-lessees, and employees. Due to the nature of these indemnification provisions, the Corporation cannot calculate its aggregate potential exposure.â€‹Pursuant to their governing instruments, the Corporation and its subsidiaries provide indemnification to directors, officers, employees and, in some cases, agents of the Corporation against certain liabilities incurred as a result of their service on behalf of or at the request of the Corporation and its subsidiaries. It is not possible for the Corporation to determine the aggregate potential exposure resulting from the obligation to provide this indemnity.â€‹â€‹NoteÂ 14: Derivative and Other Financial Instruments with Off-Balance Sheet Risksâ€‹The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit in the form of originating loans or providing funds under existing lines of credit, loan sale commitments to third parties and option contracts. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the accompanying Consolidated Statements of Financial Condition. The Corporationâ€™s exposure to credit loss, in the event of non-performance by the counterparty to these financial instruments, is represented by the contractual amount of these instruments. The Corporation uses the same credit policies in entering into financial instruments with off-balance sheet risk as it does for on-balance sheet instruments. As of June 30, 2024 and 2023, the Corporation had commitments to extend credit on loans to be held for investment of $9.4 million and $2.4 million, respectively.â€‹The following table provides information at the dates indicated regarding undisbursed funds to borrowers on existing lines of credit with the Corporation as well as commitments to originate loans to be held for investment at the dates indicated below:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â JuneÂ 30,Â Commitmentsâ€‹2024â€‹2023(In Thousands)Â â€‹Â Â Â â€‹Â Â Undisbursed loan funds â€“ Construction loansâ€‹$ 435â€‹$ 2,032Undisbursed lines of credit â€“ Commercial business loansâ€‹Â 2,936â€‹Â 607Undisbursed

lines of credit â€“ Consumer loansâ€‹Â 341â€‹Â 363Commitments to extend credit on loans to be held for investmentâ€‹Â 9,387â€‹Â 2,394Totalâ€‹$ 13,099â€‹$ 5,396â€‹â€‹â€‹116Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsNoteÂ 15: Fair Value of Financial Instrumentsâ€‹The Corporation adopted ASC 820, â€œFair Value Measurements and Disclosures,â€ and elected the fair value option pursuant to ASC 825, â€œFinancial Instrumentsâ€ on single-family loans originated for sale. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 825 permits entities to elect to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the â€œFair Value Optionâ€) at specified election dates. At each subsequent reporting date, an entity is required to report unrealized gains and losses on items in earnings for which the fair value option has been elected. The objective of the Fair Value Option is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.â€‹The following table describes the difference at the dates indicated between the aggregate fair value and the aggregate unpaid principal balance of loans held for investment at fair value:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Aggregateâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Unpaidâ€‹Netâ€‹â€‹Aggregateâ€‹Principalâ€‹Unrealized(In Thousands)Â Â Â Â FairÂ ValueÂ Â Â Â BalanceÂ Â Â Â LossAs of JuneÂ 30,Â 2024:â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans held for investment, at fair valueâ€‹$ 1,047â€‹$ 1,200â€‹$ (153)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹As of JuneÂ 30,Â 2023:Â Â Â Â â€‹Â Â Â Â â€‹Â Â Â Loans held for investment, at fair valueâ€‹$ 1,312â€‹$ 1,483â€‹$ (171)â€‹ASC 820 establishes a three-level valuation hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:Level 1-Unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.Level 2-Observable inputs other than Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability. Valuation techniques may include the use of discounted cash flow models and similar techniques.Level 3-Unobservable inputs for the asset or liability that use significant assumptions, including assumptions of risks. These unobservable assumptions reflect the Corporationâ€™s estimate of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of pricing models, discounted cash flow models and similar techniques.â€‹ASC 820 requires the Corporation to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.â€‹The Corporationâ€™s financial assets and liabilities measured at fair value on a recurring basis consist of investment securities available for sale, loans held for investment at fair value, other equity investments and interest-only strips; while loans with individually evaluated allowances and mortgage servicing assets (â€œMSAâ€) are measured at fair value on a nonrecurring basis.â€‹Investment securities - available for sale are primarily comprised of U.S. government agency MBS, U.S. government sponsored enterprise MBS, private issue CMO and investment in equity securities. The Corporation utilizes quoted prices in active markets for similar securities for its fair value measurement of MBS and investment in equity securities (Level 2) and broker price indications for similar securities in non-active markets for its fair value measurement of the private issue CMO (Level 3).â€‹117Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsLoans held for investment at fair value are primarily single-family loans which have been transferred from loans held for sale. The fair value is determined by management estimates of the specific credit risk attributes of each loan, in addition to the quoted secondary-market prices which account for the interest rate characteristics of each loan (Level 3).â€‹Loans with individually evaluated allowance that are recorded at fair value on a nonrecurring basis are loans which are inadequately protected by the current sound worth and paying capacity of the borrowers or of the collateral pledged. These loans are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. The fair value of a loan with an individually evaluated allowance is determined based on the discounted cash flow or current appraised value of the underlying collateral. Appraised and reported values may be discounted based on managementâ€™s historical knowledge, changes in market conditions from the time of valuation, and/or managementâ€™s expertise and knowledge of the collateral. For commercial real estate loans with an individually evaluated allowance, the fair value is derived from the appraised value of its collateral. Loans with an individually evaluated allowance are reviewed and evaluated on at least a quarterly basis for additional allowance and adjusted accordingly, based on the same factors identified above (Level 3). This loss is not recorded directly as an adjustment to current earnings or other comprehensive income (loss), but rather as a component in determining the overall adequacy of the ACL. These adjustments to the estimated fair value of loans with an individually evaluated allowance may result in increases or decreases to the provision for (recovery of) credit losses recorded in current earnings.â€‹The fair value of other equity investments is derived from quoted prices in active markets for the equivalent or similar investments (Level 2).â€‹The Corporation uses the amortization method for its MSA, which amortizes the MSA in proportion to and over the period of estimated net servicing income and assesses the MSA for impairment based on fair value at each reporting date. The fair value of the MSA is derived using the present value method; which includes a third partyâ€™s prepayment projections of similar instruments, weighted average coupon rates, estimated servicing costs and discount interest rates (Level 3).â€‹The fair value of interest-only strips is derived using the same assumptions that are used to value the related MSA (Level 3).â€‹The Corporationâ€™s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporationâ€™s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.â€‹118Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe following fair value hierarchy tables present information at the dates indicated about the Corporationâ€™s assets and liabilities measured at fair value on a recurring basis:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹FairÂ ValueÂ MeasurementÂ atÂ JuneÂ 30,Â 2024 Using:(In Thousands)Â Â Â Â LevelÂ 1Â Â Â Â LevelÂ 2Â Â Â Â LevelÂ 3Â Â Â Â TotalAssets:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Investment securities - available for sale:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S. government agency MBSâ€‹$ â€”â€‹$ 1,208â€‹$ â€”â€‹$ 1,208U.S. government sponsored enterprise MBSâ€‹Â â€”â€‹Â 553â€‹Â â€”â€‹Â 553Private issue CMOâ€‹Â â€”â€‹Â â€”â€‹Â 88â€‹Â 88Investment securities - available for saleâ€‹Â â€”â€‹Â 1,761â€‹Â 88â€‹Â 1,849â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans held for investment, at fair valueâ€‹Â â€”â€‹Â â€”â€‹Â 1,047â€‹Â 1,047Other equity investments, fair valueâ€‹â€‹ â€”â€‹â€‹ 540â€‹â€‹ â€”â€‹â€‹ 540Interest-only stripsâ€‹Â â€”â€‹Â â€”â€‹Â 8â€‹Â 8Total assetsâ€‹$ â€”â€‹$ 2,301â€‹$ 1,143â€‹$ 3,444â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Liabilities:â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”Total liabilitiesâ€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹FairÂ ValueÂ MeasurementÂ atÂ JuneÂ 30,Â 2023 Using:(In Thousands)Â Â Â Â â€‹LevelÂ 1â€‹â€‹LevelÂ 2Â Â Â Â â€‹LevelÂ 3Â Â Â Â â€‹TotalAssets:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Investment securities - available for sale:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S. government agency MBSâ€‹$ â€”â€‹$ 1,370â€‹$ â€”â€‹$ 1,370U.S. government sponsored enterprise MBSâ€‹Â â€”â€‹Â 683â€‹Â â€”â€‹Â 683Private issue CMOâ€‹Â â€”â€‹Â â€”â€‹Â 102â€‹Â 102Investment securities - available for saleâ€‹Â â€”â€‹Â 2,053â€‹Â 102â€‹Â 2,155â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans held for investment, at fair valueâ€‹Â â€”â€‹Â â€”â€‹Â 1,312â€‹Â 1,312Interest-only stripsâ€‹Â â€”â€‹Â â€”â€‹Â 9â€‹Â 9Total assetsâ€‹$ â€”â€‹$ 2,053â€‹$ 1,423â€‹$ 3,476â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Liabilities:â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”Total liabilitiesâ€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹$ â€”â€‹119Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe following tables provide a reconciliation of the beginning and ending balances during the periods shown of recurring fair value measurements recognized in the Consolidated Statements of Financial Condition using Level 3 inputs:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹FairÂ ValueÂ Measurementâ€‹â€‹UsingÂ SignificantÂ OtherÂ UnobservableÂ Inputsâ€‹â€‹(LevelÂ 3)â€‹â€‹Privateâ€‹LoansÂ Held Forâ€‹Interest-â€‹â€‹â€‹Issueâ€‹Investment,Â atâ€‹Onlyâ€‹â€‹(In Thousands)Â Â Â Â CMOÂ Â Â Â fairÂ value(1)Â Â Â Â StripsÂ Â Â Â TotalBeginning balance at JuneÂ 30,Â 2023â€‹$ 102â€‹$ 1,312â€‹$ 9â€‹$ 1,423Adjustment due to ASC 326 CECL adoptionâ€‹â€‹ â€”â€‹â€‹ 28â€‹â€‹ â€”â€‹â€‹ 28Total gains or losses (realized/unrealized):â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Included in earningsâ€‹Â â€”â€‹Â (10)â€‹Â â€”â€‹Â (10)Included in other comprehensive income (loss)â€‹Â (1)â€‹Â â€”â€‹Â (1)â€‹Â (2)Purchasesâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”Issuancesâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”Settlementsâ€‹Â (13)â€‹Â (283)â€‹Â â€”â€‹Â (296)Transfers in and/or out of Level 3â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”Ending balance at JuneÂ 30,Â 2024â€‹$ 88â€‹$ 1,047â€‹$ 8â€‹$ 1,143â€‹(1)The valuation of loans held for investment at fair value includes managementâ€™s estimate of the specific credit risk attributes of each loan, in addition to the quoted secondary-market prices which account for interest rate characteristics.â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹FairÂ ValueÂ Measurementâ€‹â€‹UsingÂ SignificantÂ OtherÂ UnobservableÂ Inputsâ€‹â€‹(LevelÂ 3)â€‹â€‹Privateâ€‹LoansÂ HeldÂ â€‹â€‹â€‹â€‹Issueâ€‹Investment,Â atâ€‹Onlyâ€‹â€‹(In Thousands)Â Â Â Â CMOÂ Â Â Â fairÂ value(1)Â Â Â Â StripsÂ Â Â Â TotalBeginning balance at JuneÂ 30,Â 2022â€‹$ 113â€‹$ 1,396â€‹$ 7â€‹$ 1,516Total gains or losses (realized/ unrealized):â€‹Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Included in earningsâ€‹Â â€”â€‹Â 2â€‹Â â€”â€‹Â 2Included in other comprehensive income (loss)â€‹Â 3â€‹Â â€”â€‹Â 2â€‹Â 5Purchasesâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”Issuancesâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”Settlementsâ€‹Â (14)â€‹Â (86)â€‹Â â€”â€‹Â (100)Transfers in and/or out of Level 3â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”Ending balance at JuneÂ 30,Â 2023â€‹$ 102â€‹$ 1,312â€‹$ 9â€‹$ 1,423â€‹(1)The valuation of loans held for investment at fair value includes managementâ€™s estimate of the specific credit risk attributes of each loan, in addition to the quoted secondary-market prices which account for interest rate characteristics.â€‹The following fair value hierarchy table presents information about the Corporationâ€™s assets measured at fair value at the dates indicated on a nonrecurring basis:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹FairÂ ValueÂ MeasurementÂ atÂ JuneÂ 30,Â 2024Â Using:(In Thousands)Â Â Â Â LevelÂ 1Â Â Â Â LevelÂ 2Â Â Â Â LevelÂ 3Â Â Â Â TotalLoans with individually evaluated allowanceâ€‹$ â€”â€‹$ â€”â€‹$ 695â€‹$ 695Mortgage servicing assetsâ€‹Â â€”â€‹Â â€”â€‹Â 87â€‹Â 87Totalâ€‹$ â€”â€‹$ â€”â€‹$ 782â€‹$ 782â€‹120Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹FairÂ ValueÂ MeasurementÂ atÂ JuneÂ 30,Â 2023Â Using:(In Thousands)â€‹LevelÂ 1â€‹LevelÂ 2â€‹LevelÂ 3â€‹TotalLoans with individually evaluated allowanceÂ Â Â Â $ â€”â€‹$ 251â€‹$ 1,049â€‹$ 1,300Mortgage servicing assetsâ€‹Â â€”â€‹Â â€”â€‹Â 90â€‹Â 90Totalâ€‹$ â€”â€‹$ 251â€‹$ 1,139â€‹$ 1,390â€‹The following table presents additional information about valuation techniques and inputs used for assets and liabilities, including derivative financial instruments, which are measured at fair value and categorized within Level 3 as of June 30, 2024:â€‹ImpactÂ toâ€‹â€‹FairÂ Valueâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Valuationâ€‹â€‹AsÂ ofâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹fromÂ anâ€‹â€‹Jun In Thousands)Â Â Â Â 2024Â Â Â Â TechniquesÂ Â Â Â UnobservableÂ InputsÂ Â Â Â (WeightedÂ Average)Â Â Â Â Inputs(2)Assets:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Securities available-for sale: Private issue CMOâ€‹$ 88Â Market comparable pricingÂ Comparability adjustmentÂ (2.0%) - (6.5%) (2.9%)Â Increaseâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans held for investment, at fair valueâ€‹$ 1,047Â Relative value analysisÂ Broker quotesÂ 86.9% - 89.0% (88.2%) of parÂ Increaseâ€‹â€‹â€‹â€‹â€‹â€‹â€‹Credit risk factorÂ 1.0% - 1.1% (1.0%)â€‹Decreaseâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans with individually evaluated allowanceâ€‹$ 695Â Discounted cash flowÂ Default rateÂ 5.0%â€‹Decreaseâ€‹â€‹â€‹â€‹â€‹â€‹â€‹Discount rateâ€‹6.9%â€‹Decreaseâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹MSAsâ€‹$ 87Â Discounted cash flowÂ Prepayment rate (CPR)Â 5.1% - 60.0% (9.6%)Â Decreaseâ€‹â€‹â€‹â€‹â€‹â€‹Â Discount rateÂ 9.0% - 10.5% (9.1%)Â Decreaseâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Interest-only stripsâ€‹$ 8Â Discounted cash flowÂ Prepayment rate (CPR)Â 7.3% - 12.3% (8.6%)â€‹Decreaseâ€‹â€‹â€‹â€‹â€‹Â Discount rateÂ 9.0%Â Decreaseâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Liabilities:â€‹Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Noneâ€‹â€‹ range is based on the historical estimated fair values and management estimates.(2)Unless otherwise noted, this column represents the directional change in the fair value of the Level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant changes in these inputs in isolation could result in significantly higher or lower fair value measurements.â€‹The significant unobservable inputs used in the fair value measurement of the Corporationâ€™s assets and liabilities include the following: CMO offered quotes, prepayment rates and discount rates, among others. Significant increases or decreases in any of these inputs in isolation could result in significantly lower or higher fair value measurement. The various unobservable inputs used to determine valuations may have similar or diverging impacts on valuation. For the fiscal year ended June 30, 2024, there were no significant changes to the Corporation's valuation techniques and inputs that had, or are expected to have, a material impact on its consolidated financial position or results of operations.121Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsThe carrying amount and fair value of the Corporationâ€™s other financial instruments as of June 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2024â€‹â€‹Carryingâ€‹Fairâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹(In Thousands)Â Â Â Â AmountÂ Â Â Â ValueÂ Â Â Â LevelÂ 1Â Â Â Â LevelÂ 2Â Â Â Â LevelÂ 3Financial assets:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans held for investment, not recorded at fair valueâ€‹$ 1,051,932â€‹$ 973,453â€‹$ â€”â€‹$ â€”â€‹$ 973,453Investment securities - held to maturityâ€‹$ 130,051â€‹$ 114,393â€‹$ â€”â€‹$ 114,393â€‹$ â€”FHLB â€“ San Francisco stockâ€‹$ 9,568â€‹$ 9,568â€‹$ â€”â€‹$ 9,568â€‹$ â€”â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Financial liabilities:â€‹Â Â Â Â â€‹Â Â Â Â â€‹Â Â Â Â â€‹Â Â Â Â â€‹Â Â Â Â Depositsâ€‹$ 888,348â€‹$ 888,527â€‹$ â€”â€‹$ 888,527â€‹$ â€”Borrowingsâ€‹$ 238,500â€‹$ 237,691â€‹$ â€”â€‹$ 237,691â€‹$ â€”â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â 2023â€‹â€‹Carryingâ€‹Fairâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹(In Thousands)Â Â Â Â AmountÂ Â Â Â ValueÂ Â Â Â LevelÂ 1Â Â Â Â LevelÂ 2Â Â Â Â LevelÂ 3Financial assets:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loans held for investment, not recorded at fair valueâ€‹$ 1,076,317â€‹$ 970,277â€‹$ â€”â€‹$ â€”â€‹$ 970,277Investment securities - held to maturityâ€‹$ 154,337â€‹$ 135,541â€‹$ â€”â€‹$ 135,541â€‹$ â€”FHLB â€“ San Francisco stockâ€‹$ 9,505â€‹$ 9,505â€‹$ â€”â€‹$ 9,505â€‹$ â€”â€‹â€‹â€‹ â€‹â€‹â€‹ â€‹â€‹â€‹ â€‹â€‹â€‹Financial liabilities:â€‹Â â€‹Â â€‹Â â€‹Â â€‹Â â€‹Depositsâ€‹$ 950,571â€‹$ 949,116â€‹$ â€”â€‹$ 949,116â€‹$ â€”Borrowingsâ€‹$ 235,009â€‹$ 232,764â€‹$ â€”â€‹$ 232,764â€‹$ â€”Loans held for investment, not recorded at fair value: For loans that reprice frequently at market rates, the carrying amount approximates the fair value. For fixed-rate loans, the fair value is determined by either (i)Â discounting the estimated future cash flows of such loans over their estimated remaining contractual maturities using a current interest rate at which such loans would be made to borrowers, or (ii)Â quoted market prices.â€‹Investment securitiesÂ - held to maturity: The investment securitiesÂ - held to maturity consist of U.S. SBA securities, U.S. government sponsored enterprise MBS and U.S. government sponsored enterprise CMO. For the U.S. SBA securities and U.S. government sponsored enterprise MBS and CMO, the Corporation utilizes quoted prices in active markets for similar securities for its fair value measurement (Level 2).â€‹FHLBÂ â€“ San Francisco stock is carried at cost/par value and represents its fair value. When redeemed, the Corporation will receive an amount equal to the par value of the stock.â€‹Deposits: The fair value of time deposits is estimated using a discounted cash flow calculation. The discount rate is based upon observable inputs, including rates currently offered for deposits of similar remaining maturities. The fair value of transaction accounts (checking, money market and savings accounts) is equal to the carrying amounts payable on demand.â€‹Borrowings: The fair value of borrowings has been estimated using a discounted cash flow calculation. The discount rate on such borrowings is based upon rates currently offered for borrowings of similar remaining maturities.â€‹The Corporation has various processes and controls in place to ensure that fair value is reasonably estimated. The Corporation generally determines fair value of their Level 3 assets and liabilities by using internally developed models which primarily utilize discounted cash flow techniques and prices obtained from independent management services or brokers. The Corporation performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. â€‹While the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a 122Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsdifferent estimate of fair value at the reporting date. For the fiscalÂ year ended June 30, 2024, there were no significant changes to the Corporationâ€™s valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or results of operations.â€‹â€‹NoteÂ 16: Revenue From Contracts With Customersâ€‹In accordance with ASC 606, revenues are recognized when goods or services are transferred to the customer in exchange for the consideration the Corporation expects to be entitled to receive. The largest portion of the Corporationâ€™s revenue is from interest income, which is not in the scope of ASC 606. All the Corporationâ€™s revenue from contracts with customers in the scope of ASC 606 is recognized in non-interest income.â€‹If a contract is determined to be within the scope of ASC 606, the Corporation recognizes revenue as it satisfies a performance obligation. Payments from customers are generally collected at the time services are rendered, monthly, or quarterly. For contracts with customers within the scope of ASC 606, revenue is either earned at a point in time or revenue is earned over time. Examples of revenue earned at a point in time are automated teller machine ("ATM") transaction fees, wire transfer fees, overdraft fees and interchange fees. Revenue is primarily based on the number and type of transactions that are generally derived from transactional information accumulated by the Corporationâ€™s systems and is recognized immediately as the transactions occur or upon providing the service to complete the customer's transaction. The Corporation is generally the principal in these contracts, with the exception of interchanges fees, in which case the Corporation is acting as the agent and records revenue net of expenses paid to the principal. Examples of revenue earned over time, which generally occur on a monthly basis, are deposit account maintenance fees, investment advisory fees, merchant revenue, trust and investment management fees and safe deposit box fees. Revenue is generally derived from transactional information accumulated by its systems or those of third-parties and is recognized as the related transactions occur or services are rendered to the customer.â€‹Disaggregation of Revenue:â€‹The following table includes the Corporation's non-interest income disaggregated by type of services for the fiscal years ended June 30, 2024 and 2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â Type of ServicesÂ Â Â Â 2024Â Â Â Â 2023(In Thousands)Â Â â€‹Â Â Â â€‹Â Â Loan servicing and other fees(1)â€‹$ 337â€‹$ 414Deposit account feesâ€‹â€‹ 1,154â€‹â€‹ 1,296Card and processing feesâ€‹â€‹ 1,384â€‹â€‹ 1,525Other(2)â€‹Â 1,066â€‹Â 840Total non-interest incomeâ€‹$ 3,941â€‹$ 4,075â€‹(1)Not within the scope of ASC 606.(2)Includes income on BOLI of $186 thousand and $186 thousand, net loss on sale of loans of $66 thousand and net gain on sale of loans of $124 thousand and net unrealized gain on other equity investments of $540 thousand and $0 for the fiscal years ended June 30, 2024 and 2023, respectively, which are not within the scope of ASC 606.â€‹For the fiscal years ended June 30, 2024 and 2023, substantially all the Corporationâ€™s revenues within the scope of ASC 606 were for performance obligations satisfied at a specified date.â€‹Revenues recognized within the scope of ASC 606:â€‹Deposit account fees: Fees are earned on the Bank's deposit accounts for various products offered to or services performed for the Bank's customers. Fees include business account fees, non-sufficient fund fees, ATM fees and others. These fees are recognized on a daily, monthly or quarterly basis, depending on the type of service.â€‹Card and processing fees: Debit interchange income represents fees earned when a debit card issued by the Bank is used. The Bank earns interchange fees from cardholder transactions through a third party payment network. Interchange fees 123Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial Statementsfrom cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the cardholders' debit card. Certain expenses directly associated with the debit cards are recorded on a net basis with the interchange income.â€‹Other: Includes asset management fees, stop payment fees, wire services fees, safe deposit box fees and other fees earned on other services, such as merchant services or occasional non-recurring type services, are recognized at the time of the event or the applicable billing cycle. Asset management fees are variable, since they are based on the underlying portfolio value, which is subject to market conditions and amounts invested by customers through a third-party provider. Asset management fees are recognized over the period that services are provided, and when the portfolio values are known or can be estimated at the end of each month.â€‹NoteÂ 17: Holding Company Condensed Financial Informationâ€‹This information should be read in conjunction with the other notes to the consolidated financial statements. The following is the Condensed Statements of Financial Condition for Provident Financial Holdings (Holding Company only) as of June 30, 2024 and 2023 and Condensed Statements of Operations and Cash Flows for the fiscal years ended June 30, 2024 and 2023.â€‹Condensed Statements of Financial Conditionâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹Assetsâ€‹â€‹â€‹â€‹â€‹â€‹Cash and cash equivalentsâ€‹$ 3,385â€‹$ 3,737Investment in subsidiaryâ€‹Â 126,601â€‹Â 125,949Other assetsâ€‹Â 64â€‹Â 67â€‹â€‹$ 130,050â€‹$ 129,753â€‹â€‹Â Â Â â€‹Â Â Â Liabilities and Stockholdersâ€™ Equityâ€‹Â Â Â â€‹Â Â Â Other liabilitiesâ€‹$ 109â€‹$ 66Stockholdersâ€™ equityâ€‹Â 129,941â€‹Â 129,687â€‹â€‹$ 130,050â€‹$ 129,753â€‹â€‹Condensed Statements of Operationsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹Dividend from the Bankâ€‹$ 7,000â€‹$ 9,500Interest and other incomeâ€‹Â 2â€‹Â 3Total incomeâ€‹Â 7,002â€‹Â 9,503â€‹â€‹Â Â Â â€‹Â Â Â General and administrative expensesâ€‹Â 1,294â€‹Â 1,267Earnings before income taxes and equity in undistributed earnings of the Bankâ€‹Â 5,708â€‹Â 8,236â€‹â€‹Â Â Â â€‹Â Â Â Income tax benefitâ€‹Â (382)â€‹Â (373)Earnings before equity in undistributed earnings of the Bankâ€‹Â 6,090â€‹Â 8,609â€‹â€‹Â Â Â â€‹Â Â Â Equity in undistributed earnings of the Bankâ€‹Â 1,261â€‹Â (17)Net incomeâ€‹$ 7,351â€‹$ 8,592â€‹124Table of ContentsPROVIDENT FINANCIAL HOLDINGS, INC.Notes to Consolidated Financial StatementsCondensed Statements of Cash Flowsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Year Ended JuneÂ 30,Â (In Thousands)Â Â Â Â 2024Â Â Â Â 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Cash flow from operating activities:Â â€‹Â Â Â â€‹Â Â Net incomeâ€‹$ 7,351â€‹$ 8,592Adjustments to reconcile net income to net cash provided by operating activities:â€‹Â Â Â â€‹Â Â Â Equity in undistributed earnings of the Bankâ€‹Â (1,261)â€‹Â 17Decrease (increase) in other assetsâ€‹Â 3â€‹Â (6)Increase in other liabilitiesâ€‹Â 43â€‹Â 29Net cash provided by operating activitiesâ€‹Â 6,136â€‹Â 8,632â€‹â€‹Â Â Â â€‹Â Â Â Cash flow from financing activities:â€‹Â Â Â â€‹Â Â Â Treasury stock purchasesâ€‹Â (2,601)â€‹Â (4,648)Cash dividendsâ€‹Â (3,887)â€‹Â (3,998)Net cash used for financing activitiesâ€‹Â (6,488)â€‹Â (8,646)Net decrease in cash during the yearâ€‹Â (352)â€‹Â (14)Cash and cash equivalents at beginning of yearâ€‹Â 3,737â€‹Â 3,751Cash and cash equivalents at end of yearâ€‹$ 3,385â€‹$ 3,737â€‹â€‹NoteÂ 18: Subsequent Eventsâ€‹On July 25, 2024, the Corporation announced that the Provident Financial Holdings Board of Directors declared a quarterly cash dividend of $0.14 per share. Shareholders of Provident Financial Holdings common stock at the close of business on August 15, 2024 are entitled to receive the cash dividend, payable on September 5, 2024.â€‹************â€‹125EXHIBITÂ 132024 Annual Report to Stockholdersâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹2024 Annual Reportâ€‹â€‹â€‹Message From the ChairmanDear Shareholders:â€‹I am pleased to forward our Annual Report for fiscal 2024 highlighting our financial results. Last year at this time, it was noted in the Chairmanâ€™s Message that, â€œCurrent general economic conditions do not seem to be improving and the Federal Open Market Committee (â€œFOMCâ€) has responded to higher inflation data by raising the federal funds rate to the highest level in 22 years and at the quickest pace in 40 years.â€ A year later and inflation numbers are finally starting to decline in a consistent manner. Like many others, we began the 2024 calendar year believing that rate cuts were likely and there would be multiple rate cuts in the year. Today, we are more than half way through the year and we are still waiting for the rate cuts to materialize. But we may finally start to see some rate relief as the FOMC has recently signaled that inflation is declining, which would allow for a less restrictive monetary policy. Throughout this last fiscal year, we have continued to be good stewards of our capital by executing a strategy that called for us to slow growth in a potential recessionary environment and work to ensure strong credit quality. This conservative credit culture has served us well in the past and continues to do so in the present, particularly in light of the elevated credit risk around commercial real estate loans. Â â€‹Fiscal 2024 Â Overall, our fiscal 2024 financial results, described in the following Financial Highlights, reflected a decline in both net income and total assets compared to the prior year. Throughout fiscal 2024, operating conditions were challenging with the macroeconomic headwinds of an inverted yield curve, higher interest rates, high inflation, rising unemployment rates and modest gross domestic product growth. As a result, the Bank made the strategic decision to restrict loan growth and took a defensive position with the balance sheet, resulting in a lower balance of loans held for investment, but thereby limiting new exposures to credit risk. In addition, the deposit environment was highly competitive and depositors were actively seeking higher rates for their deposits. This resulted in a decline in our total deposits and an increase in our interest expense as we were competing to retain those relationships or replace them with higher cost funding sources. Last year, we described that our fiscal 2024 Business Plan forecast disciplined growth in loans held for investment, growth in retail deposits (primarily core deposits), control of operating expenses, and sound capital management decisions. The Business Plan was predicated on the forecast of gradual rate cuts by the FOMC and the beginning of the return to a normally sloped yield curve. But when the rate environment we envisioned did not materialize, we deviated from the Business Plan as it relates to loan growth. Â Loan originations and purchases for the held for investment portfolio were $75.5 million in fiscal 2024, a 68 percent decrease from the fiscal 2023 volume, and loan prepayments exceeded new loan origination volume resulting in a two percent decrease in loans held for investment. On the funding side, core deposits decreased by $115.1 million or 16 percent at June 30, 2024 from the same date last year as a result of depositors moving funds into higher yielding investment opportunities and were partially replaced with brokered certificates of deposit such that total deposits declined by seven percent. Operating expenses for fiscal 2024 increased by approximately one percent from the prior year resulting from the inflationary environment but were well-controlled. Last year, we mentioned our intent to expand our contingency funding sources and successfully executed that plan by increasing total borrowing capacity from all sources by approximately seven percent in comparison to the prior fiscal year. In addition, we paid a quarterly cash dividend of $0.14 per share in fiscal 2024 while repurchasing approximately 197,000 shares of our common stock under the stock repurchase plans. Our capital management activities resulted in an approximately 88 percent distribution of fiscal 2024 net income.â€‹Fiscal 2025Similar to fiscal 2024, we plan to emphasize measured growth in loans held for investment; the continued growth of retail deposits; disciplined control of operating expenses where we continue to improve operating efficiencies; and sound capital management decisions. We believe this is reasonable in a less restrictive monetary policy environment, where elevated interest rates and the inverted yield curve begin to reverse course and normalize. We currently plan to return capital to shareholders in the form of cash dividends and believe that maintaining our cash dividend is very important to shareholders. We also recognize that prudent capital returns through stock repurchase programs is an essential capital management tool that we will continue to use as a component of our capital management strategy. We remain committed to single-family, multi-family, and commercial real estate mortgage lending as our primary sources of asset growth and we will redeploy cash flows from investment securities to support the growth of our loan portfolio. Since we suspect that we are on the cusp of interest rate cuts by the FOMC, we believe there will be adjustments to the yield curve that will better support loan growth in the balance sheet at a lower cost of funds, and likely expansion in our net interest margin. This strategy is intended to improve core revenue, over time, through a higher net interest margin, higher net interest income and ultimately, coupled with the growth of the Company, an increase in net income. Â â€‹A Final WordAs I think about the upcoming year framed by recent operating conditions, the word that comes to mind is resilience. The last few years have seen the world recovering from a once in a lifetime pandemic, banking industry turmoil in terms of elevated liquidity, interest rate and commercial real estate credit risks, and the highest rate of inflation in over 40 years. I would like to share a quote that I believe is apropos to our experience. â€œEveryone experiences tough times; it is a measure of your determination and dedication how you deal with them and how you can come through them.â€ â€“ Lakshmi Mittal (Executive Chairman for ArcelorMittal, the worldâ€™s second largest steelmaking company). As we look to the next fiscal year, I want to assure you that we are determined and dedicated. We adjust our operating strategies on an ongoing basis to overcome challenging conditions but not in a way that jeopardizes our long-term viability in â€‹exchange for short-term profitability. In this competitive environment, we understand we need to balance profitability against risks, but believe that moving further out on the risk curve within our core competencies is warranted at this time given our strong financial foundation and general outlook for improving operating conditions. But we will not move away from our community banking roots or from serving the families and small businesses of the Inland Empire, moreover we will celebrate and continue to expand on that heritage. Â Â Â Â In closing, I would like to recognize and thank our staff of banking professionals and Directors for their dedication to Provident. We could not operate our business without their loyalty and dedication. I would also like to express my appreciation to our customers, shareholders, and the communities we serve. To all of you, thank you for your continued patronage and support. We recognize that our continued success is inextricably linked to each of you and is dependent upon your ongoing support.â€‹â€‹Sincerely,â€‹â€‹â€‹/s/ Craig G. Blundenâ€‹Craig G. Blundenâ€‹Chairman of the Board of Directorsâ€‹â€‹â€‹Financial HighlightsThe following tables set forth information concerning the consolidated financial position and results of operations of the Corporation and its subsidiary at the dates and for the periods indicated.â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AtÂ orÂ ForÂ TheÂ YearÂ EndedÂ JuneÂ 30,(In Thousands, Except Per Share Information)Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2022Â Â Â Â 2021Â Â Â Â 2020FINANCIAL CONDITION DATA:Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Total assetsâ€‹$ 1,272,200â€‹$ 1,332,948â€‹$ 1,187,038â€‹$ 1,183,596â€‹$ 1,176,837Loans held for investment, netâ€‹â€‹ 1,052,979â€‹â€‹ 1,077,629â€‹â€‹ 939,992â€‹â€‹ 850,960â€‹â€‹ 902,796Cash and cash equivalentsâ€‹â€‹ 51,376â€‹â€‹ 65,849â€‹â€‹ 23,414â€‹â€‹ 70,270â€‹â€‹ 116,034Investment securitiesâ€‹â€‹ 131,900â€‹â€‹ 156,492â€‹â€‹ 188,421â€‹â€‹ 226,893â€‹â€‹ 123,344Depositsâ€‹â€‹ 888,348â€‹â€‹ 950,571â€‹â€‹ 955,504â€‹â€‹ 937,973â€‹â€‹ 892,969Borrowingsâ€‹â€‹ 238,500â€‹â€‹ 235,009â€‹â€‹ 85,000â€‹â€‹ 100,983â€‹â€‹ 141,047Stockholdersâ€™ equityâ€‹â€‹ 129,941â€‹â€‹ 129,687â€‹â€‹ 128,650â€‹â€‹ 127,280â€‹â€‹ 123,976Book value per shareâ€‹â€‹ 18.98â€‹â€‹ 18.41â€‹â€‹ 17.66â€‹â€‹ 16.88â€‹â€‹ 16.67â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹OPERATING DATA:â€‹â€‹Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â â€‹Â Â Â Interest incomeâ€‹$ 54,730â€‹$ 45,992â€‹$ 34,730â€‹$ 35,201â€‹$ 42,456Interest expenseâ€‹â€‹ 19,807â€‹â€‹ 9,007â€‹â€‹ 3,135â€‹â€‹ 4,562â€‹â€‹ 6,055Net interest incomeâ€‹â€‹ 34,923â€‹â€‹ 36,985â€‹â€‹ 31,595â€‹â€‹ 30,639â€‹â€‹ 36,401(Recovery of) provision for credit lossesâ€‹â€‹ (63)â€‹â€‹ 374â€‹â€‹ (2,462)â€‹â€‹ (708)â€‹â€‹ 1,119Net interest income after (recovery of) provision for credit lossesâ€‹â€‹ 34,986â€‹â€‹ 36,611â€‹â€‹ 34,057â€‹â€‹ 31,347â€‹â€‹ 35,282Loan servicing and other feesâ€‹â€‹ 337â€‹â€‹ 414â€‹â€‹ 1,056â€‹â€‹ 1,170â€‹â€‹ 819(Loss) gain on sale of loans, netâ€‹â€‹ (66)â€‹â€‹ 124â€‹â€‹ 40â€‹â€‹ (103)â€‹â€‹ (132)Deposit account feesâ€‹â€‹ 1,154â€‹â€‹ 1,296â€‹â€‹ 1,302â€‹â€‹ 1,247â€‹â€‹ 1,610Card and processing feesâ€‹â€‹ 1,384â€‹â€‹ 1,525â€‹â€‹ 1,639â€‹â€‹ 1,605â€‹â€‹ 1,454Other non-interest incomeâ€‹â€‹ 1,132â€‹â€‹ 716â€‹â€‹ 679â€‹â€‹ 654â€‹â€‹ 769Operating expensesâ€‹â€‹ 28,540â€‹â€‹ 28,270â€‹â€‹ 25,915â€‹â€‹ 25,733â€‹â€‹ 28,900Income before income taxesâ€‹â€‹ 10,387â€‹â€‹ 12,416â€‹â€‹ 12,858â€‹â€‹ 10,187â€‹â€‹ 10,902Provision for income taxesâ€‹â€‹ 3,036â€‹â€‹ 3,824â€‹â€‹ 3,765â€‹â€‹ 2,626â€‹â€‹ 3,213Net incomeâ€‹$ 7,351â€‹$ 8,592â€‹$ 9,093â€‹$ 7,561â€‹$ 7,689Basic earnings per shareâ€‹$ 1.06â€‹$ 1.20â€‹$ 1.23â€‹$ 1.01â€‹$ 1.03Diluted earnings per shareâ€‹$ 1.06â€‹$ 1.19â€‹$ 1.22â€‹$ 1.00â€‹$ 1.01Cash dividend per shareâ€‹$ 0.56â€‹$ 0.56â€‹$ 0.56â€‹$ 0.56â€‹$ 0.56â€‹â€‹â€‹Financial Highlightsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AtÂ orÂ ForÂ TheÂ YearÂ EndedÂ JuneÂ 30,â€‹â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2022Â Â Â Â 2021Â Â Â Â 2020â€‹KEY OPERATING RATIOS:Â Â Â Â â€‹Performance Ratiosâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Return on average assetsâ€‹ 0.57%Â Â 0.68%Â Â 0.76%Â Â 0.64%Â Â 0.69%Return on average stockholdersâ€™ equityâ€‹ 5.62â€‹ 6.58â€‹ 7.14â€‹ 6.05â€‹ 6.26â€‹Interest rate spreadâ€‹ 2.62â€‹ 2.92â€‹ 2.69â€‹ 3.30â€‹Net interest marginâ€‹ 2.78â€‹ 2.99â€‹ 2.72â€‹ 2.66â€‹ 3.36â€‹Average interest-earning assets to average interest- bearing liabilitiesâ€‹ 110.28â€‹ 110.27â€‹ 110.67â€‹ 110.78â€‹ 111.32â€‹Operating expenses as a percentage of average total assetsâ€‹ 2.22â€‹ 2.23â€‹ 2.17â€‹ 2.18â€‹ 2.59â€‹Efficiency ratio(1)â€‹ 73.44â€‹ 68.85â€‹ 71.37â€‹ 73.08â€‹ 70.62â€‹Stockholdersâ€™ equity to total assets ratioâ€‹ 10.21â€‹ 9.73â€‹ 10.84â€‹ 10.75â€‹ 10.53â€‹Dividend payout ratioâ€‹ 52.83â€‹ 47.06â€‹ 45.88â€‹ 55.83â€‹ 55.45â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹The Bank's Regulatory Capital Ratiosâ€‹Â Â â€‹Â Â â€‹Â Â â€‹Â Â â€‹Â Â â€‹Tier 1 leverage capital (to adjusted average assets)â€‹ 10.02%Â Â 9.59%Â Â 10.47%Â Â 10.19%Â Â 10.13%CET1 capital (to risk-weighted assets)â€‹ 19.29â€‹ 18.50â€‹ 19.58â€‹ 18.58â€‹ 17.51â€‹Tier 1 capital (to risk-weighted assets)â€‹ 19.29â€‹ 18.50â€‹ 19.58â€‹ 18.58â€‹ 17.51â€‹Total capital (to risk-weighted assets)â€‹ 20.38â€‹ 19.38â€‹ 20.47â€‹ 19.76â€‹ 18.76â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Asset Quality Ratiosâ€‹Â Â â€‹Â Â â€‹Â Â â€‹Â Â â€‹Â Â â€‹Non-performing loans as a percentage of loans held for investment, netâ€‹ 0.25%Â Â 0.12%Â Â 0.15%Â Â 1.02%Â Â 0.55%Non-performing assets as a percentage of total assetsâ€‹ 0.20â€‹ 0.10â€‹ 0.12â€‹ 0.73â€‹ 0.42â€‹Allowance for credit losses as a percentage of gross loans held for investmentâ€‹ 0.67â€‹ 0.55â€‹ 0.59â€‹ 0.88â€‹ 0.91â€‹Net (recoveries) charge-offs to average loans receivable, netâ€‹ â€”â€‹ â€”â€‹ (0.05)â€‹ â€”â€‹ (0.01)â€‹â€‹(1)Operating expenses as aÂ percentage of net interest income and non-interest income.â€‹â€‹Shareholder InformationANNUAL MEETINGThe annual meeting of shareholders will be held virtually by means of remote communication on Thursday, NovemberÂ 21, 2024 at 11:00Â a.m. (Pacific). A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to shareholders.CORPORATE OFFICEProvident Financial Holdings,Â Inc.3756 Central AvenueRiverside, CA 92506(951) 686-6060INTERNET ADDRESSwww.myprovident.comSPECIAL COUNSELBreyerÂ & Associates PC8180 Greensboro Drive, SuiteÂ 785McLean, VA 22102(703) 883-1100INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMDeloitteÂ & Touche LLP695 Town Center Drive, SuiteÂ 1000Costa Mesa, CA 92626-7188(714) 436-7100TRANSFER AGENTFirst Class/Registered/Certified Mail:Computershare Investor Services P.O. Box 43006 Providence, RI 02940-3006Â Courier Services/Overnight:Computershare Investor Services150 Royall StreetCanton, MA 02021â€‹MARKET INFORMATIONProvident Financial Holdings,Â Inc. is traded on the NASDAQ Global Select Market under the symbol PROV.â€‹â€‹FINANCIAL INFORMATIONRequests for copies of the FormÂ 10-K and Forms 10-Q filed with the Securities and Exchange Commission should be directed in writing to:Tam B. NguyenSenior Vice President and Chief Financial OfficerProvident Financial Holdings,Â Inc.3756 Central AvenueRiverside, CA 92506CORPORATE PROFILEProvident

Financial Holdings,Â Inc. (the â€œCorporationâ€), a Delaware corporation, was organized in JanuaryÂ 1996 for the purpose of becoming the holding company for Provident Savings Bank, F.S.B. (the â€œBankâ€) upon the Bankâ€™s conversion from a federal mutual to a federal stock savings bank (â€œConversionâ€). The Conversion was completed on JuneÂ 27, 1996. The Corporation does not engage in any significant activity other than holding the stock of the Bank. The Bank serves the banking needs of select communities in Riverside and San Bernardino Counties and has mortgage lending operations in California.â€‹â€‹Board of Directors and Senior Officersâ€‹â€‹Board of DirectorsÂ Â Â Senior Officersâ€‹â€‹Craig G. Blundenâ€‹Provident Financial Holdings,Â Inc.Chairman of the Board of Directorsâ€‹â€‹Provident Financial Holdings, Inc.â€‹Donavon P. TernesProvident Bankâ€‹President and Chief Executive Officerâ€‹â€‹â€‹Judy A. Carpenterâ€‹Tam B. NguyenHead of Medical Network Operationsâ€‹Senior Vice PresidentAkido Labsâ€‹Chief Financial Officer andâ€‹â€‹Corporate SecretaryDebbi H. Guthrieâ€‹â€‹Retired Executiveâ€‹Provident BankRaincross Hospitality Corporationâ€‹â€‹â€‹â€‹Donavon P. TernesBrian N. Hawleyâ€‹President and Chief Executive OfficerChief Executive Officerâ€‹â€‹Luminex Software, Inc.â€‹Tam B. Nguyenâ€‹â€‹Senior Vice PresidentKathy M. Michalakâ€‹Chief Financial Officer andFormer Executive Directorâ€‹Corporate SecretaryHabitat for Humanity Riversideâ€‹â€‹â€‹â€‹Robert â€œScottâ€ RitterWilliam E. Thomas, Esq.â€‹Senior Vice PresidentExecutive Vice President and General Counselâ€‹Single-Family DivisionThe KPC Groupâ€‹â€‹â€‹Lilian SalterMatthew E. Webbâ€‹Senior Vice PresidentPresident and Chief Executive Officerâ€‹Chief Information OfficerAlbert A. Webb Associatesâ€‹â€‹â€‹â€‹David S. WeiantSenior Vice PresidentChief Lending Officerâ€‹Gwendolyn L. WertzSenior Vice PresidentRetail Banking Divisionâ€‹Provident Locationsâ€‹â€‹â€‹â€‹â€‹Â Â Â Â â€‹â€‹â€‹RETAIL BANKING CENTERSâ€‹â€‹â€‹Blytheâ€‹Moreno Valley350 E. Hobson Wayâ€‹12460 Heacock StreetBlythe, CA 92225â€‹Moreno Valley, CA 92553(760) 922-6105â€‹â€‹(951) 242-3149Canyon Crestâ€‹Orangecrest5225 Canyon Crest Drive, SuiteÂ 30â€‹19348 Van Buren Boulevard, SuiteÂ 119Riverside, CA 92507â€‹Riverside, CA 92508(951) 781-8080â€‹â€‹(951) 780-7170Coronaâ€‹Rancho Mirage487 Magnolia Avenue, SuiteÂ 101â€‹71991 Highway 111Corona, CA 92879â€‹Ranch Mirage, CA 92270(951) 270-2926 â€‹â€‹(760) 340-5644Downtown Business Centerâ€‹Redlands4001 Main Streetâ€‹125 E. Citrus AvenueRiverside, CA 92501â€‹Redlands, CA 92373(951) 682-3272â€‹â€‹(909) 793-2992Hemetâ€‹Sun City1690 E. Florida Avenueâ€‹27010 Sun City BoulevardHemet, CA 92544â€‹Sun City, CA 92586(951) 658-7224â€‹â€‹(951) 679-2301â€‹Home Officeâ€‹Temecula6570 Magnolia Avenueâ€‹40705 Winchester Road, SuiteÂ 6Riverside, CA 92506â€‹Temecula, CA 92591(951) 782-6177 â€‹â€‹(951) 296-2429La Sierraâ€‹â€‹3312 La Sierra Avenue, SuiteÂ 105â€‹â€‹Riverside, CA 92503â€‹â€‹(951) 353-9897â€‹â€‹â€‹Customer Information 1-800-442-5201 or www.myprovident.comâ€‹Corporate Office3756 Central Avenue, Riverside, CA 92506(951) 686-6060â€‹www.myprovident.comâ€‹NASDAQ Global Select MarketÂ - PROVEXHIBIT 21.1â€‹SUBSIDIARIES OF THE REGISTRANTâ€‹â€‹â€‹â€‹â€‹â€‹Parent Company:Â Â Â Â Â Â Â Â Â Â Â Â â€‹Provident Financial Holdings, Inc.Â Â Â Â Â Â â€‹Â Â â€‹Â Â Â Â â€‹â€‹â€‹Subsidiaries:Â Â Â Â Percentage of ownershipâ€‹Jurisdiction or State of IncorporationProvident Savings Bank, F.S.B.â€‹100%â€‹United States of AmericaProvident Financial Corp(1)â€‹100%â€‹CaliforniaProfed Mortgage, Inc.(1)(2)â€‹100%â€‹CaliforniaFirst Service Corporation(1)(2)â€‹100%â€‹California(1) This corporation is a wholly owned subsidiary of Provident Savings Bank, F.S.B.(2) Currently inactive.EXHIBITÂ 23.1â€‹CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMâ€‹We consent to the incorporation by reference in Registration Statement Nos. 333-140229, 333-171344, 333-192727, and 333-268827 on Form S-8 of our reports dated August 30, 2024, relating to the consolidated financial statements of Provident Financial Holdings, Inc., and subsidiary (the â€œCorporationâ€), appearing in this Annual Report on Form 10-K of the Corporation for the year ended June 30, 2024.â€‹/s/ Deloitte & Touche LLPâ€‹Costa Mesa, CaliforniaAugust 30, 2024EXHIBIT 31.1â€‹CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERPURSUANT TOSECTION 302 OF THE SARBANES-OXLEY ACT OF 2002â€‹I, Donavon P. Ternes, certify that:â€‹1.I have reviewed this Annual Report on Form 10-K of Provident Financial Holdings, Inc.;â€‹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;â€‹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;â€‹4.The registrantâ€™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:â€‹(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;â€‹(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;â€‹(c)Evaluated the effectiveness of the registrantâ€™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; andâ€‹(d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andâ€‹5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):â€‹(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 registrantâ€™s ability to record, process, summarize and report financial information; andâ€‹(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.â€‹â€‹â€‹â€‹Date: August 30, 2024Â /s/ Donavon P. Ternesâ€‹Donavon P. Ternesâ€‹President and Chief Executive Officerâ€‹EXHIBIT 31.2â€‹CERTIFICATION OF PRINCIPAL FINANCIAL OFFICERPURSUANT TOSECTION 302 OF THE SARBANES-OXLEY ACT OF 2002â€‹I, Tam B. Nguyen, certify that:â€‹1.I have reviewed this Annual Report on Form 10-K of Provident Financial Holdings, Inc.;â€‹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;â€‹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;â€‹4.The registrantâ€™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:â€‹(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;â€‹(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;â€‹(c)Evaluated the effectiveness of the registrantâ€™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; andâ€‹(d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andâ€‹5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):â€‹(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 registrantâ€™s ability to record, process, summarize and report financial information; andâ€‹(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.â€‹â€‹â€‹â€‹Date: August 30, 2024/s/ Tam B. Nguyenâ€‹Tam B, Nguyenâ€‹Senior Vice President and Chief Financial Officerâ€‹EXHIBIT 32.1â€‹CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERPURSUANT TO 18 U.S.C.Â Â SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002â€‹In connection with the accompanying Annual Report on Form 10-K of Provident Financial Holdings, Inc.Â Â (the â€œCorporationâ€) for the period ended June 30, 2024 (the â€œReportâ€), I, Donavon P. Ternes, in my capacity as President and Chief Executive Officer of the Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:â€‹1.The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; andâ€‹2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation as of the dates and for the periods presented in the financial statements included in such Report.â€‹â€‹â€‹â€‹Date: August 30, 2024/s/ Donavon P. Ternesâ€‹Donavon P. Ternesâ€‹President and Chief Executive Officerâ€‹EXHIBIT 32.2â€‹CERTIFICATION OF PRINCIPAL FINANCIAL OFFICERPURSUANT TO 18 U.S.C.Â Â SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002â€‹In connection with the accompanying Annual Report on Form 10-K of Provident Financial Holdings, Inc.Â Â (the â€œCorporationâ€) for the period ended June 30, 2024 (the â€œReportâ€), I, Tam B. Nguyen, in my capacity as Senior Vice President and Chief Financial Officer of the Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:â€‹1.The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation as of the dates and for the periods presented in the financial statements included in such Report.â€‹â€‹Date: August 30, 2024/s/ Tam B. Nguyenâ€‹Tam B. Nguyenâ€‹Senior Vice President and Chief Financial Officerâ€‹Exhibit 97PROVIDENT FINANCIAL HOLDINGS, INC.â€‹COMPENSATION RECOVERY POLICYâ€‹â€‹In accordance with the applicable rules of Section 10D of the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€), Rule 10D-1 promulgated under the Exchange Act (â€œRule 10D-1â€) and Nasdaq Listing Rule 5608 (the â€œListing Standardsâ€), the Board of Directors of Provident Financial Holdings, Inc. (the â€œCompanyâ€) has adopted this Policy to provide for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below).1.AdministrationExcept as specifically set forth herein, this Policy shall be administered by the independent members of the Companyâ€™s Board of Directors (the â€œAdministratorâ€). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and the Company and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with Company counsel, the full Board, or such other committees of the Board, such as the Companyâ€™s Audit Committee, as may be necessary or appropriate.Subject to any limitation of applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).2.DefinitionsAs used in this Policy, the following definitions shall apply:â€œAccounting Restatementâ€ means an accounting restatement of the Companyâ€™s financial statements due to the Companyâ€™s material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as â€œBig Râ€ restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as â€œlittle râ€ restatements).â€œAdministratorâ€ has the meaning set forth in Section 1 hereof.â€œApplicable Periodâ€ means the three completed fiscal years immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that an Accounting Restatement is required or (ii) the date a regulator, court or other legally authorized entity directs the Company to undertake an Accounting Restatement. The â€œApplicable Periodâ€ also includes any transition period that results from a change in the Companyâ€™s fiscal year within or immediately following the three completed fiscal years identified in the preceding sentence; except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year.â€œCovered Executivesâ€ means the Companyâ€™s current and former executive officers, referred to as Senior Management by the Company, as determined by the Administrator in accordance with the definition of â€œexecutive officerâ€ set forth in Rule 10D-1 and the Listing Standards.â€œErroneously Awarded Compensationâ€ has the meaning set forth in Section 5 of this Policy.â€œFinancial Reporting Measureâ€ is any measure that is determined and presented in accordance with the accounting principles used in preparing the Companyâ€™s financial statements, and any measure that is derived wholly or in part from such measure and includes â€œnon-GAAPâ€ measures for purposes of Regulation G promulgated under the Exchange Act. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return (â€œTSRâ€); revenues; net income; operating income; operating net income, operating pre-tax pre-provision income, tangible book value, tangible book value per share, profitability or growth of one or more reportable segments; financial ratios (e.g., yield on loans, rates on deposits, efficiency ratio, nonperforming loans to total loans, nonperforming assets to total assets, loans to assets ratio, loans to deposits ratio); liquidity measures (e.g., capital, operating cash flow); return measures (e.g., net interest margin, return on assets, return on equity); earnings measures (e.g., earnings per share); any of such financial reporting measures relative to a peer group, where the Companyâ€™s financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Companyâ€™s financial statements or included in a filing with the Securities and Exchange Commission.â€œIncentive-Based Compensationâ€ means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is â€œreceivedâ€ for purposes of this Policy in the Companyâ€™s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period. Examples of â€œIncentive-Based Compensationâ€ include, but are not limited to: non-equity incentive plan awards that are earned based wholly or in part on satisfying a Financial Reporting Measure performance goal; bonuses paid from a â€œbonus pool,â€ the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal; other cash awards based on satisfaction of a Financial Reporting Measure performance goal;Â restricted stock awards, restricted stock units, performance share awards or units, stock options and stock appreciation rights that are granted or become vested based wholly or in part on satisfying a Financial Reporting Measure performance goal; and proceeds received upon the sale of shares acquired through an incentive plan that were granted or vested based wholly or in part on satisfying a Financial Reporting Measure performance goal. Examples of compensation that is not â€œincentive-based compensationâ€ include, but are not limited to:Â salaries (except to the extent a salary increase is earned wholly or in part based on the attainment of a Financial Reporting Measure performance goal); bonuses paid solely at the discretion of the Personnel/Compensation Committee or Board that are not paid from a â€œbonus poolâ€ that is determined by satisfying a Financial Reporting Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards (e.g., demonstrated leadership) and/or completion of a specified employment period; non-equity incentive plan awards earned solely upon satisfying one or more strategic measures (e.g., consummating a merger or branch acquisition or divestiture), or operational measures (e.g., opening a specified number of branches, completion of a project, increase in market share); and equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified employment period and/or attaining one or more nonfinancial reporting measures.3.Covered Executives; Incentive-Based CompensationThis Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange. This Policy does not apply to Incentive-Based Compensation received by a Covered Executive (x) while that person was serving in a non-executive capacity prior to becoming a Covered Executive or (y) who is a Covered Executive on the date on which â€‹2â€‹the Company is required to prepare an Accounting Restatement but who was not a Covered Executive at any time during the performance period for which the Incentive-Based Compensation is received.4.Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting RestatementIn the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, relating to the Applicable Period.5.Erroneously Awarded Compensation: Amount Subject to RecoveryThe amount of â€œErroneously Awarded Compensationâ€ subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had such compensation been determined based on the restated amounts.Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation. By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market (â€œNasdaqâ€) and the Covered Executive.6.Method of RecoupmentThe Administrator shall determine, in its sole discretion, the timing and method for reasonably promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code of 1986, as amended (â€œIRCâ€), and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may effect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan, program, or contract, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Personnel/Compensation Committee of the Board has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:â—The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any â€‹3â€‹amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq; orâ—Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the IRC and the regulations thereunder.7.No Additional PaymentsIn no event shall the Company be required to award Covered Executives an additional payment if the Accounting Restatement results in a higher Incentive-Based Compensation payment.â€‹8.No Indemnification or Reimbursement of Covered ExecutivesNotwithstanding the terms of any other policy, program, agreement, or arrangement, in no event will the Company or any of its affiliates indemnify or reimburse a Covered Executive for any loss under this Policy and in no event will the Company or any of its affiliates pay premiums or reimburse the Covered Executive for premiums he or she paid on any insurance policy that would cover a Covered Executiveâ€™s potential obligations with respect to Erroneously Awarded Compensation under this Policy.9.Administrator IndemnificationAny members of the Administrator, and any other members of the Board or officers of the Company who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination, or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.10.Effective Date; Retroactive ApplicationThis Policy shall be effective as of December 1, 2023 (the â€œEffective Dateâ€). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, or granted to Covered Executives prior to the Effective Date. This Policy shall supersede and replace any existing policy regarding compensation recovery previously approved by the Board.11.Acknowledgement by Covered Executives; Condition to Eligibility for Incentive-Based Compensation.The Company will provide notice and seek acknowledgement of this Policy from each Covered Executive in the form attached hereto as Exhibit A, provided that the failure to provide such notice or obtain such acknowledgement will have no impact on the applicability or enforceability of this Policy. After the Effective Date, the Company must be in receipt of a Covered Executiveâ€™s acknowledgement as a condition to such Covered Executiveâ€™s eligibility to receive Incentive-Based Compensation awarded or received after such date. All Incentive-Based Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive-Based Compensation and any other vesting conditions applicable to such Incentive-Based Compensation are satisfied.â€‹â€‹4â€‹12. Amendment; TerminationThe Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Companyâ€™s securities are listed.13.Other Recoupment Rights; Company ClaimsThe Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages, or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.14.SuccessorsThis Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators, or other legal representatives.15.Exhibit Filing RequirementA copy of this Policy and any amendments thereto shall be posted on the Companyâ€™s website and filed as an exhibit to the Companyâ€™s Annual Report on Form 10-K.â€‹â€‹5â€‹â€‹EXHIBIT Aâ€‹TO BE SIGNED BY THE COMPANYâ€™S EXECUTIVE OFFICERS:â€‹â€‹Compensation Recovery Policy Acknowledgmentâ€‹The undersigned agrees and acknowledges that I am fully bound by, and subject to, all of the terms and conditions of Provident Financial Holdings, Inc. Compensation Recovery Policy (as it may be amended, restated, supplemented, or otherwise modified from time to time. In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program, or agreement under which any compensation has been granted, awarded, earned, or paid, the terms of the Policy shall govern. In the event it is determined by the Administrator that any amounts granted, awarded, earned, or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.â€‹â€‹â€‹By: ____[Name] Date[Title]â€‹