

REFINITIV

# DELTA REPORT

## 10-Q

TSBK - TIMBERLAND BANCORP INC  
10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	934
CHANGES	452
DELETIONS	231
ADDITIONS	251

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **December 31, 2023** **March 31, 2024**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 000-23333

TIMBERLAND BANCORP, INC.  
(Exact name of registrant as specified in its charter)

Washington  
(State or other jurisdiction of incorporation or organization)

91-1863696  
(IRS Employer Identification No.)

624 Simpson Avenue, Hoquiam, Washington  
(Address of principal executive offices)

98550  
(Zip Code)

(360) 533-4747  
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of **February 1, 2024** **May 1, 2024**, there were **8,122,908** **8,022,556** shares of the registrant's common stock, \$.01 par value per share outstanding.

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements (unaudited)

TIMBERLAND BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS  
December 31, 2023 and September 30, 2023  
(Dollars in thousands, except per share amounts)

	December 31, 2023	September 30, 2023	
	March 31, 2024	September 30, 2023	
	(Unaudited)	(Unaudited)	(Unaudited) *
<b>Assets</b>	<b>Assets</b>	<b>Assets</b>	
Cash and cash equivalents:	Cash and cash equivalents:	Cash and cash equivalents:	
Cash and due from financial institutions			
Interest-bearing deposits in banks			
<b>Total cash and cash equivalents</b>			
Certificates of deposit ("CDs") held for investment (at cost, which approximates fair value)			
Certificates of deposit ("CDs") held for investment (at cost, which approximates fair value)			
Certificates of deposit ("CDs") held for investment (at cost, which approximates fair value)			
Investment securities held to maturity, at amortized cost (net of allowance for credit losses of \$82 at December 31, 2023), (estimated fair value of \$254,361 and \$253,766)			
Investment securities held to maturity, at amortized cost (net of allowance for credit losses of \$85 at March 31, 2024), (estimated fair value of \$200,807 and \$253,766)			
Investment securities available for sale, at fair value			
Investments in equity securities, at fair value			
Federal Home Loan Bank of Des Moines ("FHLB") stock, at cost			
Other investments, at cost			
Loans held for sale			
Loans receivable, net of allowance for credit losses of \$16,655 and \$15,817			
Loans receivable, net of allowance for credit losses of \$16,818 and \$15,817			
Loans receivable, net of allowance for credit losses of \$16,655 and \$15,817			
Loans receivable, net of allowance for credit losses of \$16,818 and \$15,817			
Loans receivable, net of allowance for credit losses of \$16,655 and \$15,817			
Loans receivable, net of allowance for credit losses of \$16,818 and \$15,817			
Premises and equipment, net			
Premises and equipment, net			
Premises and equipment, net			
Accrued interest receivable			
Accrued interest receivable			
Accrued interest receivable			
Bank owned life insurance ("BOLI")			
Goodwill			
Core deposit intangible ("CDI"), net			
Loan servicing rights, net			
Operating lease right-of-use ("ROU") assets			
Operating lease right-of-use ("ROU") assets			
Operating lease right-of-use ("ROU") assets			
Other assets			
<b>Total assets</b>			
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities and shareholders' equity</b>			

Liabilities	Liabilities	Liabilities
Deposits:		
Non-interest-bearing demand		
Non-interest-bearing demand		
Non-interest-bearing demand		
Interest-bearing		
<b>Total deposits</b>		
FHLB borrowings		
FHLB borrowings		
FHLB borrowings		
Operating lease liabilities		
Other liabilities and accrued expenses		
<b>Total liabilities</b>		

\* Derived from audited consolidated financial statements.

See notes to unaudited consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS (continued)  
December 31, 2023 2024 and September 30, 2023  
(Dollars in thousands, except per share amounts)

	December 31, 2023	September 30, 2023
	March 31, 2024	September 30, 2023
	(Unaudited)	(Unaudited)
		* (Unaudited) *

Commitments and contingent liabilities (see Note 12)

Shareholders' equity

Shareholders' equity

Shareholders' equity

Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued

Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued

Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued

Common stock, \$0.01 par value; 50,000,000 shares authorized;

8,120,708 shares issued and outstanding - December 31, 2023 8,105,338 shares issued and outstanding - September 30, 2023

Common stock, \$0.01 par value; 50,000,000 shares authorized;

8,023,121 shares issued and outstanding - March 31, 2024 8,105,338 shares issued and outstanding - September 30, 2023

Retained earnings

Retained earnings

Retained earnings

Accumulated other comprehensive loss

**Total shareholders' equity**

**Total liabilities and shareholders' equity**

\* Derived from audited consolidated financial statements.

See notes to unaudited consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
For the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
<b>Interest and dividend income</b>				
<b>Interest and dividend income</b>				
<b>Interest and dividend income</b>				
Loans receivable and loans held for sale				
Loans receivable and loans held for sale				
Loans receivable and loans held for sale				
Investment securities				
Investment securities				
Investment securities				
Dividends from mutual funds, FHLB stock and other investments				
Dividends from mutual funds, FHLB stock and other investments				
Dividends from mutual funds, FHLB stock and other investments				
Interest-bearing deposits in banks and CDs				
Interest-bearing deposits in banks and CDs				
Interest-bearing deposits in banks and CDs				
<b>Total interest and dividend income</b>				
<b>Total interest and dividend income</b>				
<b>Total interest and dividend income</b>				
<b>Interest expense</b>				
<b>Interest expense</b>				
<b>Interest expense</b>				
Deposits				
Deposits				
Deposits				
FHLB borrowings				
FHLB borrowings				
FHLB borrowings				
<b>Total interest expense</b>				
<b>Total interest expense</b>				
<b>Total interest expense</b>				
<b>Net interest income</b>				
<b>Net interest income</b>				
<b>Net interest income</b>				
<b>Net interest income</b>				
<b>Provision for (recapture of) credit losses</b>				
<b>Provision for (recapture of) credit losses</b>				
<b>Provision for (recapture of) credit losses</b>				
Provision for credit losses - loans				
Provision for credit losses - loans				
Provision for credit losses - loans				
Recapture of credit losses - investment securities				
Recapture of credit losses - investment securities				
Recapture of credit losses - investment securities				
Recapture of credit losses - unfunded commitments				
Recapture of credit losses - unfunded commitments				
Provision for (recapture of) credit losses - investment securities				
Recapture of credit losses - unfunded commitments				
<b>Total provision for credit loss - net</b>				
<b>Total provision for credit loss - net</b>				

Total provision for credit loss - net
Net interest income after provision for (recapture of) credit losses
Net interest income after provision for (recapture of) credit losses
Net interest income after provision for (recapture of) credit losses
Non-interest income
Non-interest income
Non-interest income
Net recoveries on investment securities
Net recoveries on investment securities
Net recoveries on investment securities
Service charges on deposits
Service charges on deposits
Service charges on deposits
ATM and debit card interchange transaction fees
ATM and debit card interchange transaction fees
ATM and debit card interchange transaction fees
BOLI net earnings
BOLI net earnings
BOLI net earnings
Gain on sales of loans, net
Gain on sales of loans, net
Gain on sales of loans, net
Escrow fees
Escrow fees
Escrow fees
Other, net
Other, net
Other, net
Total non-interest income, net
Total non-interest income, net
Total non-interest income, net

See notes to unaudited consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME (continued)  
For the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Non-interest expense				
Non-interest expense				
Non-interest expense				
Salaries and employee benefits				
Salaries and employee benefits				
Salaries and employee benefits				
Premises and equipment				
Premises and equipment				
Premises and equipment				
Advertising				
Advertising				

Advertising

ATM and debit card interchange transaction fees  
ATM and debit card interchange transaction fees  
ATM and debit card interchange transaction fees

Postage and courier

Postage and courier  
Postage and courier  
State and local taxes  
State and local taxes  
State and local taxes

Professional fees

Professional fees  
Professional fees  
Federal Deposit Insurance Corporation ("FDIC") insurance  
Federal Deposit Insurance Corporation ("FDIC") insurance  
Federal Deposit Insurance Corporation ("FDIC") insurance

Loan administration and foreclosure

Loan administration and foreclosure  
Loan administration and foreclosure  
Technology and telecommunication expenses  
Technology and telecommunication expenses  
Technology and telecommunication expenses  
Technology and communications

Deposit operations  
Deposit operations  
Deposit operations

Amortization of CDI  
Amortization of CDI  
Amortization of CDI

Other

Other  
Other  
**Total non-interest expense, net**  
**Total non-interest expense, net**  
**Total non-interest expense, net**

**Income before income taxes**

**Income before income taxes**

**Income before income taxes**

**Provision for income taxes**

**Provision for income taxes**

**Provision for income taxes**

**Net income**

**Net income**

**Net income**

**Net income per common share**

**Net income per common share**

**Net income per common share**

Basic  
Basic  
Basic

Diluted





Accretion of OTTI on investment securities held to maturity, net of income taxes of \$1, and \$0, respectively
Accretion of OTTI on investment securities held to maturity, net of income taxes of \$0,\$0, \$2, and \$1, respectively
Accretion of OTTI on investment securities held to maturity, net of income taxes of \$1, and \$0, respectively
Accretion of OTTI on investment securities held to maturity, net of income taxes of \$0,\$0, \$2, and \$1, respectively
Accretion of OTTI on investment securities held to maturity, net of income taxes of \$1, and \$0, respectively
<b>Total other comprehensive income (loss), net of income taxes</b>
<b>Total other comprehensive income (loss), net of income taxes</b>
<b>Total other comprehensive income (loss), net of income taxes</b>
Accretion of OTTI on investment securities held to maturity, net of income taxes of \$0,\$0, \$2, and \$1, respectively
<b>Total other comprehensive income, net of income taxes</b>

**Total comprehensive income**

**Total comprehensive income**

**Total comprehensive income**

*See notes to unaudited consolidated financial statements*

TIMBERLAND BANCORP, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
For the three and six months ended **December 31, 2023** **March 31, 2024** and **2022 2023**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	Number of Shares	Amount		Accumulated Other Compre-hensive Income (Loss)	Total
	Common Stock	Common Stock	Retained Earnings		
<b>Balance, December 31, 2022</b>	8,231,197	\$ 38,878	\$ 185,406	\$ (735)	\$ 223,549
Net income	—	—	6,663	—	6,663
Other comprehensive income	—	—	—	240	240
Repurchase of common stock	(34,263)	(1,098)	—	—	(1,098)
Exercise of stock options	6,240	121	—	—	121
Common stock dividends (\$0.23 per common share)	—	—	(1,892)	—	(1,892)
Stock -based compensation expense	—	78	—	—	78
<b>Balance, March 31, 2023</b>	<u>8,203,174</u>	<u>\$ 37,979</u>	<u>\$ 190,177</u>	<u>\$ (495)</u>	<u>\$ 227,661</u>
<b>Balance, December 31, 2023</b>	8,120,708	\$ 34,869	\$ 203,327	\$ (827)	\$ 237,369
Net income	—	—	5,708	—	5,708
Other comprehensive income	—	—	—	82	82
Repurchase of common stock	(99,787)	(2,672)	—	—	(2,672)
Exercise of stock options	2,200	35	—	—	35
Common stock dividends (\$0.24 per common share)	—	—	(1,949)	—	(1,949)
Stock-based compensation expense	—	106	—	—	106
<b>Balance, March 31, 2024</b>	<u>8,023,121</u>	<u>\$ 32,338</u>	<u>\$ 207,086</u>	<u>\$ (745)</u>	<u>\$ 238,679</u>

	Common Stock		Accumulated Other Compre-hensive Income (Loss)	Total	Common Stock		Accumulated Other Compre-hensive Income (Loss)	Retained Earnings	Total
	Number of Shares	Amount			Number of Shares	Amount			
<b>Balance, September 30, 2022</b>									
Net income									
Other comprehensive loss									
Other comprehensive income									



Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:
Provision for credit losses		
Depreciation		
Accretion of discount on purchased loans		
Accretion of discount on purchased loans		
Accretion of discount on purchased loans		
Amortization of CDI		
Stock-based compensation expense		
Stock-based compensation expense		
Stock-based compensation expense		
Net recoveries on investment securities		
Net recoveries on investment securities		
Net recoveries on investment securities		
Change in fair value of investments in equity securities		
Accretion of discounts and premiums on securities		
Accretion of discounts and premiums on securities		
Accretion of discounts and premiums on securities		
Gain on sales of loans, net		
Gain on sales of loans, net		
Gain on sales of loans, net		
Loans originated for sale		
Loans originated for sale		
Loans originated for sale		
Proceeds from sales of loans		
Amortization of loan servicing rights		
BOLI net earnings		
BOLI net earnings		
BOLI net earnings		
Increase in deferred loan origination fees		
Increase in deferred loan origination fees		
Increase in deferred loan origination fees		
Increase (decrease) in deferred loan origination fees		
Increase (decrease) in deferred loan origination fees		
Increase (decrease) in deferred loan origination fees		
Net change in accrued interest receivable and other assets, and other liabilities and accrued expenses		
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
<b>Cash flows from investing activities</b>		
<b>Cash flows from investing activities</b>		
Net decrease (increase) in CDs held for investment		
Net decrease in CDs held for investment		
Purchase of investment securities held to maturity		
Purchase of investment securities held to maturity		
Purchase of investment securities held to maturity		
Purchase of investment securities available for sale		
Proceeds from maturities and prepayments of investment securities held to maturity		
Proceeds from maturities and prepayments of investment securities available for sale		

Redemption of FHLB stock
Redemption of FHLB stock
Purchase of FHLB stock
Redemption of FHLB stock
Increase in loans receivable, net
Increase in loans receivable, net
Increase in loans receivable, net
Purchases of premises and equipment
<b>Net cash used in investing activities</b>
<b>Net cash used in investing activities</b>
<b>Net cash used in investing activities</b>

See notes to unaudited consolidated financial statements

TIMBERLAND BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the **three** **six** months ended **December 31, 2023** **March 31, 2024** and **2022** **2023**

(Dollars in thousands)

(Unaudited)

		Three Months Ended December 31,		Six Months Ended March 31,	
		2023	2022	2024	2023
<b>Cash flows from financing activities</b>	<b>Cash flows from financing activities</b>			<b>Cash flows from financing activities</b>	
Net increase (decrease) in deposits					
Repayments of FHLB borrowings					
Repayments of FHLB borrowings					
Repayments of FHLB borrowings					
Proceeds from exercise of stock options					
Repurchase of common stock					
Repurchase of common stock					
Repurchase of common stock					
Payment of dividends					
<b>Net cash provided by (used in) financing activities</b>					
<b>Net increase (decrease) in cash and cash equivalents</b>					
<b>Cash and cash equivalents</b>	<b>Cash and cash equivalents</b>			<b>Cash and cash equivalents</b>	
Beginning of period					
End of period					
<b>Supplemental disclosure of cash flow information</b>					
<b>Supplemental disclosure of cash flow information</b>					
<b>Supplemental disclosure of cash flow information</b>					
Interest paid					
Interest paid					
Income taxes paid					
Interest paid					
<b>Supplemental disclosure of non-cash investing activities</b>					
<b>Supplemental disclosure of non-cash investing activities</b>					
<b>Supplemental disclosure of non-cash investing activities</b>					
Other comprehensive income (loss) related to investment securities					
Other comprehensive income (loss) related to investment securities					
Other comprehensive income (loss) related to investment securities					

Other comprehensive income related to investment securities
Other comprehensive income related to investment securities
Other comprehensive income related to investment securities
Adjustment to retained earnings, net of deferred tax; - adoption of ASU 2016-13
Adjustment to retained earnings, net of deferred tax; - adoption of ASU 2016-13
Adjustment to retained earnings, net of deferred tax; - adoption of ASU 2016-13

See notes to unaudited consolidated financial statements

**Timberland Bancorp, Inc. and Subsidiary**  
**Notes to Unaudited Consolidated Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (a) Basis of Presentation: The accompanying unaudited consolidated financial statements of Timberland Bancorp, Inc. and its wholly-owned subsidiary, Timberland Bank (the "Bank") (collectively, "the Company") were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with instructions for Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of consolidated financial condition, results of operations, and cash flows in conformity with GAAP. However, all adjustments which are, in the opinion of management, necessary for a fair presentation of the interim consolidated financial statements have been included. All such adjustments are of a normal recurring nature. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023 ("2023 Form 10-K"). The unaudited consolidated results of operations for the **three** **six** months ended **December 31, 2023** **March 31, 2024** are not necessarily indicative of the results that may be expected for the entire fiscal year ending September 30, 2024.
- (b) Principles of Consolidation: The unaudited consolidated financial statements include the accounts of the Company and the Bank's wholly-owned subsidiary, Timberland Service Corporation. All significant inter-company transactions and balances have been eliminated in consolidation.
- (c) Operating Segment: The Company has one reportable operating segment which is defined as community banking in western Washington under the operating name, "Timberland Bank."
- (d) The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as of the date of the consolidated balance sheets, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.
- (e) Certain prior period amounts have been reclassified to conform to the **December 31, 2023** **March 31, 2024** presentation with no change to previously reported net income or total shareholders' equity.

**(2) INVESTMENT SECURITIES**

Held to maturity and available for sale investment securities have been classified according to management's intent and were as follows as of **December 31, 2023** **March 31, 2024** and September 30, 2023 (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses ("ACL")	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses ("ACL")
<b>December 31, 2023</b>										
<b>March 31, 2024</b>										
<b>Held to Maturity</b>										
<b>Held to Maturity</b>										
<b>Held to Maturity</b>										
U.S. Treasury and U.S. government agency securities										
U.S. Treasury and U.S. government agency securities										
U.S. Treasury and U.S. government agency securities										
Mortgage-backed securities ("MBS"):										
U.S. government agencies										
U.S. government agencies										
U.S. government agencies										
Private label residential										

Municipal securities  
Bank issued trust preferred securities  
Total held to maturity

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

Available for Sale

MBS:	
MBS:	
MBS:	
U.S. government agencies	
Total	
Total	
Total	

September 30, 2023

September 30, 2023

September 30, 2023

Held to Maturity

Held to Maturity

Held to Maturity

U.S. treasury and U.S. government agency securities
U.S. treasury and U.S. government agency securities
U.S. treasury and U.S. government agency securities
MBS:
U.S. government agencies
U.S. government agencies
U.S. government agencies
Private label residential
Municipal securities
Bank issues trust preferred securities
Bank issued trust preferred securities
Total

Available for Sale

Available for Sale

Available for Sale

MBS: U.S. government agencies
MBS: U.S. government agencies
MBS: U.S. government agencies

\$

Held to maturity and available for sale investment securities with unrealized losses were as follows as of December 31, 2023 March 31, 2024 (dollars in thousands):

Less Than 12 Months			12 Months or Longer			Total			Less Than 12 Months			12 Months or Longer			Total		
Estimated Fair Value	Gross Unrealized Losses	Quantity	Estimated Fair Value	Gross Unrealized Losses	Quantity	Estimated Fair Value	Gross Unrealized Losses	Quantity	Estimated Fair Value	Gross Unrealized Losses	Quantity	Estimated Fair Value	Gross Unrealized Losses	Quantity	Estimated Fair Value	Gross Unrealized Losses	Quantity

Held to maturity  
U.S. Treasury and U.S. government agency securities

U.S. Treasury  
and U.S.  
government  
agency  
securities

U.S. Treasury  
and U.S.  
government  
agency  
securities

MBS:

U.S.  
government  
agencies

U.S.  
government  
agencies

U.S.  
government  
agencies

Private label  
residential

Municipal  
securities

Bank issued  
trust  
preferred  
securities

**Total**

**Available for  
sale**

**Available for  
sale**

**Available for  
sale**

MBS: U.S.  
government  
agencies

MBS: U.S.  
government  
agencies

MBS: U.S.  
government  
agencies

**Total**

Held to maturity and available for sale investment securities with unrealized losses were as follows as of September 30, 2023 (dollars in thousands):

	Less Than 12 Months			12 Months or Longer			Total	
	Estimated Fair Value	Gross Unrealized Losses	Quantity	Estimated Fair Value	Gross Unrealized Losses	Quantity	Estimated Fair Value	Gross Unrealized Losses
<b>Held to maturity</b>								
U.S. Treasury and U.S. government agency securities	\$ 9,455	\$ (129)	1	\$ 152,082	\$ (9,959)	26	\$ 161,537	\$ (10,088)
<b>MBS:</b>								
U.S. government agencies	16,432	(549)	13	31,703	(3,401)	51	48,135	(3,950)



Private label residential	1,288	(2)	1	38,205	(2,609)	32	39,493	(2,611)
Municipal securities	—	—	—	1,740	(47)	1	1,740	(47)
Bank issued trust preferred securities	—	—	—	449	(51)	1	449	(51)
<b>Total</b>	<b>\$ 27,175</b>	<b>\$ (680)</b>	<b>15</b>	<b>\$ 224,179</b>	<b>\$ (16,067)</b>	<b>111</b>	<b>\$ 251,354</b>	<b>\$ (16,747)</b>

#### Available for sale

MBS: U.S. government agencies	\$ 10,635	\$ (308)	3	\$ 30,809	\$ (1,053)	27	\$ 41,444	\$ (1,361)
<b>Total</b>	<b>\$ 10,635</b>	<b>\$ (308)</b>	<b>3</b>	<b>\$ 30,809</b>	<b>\$ (1,053)</b>	<b>27</b>	<b>\$ 41,444</b>	<b>\$ (1,361)</b>

During the **three** six months ended **December 31, 2023** **March 31, 2024**, the Company had no net realized losses on held to maturity investment securities. During the six months ended **March 31, 2023**, the Company recorded a **\$1,000** net realized loss on 13 held to maturity investment securities all of which had been recognized previously as credit loss. During the three months ended **December 31, 2022**, the Company recorded a **\$7,000** **\$9,000** net realized loss on 14 held to maturity investment securities all of which had been recognized previously as credit loss.

The recorded amount of investment securities pledged as collateral for public fund deposits, federal treasury tax and loan deposits, FHLB collateral and other non-profit organization deposits totaled **\$204.13****\$230.46** million and \$201.82 million at **December 31, 2023** **March 31, 2024** and September 30, 2023, respectively.

The contractual maturities of debt securities at **December 31, 2023** **March 31, 2024** were as follows (dollars in thousands). Expected maturities may differ from scheduled maturities due to the prepayment of principal or call provisions.

	Held to Maturity		Available for Sale		Held to Maturity		Available for Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within one year								
Due after one year to five years								
Due after five years to ten years								
Due after ten years								
<b>Total</b>								

#### Credit Quality Indicators and Allowance for Credit Losses

##### Available for Sale Investment Securities

The Company assesses each available for sale investment security that is in an unrealized loss position to determine whether the decline in fair value below the amortized cost basis results from a credit loss or other factors. The Company did not record an

ACL on any available for sale debt securities at **December 31, 2023** **March 31, 2024** or upon adoption of ASU 2016-13 on October 1, 2023. As of both dates, the Company considered the unrealized losses across the classes of major security-type to be related to fluctuations in market conditions, primarily interest rates, and not reflective of a deterioration in credit value. The Company expects the fair value of these securities to recover as the securities approach their maturity dates or sooner if market yields for such securities decline. The Company does not believe that these securities are **other than temporarily** impaired because of their credit quality or related to any issuer or industry specific event. The Company has the ability and intent to hold the investments until the fair value recovers.

##### Held to Maturity Investment Securities

The Company measures expected credit losses on held to maturity investment securities, which are comprised of U.S. government agency and U.S. government mortgage-backed securities, private label mortgage-backed securities, municipal, and other bonds. The Company's agency and mortgage-backed securities that are issued by U.S. government entities and agencies are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. As such, no ACL has been established for these securities. The ACL on the private label mortgage-backed securities, municipal, and other bonds within the held to maturity securities portfolio is calculated using the probability of default/loss given default ("PD/LGD") method. The calculation is completed on a quarterly basis using the default studies provided by an industry leading source. At **December 31, 2023** **March 31, 2024**, the **allowance for credit losses** ACL on the held to maturity securities portfolio totaled **\$82,000**. **\$85,000**.

The following **table sets** **tables set** forth information for the three **and six** months ended **December 31, 2023** **March 31, 2024** regarding activity in the ACL by portfolio segment (dollars in thousands):

Three Months Ended December 31, 2023						Three Months Ended March 31, 2024				
Held to Maturity	Held to Maturity	Beginning Allowance	Impact of Adopting CECL (ASU 2016-13)	Provision for (Recapture of) Credit Losses	Ending Allowance	Held to Maturity	Beginning Allowance	Impact of Adopting CECL (ASU 2016-13)	Provision for (Recapture of) Credit Losses	Ending Allowance

MBS:
MBS:
MBS:
Private label residential
Private label residential
Private label residential
Bank issued trust preferred securities
Bank issued trust preferred securities
Bank issued trust preferred securities
<b>Total</b>

	Six Months Ended March 31, 2024			
	Beginning Allowance	Impact of Adopting CECL (ASU 2016-13)	Provision for (Recapture of) Credit Losses	Ending Allowance
<b>Held to Maturity</b>				
MBS:				
Private label residential	—	82	(5)	77
Bank issued trust preferred securities	—	10	(2)	8
<b>Total</b>	<b>\$ —</b>	<b>\$ 92</b>	<b>\$ (7)</b>	<b>\$ 85</b>

The ACL on held to maturity investment securities is included within investment securities held to maturity on the consolidated balance sheets. Changes in the ACL are recorded within through the provision for (recapture of) credit losses on the consolidated income statement.

Accrued interest receivable on held to maturity investment securities totaled \$908,000\$665,000 at December 31, 2023 March 31, 2024 and is included within accrued interest income receivable on the consolidated balance sheet. This amount is excluded from the estimate of expected credit losses. Held to maturity debt securities are typically classified as non-accrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held to maturity debt securities are placed on non-accrual status, unpaid interest credited to income is reversed. The Company had \$85,000\$79,000 of private label mortgage-backed held to maturity investment securities in non-accrual status at December 31, 2023 March 31, 2024.

The Company monitors the credit quality of debt securities held to maturity through the use of credit ratings from Moody's, S&P and Fitch. The Company monitors the credit ratings on a quarterly basis.

The following table sets forth the Company's held to maturity investment securities at December 31, 2023 March 31, 2024 by credit quality indicator:

	Credit Ratings			Credit Ratings
	AAA/AA/A	BBB/BB/B	Unrated	
<b>As of December 31, 2023</b>				<b>Total</b>
<b>As of March 31, 2024</b>				<b>Total</b>
<b>Held to Maturity</b>				
U.S. Treasury and U.S. government agency securities				
U.S. Treasury and U.S. government agency securities				
U.S. Treasury and U.S. government agency securities				
Mortgage-backed securities ("MBS"):				
MBS:				
U.S. government agencies				
U.S. government agencies				
U.S. government agencies				

Private label residential
Municipal securities
Bank issued trust preferred securities
<b>Total held to maturity</b>

Prior to adopting ASU 2016-13, the Company bifurcated OTTI into (1) amounts related to credit losses which are recognized through earnings and (2) amounts related to all other factors which are recognized as a component of other comprehensive income (loss). To determine the component of the gross OTTI related to credit losses, the Company compared the amortized cost basis of the OTTI security to the present value of its revised expected cash flows, discounted using its pre-impairment yield. The revised expected cash flow estimates for individual securities are based primarily on an analysis of default rates, prepayment speeds and third-party analytic reports. Significant judgment by management was required in this analysis that included, but not limited to, assumptions regarding the collectability of principal and interest, net of related expenses, on the underlying loans. The amounts written off due to credit loss remain and continue to be recovered on a cash basis. The following table presents a roll forward of the credit loss component of held to maturity debt securities that have been written down for OTTI with the credit loss component recognized in earnings for the **three** **six** months ended **December 31, 2023** **March 31, 2024** and **2022** **2023** (dollars in thousands):

	Three Months Ended December 31,		Six Months Ended March 31,	
	2023	2022	2024	2023
Beginning balance of credit loss				
Subtractions:				
Subtractions:				
Subtractions:				
Net realized loss previously recorded as credit losses				
Recapture of prior credit loss				
<b>Ending balance of credit loss</b>				

**(3) GOODWILL AND CDI**

Goodwill is initially recorded when the purchase price paid in a business combination exceeds the estimated fair value of the net identified tangible and intangible assets acquired and liabilities assumed. Goodwill is presumed to have an indefinite useful life and is analyzed annually for impairment. The Company performs an annual review during the third quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired. For purposes of goodwill impairment testing, the services offered through the Bank and its subsidiary are managed as one strategic unit and represent the Company's only reporting unit.

The annual goodwill impairment test begins with a qualitative assessment of whether it is "more likely than not" that the reporting unit's fair value is less than its carrying amount. If an entity concludes that it is not "more likely than not" that the fair value of a reporting unit is less than its carrying amount, it need not perform a two-step impairment test. If the Company's qualitative assessment concluded that it is "more likely than not" that the fair value of its reporting unit is less than its carrying amount, it must perform the two-step impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized, if any. The first step of the goodwill impairment test compares the estimated fair value of the reporting unit with its carrying amount, or the book value, including goodwill. If the estimated fair value of the reporting unit equals or exceeds its book value, goodwill is considered not impaired, and the second step of the impairment test is unnecessary.

The second step, if necessary, measures the amount of goodwill impairment loss to be recognized. The reporting unit must determine fair value for all assets and liabilities, excluding goodwill. The net of the assigned fair value of assets and liabilities is then compared to the book value of the reporting unit, and any excess book value becomes the implied fair value of goodwill. If the carrying amount of the goodwill exceeds the newly calculated implied fair value of goodwill, an impairment loss is recognized in the amount required to write-down the goodwill to the implied fair value.

Management's qualitative assessment takes into consideration macroeconomic conditions, industry and market considerations, cost or margin factors, financial performance and share price of the Company's common stock. The Company performed its fiscal year 2023 goodwill impairment test during the quarter ended June 30, 2023 with the assistance of an independent third-party firm specializing in goodwill impairment valuations for financial institutions. Based on this assessment, the Company determined that it is not "more likely than not" that the Company's fair value is less than its carrying amount, and, therefore, goodwill was determined not to be impaired at May 31, 2023.

A significant amount of judgment is involved in determining if an indicator of goodwill impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in the Company's stock price and market capitalization; a significant adverse change in legal factors or in the business climate; adverse assessment or action by a regulator; and unanticipated competition. Any change in these indicators could have a significant negative impact on the Company's financial condition, impact the goodwill impairment analysis or cause the Company to perform a goodwill impairment analysis more frequently than once per year.

As of **December 31, 2023** **March 31, 2024**, management believes that there have been no events or changes in the circumstances since May 31, 2023 that would indicate a potential impairment of goodwill. No assurances can be given, however, that the Company will not record an impairment loss on goodwill in the future. If adverse economic conditions or any decreases in the Company's stock price and market capitalization were deemed other than temporary, it may significantly affect the fair value of the Company's goodwill and may trigger impairment charges. Any impairment charge could have a material adverse effect on the Company's results of operations and financial condition. The recorded amount of goodwill at **December 31, 2023** **March 31, 2024** and September 30, 2023 remained unchanged at \$15.13 million.

CDI represents the future economic benefit of the potential cost savings from acquiring core deposits as part of a business combination compared to the cost of alternative funding sources. CDI is amortized to non-interest expense using an accelerated method based on an estimated runoff of related deposits over a period of ten years. CDI is evaluated for

impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, with any changes in estimated useful life accounted for prospectively over the revised remaining life. As of **December 31, 2023** **March 31, 2024**, management believes that there have been no events or changes in the circumstances that would indicate a potential impairment of CDI.

**(4) LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES**

Loans receivable by portfolio segment consisted of the following at **December 31, 2023** **March 31, 2024** and September 30, 2023 (dollars in thousands):

Mortgage loans:
Mortgage loans:
Mortgage loans:
One- to four-family (1)
One- to four-family (1)
One- to four-family (1)
Multi-family
Multi-family
Multi-family
Commercial
Commercial
Commercial
Construction - custom and owner/builder
Construction - custom and owner/builder
Construction - custom and owner/builder
Construction - speculative one- to four-family
Construction - speculative one- to four-family
Construction - speculative one- to four-family
Construction - commercial
Construction - commercial
Construction - commercial
Construction - multi-family
Construction - multi-family
Construction - multi-family
Construction - land development
Construction - land development
Construction - land development
Land
Land
Land
Total mortgage loans
Total mortgage loans
Total mortgage loans
Consumer loans:
Consumer loans:
Consumer loans:
Home equity and second mortgage
Home equity and second mortgage
Home equity and second mortgage
Other
Other
Other
Total consumer loans
Total consumer loans
Total consumer loans

Commercial loans:  
Commercial loans:  
Commercial loans:

Commercial business
Commercial business
Commercial business
U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans
U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans
U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans
Total commercial loans
Total commercial loans
Total commercial loans
Total loans receivable
Total loans receivable
Total loans receivable

Less:
Less:
Less:
Undisbursed portion of construction loans in process ("LIP")
Undisbursed portion of construction loans in process ("LIP")
Undisbursed portion of construction loans in process ("LIP")
Undisbursed portion of construction loans in process ("LIP")
Undisbursed portion of construction loans in process ("LIP")
Undisbursed portion of construction loans in process ("LIP")
Deferred loan origination fees, net
Deferred loan origination fees, net
Deferred loan origination fees, net
ACL
ACL
ACL
Subtotal
Subtotal
Subtotal
Loans receivable, net
Loans receivable, net
Loans receivable, net

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- (1) Does not include one- to four-family loans held for sale totaling \$1,425 and \$400 at December 31, 2023 and September 30, 2023, respectively.
- (1) Does not include one- to four-family loans held for sale totaling \$1,425 and \$400 at December 31, 2023 and September 30, 2023, respectively.
- (1) Does not include one- to four-family loans held for sale totaling \$1,425 and \$400 at December 31, 2023 and September 30, 2023, respectively.
- (1) Does not include one- to four-family loans held for sale totaling \$1.31 million and \$400,000 at March 31, 2024 and September 30, 2023, respectively.
- (1) Does not include one- to four-family loans held for sale totaling \$1.31 million and \$400,000 at March 31, 2024 and September 30, 2023, respectively.
- (1) Does not include one- to four-family loans held for sale totaling \$1.31 million and \$400,000 at March 31, 2024 and September 30, 2023, respectively.

Loans receivable at **December 31, 2023** **March 31, 2024** and September 30, 2023 are reported net of unamortized discounts totaling **\$182,000** **\$172,000** and \$192,000, respectively.

Credit Quality Indicators

The Company uses credit risk grades which reflect the Company's assessment of a loan's risk or loss potential. The Company categorizes loans into risk grade categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors such as the estimated fair value of the collateral. The Company uses the following definitions for credit risk ratings as part of the on-going monitoring of the credit quality of its loan portfolio:

**Pass:** Pass loans are defined as those loans that meet acceptable quality underwriting standards.

**Watch:** Watch loans are defined as those loans that still exhibit acceptable quality, but have some concerns that justify greater attention. If these concerns are not corrected, a potential for further adverse categorization exists. These concerns could relate to a specific condition peculiar to the borrower, its industry segment or the general economic environment.

**Special Mention:** Special mention loans are defined as those loans deemed by management to have some potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the payment prospects of the loan.

**Substandard:** Substandard loans are defined as those loans that are inadequately protected by the current net worth and paying capacity of the obligor, or of the collateral pledged. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. If the weakness or weaknesses are not corrected, there is the distinct possibility that some loss will be sustained.

**Doubtful:** Loans in this classification have the weaknesses of substandard loans with the additional characteristic that the weaknesses make the collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. At **December 31, 2023** **March 31, 2024** and September 30, 2023, there were no loans classified as doubtful.

**Loss:** Loans in this classification are considered uncollectible and of such little value that continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this loan even though partial recovery may be realized in the future. At **December 31, 2023** **March 31, 2024** and September 30, 2023, there were no loans classified as loss.

The following table sets forth the Company's loan portfolio at **December 31, 2023** **March 31, 2024** by risk attribute and year of origination as well as current period gross charge-offs (dollars in thousands):

Term Loans Amortized Cost Basis by Origination Fiscal Year																					
Type												Revolving	Total Loans							Revolving	Total Loans
Type	2024	2023	2023	2022	2022	2021	2021	2020	2020	Prior	Prior	Loans	Receivable	2024	2023	2022	2021	2020	Prior	Loans	Receivable
One-to four-family																					
Risk Rating																					
Risk Rating																					
Risk Rating																					
Pass																					
Pass																					
Pass																					
Watch																					
Substandard																					
Substandard																					
Substandard																					
Total one- to four-family																					
Multi-family																					
Multi-family																					
Multi-family																					
Risk Rating																					
Risk Rating																					
Risk Rating																					
Pass																					
Pass																					
Pass																					

Total multi-family  
Total multi-family  
Total multi-family  
Commercial real estate  
Commercial real estate  
Commercial real estate  
Risk Rating  
Risk Rating  
Risk Rating  
Pass  
Pass  
Pass  
Watch  
Substandard  
Substandard  
Special Mention  
Substandard  
Total commercial real estate

Term Loans Amortized Cost Basis by Origination Fiscal Year

Type																	
Type	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total Loans Receivable	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total Loans Receivable	
Construction-custom & owner/builder																	
Risk Rating																	
Risk Rating																	
Risk Rating																	
Pass																	
Pass																	
Pass																	
Watch																	
Substandard																	
Substandard																	
Substandard																	
Total construction																	
Construction-speculative one-to four-family																	
Construction-speculative one-to four-family																	
Construction-speculative one-to four-family																	

Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Total construction
Total construction
Total construction
Construction-commercial
Construction-commercial
Construction-commercial
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Watch
Total construction
Total construction
Total construction
Construction-multi-family
Construction-multi-family
Construction-multi-family
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Total construction
Total construction
Total construction
Construction-land development
Construction-land development
Construction-land development
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Total construction
Total construction
Total construction
Land
Land
Land



Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Watch
Total land
Total land
Total land
Home equity
Home equity
Home equity
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Watch
Substandard
Substandard
Substandard
Total home equity
Other consumer
Other consumer
Other consumer
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Watch
Total other consumer
Total other consumer
Total other consumer
Current period gross write-offs

Term Loans Amortized Cost Basis by Origination Fiscal Year
Term Loans Amortized Cost Basis by Origination Fiscal Year
Term Loans Amortized Cost Basis by Origination Fiscal Year

Type																				
Type																				
Type	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total Loans Receivable	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total Loans Receivable				
Other consumer																				

Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Watch
Total other consumer
Total other consumer
Total other consumer
Current period gross write-offs
Commercial business
Commercial business
Commercial business
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Watch
Substandard
Substandard
Substandard
Total commercial business
SBA PPP
SBA PPP
SBA PPP
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Total SBA PPP
Total SBA PPP
Total SBA PPP
Total loans receivable, gross (net of construction LIP)
Total loans receivable, gross (net of construction LIP)
Total loans receivable, gross (net of construction LIP)
Risk Rating
Risk Rating
Risk Rating
Pass
Pass
Pass
Watch
Substandard

Substandard
Special Mention
Substandard
Total loans receivable
Current period gross charge-off

#### Allowance for Credit Losses

The Company adopted the new accounting standard for the ACL, commonly referred to as the current expected credit losses ("CECL") methodology, as of October 1, 2023. All disclosures as of and for the three and six months ended December 31, 2023 March 31, 2024 are presented in accordance with the new accounting standard. The comparative financial periods prior to the adoption of this new accounting standard are presented and disclosed under previously applicable GAAP's incurred loss methodology, which is not directly comparable to the new, CECL methodology. See also Note 10, Recent Accounting Pronouncements. As a result of implementing this new accounting standard, there was a one-time adjustment to the fiscal year 2024 opening allowance balance of \$461,000 related to loans held for investment. The Company elected not to measure an ACL for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

The ACL is an estimate of the expected credit losses on financial assets measured at amortized cost. The ACL is evaluated and calculated on a collective basis for those loans which share similar risk characteristics. For loans that do not share similar risk characteristics and cannot be evaluated on a collective basis, the Company will evaluate the loan individually. The Company estimates the expected credit losses over the loans' contractual terms, adjusted for expected prepayments. The ACL calculation is calculated for loan segments utilizing loan level information and relevant information from internal and external sources related to past events and current conditions. Management has adopted the discounted cash flow ("DCF") methodology for all segments. The Company incorporates a reasonable and supportable forecast that utilizes current period national gross domestic product ("GDP") and national unemployment figures. Each of the loan segments are impacted by these factors. Prepayments are established for each segment based on historical averages for the segments, which management believes is an accurate presentation of future prepayment activity. Loans that do not share common risk characteristics with other loans are evaluated individually and are not included in the collective analysis. The ACL on loans that are individually evaluated may be estimated based on their expected cash flows, or in the case of loans for which repayment is expected substantially through the operation or sale of collateral when the borrower is experiencing financial difficulty, may be measured based on the fair value of the collateral less estimated selling costs.

When available information confirms that specific loans or portions thereof are uncollectible, identified amounts are charged against the ACL. The existence of some or all of the following criteria will generally confirm that a loss has been incurred: the loan is significantly delinquent and the borrower has not demonstrated the ability or intent to bring the loan current; the Company has no recourse to the borrower, or if it does, the borrower has insufficient assets to pay the debt; and/or the estimated fair value of the loan collateral is significantly below the current loan balance, and there is little or no near-term prospect for improvement.

Management's evaluation of the ACL is based on ongoing, quarterly assessments of the known and inherent risks in the loan portfolio. Loss factors are based on the Company's historical loss experience with additional consideration and adjustments made for changes in economic conditions, changes in the amount and composition of the loan portfolio, delinquency rates, changes in collateral values, seasoning of the loan portfolio, duration of the current business cycle, a detailed analysis of individually evaluated loans and other factors as deemed appropriate. Management also assesses the risk related to reasonable and supportable forecasts that are used. These factors are evaluated on a quarterly basis. Loss rates used by the Company are affected as changes in these factors increase or decrease from quarter to quarter. In addition, regulatory agencies, as integral part of their examination process, periodically review the Company's allowance for credit losses ACL and may require the Company to make additions to the allowance ACL based on their judgment about information available to them at the time of their examinations.

The following tables set forth information for the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 regarding activity in the ACL by portfolio segment (dollars in thousands):

	Three Months Ended December 31, 2023					
	Beginning Allowance	Impact of Adopting CECL (ASU 2016-13)	Provision for (Recapture of) Credit Losses	Charge-offs	Recoveries	Ending Allowance
Mortgage loans:						
One- to four-family	\$ 2,417	\$ (408)	\$ 87	\$ —	\$ —	\$ 2,096
Multi-family	1,156	(120)	164	—	—	1,200
Commercial	7,209	(494)	107	—	—	6,822
Construction – custom and owner/builder	750	542	(58)	—	—	1,234
Construction – speculative one- to four-family	148	(16)	—	—	—	132
Construction – commercial	316	176	(62)	—	—	430
Construction – multi-family	602	204	(71)	—	—	735
Construction – land development	274	25	(1)	—	—	298
Land	406	318	33	—	—	757
Consumer loans:						

Home equity and second mortgage	519	(243)	10	—	—	286
Other	53	(7)	2	(2)	—	46
Commercial business loans	1,967	484	168	—	—	2,619
<b>Total</b>	<b>\$ 15,817</b>	<b>\$ 461</b>	<b>\$ 379</b>	<b>\$ (2)</b>	<b>\$ —</b>	<b>\$ 16,655</b>

Three Months Ended March 31, 2024						
	Beginning Allowance	Provision for (Recapture of) Credit Losses	Charge-offs	Recoveries	Ending Allowance	
Mortgage loans:						
One- to four-family	\$ 2,096	\$ 89	\$ —	\$ —	\$ 2,185	
Multi-family	1,200	158	—	—	1,358	
Commercial	6,822	132	—	—	6,954	
Construction – custom and owner/builder	1,234	(19)	—	—	1,215	
Construction – speculative one- to four-family	132	10	—	—	142	
Construction – commercial	430	21	—	—	451	
Construction – multi-family	735	(257)	—	—	478	
Construction – land development	298	(43)	—	—	255	
Land	757	83	—	—	840	
Consumer loans:						
Home equity and second mortgage	286	19	—	—	305	
Other	46	3	(4)	—	45	
Commercial business loans	2,619	(30)	—	1	2,590	
<b>Total</b>	<b>\$ 16,655</b>	<b>\$ 166</b>	<b>\$ (4)</b>	<b>\$ 1</b>	<b>\$ 16,818</b>	

Three Months Ended December 31, 2022						
	Beginning Allowance	Provision for (Recapture of) Loan Losses	Charge-offs	Recoveries	Ending Allowance	
Mortgage loans:						
One- to four-family	\$ 1,658	\$ 230	\$ —	\$ —	\$ 1,888	
Multi-family	855	16	—	—	871	
Commercial	6,682	112	—	—	6,794	
Construction – custom and owner/builder	675	(2)	—	—	673	
Construction – speculative one- to four-family	130	(5)	—	—	125	
Construction – commercial	343	(20)	—	—	323	
Construction – multi-family	447	130	—	—	577	
Construction – land development	233	(11)	—	—	222	
Land	397	(14)	—	—	383	
Consumer loans:						
Home equity and second mortgage	440	53	—	—	493	
Other	42	4	—	1	47	
Commercial business loans	1,801	32	—	—	1,833	
<b>Total</b>	<b>\$ 13,703</b>	<b>\$ 525</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 14,229</b>	

Six Months Ended March 31, 2024					
	Beginning Allowance	Impact of Adopting CECL (ASU 2016-13)	Provision for (Recapture of) Loan Losses	Charge-offs	Ending Allowance
Mortgage loans:					

One-to four-family	\$	2,417	\$	(408)	\$	176	\$	—	\$	—	\$	2,185
Multi-family		1,156		(120)		322		—		—		1,358
Commercial		7,209		(494)		239		—		—		6,954
Construction – custom and owner/builder		750		542		(77)		—		—		1,215
Construction – speculative one- to four-family		148		(16)		10		—		—		142
Construction – commercial		316		176		(41)		—		—		451
Construction – multi-family		602		204		(328)		—		—		478
Construction – land development		274		25		(44)		—		—		255
Land		406		318		116		—		—		840
Consumer loans:												
Home equity and second mortgage		519		(243)		29		—		—		305
Other		53		(7)		5		(6)		—		45
Commercial business loans		1,967		484		138		—		1		2,590
<b>Total</b>	<b>\$</b>	<b>15,817</b>	<b>\$</b>	<b>461</b>	<b>\$</b>	<b>545</b>	<b>\$</b>	<b>(6)</b>	<b>\$</b>	<b>1</b>	<b>\$</b>	<b>16,818</b>

Three Months Ended March 31, 2023						
	Beginning Allowance	Provision for (Recapture of) Loan Losses	Charge-offs	Recoveries	Ending Allowance	
Mortgage loans:						
One- to four-family	\$ 1,888	\$ 164	\$ —	\$ —	\$ 2,052	
Multi-family	871	67	—	—	938	
Commercial	6,794	110	—	—	6,904	
Construction – custom and owner/builder	673	53	—	—	726	
Construction – speculative one- to four-family	125	(4)	—	—	121	
Construction – commercial	323	(56)	—	—	267	
Construction – multi-family	577	85	—	—	662	
Construction – land development	222	23	—	—	245	
Land	383	(20)	—	—	363	
Consumer loans:						
Home equity and second mortgage	493	14	—	—	507	
Other	47	1	(1)	—	47	
Commercial business loans	1,833	38	(5)	—	1,866	
<b>Total</b>	<b>\$ 14,229</b>	<b>\$ 475</b>	<b>\$ (6)</b>	<b>\$ —</b>	<b>\$ 14,698</b>	

Six Months Ended March 31, 2023						
	Beginning Allowance	Provision for (Recapture of) Loan Losses	Charge-offs	Recoveries	Ending Allowance	
Mortgage loans:						
One-to four-family	\$ 1,658	\$ 394	\$ —	\$ —	\$ 2,052	
Multi-family	855	83	—	—	938	
Commercial	6,682	222	—	—	6,904	
Construction – custom and owner/builder	675	51	—	—	726	
Construction – speculative one- to four-family	130	(9)	—	—	121	
Construction – commercial	343	(76)	—	—	267	
Construction – multi-family	447	215	—	—	662	
Construction – land development	233	12	—	—	245	
Land	397	(34)	—	—	363	
Consumer loans:						
Home equity and second mortgage	440	67	—	—	507	

Other	42	6	(1)	—	47
Commercial business loans	1,801	69	(5)	1	1,866
<b>Total</b>	<b>\$ 13,703</b>	<b>\$ 1,000</b>	<b>\$ (6)</b>	<b>\$ 1</b>	<b>\$ 14,698</b>

The following tables present information on the allowance for loan losses by portfolio segment at September 30, 2023 prior to the adoption of ASU 2016-13 (dollars in thousands):

	Allowance for Credit Losses			Recorded Investment in Loans	Allowance for Loan Losses			Recorded Investment in Loans				
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
September 30, 2023	September 30, 2023				September 30, 2023							
Mortgage loans:	Mortgage loans:				Mortgage loans:							
One- to four-family												
Multi-family												
Commercial												
Construction – custom and owner/builder												
Construction – speculative one- to four-family												
Construction – commercial												
Construction – multi-family												
Construction – land development												
Land												
Consumer loans:												
Home equity and second mortgage												
Home equity and second mortgage												
Home equity and second mortgage												
Other												
Commercial business loans												
SBA PPP loans												
Total												

#### Non-Accrual Loans

When a loan is 90 days delinquent the accrual of interest is generally discontinued and the loan is placed on non-accrual. All interest accrued but not collected for loans placed on non-accrual is reversed out of interest income. Generally, payments received on non-accrual loans are applied to reduce the outstanding principal balance of the loan. At times interest may be accounted for on a cash basis, depending on the collateral value and the **borrowers borrower's** payment history. A loan is generally not removed from non-accrual until all delinquent principal, interest and late fees have been brought current and the borrower demonstrates repayment ability over a **a** period of not less than six months and all taxes are current.

The following tables present an analysis of loans by aging category and portfolio segment at **December 31, 2023** **March 31, 2024** and September 30, 2023 (dollars in thousands):

The following tables present an analysis of loans by aging category and portfolio segment at December 31, 2023, March 31, 2024 and September 30, 2023 (dollars in thousands).															
	30-59 Days Past Due	60-89 Days Past Due	Non-Accrual (1)	Past Due 90 Days or More and Still Accruing	Total Past Due			Total Loans	30-59 Days Past Due	60-89 Days Past Due	Non-Accrual (1)	Past Due 90 Days or More and Still Accruing	Total Past Due		Total Loans
December 31, 2023							Current								
March 31, 2024															
Mortgage loans:	Mortgage loans:						Mortgage loans:								

One- to four-family
Multi-family
Commercial
Construction – custom and owner/builder
Construction – speculative one- to four-family
Construction – commercial
Construction – multi-family
Construction – land development
Land
Consumer loans:
Home equity and second mortgage
Home equity and second mortgage
Home equity and second mortgage
Other
Commercial business loans
SBA PPP loans
<b>Total</b>

(1) Includes non-accrual loans past due 90 days or more and other loans classified as non-accrual.

	30–59 Days Past Due	60–89 Days Past Due	Non- Accrual (1)	Past Due 90 Days or More and Still Accruing	Total Past Due	Current	Total Loans
<b>September 30, 2023</b>							
Mortgage loans:							
One- to four-family	\$ —	\$ —	\$ 368	\$ —	\$ 368	\$ 252,859	\$ 253,227
Multi-family	—	—	—	—	—	127,176	127,176
Commercial	—	—	683	—	683	567,582	568,265
Construction – custom and owner/builder	151	—	—	—	151	73,088	73,239
Construction – speculative one- to four-family	—	—	—	—	—	9,361	9,361
Construction – commercial	—	—	—	—	—	26,030	26,030
Construction – multi-family	—	—	—	—	—	45,890	45,890
Construction – land development	—	—	—	—	—	16,129	16,129
Land	—	—	—	—	—	26,726	26,726
Consumer loans:							
Home equity and second mortgage	—	—	177	—	177	38,104	38,281
Other	—	—	—	—	—	2,772	2,772
Commercial business loans	—	—	286	—	286	135,516	135,802
SBA PPP loans	—	—	—	—	—	466	466
<b>Total</b>	<b>\$ 151</b>	<b>\$ —</b>	<b>\$ 1,514</b>	<b>\$ —</b>	<b>\$ 1,665</b>	<b>\$ 1,321,699</b>	<b>\$ 1,323,364</b>

(1) Includes non-accrual loans past due 90 days or more and other loans classified as non-accrual.

The following tables present an analysis of loans by credit quality indicator and portfolio segment at September 30, 2023 (dollars in thousands):

September 30, 2023	Loan Grades				Total
	Pass	Watch	Special Mention	Substandard	
Mortgage loans:					
One- to four-family	\$ 252,859	\$ —	\$ —	\$ 368	\$ 253,227
Multi-family	127,176	—	—	—	127,176

Commercial	551,669	11,143	—	5,453	568,265
Construction – custom and owner/builder	68,181	5,058	—	—	73,239
Construction – speculative one- to four-family	9,361	—	—	—	9,361
Construction – commercial	25,063	967	—	—	26,030
Construction – multi-family	45,890	—	—	—	45,890
Construction – land development	16,129	—	—	—	16,129
Land	26,226	500	—	—	26,726
Consumer loans:					
Home equity and second mortgage	37,982	34	—	265	38,281
Other	2,716	56	—	—	2,772
Commercial business loans	135,502	—	—	300	135,802
SBA PPP loans	466	—	—	—	466
<b>Total</b>	<b>\$ 1,299,220</b>	<b>\$ 17,758</b>	<b>\$ —</b>	<b>\$ 6,386</b>	<b>\$ 1,323,364</b>

At **December 31, 2023** **March 31, 2024**, the Company had **\$1.72** **\$2.21** million of non-accrual loans with an ACL of **\$319,000** **\$361,000** and **\$1.65** **\$1.40** million of non-accrual loans with no ACL. The following table is a summary of the amortized cost of collateral dependent non-accrual loans as of **December 31, 2023** **March 31, 2024** (in thousands):

	Recorded Investment	Recorded Investment	Related ACL	Recorded Investment	Related ACL
Mortgage loans:					
One- to four-family					
One- to four-family					
One- to four-family					
Commercial					
Construction - custom & owner/builder					
Construction - custom and owner/builder					
Consumer loans:					
Home equity & second mortgage					
Home equity & second mortgage					
Home equity & second mortgage					
Home equity and second mortgage					
Home equity and second mortgage					
Home equity and second mortgage					
Commercial business loans					
<b>Total</b>					

#### Impaired Loans

Prior to the adoption of CECL, a loan was considered impaired when it was probable that the Company would be unable to collect all amounts (principal and interest) when due according to the original contractual terms of the loan agreement. Smaller balance homogeneous loans, such as residential mortgage loans and consumer loans, may be collectively evaluated for impairment. When a loan was identified as being impaired, the amount of the impairment was measured by using discounted cash flows, except when, as an alternative, the current estimated fair value of the collateral (reduced by estimated costs to sell, if applicable) or observable market price was used. The valuation of real estate collateral is subjective in nature and may be adjusted in future periods because of changes in economic conditions. Management considers third-party appraisals, as well as independent fair market value assessments from realtors or persons involved in selling real estate, in determining the estimated fair value of particular properties. In addition, as certain of these third-party appraisals and independent fair market value assessments are only updated periodically, changes in the values of specific properties may have occurred subsequent to the most recent appraisals. Accordingly, the amounts of any such potential changes and any related adjustments are generally recorded at the time that such information is received. When the estimated net realizable value of the impaired loan is less than the recorded investment in the loan (including accrued interest and net deferred loan origination fees or costs), impairment is recognized by creating or adjusting an allocation of the allowance for credit losses, and uncollected accrued interest is reversed against interest income. If ultimate collection of principal is in doubt, all cash receipts on impaired loans are applied to reduce the principal balance. The categories of non-accrual loans and impaired loans overlap, although they are not identical.

The following table is a summary of information related to impaired loans by portfolio segment prior to the adoption of CECL as of September 30, 2023 and for the year then ended (dollars in thousands):

Recorded Investment
Recorded Investment



	Recorded Investment	Unpaid Principal Balance (Loan Balance Plus Charge Off)	Related Allowance	Year to Date ("YTD") Average Recorded Investment (1)	YTD Interest Income Recognized (1)	YTD Cash Basis Interest Income Recognized (1)	Recorded Investment	Unpaid Principal Balance (Loan Balance Plus Charge Off)	Related Allowance	Year to Date ("YTD") Average Recorded Investment (1)	YTD Interest Income Recognized (1)	YTD Cash Basis Interest Income Recognized (1)
With no related allowance recorded:												
Mortgage loans:												
Mortgage loans:												
Mortgage loans:												
One- to four-family												
One- to four-family												
One- to four-family												
Commercial												
Commercial												
Commercial												
Land												
Land												
Land												
Consumer loans:												
Home equity and second mortgage												
Home equity and second mortgage												
Home equity and second mortgage												
Other												
Commercial business loans												
Subtotal												
With an allowance recorded:												
With an allowance recorded:												
With an allowance recorded:												

Mortgage loans:
Mortgage loans:
Mortgage loans:
Commercial business loans
Commercial business loans
Commercial business loans
Subtotal
Total:
Total:
Total:
Mortgage loans:
Mortgage loans:
Mortgage loans:
One- to four-family
One- to four-family
One- to four-family
Commercial
Commercial
Commercial
Land
Land
Land
Consumer loans:
Home equity and second mortgage
Home equity and second mortgage
Home equity and second mortgage
Other
Commercial business loans
Total

(1) For the year ended September 30, 2023.

The following table is a summary of information related to impaired loans by portfolio segment prior to the adoption of CECL as of **December 31, 2022** **March 31, 2023** and for three **and six** months then ended (dollars in thousands):

	Recorded Investment	Unpaid Principal Balance (Loan Balance Plus Charge Off)	Related Allowance	YTD Average Recorded Investment (1)	YTD Interest Income Recognized (1)	YTD Cash Basis Interest Income Recognized (1)
<b>With no related allowance recorded:</b>						
Mortgage loans:						
One- to four-family	\$ 383	\$ 427	\$ —	\$ 386	\$ 7	\$ 7
Commercial	2,980	2,980	—	2,984	33	42
Land	425	425	—	438	—	—
Consumer loans:						
Home equity and second mortgage	405	405	—	400	2	3
Other	2	2	—	3	—	—
Commercial business loans	55	103	—	57	—	—
Subtotal	4,250	4,342	—	4,268	42	52
<b>With an allowance recorded:</b>						
Commercial business loans	249	249	127	249	—	—
Subtotal	249	249	127	249	—	—
<b>Total</b>						
Mortgage loans:						
One- to four-family	383	427	—	386	7	7
Commercial	2,980	2,980	—	2,984	33	42
Land	425	425	—	438	—	—
Consumer loans:						
Home equity and second mortgage	405	405	—	400	2	3
Other	2	2	—	3	—	—
Commercial business loans	304	352	127	306	—	—
<b>Total</b>	<b>\$ 4,499</b>	<b>\$ 4,591</b>	<b>\$ 127</b>	<b>\$ 4,517</b>	<b>\$ 42</b>	<b>\$ 52</b>

	Recorded Investment	Unpaid Principal Balance (Loan Balance Plus Charge Off)	Related Allowance	Quarter to Date ("QTD") Average Recorded Investment (1)	Year to Date ("YTD") Average Recorded Investment (2)	QTD Interest Income Recognized (1)	YTD Interest Income Recognized (2)	QTD Cash Basis Interest Income Recognized (1)	YTD Cash Basis Interest Income Recognized (2)
<b>With no related allowance recorded:</b>									
Mortgage loans:									
One- to four-family	\$ 378	\$ 421	\$ —	\$ 381	\$ 386	\$ 7	\$ 14	\$ 7	\$ 14
Commercial	3,006	3,006	—	2,890	2,984	40	81	30	63
Land	459	459	—	442	438	2	2	2	2
Consumer loans:									
Home equity and second mortgage	381	381	—	496	400	3	6	3	5
Other	1	1	—	2	3	—	—	—	—
Commercial business loans	48	97	—	52	57	—	—	—	—
Subtotal	4,273	4,365	—	4,263	4,268	52	103	42	84
<b>With an allowance recorded:</b>									
Commercial business loans	245	245	123	247	249	—	—	—	—
Subtotal	245	245	123	247	249	—	—	—	—

(1) For the three months ended December 31, 2022 March 31, 2023.  
(2) For the six months ended March 31, 2023.

On October 1, 2023, the Company adopted ASU No. 2022-02, Financial Instruments - Credit Losses (ASU 2016-13). This ASU eliminated the accounting guidance for TDR loans for creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower experiences financial difficulty. No loans to borrowers experiencing financial difficulty were modified in the three and six months ended December 31, 2023, March 31, 2024 and 2023. At December 31, 2022, March 31, 2023, the Company had \$2.58 \$2.60 million of TDRs, all of which were paying as agreed. There were no new TDRs for defaults in these loans during the three six months ended December 31, 2022, March 31, 2024 and 2023.

In accordance with the Company's policy guidelines, unsecured loans are generally charged-off when no payments have been received for three consecutive months unless an alternative action plan is in effect. The outstanding balance of a secured loan that is in excess of the net realizable value is generally charged-off if no payments are received for four or five consecutive months. However, charge-offs are postponed if alternative proposals to restructure, obtain additional guarantors, obtain additional assets as collateral or a potential sale of the underlying collateral would result in full repayment of the outstanding loan balance. Once any other potential source of repayment are exhausted, the impaired portion of the loan is charged-off. Regardless of whether a loan is unsecured or collateralized, once an amount is determined to be a confirmed loan loss it is promptly charged off.

At **December 31, 2023** **March 31, 2024**, the Company has operating leases for two retail bank branch offices and an administrative office. The Company's leases have remaining lease terms of two to **eight seven** years, and include options to extend the leases from two to five years. Lease extensions are not certain, and the Company evaluates each lease based on the specific circumstances for the location to determine the probability of exercising the extensions in the calculation of operating lease ROU assets and lease liabilities.

The components of lease cost (included in the premises and equipment expense category in the consolidated statements of income) are as follows for the three and six months ended December 31, 2023, March 31, 2024 and 2022/2023 (dollars in thousands):

The following tables provide supplemental information related to operating leases at or for the three and six months ended December 31, 2023, March 31, 2024 and year ended September 30, 2023 (dollars in thousands):

	At or For the Three Months Ended December 31, 2023		
	At or For the Three Months Ended December 31, 2023		
	At or For the Three Months Ended December 31, 2023		
Cash paid for amounts included in the measurement of lease liabilities:			
Cash paid for amounts included in the measurement of lease liabilities:			
	At or For the Three Months Ended March 31, 2024	At or For the Six Months Ended March 31, 2024	
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases			
Operating cash flows from operating leases			
Operating cash flows from operating leases			
Weighted average remaining lease term- operating leases	Weighted average remaining lease term-operating leases	6.3 years	6.3 years
Weighted average remaining lease term- operating leases			
Weighted average discount rate-operating leases	2.34 %	2.34 %	
	At or For the Three Months Ended March 31, 2023		
	At or For the Three Months Ended March 31, 2023		
	At or For the Three Months Ended March 31, 2023	At or For the Six Months Ended March 31, 2023	
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases			
Operating cash flows from operating leases			
Operating cash flows from operating leases			
Weighted average remaining lease term- operating leases	Weighted average remaining lease term-operating leases	7.2 years	7.2 years
Weighted average discount rate-operating leases	Weighted average discount rate- operating leases	2.25 %	2.25 %
Weighted average discount rate-operating leases			
Weighted average discount rate-operating leases			

The Company's leases typically do not contain a discount rate implicit in the lease contracts. As an alternative, the weighted average discount rate used to estimate the present value of future lease payments in calculating the value of the ROU asset and lease liability was determined by utilizing the FHLB fixed-rate credit advance borrowing rate for the term correlating to the remaining term of each lease.

Maturities of operating lease liabilities at **December 31, 2023** **March 31, 2024** for future fiscal years are as follows (dollars in thousands):

Remainder of 2024
2025

2026
2027
2028
Thereafter
Total lease payments
Less imputed interest
Total

(6) NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income to common shareholders by the weighted average number of common shares outstanding during the period without considering any dilutive items. Nonvested shares of restricted stock are included in the computation of basic earnings per share because the holder has voting rights and shares in non-forfeitable dividends during the vesting period. Diluted net income per common share is computed by dividing net income to common shareholders by the weighted average number of common shares and common stock equivalents for items that are dilutive, net of shares assumed to be repurchased using the treasury stock method at the average share price for the Company's common stock during the period. Common stock equivalents arise from the assumed conversion of outstanding stock options to purchase common stock.

Information regarding the calculation of basic and diluted net income per common share for the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 is as follows (dollars in thousands, except per share amounts):

	Three Months Ended March 31,	Six Months Ended March 31,	
	2023		
	2023		
	2023		
	2024	2023	2023 2023
Basic net income per common share computation	Basic net income per common share computation		
Basic net income per common share computation			
Basic net income per common share computation			
Numerator – net income			
Numerator – net income			
Numerator – net income			
Denominator – weighted average common shares outstanding			
Denominator – weighted average common shares outstanding			
Denominator – weighted average common shares outstanding			
Basic net income per common share			
Basic net income per common share			
Basic net income per common share			
Diluted net income per common share computation			
Diluted net income per common share computation			
Diluted net income per common share computation			
Numerator – net income			
Numerator – net income			
Numerator – net income			
Denominator – weighted average common shares outstanding			
Denominator – weighted average common shares outstanding			
Denominator – weighted average common shares outstanding			
Effect of dilutive stock options (1)			

Effect of dilutive stock options (1)
Effect of dilutive stock options (1)
Weighted average common shares outstanding - assuming dilution
Weighted average common shares outstanding - assuming dilution
Weighted average common shares outstanding - assuming dilution
<b>Diluted net income per common share</b>
<b>Diluted net income per common share</b>
<b>Diluted net income per common share</b>

(1) For the three and six months ended December 31, 2023 and 2022, March 31, 2024, average options to purchase 214,595 244,030 and 182,000 229,232 shares of common stock, respectively, were outstanding but not included in the computation of diluted net income per common share because their effect would have been anti-dilutive. For the three and six months ended March 31, 2023, average options to purchase 176,867

and 177,484 shares of common stock, respectively, were outstanding but not included in the computation of diluted net income per common share because their effect would be anti-dilutive.

#### (7) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) ("AOCI") by component during the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 are as follows (dollars in thousands):

	Three Months Ended December 31, 2023				Three Months Ended March 31, 2024			
	Changes in fair value of available for sale securities (1)	Changes in fair value of available for sale securities (1)	Changes in OTTI on held to maturity securities (1)	Total (1)	Changes in fair value of available for sale securities (1)	Changes in OTTI on held to maturity securities (1)	Total (1)	
Balance of AOCI at the beginning of period								
Other comprehensive income								
Balance of AOCI at the end of period								
Balance of AOCI at the end of period								
Balance of AOCI at the end of period								

	Three Months Ended December 31, 2022		
	Changes in fair value of available for sale securities (1)	Changes in OTTI on held to maturity securities (1)	Total (1)
Balance of AOCI at the beginning of period	\$ (706)	\$ (11)	\$ (717)
Other comprehensive income (loss)	(19)	1	(18)
<b>Balance of AOCI at the end of period</b>	<b>\$ (725)</b>	<b>\$ (10)</b>	<b>\$ (735)</b>

	Six Months Ended March 31, 2024		
	Changes in fair value of available for sale securities (1)	Changes in OTTI on held to maturity securities (1)	Total (1)
Balance of AOCI at the beginning of period	\$ (1,075)	\$ (9)	\$ (1,084)
Other comprehensive income	330	9	339
<b>Balance of AOCI at the end of period</b>	<b>\$ (745)</b>	<b>\$ —</b>	<b>\$ (745)</b>

Three Months Ended March 31, 2023		
-----------------------------------	--	--

	Changes in fair value of available for sale securities			Changes in OTTI on held to maturity securities (1)			Total (1)
	(1)						
Balance of AOCI at the beginning of period	\$	(725)	\$	(10)	\$	(735)	
Other comprehensive income		239		1		240	
<b>Balance of AOCI at the end of period</b>	<b>\$</b>	<b>(486)</b>	<b>\$</b>	<b>(9)</b>	<b>\$</b>	<b>(495)</b>	

	Six Months Ended March 31, 2023					
	Changes in fair value of available for sale securities			Changes in OTTI on held to maturity securities (1)		
	(1)					
Balance of AOCI at the beginning of period	\$	(706)	\$	(11)	\$	(717)
Other comprehensive income		220		2		222
<b>Balance of AOCI at the end of period</b>	<b>\$</b>	<b>(486)</b>	<b>\$</b>	<b>(9)</b>	<b>\$</b>	<b>(495)</b>

(1) All amounts are net of income taxes.

## (8) STOCK COMPENSATION PLANS

Under the Company's 2003 Stock Option Plan, the Company was able to grant options for up to 300,000 shares of common stock to employees, officers, directors and directors emeriti. Under the Company's 2014 Equity Incentive Plan, the Company is able to grant options and awards of restricted stock (with or without performance measures) for up to 352,366 shares of common stock to employees, officers, directors and directors emeriti. Under the Company's 2019 Equity Incentive Plan, the Company is able to grant options and awards or restricted stock (with or without performance measures) for up to 350,000 shares of common stock, of which 300,000 shares are reserved to be awarded to employees, including officers, and 50,000 shares are reserved to be awarded to directors and directors emeriti. Shares issued may be purchased in the open market or may be issued from authorized and unissued shares. The exercise price of each option equals the fair market value of the Company's common stock on the date of grant. Generally, options and restricted stock vest in 20% annual installments on each of the five anniversaries from the date of the grant, and options generally have a maximum contractual term of ten years from the date of grant. At December 31, 2023 March 31, 2024, there were 7,816 9,356 shares of common stock available

which may be awarded as options or restricted stock pursuant to future grant under the 2014 Equity Incentive Plan. At December 31, 2023 March 31, 2024, there were 178,650 181,870 shares of common stock available which may be awarded as options or restricted stock pursuant to future grant under the 2019 Equity Incentive Plan.

Stock option activity for the three six months ended December 31, 2023 March 31, 2024 and 2022 2023 is summarized as follows:

	Three Months Ended December 31, 2023		Three Months Ended December 31, 2022		Six Months Ended March 31, 2024	Six Months Ended March 31, 2023		
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding, beginning of period								
Exercised								
Forfeited								
Forfeited								
Granted								
Forfeited								
Options outstanding, end of period								

The fair value of stock options is determined using the Black-Scholes valuation model.

There were no stock options granted during the three six months ended December 31, 2023 and 2022. March 31, 2024.

The weighted average assumptions for options granted during the six months ended March 31, 2023 were as follows:



Expected volatility	33 %
Expected life (in years)	5
Expected dividend yield	2.99 %
Risk free interest rate	3.58 %
Grant date fair value per share	\$ 8.65

The aggregate intrinsic value of options exercised during the **three six** months ended **December 31, 2023** **March 31, 2024** and **2022 2023** was **\$469,000** **\$499,000** and **\$244,000**, **\$337,000**, respectively.

At **December 31, 2023** **March 31, 2024**, there were **124,640** **121,820** unvested options with an aggregate grant date fair value of **\$725,000**, **\$709,000**, all of which the Company assumes will vest. The aggregate intrinsic value of unvested options at **December 31, 2023** **March 31, 2024** was **\$704,000**, **\$217,000**. There were **100** **300** options that vested during the **three six** months ended **December 31, 2023** **March 31, 2024** with a total fair value of **\$326**, **\$2,000**.

At **December 31, 2022** **March 31, 2023**, there were **191,710** **189,910** unvested options with an aggregate grant date fair value of **\$1.08** **\$1.07** million. There were 200 options that vested during the **three six** months ended **December 31, 2022** **March 31, 2023** with a total fair value of **\$652**, **\$1,000**.

Additional information regarding options outstanding at **December 31, 2023** **March 31, 2024** is as follows:

Range of Exercise Prices (\$)	Range of Exercise Prices (\$)	Options Outstanding						Options Exercisable									
		Number		Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (Years)		Number		Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (Years)		Range of Exercise Prices (\$)		Num	
10.26																	
10.26																	
10.26	- 10.71	26,250	10.62		10.62	1.5		1.5	26,250	10.62		10.62	1.5	1.5	- 10.71		
15.67	15.67 - 19.13	63,820	16.53		16.53	5.6		5.6	41,560	16.34		16.34	5.0	5.0	15.67 - 19.13		
26.50	26.50 - 27.40	102,880	27.31		27.31	7.8		7.8	42,000	27.23		27.23	6.8	6.8	26.50 - 27.40		
28.23	28.23 - 29.69	108,400	28.79		28.79	6.2		6.2	67,900	29.12		29.12	5.3	5.3	28.23 - 29.69		
31.80	31.80 - 33.40	34,720	31.85		31.85	4.9		4.9	33,720	31.80		31.80	4.8	4.8	31.80 - 33.40		
				336,070	\$	\$24.91		6.1	6.1		211,430	\$	\$	24.36	5.0	5.0	

The aggregate intrinsic value of options outstanding at **December 31, 2023** **March 31, 2024** and **2022 2023** was **\$2.22 million** **\$1.06 million** and **\$4.28** **1.78** million, respectively.

As of **December 31, 2023** **March 31, 2024**, unrecognized compensation cost related to unvested stock options was **\$711,000**, **\$645,000**, which is expected to be recognized over a weighted average life of **2.02** **1.90** years.

At **December 31, 2023** **March 31, 2024**, there were 26,150 unvested restricted stock awards. At **December 31, 2022** **March 31, 2023**, there were no unvested restricted stock awards. There were no restricted stock grants awarded during the **three six** months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**.

	Time Based		Time Based	Time Based	
	Number of Unvested Shares	Number of Unvested Shares	Weighted Average Grant Date Fair Value	Number of Unvested Shares	Weighted Average Grant Date Fair Value
Outstanding, September 30, 2023					
Granted					
Forfeited					
Vested					
Outstanding, December 31, 2023					
Outstanding, March 31, 2024					

The fair value of restricted stock awards is equal to the fair value of the Company's stock on the date of the grant. The related stock-based compensation expense is recorded over the requisite service period. At **December 31, 2023** **March 31, 2024**, unrecognized compensation cost related to unvested restricted stock awards was **\$676,000**, **\$636,000**, which is

expected to be recognized over a weighted average period of 2.78 2.23 years.

## (9) FAIR VALUE MEASUREMENTS

Fair value is defined under GAAP as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels. These levels are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Significant observable inputs other than quoted prices included within Level 1, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability based on the best information available in the circumstances.

The Company's assets measured at fair value on a recurring basis consist of investment securities available for sale and investments in equity securities. The estimated fair values of MBS are based upon market prices of similar securities or observable inputs (Level 2). The estimated fair values of mutual funds are based upon quoted market prices (Level 1).

The Company had no liabilities measured at fair value on a recurring basis at December 31, 2023 March 31, 2024 and September 30, 2023. The Company's assets measured at estimated fair value on a recurring basis at December 31, 2023 March 31, 2024 and September 30, 2023 were as follows (dollars in thousands):

Estimated fair value on a recurring basis at December 31, 2023, March 31, 2024 and September 30, 2023 were as follows (dollars in thousands):										
December 31, 2023		Estimated Fair Value								
		Estimated Fair Value								
March 31, 2024		Value								
							</			

September 30, 2023		Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
Available for sale investment securities					
MBS: U.S. government agencies		\$ —	\$ 41,771	\$ —	\$ 41,771
Investments in equity securities					
Mutual funds		811	—	—	811
<b>Total</b>		<b>\$ 811</b>	<b>\$ 41,771</b>	<b>\$ —</b>	<b>\$ 42,582</b>

There were no transfers among Level 1, Level 2 and Level 3 during the three six months ended December 31, 2023 March 31, 2024 and the year ended September 30, 2023.

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis in accordance with GAAP. These include assets that are measured at the lower of cost or market value that were recognized at fair value below cost at the end of the period.

The Company uses the following methods and significant assumptions to estimate fair value on a non-recurring basis:

Individually Evaluated Collateral-Dependent Loans: Loans for which repayment is substantially expected to be provided through the operation or sale of collateral are considered collateral dependent, and are valued based on the estimated fair value of the collateral, less estimated costs to sell at the reporting date, where applicable. Accordingly, collateral dependent loans are classified within level 3 of the fair value hierarchy.

Impaired Loans: Prior to the adoption of CECL, the estimated fair value of impaired loans is calculated using the collateral value method or on a discounted cash flow basis. The specific reserve for collateral dependent impaired loans is based on the estimated fair value of the collateral less estimated costs to sell, if applicable. In some cases,

adjustments are made to the appraised values due to various factors including age of the appraisal, age of the comparable collateral included in the appraisal and known changes in the market and in the underlying collateral. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

The following table summarizes the balances of assets measured at estimated fair value on a non-recurring basis at **December 31, 2023**, **March 31, 2024** and September 30, 2023 (dollars in thousands):

	Estimated Fair Value		
	Level 1	Level 2	Level 3
<b>December 31, 2023</b>			
Individually evaluated loans:			
Commercial business loans	\$ —	\$ —	\$ 1,401
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,401</b>

	Estimated Fair Value			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
<b>March 31, 2024</b>				
Individually evaluated loans:				
Mortgage loans:				
Commercial	\$ —	\$ —	\$ 460	\$ 460
Commercial business loans	—	—	1,387	1,387
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,847</b>	<b>\$ 1,847</b>

	Estimated Fair Value			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
<b>September 30, 2023</b>				
Impaired loans:				
Commercial business loans	\$ —	\$ —	\$ 122	\$ 122
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 122</b>	<b>\$ 122</b>

	Estimated Fair Value		
	Level 1	Level 2	Level 3
<b>September 30, 2023</b>			
Impaired loans:			
Commercial business loans	\$ —	\$ —	\$ 122
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 122</b>

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis as of **December 31, 2023**, **March 31, 2024** and September 30, 2023 (dollars in thousands):

	Valuation Technique(s)	Unobservable Input(s)	Range
Individually evaluated and impaired loans	Market approach	Appraised value less estimated selling costs	N/A

GAAP requires disclosure of estimated fair values for certain financial instruments. Such estimates are subjective in nature, and significant judgment is required regarding the risk characteristics of various financial instruments at a discrete point in time. Therefore, such estimates could vary significantly if assumptions regarding uncertain factors were to change. In addition, as the Company normally intends to hold the majority of its financial instruments until maturity, it does not expect to realize many of the estimated amounts disclosed. The disclosures also do not include estimated fair value amounts for certain items which are not defined as financial instruments but for which may have significant value. The Company does not believe that it would be practicable to estimate a representative fair value for these types of items as of **December 31, 2023**, **March 31, 2024** and September 30, 2023. Because GAAP excludes certain items from fair value disclosure requirements, any aggregation of the fair value amounts presented would not represent the underlying value of the Company. Additionally, in accordance with GAAP, the Company uses the exit price notion in calculating the fair values of financial instruments not measured at fair value on a recurring basis.

The recorded amounts and estimated fair values of financial instruments were as follows as of **December 31, 2023**, **March 31, 2024** and September 30, 2023 (dollars in thousands):

December 31, 2023	March 31, 2024
Fair Value Measurements Using:	Fair Value Measurements Using:

	Recorded Amount	Estimated Fair Value	Level 1	Level 2	Level 3	Recorded Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets						Financial assets				
Cash and cash equivalents										
CDs held for investment										
Investment securities										
Investments in equity securities										
FHLB stock										
Other investments										
Loans held for sale										
Loans receivable, net										
Accrued interest receivable										
Financial liabilities										
Financial liabilities										
Financial liabilities										
Certificates of deposit										
FHLB borrowings										
Accrued interest payable										

September 30, 2023

	Recorded Amount	Estimated Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 128,721	\$ 128,721	\$ 128,721	\$ —	\$ —
CDs held for investment	15,188	15,188	15,188	—	—
Investment securities	311,989	295,538	161,538	134,000	—
Investments in equity securities	811	811	811	—	—
FHLB stock	3,602	3,602	3,602	—	—
Other investments	3,000	3,000	3,000	—	—
Loans held for sale	400	407	407	—	—
Loans receivable, net	1,302,305	1,246,538	—	—	1,246,538
Accrued interest receivable	6,004	6,004	6,004	—	—
Financial liabilities					
Certificates of deposit	300,100	297,542	—	—	297,542
FHLB borrowings	35,000	34,747	—	—	34,747
Accrued interest payable	1,397	1,397	1,397	—	—

#### (10) RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, as amended by ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10 and ASU 2019-11. ASU 2016-13 replaces the existing incurred losses methodology with a current expected losses methodology with respect to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held to maturity investment securities and off-balance sheet commitments. In addition, ASU 2016-13 required credit losses relating to available for sale debt securities to be recorded through an allowance for credit losses ACL rather than as a reduction of the carrying amount. ASU 2016-13 also changed the accounting for PCI debt securities and loans. ASU 2016-13 retained many of the current disclosure requirements in GAAP and expanded certain disclosure requirements. As a "smaller reporting company" filer with the U.S. Securities and Exchange Commission, ASU 2016-13 was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Upon adoption, the Company experienced changes in the processes and procedures to calculate the allowance for credit losses, ACL, including changes in the assumptions and estimates to consider expected credit losses over the life of the loan versus the accounting practices that were utilized with the incurred loss model. In addition, the prior policy for OTTI on investment securities available for sale was replaced with an allowance approach. On October 1, 2023, the Company adopted this ASU, which resulted in a net of tax charge of \$488,000 to

retained earnings, a \$461,000 increase to the **allowance for credit losses ACL** on loans, a \$92,000 increase to **credit losses ACL** on investment securities, and a \$65,000 increase to **credit losses ACL** on unfunded commitments for the cumulative effect of adopting this guidance. For more information related to the implementation, see Note 4 Loans Receivable and Allowance for Credit Losses, Note 2 Investment Securities and Note 12 **Commitment Commitments** and Contingent Liabilities.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*. This ASU simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity has to perform procedures to determine the fair value of its assets and liabilities (including unrecognized assets and liabilities) at the impairment testing date following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity would then recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity would consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2022. The adoption of ASU 2017-04 did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326) (ASU 2016-13): Troubled Debt Restructurings and Vintage Disclosures*. The amendments eliminate the accounting guidance for **troubled debt restructurings ("TDRs")** TDRs for creditors, require new disclosures for creditors for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty, and require public business entities to include current-period gross write-offs in the vintage disclosure tables. This ASU is effective upon adoption of ASU 2016-13. On October 1, 2023, the Company adopted this ASU at the same time ASU 2016-13 was adopted. The Company had **no \$1,000 in recoveries and \$6,000 of write offs of \$2,000** for the **three six** months ended **December 31, 2023 March 31, 2024**.

## (11) REVENUE FROM CONTRACTS WITH CUSTOMERS

ASU 2014-09 *Revenue from Contracts with Customers* ("ASC 606") applies to all contracts with customers to provide goods or services in the ordinary course of business, except for contracts that are specifically excluded from its scope. The majority of the Company's revenues are composed of interest income, deferred loan fee accretion, premium/discount accretion, gains on sales of loans and investments, BOLI net earnings, servicing income on loans sold and other loan fee income, which are not within the scope of ASC 606. Revenue reported as service charges on deposits, ATM and debit card interchange transaction fees, merchant services fees, non-deposit investment fees and escrow fees are within the scope of ASC 606. All of the Company's revenue from contracts with customers **within within** the scope of ASC 606 is recognized in non-interest income with the exception of gains on sales of OREO and gains on sales/disposition of premises and equipment, which are included in non-interest expense. For the three months ended **December 31, 2023 March 31, 2024**, the Company recognized **\$1.02 million \$988,000** in service charges on deposits, **\$1.26 million \$1.21 million** in ATM and debit card interchange transaction fees, **\$19,000 \$15,000** in escrow fees, and \$2,000 in fee income from non-deposit investment sales, all considered within the scope of ASC 606. For the **three six** months ended **December 31, March 31, 2024**, the Company recognized **\$2.01 million in service charges on deposits, \$2.48 million in ATM and debit card interchange transaction fees, \$33,000 in escrow fees, and \$3,000 in fee income from non-deposit investment sales. For the three months** **2022, ended March 31, 2023**, the Company recognized **\$947,000 \$893,000** in service charges on deposits, **\$1.25 \$1.28 million** in ATM and debit card interchange transaction fees, **\$30,000 \$29,000** in escrow fees, and **\$30,000 \$4,000** in fee income from non-deposit investment sales. For the six months ended **March 31, 2023**, the Company recognized **\$1.84 million in service charges on deposits, \$2.53 million in ATM and debit card interchange transaction fees, \$59,000 in escrow fees, and \$34,000** in fee income from non-deposit investment sales.

If a contract is determined to be within the scope of ASC 606, the Company recognizes revenue when it satisfies its performance obligation. Descriptions of the Company's revenue-generating activities that are within the scope of ASC 606 are as follows:

- **Service Charges on Deposits:** The Company earns fees from its deposit customers from a variety of deposit products and services. Non-transaction based fees such as account maintenance fees and monthly statement fees are considered to be provided to the customer under a day-to-day contract with ongoing renewals. Revenue for these non-transaction fees are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Transaction-based fees such as non-sufficient fund charges, stop payment charges and wire fees are recognized at the time the transaction is executed, as the contract duration does not extend beyond the service performed.
- **ATM and Debit Card Interchange Transaction Fees:** The Company earns fees from cardholder transactions conducted through third-party payment network providers which consist of interchange fees earned from the payment networks as a debit card issuer. These fees are recognized when the transaction occurs, but may settle on a daily or monthly basis.
- **Escrow Fees:** The Company earns fees from real estate escrow contracts with customers. The Company receives and disburses money and/or property according to the customer's contract. Fees are recognized when the escrow contract closes.
- **Fee Income from Non-deposit Investment Sales:** The Company earns fees from contracts with customers for investment activities. Revenues are generally recognized on a monthly basis and are generally based on a percentage of the customer's assets under management or based on investment solutions that are implemented for the customer.

## (12) COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk not recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party. However, such loan to value ratios will subsequently change, based on increases and decreases in the supporting collateral values. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate, land and income-producing commercial properties.

A summary of the Company's commitments at **December 31, 2023**, **March 31, 2024** and **2022 2023** are listed below (in thousands):

	December 31, 2023
	December 31, 2023
	December 31, 2023
	March 31, 2024
	March 31, 2024
	March 31, 2024
Undisbursed portion of construction loans in process (see Note 4)	
Undisbursed portion of construction loans in process (see Note 4)	
Undisbursed portion of construction loans in process (see Note 4)	
Undisbursed lines of credit	
Undisbursed lines of credit	
Undisbursed lines of credit	
Commitments to extend credit	
Commitments to extend credit	
Commitments to extend credit	
	\$
	\$
	\$

The Company maintains a separate **allowance for credit losses ACL** related to unfunded loan commitments. The Company estimates expected losses on unfunded, off-balance sheet commitments over the contractual period in which the exposure to credit risk from a contractual obligation to extend credit, unless the Company has determined that obligation is unconditionally cancellable. The **allowance** methodology for calculating the ACL on unfunded loan commitments is similar to the methodology for calculating the ACL on loans but also includes an estimate of the future utilization of the commitment as determined by historical commitment utilization. Credit risk associated with the unfunded commitments are consistent with the loss ratio for each loan segment within the **allowance for credit losses ACL** for loans. The ACL **for on** unfunded commitments is recognized in other liabilities and accrued expenses in the consolidated balance sheets and is adjusted as a provision (recapture of provision) for credit losses on the consolidated income statements. The ACL **for on** unfunded loan commitments totaled **\$364,000** **\$276,000** at **December 31, 2023** **March 31, 2024**.

The following table sets forth information for the three **and six** months ended **December 31, 2023** **March 31, 2024** and **2022 2023** regarding activity in the **allowance for credit losses for a ACL on** unfunded loan commitments (dollars in thousands):

Allowance for Credit Losses	December 31, 2023	December 31, 2022
Beginning balance	\$ 332	\$ 305
Impact of adopting CECL (ASU 2016-13)	65	—
(Recapture of) provision for credit losses	(33)	15
<b>Ending allowance</b>	<b>\$ 364</b>	<b>\$ 320</b>

ACL	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Beginning ACL	\$ 364	\$ 320
(Recapture of) provision for credit losses	(88)	—
<b>Ending ACL</b>	<b>\$ 276</b>	<b>\$ 320</b>

ACL	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Beginning ACL	\$ 332	\$ 305

Impact of adopting CECL (ASU 2016-13)	65	—
(Recapture of) provision for credit losses	(121)	15
<b>Ending ACL</b>	<b>\$ 276</b>	<b>\$ 320</b>

The Bank has an employee severance compensation plan which expires in 2027 that provides for severance pay benefits to eligible employees in the event of a change in control of Timberland Bancorp or the Bank (as defined in the plan). In general, all employees with two or more years of service will be eligible to participate in the plan. Under the plan, in the event of a change in control of Timberland Bancorp or the Bank, eligible employees who are terminated or who terminate employment (but only upon the occurrence of events specified in the plan) within 12 months of the effective date of a change in control would be entitled to a payment based on years of service or officer rank with the Bank. The maximum payment for any eligible employee would be equal to 18 months of the employee's current compensation.

Timberland Bancorp has entered into employment contracts with certain key employees, which provide for contingent payment subject to future events.

Because of the nature of its activities, the Company is subject to various pending and threatened legal actions which arise in the ordinary course of business. In the opinion of management, liabilities arising from these claims, if any, will not have a material effect on the future consolidated financial position of the Company.

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

As used in this Form 10-Q, the terms "we," "us," "our" and the "Company" refer to Timberland Bancorp, Inc. and its consolidated subsidiaries, unless the context indicates otherwise. When we refer References to the "Bank" in this Form 10-Q, we are referring refer to Timberland Bank, a wholly-owned subsidiary of Timberland Bancorp, Inc., and the Bank's wholly-owned subsidiary, Timberland Service Corporation.

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to assist in understanding our financial condition and results of operations. The information contained in this section should be read in conjunction with the consolidated financial statements and accompanying notes to the consolidated financial statements contained in Item 1 of this Form 10-Q. The following analysis discusses the material changes in the consolidated financial condition and results of operations of the Company at and for the three and six months ended December 31, 2023 March 31, 2024.

### **Special Note Regarding Forward-Looking Statements**

Certain matters discussed in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, are based on certain assumptions and often include the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future economic performance. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited

to: potential adverse impacts to economic conditions in our local market areas, other markets where the Company has lending relationships, or other aspects of the Company's business operations or financial markets, including, without limitation, as a result of employment levels, labor shortages and the effects of inflation, a potential recession or slowed economic growth; continuing elevated levels of inflation and the impact of current and future monetary policies of the Board of Governors of the Federal Reserve System ("Federal Reserve") in response thereto; the effects of any federal government shutdown; credit risks of lending activities, including any deterioration in the housing and commercial real estate markets which may lead to increased losses and non-performing loans in our loan portfolio resulting in our ACL not being adequate to cover actual losses and thus requiring us to materially increase our ACL through the provision for credit losses; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long-term interest rates, deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; secondary market conditions for loans and our ability to sell loans in the secondary market; results of examinations of us by the Federal Reserve and of our bank subsidiary by the Federal Deposit Insurance Corporation ("FDIC"), the Washington State Department of Financial Institutions, Division of Banks or other regulatory authorities, including 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 allowance for credit losses, 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; 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; legislative or regulatory changes that adversely affect our business including changes in banking, securities and tax law, in regulatory policies and principles, or the interpretation of regulatory capital or other rules; our ability to attract and retain deposits; our ability to control operating costs and expenses; the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans in our consolidated balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges; disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems or on the third-party vendors who perform several of our critical processing functions; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; our ability to implement our business strategies; our ability to manage loan delinquency rates; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; our ability to pay dividends on our common stock; the quality and composition of our securities portfolio and the impact if any adverse changes in the securities markets, including on market liquidity; inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board ("FASB"), including additional guidance and interpretation on accounting issues



and details of the implementation of new accounting methods; the economic impact 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 on our business; other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; and other risks described elsewhere in this Form 10-Q and in the Company's other reports filed with or furnished to the Securities and Exchange Commission, including our **2023 Annual Report on Form 10-K for the fiscal year ended September 30, 2023 (the "2023 Form 10-K, 10-K").**

Any of the forward-looking statements that we make in this Form 10-Q and in the other public statements we make are based upon management's beliefs and assumptions at the time they are made. We do not undertake and specifically disclaim any obligation to publicly update or revise any forward-looking statements included in this quarterly report to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements 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 we caution readers not to place undue reliance on any forward-looking statements. These risks could cause our actual results for fiscal 2024 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us, and could negatively affect the Company's consolidated financial condition and results of operations as well as its stock price performance.

## Overview

Timberland Bancorp, Inc., a Washington corporation, is the holding company for Timberland Bank. The Bank opened for business in 1915 and serves consumers and businesses across Grays Harbor, Thurston, Pierce, King, Kitsap and Lewis counties, Washington with a full range of lending and deposit services through its 23 offices (including its main office in Hoquiam). At **December 31, 2023** **March 31, 2024**, the Company had total assets of **\$1.90 billion** **\$1.91 billion**, net loans receivable of **\$1.34** **\$1.36** billion, total deposits of **\$1.63 billion** **\$1.64 billion** and total shareholders' equity of **\$237.37 million** **\$238.68 million**. The Company's business activities generally are limited to passive investment activities and oversight of its investment in the Bank. Accordingly, the information set forth in this report, including the unaudited consolidated financial statements and related data, relates primarily to the Bank's operations.

The Bank is a community-oriented bank which has traditionally offered a variety of savings products to its retail and business customers while concentrating its lending activities on real estate secured loans. Lending activities have been focused primarily on the origination of loans secured by real estate, including residential construction loans, one- to four-family residential loans, multi-family loans and commercial real estate loans. The Bank also originates commercial business loans and other consumer loans.

The profitability of the Company's operations depends primarily on its net interest income after provision for (recapture of) credit losses. Net interest income is the difference between interest income, which is the income that the Company earns on interest-earning assets, which are primarily loans and investments, and interest expense, the amount that the Company pays on its interest-bearing liabilities, which are primarily deposits and borrowings (as needed). Net interest income is affected by changes in the volume and mix of interest-earning assets, the interest earned on those assets, the volume and mix of interest-bearing liabilities and the interest paid on those interest-bearing liabilities. Management attempts to maintain a net interest margin placing it within the top quartile of its Washington State peers.

Changes in market interest rates, the slope of the yield curve, and interest we earn on interest earning assets or pay on interest bearing liabilities, as well as the volume and types of interest earning assets, interest bearing and non-interest bearing liabilities and shareholders' equity, usually have the largest impact on changes in our net interest spread, net interest margin and net interest income during a reporting period. Since March 2022, in response to inflation, the Federal Open Market Committee ("FOMC") of the Federal Reserve has increased the target range for the federal funds rate by 525 basis points, to a range of 5.25% to 5.50% as of **December 31, 2023** **March 31, 2024**, taking benchmark borrowing costs to their highest level in more than 22 years.

The provision for (recapture of) credit losses is dependent on changes in the loan portfolio and management's assessment of the collectability of the loan portfolio as well as prevailing economic and market conditions. The ACL on loans reflects the amount that management has determined is adequate to cover probable expected credit losses in the loan portfolio. As the loan portfolio increases, or due to an increase in probable expected losses inherent in the loan portfolio, the ACL may increase, resulting in a decrease to net interest income after the provision. Improvement in loan risk ratings, increase in property values, or receipts of recoveries of amounts previously charged off may partially or fully offset any required increases to ACL on loans due to loan growth or an increase in the probable expected credit losses. The Company recorded a provision for credit losses on loans of **\$379,000** **\$166,000** and **\$545,000** for the three and six months ended **December 31, 2023** using **March 31, 2024** (using the CECL **methodology, methodology**), primarily due to loan portfolio growth. The Company recorded a **\$525,000** provision for loan losses using (using the prior incurred loss **methodology, methodology**) of **\$475,000** and **\$1.00 million** for the three and six months ended **December 31, 2022** **March 31, 2023**.

Net income is also affected by non-interest income and non-interest expense. For the three and six months ended **December 31, 2023** **March 31, 2024**, non-interest income consisted primarily of service charges on deposit accounts, gain on sales of loans, ATM and debit card interchange transaction fees, **an increase in the cash surrender value of BOLI** **net earnings**, servicing income on loans sold, escrow fees and other operating income. Non-interest income is also increased by net recoveries on investment securities and for periods prior to the adoption of CECL reduced by net OTTI losses on investment securities, if any. Non-interest income is also decreased by valuation allowances on loan servicing rights and increased by recoveries of valuation allowances on loan servicing rights, if any. Non-interest expense consisted primarily of salaries and employee benefits, premises and equipment, advertising, ATM and debit card interchange transaction fees, postage and courier expenses, state and local taxes, professional fees, FDIC insurance premiums, loan administration and foreclosure expenses, data processing and telecommunication expenses, deposit operation expenses, amortization of CDI, and other non-interest expenses. Non-interest expense in certain periods is reduced by gains on the sale of premises and equipment and gains on the sale of OREO. Non-interest income and non-interest expense are affected by the growth of the Company's operations and growth in the number of loan and deposit accounts.

Results of operations may also be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

## Critical Accounting Estimates

**The Management's** discussion and analysis of the Company's financial condition and results of operations is based upon the Company'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 significant estimates and 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. Actual results may differ from these estimates under different assumptions or conditions.

The Company's critical accounting estimates are described in the Company's 2023 Form 10-K under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Estimates." That discussion highlights estimates that the Company makes that involve uncertainty or potential for substantial change. Other than the adoption of CECL, there have been no material changes in the Company's critical accounting policies and estimates as previously disclosed in the Company's 2023 Form 10-K.

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

**General:** Total assets increased by \$55.21 million \$67.33 million, or 3.0% 3.7%, to \$1.90 billion \$1.91 billion at December 31, 2023 March 31, 2024 from \$1.84 billion at September 30, 2023. The increase in total assets was primarily due to increases in loans receivable and total cash and cash equivalents, which was partially offset by decreases in investment securities and CDs held for investment. The quarterly increase in assets was primarily funded by an increase in deposits, which was partially offset by a decrease in FHLB borrowings.

Net loans receivable increased by \$33.98 million \$56.81 million, or 2.6% 4.4%, to \$1.34 billion \$1.36 billion at December 31, 2023 March 31, 2024 from \$1.30 billion at September 30, 2023, primarily due to increases in multi-family loans, one- to four-family loans, commercial real estate loans, one- to four-family loans, as well as smaller increases in several other loan categories. These increases to net loans receivable were partially offset by decreases in construction and land development loans as well as smaller decreases in several other loan categories.

Total deposits increased by \$66.13 million \$77.62 million, or 4.2% 5.0%, to \$1.63 billion \$1.64 billion at December 31, 2023 March 31, 2024 from \$1.56 billion at September 30, 2023, primarily due to increases in money market account balances, and certificates of deposit balances, and NOW checking account balances. These increases were partially offset by decreases in NOW checking account, non-interest bearing deposit balances and savings account balances.

Shareholders' equity increased by \$4.30 million \$5.61 million, or 1.8% 2.4%, to \$237.37 million \$238.68 million at December 31, 2023 March 31, 2024 from \$233.07 million at September 30, 2023. The increase in shareholders' equity was primarily due to net income and proceeds from stock options exercised and option exercises along with a reduction in accumulated other comprehensive loss during the current quarter period. These increases were partially offset by the payment of dividends to common shareholders, repurchases of common stock and a reduction of retained earnings related to adoption of the new CECL accounting standard and the repurchase of common stock during the quarter, six months ended March 31, 2024.

A more detailed explanation of the changes in significant balance sheet categories follows:

**Cash and Cash Equivalents and CDs Held for Investment:** Cash and cash equivalents and CDs held for investment increased by \$26.56 million \$47.64 million, or 18.5% 33.1%, to \$170.47 million \$191.55 million at December 31, 2023 March 31, 2024 from \$143.91 million at September 30, 2023.

The increase was primarily due to increased deposits and a decrease in investment securities, which was partially offset by an increase in loans and a decrease in FHLB borrowings.

**Investment Securities:** Investment securities (including investments in equity securities) decreased by \$5.42 million \$38.39 million, or 1.7% 12.3%, to \$307.38 million \$274.41 million at December 31, 2023 March 31, 2024 from \$312.80 million at September 30, 2023. This decrease was primarily due to maturities, prepayments and scheduled amortization of other investment securities, amortizations exceeding purchases. For additional information on investment securities, see Note 2 of the Notes to Unaudited Consolidated Financial Statements contained in "Item 1, Financial Statements."

**FHLB Stock:** FHLB stock decreased \$1.60 million \$1.57 million, or 44.5% 43.5% to \$2.00 million \$2.04 million at December 31, 2023 March 31, 2024 from \$3.60 million at September 30, 2023, due to the repayment of a portion of FHLB borrowings and the restructuring of stock requirements by FHLB.

**Other Investments:** Other investments consist solely of the Company's investment in the Solomon Hess SBA Loan Fund LLC, which was unchanged at \$3.00 million at both December 31, 2023 March 31, 2024 and September 30, 2023. This investment is utilized to help satisfy compliance with the Bank's Community Reinvestment Act investment test requirements.

**Loans:** Net loans receivable increased by \$33.98 million \$56.81 million, or 2.6% 4.4%, to \$1.34 billion \$1.36 billion at December 31, 2023 March 31, 2024 from \$1.30 billion at September 30, 2023. The increase was due to increases of \$20.15 million \$40.10 million in multi-family loans, \$10.77 million \$23.21 million in one- to four-family loans, \$9.11 million in commercial real estate loans, \$9.90 million in one- to four-family loans and smaller increases in other categories. These increases were partially offset by an \$8.76 million a \$46.49 million decrease in construction and land development loans, with the largest decreases occurring in commercial and multi-family construction loans, and smaller decreases in several other loan categories. The increase in multi-family and one-to-four family loans and the decrease in construction loans were in part due to the construction portion of these loans beings completed and moved to permanent financing categories.

Loan originations decreased by \$12.74 million \$50.51 million, or 12.5% 28.3%, to \$88.93 million \$128.30 million for the three six months ended December 31, 2023 March 31, 2024 from \$101.67 million \$178.81 million for the three six months ended December 31, 2022 March 31, 2023. The decrease in loan originations was primarily due to a decrease in the amount of commercial real estate, one- to four-family and commercial business construction loans originated. The decrease was partially offset by increases in multi-family and consumer commercial business loan originations. The Company generally sells longer-term fixed-rate one- to four-family mortgage loans for asset liability management purposes and to generate non-interest income. Sales of fixed-rate one- to four-family mortgage loans increased by \$2.64 million \$2.53 million, or 227.6% 71.3%, to \$3.8 million \$6.07 million for the three six months ended December 31, 2023 March 31, 2024 from \$1.16 million \$3.55 million for the three six months ended December 31, 2022 March 31, 2023, primarily due to an increase in one- to four-family construction loans refinancing to permanent loans, loans and being sold into the secondary market.

For additional information on loans, see Note 4 of the Notes to Unaudited Consolidated Financial Statements contained in "Item 1, Financial Statements."

**Premises and Equipment:** Premises and equipment decreased increased by \$58,000, \$76,000, or 0.3% 0.4%, to \$21.58 million \$21.72 million at December 31, 2023 March 31, 2024 from \$21.64 million at September 30, 2023. This decrease increase was primarily due to additions from remodeling projects that were partially offset by scheduled depreciation.

**OREO (Other Real Estate Owned):** At December 31, 2023 March 31, 2024, total OREO and other repossessed assets consisted of one land parcel with no recorded value. At September 30, 2023, total OREO and other repossessed assets consisted of two land parcels with no recorded value.

**BOLI (Bank Owned Life Insurance):** BOLI increased by \$156,000 \$312,000 or 0.7% 1.4%, to \$23.12 million \$23.28 million at December 31, 2023 March 31, 2024 from \$22.97 million at September 30, 2023. The increase was due to net BOLI earnings, representing the increase in the cash surrender value of the BOLI policies.

**Goodwill and CDI:** The recorded amount of goodwill remained unchanged at \$15.13 million at both December 31, 2023 March 31, 2024 and September 30, 2023. CDI decreased by \$56,000, \$113,000, or 8.3% 16.7%, to \$621,000 \$564,000 at December 31, 2023 March 31, 2024 from \$677,000 at September 30, 2023 due to scheduled amortization. For additional information on goodwill and CDI, see Note 3 of the Notes to Unaudited Consolidated Financial Statements contained in "Item 1, Financial Statements."

**Loan Servicing Rights, Net:** Loan servicing rights, net decreased by \$199,000 \$407,000 or 9.4% 19.2%, to \$1.92 million \$1.72 million at December 31, 2023 March 31, 2024 from \$2.12 million at September 30, 2023 primarily due to the amortization of servicing rights. The principal amount of loans serviced for Freddie Mac and SBA decreased by \$3.25 million \$7.63 million to \$383.25 million \$378.87 million at December 31, 2023 March 31, 2024 from \$386.50 million at September 30, 2023.

**Deposits:** Deposits increased by \$66.13 million \$77.62 million, or 4.2% 5.0%, to \$1.63 billion \$1.64 billion at December 31, 2023 March 31, 2024 from \$1.56 billion at September 30, 2023. The increase was primarily due to a \$79.81 million \$122.12 million increase in money market account balances an \$18.81 million and a \$53.85 million increase in certificates of deposit balances and a \$2.73 million increase in NOW checking account balances. These increases were partially offset by a \$22.80 million \$50.11 million decrease in NOW checking accounts balances, a \$30.96 million decrease in non-interest bearing demand accounts account balances and a \$12.42 million \$17.28 million decrease in savings account balances. The increase in money market account balances was primarily due to several larger balance increases with commercial customers.

Deposits consisted of the following at December 31, 2023 March 31, 2024 and September 30, 2023 (dollars in thousands):

	December 31, 2023				September 30, 2023				March 31, 2024				September 30, 2023			
	Amount	Amount	Percent	Percent	Amount	Amount	Percent	Percent	Amount	Amount	Percent	Percent	Amount	Amount	Percent	Percent
Non-interest-bearing demand	Non-interest-bearing demand \$ 433,065	26.6	26.6 %		\$ 455,864	29.2	29.2 %		Non-interest-bearing demand \$ 424,906	25.9	25.9 %		\$ 455,864	29.2	29.2 %	
NOW checking																
Savings																
Savings																
Savings																
Money market																
Certificates of deposit under \$250																
Certificates of deposit under \$250																
Certificates of deposit under \$250																
Certificates of deposit over \$250																
Certificates of deposit - brokered																
<b>Total</b>	<b>Total \$1,627,069</b>	<b>100.0</b>	<b>100.0 %</b>		<b>\$1,560,935</b>	<b>100.0</b>	<b>100.0 %</b>		<b>Total \$1,638,554</b>	<b>100.0</b>	<b>100.0 %</b>		<b>\$1,560,935</b>	<b>100.0</b>	<b>100.0 %</b>	

**FHLB Borrowings:** The Company has short- and long-term borrowing lines with the FHLB with total credit available on the lines equal to 45% of the Bank's total assets, limited by available collateral. FHLB borrowings decreased to \$20.00 million at December 31, 2023 March 31, 2024, from \$35.00 million at September 30, 2023. The borrowings consist of one

\$5.00 million short-term borrowing, with a scheduled maturity in September 2024, that bears interest at 5.52%, and one \$5.00 million borrowing and one \$10.00 million borrowing with scheduled maturities in May 2026, both of which bear interest at 3.95%.

**Shareholders' Equity:** Total shareholders' equity increased by \$4.30 million \$5.61 million, or 1.8% 2.4%, to \$237.37 million \$238.68 million at December 31, 2023 March 31, 2024 from \$233.07 million at September 30, 2023. The increase was primarily due to net income of \$6.30 million \$12.00 million and proceeds of \$355,000 \$390,000 from the exercise of stock options and along with a \$257,000 \$339,000 reduction in the accumulated other comprehensive loss category for the fair value adjustment on available for sale investment securities . securities. This increase was partially offset by dividend payments to common shareholders of \$1.87 million \$3.82 million, the repurchase of 112,117 shares of the Company's common stock for \$3.03 million and a \$488,000 adjustment to equity for the adoption of the new CECL accounting standard, and the repurchase of 12,330 shares of the Company's common stock for \$362,000 during the current quarter. standard.

**Asset Quality and Commercial Real Estate Portfolio Breakdown:**

Non-performing assets to total assets was 0.18% 0.19% at December 31, 2023 March 31, 2024 and 0.09% at September 30, 2023. Total non-performing Non-performing assets increased by \$1.86 million \$2.09 million, or 116.2% 130.8%, to \$3.45 million \$3.68 million at December 31, 2023 March 31, 2024 from \$1.60 million at September 30, 2023. The increase in non-performing assets was primarily due to a \$1.85 million \$2.09 million increase in non-accrual loans, with the largest increases occurring in the commercial business and a \$3,000 increase in non-accrual investment securities. commercial real estate portfolios.

The following table sets forth information with respect to the Company's non-performing assets at December 31, 2023 March 31, 2024 and September 30, 2023 (dollars in thousands):

		December 31, 2023	September 30, 2023
		March 31, 2024	September 30, 2023
Loans accounted for on a non-accrual basis:	Loans accounted for on a non-accrual basis:		
Mortgage loans:	Mortgage loans:		Mortgage loans:
One- to four-family (1)			
Commercial			
Commercial			
Commercial			
Construction – custom and owner/builder			
Consumer loans:			
Consumer loans:			
Consumer loans:			
Home equity and second mortgage			
Commercial business loans			
Commercial business loans			
Commercial business loans			
Total loans accounted for on a non-accrual basis			
Accruing loans which are contractually past due 90 days or more			
Accruing loans which are contractually past due 90 days or more			
Accruing loans which are contractually past due 90 days or more			
Total of non-accrual and 90 days or more past due loans			
Total of non-accrual and 90 days or more past due loans			
Total of non-accrual and 90 days or more past due loans			
Non-accrual investment securities			
Non-accrual investment securities			
Non-accrual investment securities			
Total non-performing assets (2)			
Total non-performing assets (2)			
Total non-performing assets (2)			
TDRs on accrual status (3)			
TDRs on accrual status (3)			

TDRs on accrual status (3)

Non-accrual and 90 days or more past due loans as a percentage of loans receivable

Non-accrual and 90 days or more past due loans as a percentage of loans receivable

Non-accrual and 90 days or more past due loans as a percentage of loans receivable	0.25 %	0.11 %	0.26 %	0.11 %
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Non-accrual and 90 days or more past due loans as a percentage of total assets

Non-accrual and 90 days or more past due loans as a percentage of total assets

Non-accrual and 90 days or more past due loans as a percentage of total assets	0.18 %	0.08 %	0.19 %	0.08 %
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Non-performing assets as a percentage of total assets

Non-performing assets as a percentage of total assets

Non-performing assets as a percentage of total assets	0.18 %	0.09 %	0.19 %	0.09 %
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Loans receivable (4)

Loans receivable (4)

Loans receivable (4)

Total assets

Total assets

Total assets

(1) As of December 31, 2023 and March 31, 2024, there was one one- to four-family property in the process of foreclosure. At September 30, 2023, there were no one- to four-family properties in the process of foreclosure.

(2) Does not include TDRs on accrual status as of September 30, 2023. For more information regarding TDRs please see Note 4 of the Notes to Unaudited Financial Statements contained in "Item 1 Financial Statements".

(3) Does not include TDRs totaling \$0 reported as on non-accrual loans status at September 30, 2023. For more information regarding TDRs please see Note 4 of the Notes to Unaudited Financial Statements contained in "Item 1 Financial Statements".

(4) Does not include loans held for sale, and loan sale. Loan balances are before any reduction of the ACL.

The following tables provide a breakdown of commercial real estate ("CRE") loans by collateral types as of December 31, 2023 March 31, 2024 and September 30, 2023:

CRE Loan Portfolio Breakdown by Collateral at December 31, 2023					CRE Loan Portfolio Breakdown by Collateral at March 31, 2024							
(\$ in thousands)					(\$ in thousands)							
Collateral Type	Collateral Type	Balance	Percent of CRE Portfolio	Percent of Total Loan Portfolio	Average Balance per Loan	Non-Accrual	Collateral Type	Balance	Percent of CRE Portfolio	Percent of Total Loan Portfolio	Average Balance per Loan	Non-Accrual
Industrial warehouse												
Medical/dental offices												
Office buildings												
Other retail buildings												
Mini-storage												
Hotel/motel												
Restaurants												
Gas stations/convenience stores												
Nursing homes												
Mobile home parks												
Shopping centers												
Mobile home parks												
Churches												
Other												
Total CRE												

CRE Loan Portfolio Breakdown by Collateral at September 30, 2023

(\$ in thousands)

Collateral Type	Balance	Percent of CRE Portfolio	Percent of Total Loan Portfolio	Average Balance per Loan	Non-Accrual
Industrial warehouse	\$ 115,804	20 %	8 %	\$ 1,135	\$ 195
Medical/dental offices	76,498	14	5 %	1,319	—
Office buildings	66,108	12	5 %	760	—
Other retail buildings	51,730	9	4 %	545	—
Hotel/motel	30,718	5	2 %	3,072	—
Mini-storage	27,750	5	2 %	1,156	—
Restaurants	27,640	5	2 %	564	—
Gas stations/convenience stores	21,588	4	1 %	939	—
Nursing homes	18,051	3	1 %	3,008	—
Shopping centers	10,790	2	1 %	2,158	—
Mobile home parks	9,696	2	1 %	510	—
Churches	7,253	1	1 %	484	—
Other	104,639	18	7 %	731	488
Total CRE	\$ 568,265	100 %	40 %	\$ 893	\$ 683

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

Net income decreased by \$1.21 million, \$955,000, or 16.1% 14.3%, to \$6.30 million \$5.71 million for the quarter ended December 31, 2023 March 31, 2024 from \$7.51 million \$6.66 million for the quarter ended December 31, 2022 March 31, 2023. Net income per diluted common share decreased by \$0.13, \$0.10, or 14.4% 12.5%, to \$0.77 \$0.70 for the quarter ended December 31, 2023 March 31, 2024 from \$0.90 \$0.80 for the quarter ended December 31, 2022 March 31, 2023. The decreases in net income and net income per diluted common share for the three months ended December 31, 2023 March 31, 2024, were primarily due to a \$1.74 million \$1.52 million decrease in net interest income, and an \$89,000 a \$47,000 increase in non-interest expense.. expense and a \$21,000 decrease in non-interest income. This decrease was partially offset by a \$93,000 increase in non-interest income, a \$189,000 \$394,000 decrease in the provision for credit losses and a \$335,000 \$235,000 decrease in the provision for income taxes.

Net income decreased by \$2.17 million, or 15.3%, to \$12.00 million for the six months ended March 31, 2024 from \$14.17 million for the six months ended March 31, 2023. Net income per diluted common share decreased by \$0.23, or 13.5% to \$1.47 for the six months ended March 31, 2024 from \$1.70 for the six months ended March 31, 2023. The decreases in net income and net income per diluted common share were due to a \$3.26 million decrease in net interest income and a \$136,000 increase in non-interest expense. This decrease was partially offset by a \$583,000 decrease in the provision for credit losses, a \$571,000 decrease in the provision for income taxes and a \$72,000 increase in non-interest income.

A more detailed explanation of the income statement categories is presented below.

**Net Interest Income:** Net interest income decreased by \$1.74 million \$1.52 million, or 9.8% 8.8%, to \$16.00 million \$15.64 million for the quarter ended December 31, 2023 March 31, 2024 from \$17.74 million \$17.15 million for the quarter ended December 31, 2022 March 31, 2023. This decrease was primarily due to an increase in the weighted average cost of interest-bearing liabilities to 2.22% 2.50% at December 31, 2023 March 31, 2024 from 0.50% 0.84% at December 31, 2022 March 31, 2023 and, to a lesser extent, a \$67.35 million \$131.60 million increase in the average balance of total interest-bearing liabilities. Partially offsetting the increase in funding costs, was an increase in the average yields of interest-earning assets to 5.07% 5.16% for the current quarter from 4.34% 4.51% at December 31, 2022, March 31, 2023 and a \$16.18 million \$87.60 million increase in average total interest-bearing interest-earning assets.

Total interest and dividend income increased by \$3.38 million \$3.77 million, or 17.7% 19.4%, to \$22.50 million \$23.16 million for the quarter ended December 31, 2023 March 31, 2024 from \$19.11 million \$19.39 million for the quarter ended December 31, 2022 March 31, 2023, primarily due to increases in the average yield and average balance of loans receivable, and the average yields on interest-bearing deposits in banks and CDs, and investment securities. These increases were partially offset by a decrease in the average balance of interest-bearing deposits in banks and CDs. CDs, and investment securities.

The average balance of total interest-earning assets increased by \$16.18 million \$87.60 million, or 0.9% 5.1%, to \$1.78 billion \$1.81 billion for the quarter ended December 31, 2023 March 31, 2024 from \$1.76 billion \$1.72 billion for the quarter ended December 31, 2022 March 31, 2023. The average balance of investment securities decreased by \$13.19 million, or 4.1% and the average balance of loans receivable increased by \$168.60 million \$164.55 million, or 14.5% 13.7%, which was partially offset by a decrease in the average balance of investment securities of \$42.13 million, or 12.6% and a decrease in the average balance of interest-bearing deposits in banks and CDs of \$140.19 million \$34.63 million, or 52.6% 19.5% between the periods. During the quarter both quarters ended December 31, 2023, the accretion of the purchase accounting fair value discount on acquired loans increased interest income on loans by \$10,000 compared to \$28,000 for the quarter ended December 31, 2022. The incremental accretion will change during any period based on the volume of prepayments but is expected to decrease over time as the balance of the net discount declines. During the quarter ended December 31, 2023, March 31, 2024 and 2023, there was a total of \$142,000 \$99,000 of pre-payment penalties, non-accrual interest and late fees collected compared to \$120,000 collected for the quarter ended December 31, 2022. The average yield on interest-earning assets increased by 73 65 basis points to 5.07% 5.16% for the quarter ended December 31, 2023 March 31, 2024 from 4.34% 4.51% for the quarter ended December 31, 2022 March 31, 2023. The average yield on interest-bearing deposits in banks and CDs and on investment securities increased 176 109 basis points and 22 15 basis points to 5.35% 5.39% and 2.96% 3.09%, respectively, for the quarter ended December 31, 2023 March 31, 2024 compared to the quarter ended December 31, 2022 March 31, 2023, while the average yield on loans receivable increased 55 59 basis points to 5.52% 5.57% during the same period.

Total interest expense increased by \$5.12 million \$5.29 million, or 374.2% 236.4%, to \$6.49 million \$7.52 million for the quarter ended December 31, 2023 March 31, 2024 from \$1.37 million \$2.24 million for the quarter ended December 31, 2022 March 31, 2023. The increase in interest expense was due to an increase in the average cost and, to a lesser

extent, an increase in the average balance of interest-bearing liabilities, primarily deposits. The average cost of interest-bearing liabilities increased to 2.22% 2.50% for the quarter ended December 31, 2023 March 31, 2024 from 0.50% 0.84% for the quarter ended December 31, 2022 March 31, 2023. The average balance of interest-bearing liabilities increased by \$67.35 \$131.60 million, or 6.2% 12.2%, to \$1.16 billion \$1.21 billion for the quarter ended December 31, 2023 March 31, 2024 from \$1.09 billion \$1.08 billion for the quarter ended December 31, 2022 March 31, 2023, primarily due to decreases increases in the average balances of NOW checking, saving and money market accounts, certificate of deposit accounts and borrowings, partially offset by an increase decreases in the average balance of certificate of deposit NOW checking accounts, and borrowings, savings accounts.

Interest expense on deposits increased by \$4.77 million \$5.07 million, or 348.7% 226.5%, to \$6.14 million \$7.30 million for the quarter ended December 31, 2023 March 31, 2024 from \$1.37 million \$2.24 million for the quarter ended December 31, 2022 March 31, 2023, driven by an increase in the average cost of interest-bearing deposits in all categories and an increase in the average balance of money market accounts and certificates of deposit. The average cost of interest bearing deposits increased 113 166 basis points to 2.17% 2.50% for the three months ended December 31, 2023 March 31, 2024, which included a 297 212 basis point increase in the cost of certificates of deposit, including brokered certificates of deposit, to 4.16% 4.34%, compared to the same period last year. The average balance of certificates of deposit increased \$175.89 million \$165.06 million, or 129.8% 96.8%, to \$311.35 million \$335.60 million for the three months ended December 31, 2023 March 31, 2024, compared to the same period last year, which includes \$42.73 million \$40.40 million in brokered certificates of deposit.

Interest expense on borrowing increased to \$348,000 \$220,000 for the quarter ended December 31, 2023 March 31, 2024, compared to none for the quarter ended December 31, 2022 March 31, 2023. The average balance of borrowing was \$28.80 million \$20.0 million and the average rate paid on borrowings was 4.05% 4.42% for the quarter ended December 31, 2023 March 31, 2024.

As a result of the increase in interest expense, the net interest margin ("NIM") decreased to 3.60% 3.48% for the quarter ended December 31, 2023 March 31, 2024 from 4.03% 3.99% for the quarter ended December 31, 2022 March 31, 2023.

Net income decreased \$2.17 million or 15.3% to \$12.00 million for the six months ended March 31, 2024 from \$14.17 million for the six months ended March 31, 2023. The decrease in net income was primarily due to a \$3.26 million decrease in net interest income and a \$136,000 increase in non-interest expense. This decrease was partially offset by a \$583,000 decrease in the provision for credit losses, a \$571,000 decrease in the provision for income taxes and a \$72,000 increase in non-interest income.

Total interest and dividend income increased \$7.15 million, or 18.6%, to \$45.65 million for the six months ended March 31, 2024 from \$38.50 million for the six months ended March 31, 2023, primarily due to increases in the average yield and average balance of loans receivable, and the average yields on interest-bearing deposits in banks and CDs and investment securities. These increases were partially offset by a decrease in the average balances of interest-bearing deposits in banks and CDs, and investment securities.

Total interest expense increased by \$10.41 million, or 288.6% to \$14.01 million for the six months ended March 31, 2024 from \$3.61 for the six months ended March 31, 2023. The increase in interest expense was due to an increase in the average cost and, to a lesser extent, an increase in the average balance of interest-bearing liabilities, primarily deposits.

NIM decreased to 3.53% for the six months ended March 31, 2024 from 4.02% for the six months ended March 31, 2023.

Average Balances, Interest and Average Yields/Cost

The following tables set forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities and average yields and costs. Such yields and costs for the periods indicated are derived by dividing income or expense by the average daily balance of assets or liabilities, respectively, for the periods presented (dollars in thousands).

Three Months Ended December 31,										
2023					2022			2024		
Average Balance	Average Balance	Interest and Dividends	Yield/ Cost		Average Balance	Interest and Dividends		Average Balance	Interest and Dividends	
Interest-earning assets:										
Loans receivable (1)(2)										
Loans receivable (1)(2)										
Loans receivable (1)(2)	\$1,332,971	\$18,395	5.52	5.52 %	\$1,164,369	\$14,457	4.97			4
Investment securities (2)										
Dividends from mutual funds, FHLB stock and other investments										
Interest-bearing deposits in banks and CDs										
Total interest-earning assets										

Non-interest-earning assets	Non-interest-earning assets	81,612				84,806				
Total assets	Total assets	\$1,858,000				\$ 1,845,010				Total assets \$
Interest-bearing liabilities:										
Interest-bearing liabilities:										
Interest-bearing liabilities:										
Savings										
Money market										
NOW checking										
Certificates of deposit										
Brokered CDs										
Short-term borrowings										
Long-term borrowings										
Total interest-bearing liabilities										
Non-interest-bearing deposits										
Other liabilities										
Other liabilities										
Other liabilities		11,878				11,002				10,182
Total liabilities	Total liabilities	1,623,725				1,624,782				Total liabilities
Shareholders' equity	Shareholders' equity	234,275				220,228				Shareholders' equity
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$1,858,000				\$ 1,845,010				
Net interest income										
Net interest income										
Net interest income										
Interest rate spread										
Interest rate spread										
Interest rate spread										
Net interest margin (3)	Net interest margin (3)									
Ratio of average interest-earning assets to average interest-bearing liabilities	Ratio of average interest-earning assets to average interest-bearing liabilities									



- (1) Does not include interest on loans on non-accrual status. Includes loans held for sale. Amortized net deferred loan fees, late fees, extension fees, prepayment penalties, and the accretion of the fair value discount on loans are included with interest and dividends.
- (2) Average balances include loans and investment securities on non-accrual status.
- (3) Net interest income divided by total average interest-earning assets, annualized.

	Six Months Ended March 31,					
	2024			2023		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Interest-earning assets:						
Loans receivable (1)(2)	\$ 1,349,105	\$ 37,304	5.53 %	\$ 1,182,420	\$ 29,407	4.97 %
Investment securities (2)	301,218	4,556	3.03	326,783	4,674	2.86
Dividends from mutual funds, FHLB stock and other investments	6,418	173	5.39	6,032	115	3.81
Interest-bearing deposits in banks and CDs	134,643	3,618	5.37	222,569	4,304	3.87
Total interest-earning assets	<u>1,791,384</u>	<u>45,651</u>	<u>5.10</u>	<u>1,737,804</u>	<u>38,500</u>	<u>4.43</u>
Non-interest-earning assets	81,473			86,171		
Total assets	<u>\$ 1,872,857</u>			<u>\$ 1,823,975</u>		
Interest-bearing liabilities:						
Savings	\$ 217,153	245	0.23	\$ 277,382	178	0.13
Money market	247,656	3,444	2.78	229,185	688	0.60
NOW checking	372,327	2,903	1.56	426,345	1,340	0.63
Certificates of deposit	281,842	5,731	4.07	152,814	1,400	1.84
Brokered CDs	41,570	1,121	5.39	—	—	—
Short-term borrowings	9,427	265	5.62	3	—	5.43
Long-term borrowings	15,000	303	4.04	—	—	—
Total interest-bearing liabilities	<u>1,184,975</u>	<u>14,012</u>	<u>2.37</u>	<u>1,085,729</u>	<u>3,606</u>	<u>0.67</u>
Non-interest-bearing deposits	440,976			505,949		
Other liabilities	11,035			9,813		
Total liabilities	<u>1,636,986</u>			<u>1,601,491</u>		
Shareholders' equity	<u>235,871</u>			<u>222,484</u>		
Total liabilities and shareholders' equity	<u>\$ 1,872,857</u>			<u>\$ 1,823,975</u>		
Net interest income		<u>\$ 31,639</u>			<u>\$ 34,894</u>	
Interest rate spread			<u>2.73 %</u>			<u>3.76 %</u>
Net interest margin (3)			<u>3.53 %</u>			<u>4.02 %</u>
Ratio of average interest-earning assets to average interest- bearing liabilities			<u>151.17 %</u>			<u>160.06 %</u>

- (1) Does not include interest on loans on non-accrual status. Includes loans held for sale. Amortized net deferred loan fees, late fees, extension fees, prepayment penalties, and the accretion of the fair value discount on loans are included with interest and dividends.
- (2) Average balances include loans and investment securities on non-accrual status.
- (3) Net interest income divided by total average interest-earning assets, annualized.

#### Rate Volume Analysis

The following table sets forth the effects of changing rates and volumes on the net interest income of the Company. Information is provided with respect to the (i) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate), (ii) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) the net change (sum of the prior columns). Changes in rate/volume have been allocated to rate and volume variances based on the absolute values of each (dollars in thousands).



	Three months ended March 31, 2024 compared to three months ended March 31, 2023 increase (decrease) due to			Six months ended March 31, 2024 compared to six months ended March 31, 2023 increase (decrease) due to		
	Rate	Volume	Net Change	Rate	Volume	Net Change
Interest-earning assets:						
Interest-earning assets:						
Interest-earning assets:						
Loans receivable and loans held for sale						
Loans receivable and loans held for sale						
Loans receivable and loans held for sale						
Investment securities						
Investment securities						
Investment securities						
Dividends from mutual funds, FHLB stock and other investments						
Dividends from mutual funds, FHLB stock and other investments						
Dividends from mutual funds, FHLB stock and other investments						
Interest-bearing deposits in banks and CDs						
Interest-bearing deposits in banks and CDs						
Interest-bearing deposits in banks and CDs						
<b>Total net increase in income on interest-earning assets</b>						
<b>Total net increase in income on interest-earning assets</b>						
<b>Total net increase in income on interest-earning assets</b>						
Interest-bearing liabilities:						
Interest-bearing liabilities:						
Interest-bearing liabilities:						
Savings						
Savings						
Savings						
Money market						
Money market						
Money market						
NOW checking						
NOW checking						
NOW checking						
Certificates of deposit						
Certificates of deposit						
Certificates of deposit						
Short term FHLB borrowings						
Short term FHLB borrowings						
Short term FHLB borrowings						
Long-term borrowings						
Long-term borrowings						
Long-term borrowings						
<b>Total net increase in expense on interest-bearing liabilities</b>						
<b>Total net increase in expense on interest-bearing liabilities</b>						
<b>Total net increase in expense on interest-bearing liabilities</b>						
<b>Net decrease in net interest income</b>						
<b>Net decrease in net interest income</b>						

## Net decrease in net interest income

**Provision for Credit Losses:** A net \$336,000 An \$81,000 provision for credit losses was recorded for the quarter ended December 31, 2023 March 31, 2024, which consisted consisting of a \$379,000 \$166,000 provision for credit losses on loans which was primarily due to an increase in loans receivable, a \$10,000 recapture of \$3,000 provision for credit losses on investment securities, which is primarily due to maturities and principal payments, and a \$33,000 an \$88,000 recapture of credit losses on unfunded commitments which is was primarily due to a decrease in the change in mix balance of unfunded loan commitments. There was a \$525,000 A \$475,000 provision made for loan losses, under the prior incurred loan loss method, was recorded for the quarter ended December 31, 2022 March 31, 2023.

The Company adopted the CECL methodology as of October 1, 2023, which resulted in one-time upward adjustments to the ACL on loans of \$461,000, to the ACL on investment securities of \$92,000, and to the ACL on unfunded commitments of \$65,000, resulting in an after-tax decrease to opening retained earnings of \$488,000. Amounts reported prior to October 1, 2023 were calculated using the previous incurred loss methodology to compute our allowance for credit loan losses, which is not directly comparable to the new ACL calculated under the CECL methodology. The provision for credit losses for the three months ended December 31, 2023 also March 31, 2024 reflects assumptions related to forecasts concerning the economic environment as a result of local, national and global events, including recent bank failures. In addition, expected loss estimates consider

various factors, including customer specific information, changes in risk ratings, projected delinquencies, and the impact of economic conditions on borrowers borrowers' ability to repay.

We recorded a \$417,000 provision for credit losses for the six months ended March 31, 2024, consisting of a \$545,000 provision for credit losses on loans which was primarily due to an increase in loans receivable, a \$7,000 recapture of credit losses on investment securities which was primarily due to maturities and principal repayments, and a \$121,000 recapture of credit losses on unfunded loan commitments which was primarily due to a decrease in the amount of unfunded loan commitments. There was a \$1.00 million provision for loan losses, calculated under the prior incurred loan loss method, recorded for the six months ended March 31, 2023.

For the quarter ended December 31, 2023 March 31, 2024, net charge-offs were \$2,000 \$3,000 compared to a \$1,000 recovery \$6,000 for the quarter ended December 31, 2022 March 31, 2023. Non-accrual loans increased by \$1.85 million \$2.09 million, or 122.3% 138.1%, to \$3.36 million \$3.61 million at December 31, 2023 March 31, 2024 from \$1.51 million at September 30, 2023. At December 31, 2023 March 31, 2024, non-accrual loans increased by \$1.32 million \$1.64 million, or 64.7% 83.1%, to \$3.36 million \$3.61 million from \$2.04 million \$1.97 million at December 31, 2022 March 31, 2023. Total delinquent loans (past due 30 days or more) and non-accrual loans increased by \$1.94 million \$2.54 million, or 116.4% 152.3%, to \$3.60 million \$4.20 million at December 31, 2023 March 31, 2024, from \$1.67 million at September 30, 2023 and increased by \$1.35 million \$2.01 million, or 59.9% 91.8%, from \$2.25 million \$2.19 million one year ago.

The \$423,000 \$367,000 balance of SBA PPP loans was omitted from the Company's normal allowance for credit losses calculation at December 31, 2023 March 31, 2024, as these loans are fully guaranteed by the SBA and management expects that most PPP borrowers will seek full or partial forgiveness of their loan obligations from the SBA within a short time frame, which will in turn reimburse the Bank for the amount forgiven.

While management believes the estimates and assumptions used in the its determination of the adequacy of the ACL are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not have a material adverse impact on our financial condition and results of operations. A further decline in national and local economic conditions, as a result of the effects of inflation, and a potential recession or slowed economic growth, among other factors, could result in a material increase in the ACL and have a material adverse impact on the financial condition and results of operations. In addition, the determination of the amount of the ACL is subject to review by bank regulators as part of the routine examination process, which may result in the adjustment of reserves based upon their judgment of information available to them at the time of their examination and have a material adverse impact on the financial condition and results of operations.

In accordance with GAAP, acquired loans are recorded at their estimated fair value, which results in a net discount to the loan's contractual amounts, of which a portion reflects a discount for possible credit losses. Credit discounts are included in the determination of fair value. With the adoption of CECL, the purchased loans are evaluated for impairment in the same manner as the rest of the loan portfolio. The remaining fair value discount associated with \$11.2 million in acquired loans that were acquired in the South Sound Acquisition was \$182,000 \$172,000 at December 31, 2023 March 31, 2024. This discount will continue to accrete into income as these loans continue to pay down.

For additional information, see Note 4 of the Notes to Unaudited Consolidated Financial Statements contained in "Item 1, Financial Statements."

**Non-interest Income:** Total non-interest income increased decreased by \$93,000, \$21,000, or 3.4% 0.8%, to \$2.80 million \$2.62 million for the quarter ended December 31, 2023 March 31, 2024 from \$2.71 million \$2.64 million for the quarter ended December 31, 2022 March 31, 2023. This decrease was primarily due to a \$63,000 decrease in ATM and debit card interchange transaction fees. This decrease was partially offset by a \$95,000 increase in service charges on deposits.

Total non-interest income for the six months ended March 31, 2024 increased \$72,000, or 1.4%, to \$ 5.41 million from \$5.34 million for the six months ended March 31, 2023. This increase was primarily due to a \$76,000 \$171,000 increase in service charges on deposits, a \$57,000 \$53,000 increase in net gain on sales sale of loans and smaller increases in several other categories. These increases were partially offset by small a \$50,000 decrease in ATM and debit card interchange transaction fees and smaller decreases in several other categories. The increase in net gain on sales of loans was primarily due to an increase in the dollar amount of fixed-rate one- to four-family loans originated and sold during the current quarter reflecting a slight increase in refinance activity compared to the same period last year. These increases were partially offset by small decreases in several other categories. categories.

**Non-interest Expense:** Total non-interest expense increased by \$89,000, \$47,000, or 0.8% 0.4%, to \$10.62 million \$10.99 million for the quarter ended December 31, 2023 March 31, 2024 from \$10.54 million \$10.94 million for the quarter ended December 31, 2022 March 31, 2023. This increase was primarily due to increased expenses of \$185,000 \$160,000 in technology and communications, expense, \$132,000 \$112,000 in ATM and debit card interchange expense, \$86,000 transaction fees and \$80,000 in FDIC insurance premises and smaller increases in several other categories, equipment, which were partially offset by a \$176,000 \$154,000 decrease in professional fees expense and smaller decreases in several categories. The increase in technology and communications expense was primarily due to the addition of several technology products and increased processing volumes. The increase in FDIC insurance was due to an increase in deposit insurance rates by the FDIC in January 2023. fees. The efficiency ratio for the current quarter was 56.50% 60.22%

compared to 51.52% 55.31% for the comparable quarter one year ago. The deterioration change in the efficiency ratio was due to lower total revenue coupled with slightly higher non-interest expense.

Total non-interest expense increased \$136,000, or 0.6%, to \$21.62 million for the six months ended March 31, 2024 from \$21.48 million for the six months ended March 31, 2023. This increase was primarily due increased expenses of \$346,000 in technology and communications, \$244,000 in ATM and debit card interchange transaction fees and \$129,000 in premises and equipment which were partially offset by a \$330,000 decrease in professional fees.

**Provision for Income Taxes:** The provision for income taxes decreased by \$335,000, \$235,000, or 17.8% 13.8%, to \$1.55 million \$1.47 million for the quarter ended December 31, 2023 March 31, 2024 from \$1.88 million \$1.71 million for the quarter ended December 31, 2022 March 31, 2023. The decrease in the provision for income taxes was primarily due to lower pre-tax income. The Company's effective income tax rate was 19.6% 20.5% for the quarter ended December 31, 2023 March 31, 2024 and 20.0% 20.4% for the quarter ended December 31, 2022 March 31, 2023. The provision for income taxes decreased by \$571,000, or 15.9%, to \$3.02 million for the six months ended March 31, 2024 from \$3.59 million for the six months ended March 31, 2023. The decrease was primarily due to lower pre-tax income. The Company's effective tax rate was 20.0% for the six months ended March 31, 2024 compared to 20.2% for the six months ended March 31, 2023.

## Liquidity

The Company's primary sources of funds are customer deposits, proceeds from principal and interest payments on loans, the sale of loans, maturing investment securities, maturing CDs held for investment and borrowings, if needed, from the FHLB and FRB. While the maturities and the scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, and competition.

The Bank must maintain an adequate level of liquidity to help ensure the availability of sufficient funds to fund its operations. The Bank generally maintains sufficient cash and short-term investments to meet short-term liquidity needs. At December 31, 2023 March 31, 2024, the Bank's regulatory liquidity ratio (net cash, and short-term and marketable assets, as a percentage of net deposits and short-term liabilities) was 13.07% 13.22%. At December 31, 2023, the Bank maintained an uncommitted maintains a credit facility with the FHLB that provides for immediately available borrowings up to an aggregate amount equal to 45% of total assets, limited by available collateral, under which \$20.00 million was outstanding. The collateral. At March 31, 2024, the Bank had \$576.42 million a total of \$596.00 million available for borrowings with the FHLB at December 31, 2023, of which \$20.00 million was outstanding. The Bank maintains two a short-term borrowing lines line with the FRB with total credit based on eligible collateral: Borrower-in-Custody ("BIC") and Bank Term Funding Program ("BTFP"). At December 31, 2023 March 31, 2024, the Bank had no outstanding balance on the BIC line, under which \$74.03 million was available for future borrowings. At December 31, 2023, the Bank had no outstanding balance on the BTFP line, under which \$20.00 million \$111.22 million was available for future borrowings. The Bank also maintains a \$50.00 million overnight borrowing line with Pacific Coast Bankers' Bank ("PCBB"). At December 31, 2023 March 31, 2024, the Bank did not have an outstanding balance on this borrowing line. Subject to market conditions, the Bank expects to utilize these borrowing facilities from time to time in the future to fund loan originations and deposits withdrawals, to satisfy other financial commitments, repay maturing debt and to take advantage of investment opportunities to the extent feasible.

Liquidity management is both a short and long-term responsibility of the Bank's management. The Bank adjusts its investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) projected loan sales, (iii) expected deposit flows, and (iv) yields available on interest-bearing deposits. Excess liquidity is invested generally in interest-bearing overnight deposits, CDs held for investment and short-term government and agency obligations. If the Bank requires funds beyond its ability to generate them internally, it has additional borrowing capacity with the FHLB, the FRB and PCBB.

The Bank's primary investing activity is the origination of loans and, to a lesser extent, the purchase of investment securities. During the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Bank originated \$88.93 million \$128.30 million and \$101.67 million \$178.81 million of loans, respectively. At December 31, 2023 March 31, 2024, the Bank had loan undisbursed lines of credit and commitments to extend credit totaling \$147.06 \$154.99 million and undisbursed construction loans in process totaling \$104.68 \$77.50 million. Investment securities purchased during the three six months ended December 31, 2023 March 31, 2024 and 2022 2023 totaled \$1.92 \$24.13 million and \$31.31 \$32.60 million, respectively.

The Bank's liquidity is also affected by the volume of loans sold and loan principal payments. During the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Bank sold \$9.60 million \$11.87 million and \$1.16 million \$3.55 million, respectively, in loans and loan participation interests. During the three six months ended December 31, 2023, March 31, 2024 and 2023, the Bank received \$44.35 million \$84.00 million and \$179.94 million in principal repayments. During the three months ended December 31, 2022, the Bank received \$50.71 million in principal repayments, repayments, respectively.

The Bank's liquid assets in the form of cash and cash equivalents, CDs held for investment, and investment securities available for sale (including equity securities) increased to \$211.76 \$254.14 million at December 31, 2023 March 31, 2024 from \$186.49 million at September 30, 2023. CDs that are scheduled to mature in less than one year from December 31, 2023 March 31, 2024 totaled \$274.31 \$301.37 million. Historically, the Bank has been able to retain a significant amount of its deposits as they mature.

Capital expenditures are incurred on an ongoing basis to expand and improve the Bank's product offerings, enhance and modernize technology infrastructure, and to introduce new technology-based products to compete effectively in the various markets. Capital expenditure projects are evaluated 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 the expected return on investment. The amount of capital investment is influenced by, among other things, current and projected demand for services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations.

Based on current objectives, there are no projects scheduled for capital investments in premises and equipment during the remaining nine six months ending September 30, 2024 that would materially impact liquidity.

For the remaining nine six months in the year ending September 30, 2024, the Bank projects that fixed commitments will include \$250,000 \$167,000 of operating lease payments. One FHLB borrowing totaling \$5.00 million will mature during the fiscal year 2024. In addition, at December 31, 2023 March 31, 2024, there were other future obligations and accrued expenses of \$8.88 \$8.28 million.

The Bank’s management believes that the liquid assets combined with the available lines of credit provide adequate liquidity to meet current financial obligations for at least the next 12 months.

Timberland Bancorp is a separate legal entity from the Bank and must provide for its own liquidity and pay its own operating expenses. In addition to its operating expenses, Timberland Bancorp is responsible for paying any dividends declared, if any, to its shareholders and funds paid for Company stock repurchases. Sources of capital and liquidity for Timberland Bancorp include distributions from the Bank and the issuance of debt or equity securities, although there are regulatory restrictions on the ability of the Bank to pay dividends. At **December 31, 2023** **March 31, 2024**, Timberland Bancorp (on an unconsolidated basis) had liquid assets of **\$1.01 million**, **\$962,000**.

The Company currently expects to continue the current practice of paying quarterly cash dividends on common stock subject to the Board of Directors’ discretion to modify or terminate this practice at any time and for any reason without prior notice. The current quarterly common stock dividend rate is \$0.24 per share, as approved by the Board of Directors, which is a dividend rate per share that enables the Company to balance multiple objectives of managing and investing in the Bank and returning a substantial portion of cash to shareholders. Assuming continued payment during fiscal year 2024 at the rate of \$0.24 per share, the average total dividend paid each quarter would be approximately **\$1.95** **\$1.93** million based on the number of current outstanding shares at **December 31, 2023** **March 31, 2024** (which assumes no **increases or decrease** **change** in the number of shares).

In addition, from time to time, our Board of Directors has authorized stock repurchase plans. In general, stock repurchase plans allow us to proactively manage our capital position and return excess capital to shareholders. Shares purchased under such plans may also provide us with shares of common stock necessary to satisfy obligations related to stock compensation awards. On July 25, 2023, the Company announced the adoption of a new stock repurchase program pursuant to which the Company may repurchase up to 404,708 shares of Company common stock, of which **361,812** **262,025** shares remained available for future purchases as of **December 31, 2023** **March 31, 2024**. The repurchase program may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing shares, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. The repurchase program does not obligate the Company to purchase any particular number of shares.

Capital Resources

The Bank, as a state-chartered, federally insured savings bank, is subject to the capital requirements established by the FDIC. Under the FDIC’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 Bank’s assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

**Based on its capital levels at December 31, 2023, the Bank exceeded all regulatory capital requirements.** Consistent with the Bank’s goals to operate a sound and profitable organization, it is the Bank’s policy to maintain a “well-capitalized” status under the regulatory capital categories of the FDIC. Based on capital levels at **December 31, 2023** **March 31, 2024**, the Bank was considered to be “well-capitalized” under applicable regulatory requirements. Management monitors the capital levels to provide for current and future business opportunities and to maintain the Bank’s “well-capitalized” status.

The following table compares the Bank’s actual capital amounts at **December 31, 2023** **March 31, 2024**, to its minimum regulatory capital requirements at that date (dollars in thousands):

		Actual		Actual		Regulatory Minimum To Be “Adequately Capitalized”		To Be “Well Capitalized” Under Prompt Corrective Action Provisions		Actual		Regulatory Minimum To Be “Adequately Capitalized”	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage Capital Ratio:	Leverage Capital Ratio:												
Tier 1 capital	Tier 1 capital	\$222,238	12.06	\$73,718	4.00			\$92,147	5.00	Tier 1 capital	\$223,671	11.92	\$75,081
Risk-based Capital Ratios:													
Common equity Tier 1 capital													
Common equity Tier 1 capital													
Common equity Tier 1 capital													
Tier 1 capital													
Total capital													

Timberland Bancorp, Inc. is a bank holding company registered with the Federal Reserve. Bank holding companies are subject to capital adequacy requirements of the Federal Reserve under the Bank Holding Company Act of 1956, as amended, and the regulations of the Federal Reserve. For a bank holding company with less than \$3.0 billion in assets (as of June 30th of the preceding year), the capital guidelines apply on a bank only basis, and the Federal Reserve expects the holding company's subsidiary bank to be well capitalized under the prompt corrective action regulations. If Timberland Bancorp, Inc. were subject to regulatory guidelines for bank holding companies with \$3.0 billion or more in assets, at **December 31, 2023** **March 31, 2024**, Timberland Bancorp, Inc. would have exceeded all regulatory requirements. The following table presents for informational purposes the regulatory capital ratios for Timberland Bancorp, Inc. as of **December 31, 2023** **March 31, 2024** (dollars in thousands):

### Key Financial Ratios and Data

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

#### Item 4. Controls and Procedures

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and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

- (b) **Changes in Internal Controls:** The Company adopted Financial Accounting Standards Board Accounting Standards Update 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," and related updates, as described further in Note 4 to the consolidated interim financial statements, effective October 1, 2023. Related to the adoption of these new accounting standards, the Company modified certain internal controls and designed and implemented certain new internal controls over the measurement of the allowance for credit losses on loans and the reserve for unfunded commitments and related disclosures. New internal controls related primarily to the modeling of expected credit losses on loans, including controls over critical data and other inputs and model results. **There** Except as set forth above, there were no other changes in the Company's internal control over financial reporting (as defined in 13a-15(f) of the Exchange Act) during the **three** six months ended **December 31, 2023** **March 31, 2024** that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company continued, however, to implement suggestions from its internal auditor and independent auditors to strengthen existing controls. The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and 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 Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures 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 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; as over time, controls may become inadequate because of changes in conditions, or the degree of compliance with 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.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Neither the Company nor the Bank is a party to any material legal proceedings at this time. From time to time, the Bank is involved in various claims and legal actions arising in the ordinary course of business.

### Item 1A. Risk Factors

There have been no material changes in the Risk Factors previously disclosed in Item 1A of the Company's 2023 Form 10-K.

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

- (a) Not applicable
- (b) Not applicable
- (c) Stock Repurchases

The following table sets forth the shares repurchased by the Company during the quarter ended **December 31, 2023** **March 31, 2024**:

Period	Total No. of Shares Repurchased	Average Price Paid Per Share	Total No. of Shares Purchased as Part of Publicly Announced Plan	Maximum No. of Shares that May Yet Be Purchased Under the Plan (1)
10/1/2023 - 10/31/2023	—	\$ —	—	374,142
11/1/2023 - 11/30/2023	12,330	29.38	12,330	361,812
12/1/2023 - 12/31/2023	—	—	—	361,812
<b>Total</b>	<b>12,330</b>	<b>\$ 29.38</b>	<b>12,330</b>	<b>361,812</b>

Period	Total No. of Shares Repurchased	Average Price Paid Per Share	Total No. of Shares Purchased as Part of Publicly Announced Plan	Maximum No. of Shares that May Yet Be Purchased Under the Plan (1)
01/01/2024 - 01/31/2024	—	\$ —	—	361,812
02/01/2024 - 02/29/2024	80,000	26.91	80,000	281,812
03/01/2024 - 03/31/2024	19,787	26.21	19,787	262,025
<b>Total</b>	<b>99,787</b>	<b>\$ 26.77</b>	<b>99,787</b>	<b>262,025</b>



(1) On July 25, 2023, the Company announced a new stock repurchase program to purchase up to 404,708 shares of the Company's common stock. This marked the Company's 19th stock repurchase plan. The new existing repurchase program does not have a set expiration date and will expire upon repurchase of the full amount of authorized shares. Shares may be repurchased from time to time in the open market or in privately negotiated transactions based upon market conditions and available liquidity. Cumulatively, since January 1998, the Company has repurchased 8,379,317 8,479,104 shares of its common stock at an average price of \$9.98 \$10.18 per share.

The Company is subject to certain restrictions on its ability to repurchase its common stock. The Company is required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the 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 Federal Reserve may disapprove a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order, or any condition imposed by, or written agreement with, the Federal Reserve.

### **Item 3. Defaults Upon Senior Securities**

Not applicable.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

- a. None to be reported.
- b. None to be reported.
- c. During the quarter ended December 31, 2023 March 31, 2024, no director or officer (as defined in Rule 16a-1(f) under the Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

### **Item 6. Exhibits**

#### **(a) Exhibits**

- 3.1 [Articles of Incorporation of the Registrant \(1\)](#).
- 3.2 [Amended and Restated Bylaws of the Registrant \(2\)](#).
- 4.1 [Form of Certificate of Timberland Bancorp, Inc. Common Stock \(1\)](#).
- 10.1 [Employee Severance Compensation Plan, as revised \(3\)](#).
- 10.2 [Employee Stock Ownership Plan \(4\)](#).
- 10.3 [Form of Incentive Stock Option Agreement \(5\)](#).
- 10.4 [Form of Non-qualified Stock Option Agreement \(5\)](#).
- 10.5 [Employment Agreement with Dean J. Brydon, as amended \(6\)](#).
- 10.6 [Employment Agreement with Jonathan A. Fischer, as amended \(6\)](#).
- 10.7 [Employment Agreement with Marci A. Basich \(6\)](#).
- 10.8 [Employment Agreement with Matthew J. DeBord \(6\)](#).
- 10.9 [Timberland Bancorp, Inc. 2014 Equity Incentive Plan \(7\)](#).
- 10.10 [Timberland Bancorp, Inc. 2019 Equity Incentive Plan \(8\)](#).
- 31.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act](#)
- 101 The following materials from Timberland Bancorp Inc's Quarterly Report 10-Q for the quarter ended December 31, 2023 March 31, 2024 formatted on Extensible Business Reporting Language (XBRL) (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income; (d) Consolidated Statements of Shareholders' Equity; (e) Consolidated Statements of Cash Flows; and (f) Notes to Unaudited Consolidated Financial Statements
- 104 Cover Page Interactive Data File, formatted in Inline XBRL and included in Exhibit 101

- (1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (333-35817).
- (2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on July 13, 2023.
- (3) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on April 16, 2007.
- (4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997.
- (5) Incorporated by reference to the Exhibit 99.2 included in the Registrant's Registration Statement on Form S-8 (333-1161163).
- (6) Incorporated by reference to Registrant's Current Report on Form 8-K filed on December 22, 2023.
- (7) Attached as Appendix A to the Registrant's Annual Meeting Proxy Statement filed on December 19, 2014.
- (8) Attached as Appendix A to the Registrant's Annual Meeting Proxy Statement filed on December 18, 2019.

## SIGNATURES

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

Timberland Bancorp, Inc.

Date: February 12, 2024 May 8, 2024

By: /s/ Dean J. Brydon \_\_\_\_\_

Dean J. Brydon  
Chief Executive Officer  
(Principal Executive Officer)

Date: February 12, 2024 May 8, 2024

By: /s/Marci A. Basich \_\_\_\_\_

Marci A. Basich  
Chief Financial Officer  
(Principal Financial Officer)

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### Exhibit 31.1

#### Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act

I, Dean J. Brydon, certify that:

1. I have reviewed this Form 10-Q of Timberland Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and



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

Date: February 12, 2024 May 8, 2024

/s/ Dean J. Brydon  
Dean J. Brydon  
Chief Executive Officer

**Exhibit 31.2**  
**Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act**

I, Marci A. Basich, certify that:

1. I have reviewed this Form 10-Q of Timberland Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2024 May 8, 2024

/s/ Marci A. Basich  
Marci A. Basich  
Chief Financial Officer

**EXHIBIT 32**  
**Certification Pursuant to Section 906 of the Sarbanes Oxley Act**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

**OF TIMBERLAND BANCORP, INC.**  
**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), each of the undersigned hereby certifies in his capacity as an officer of Timberland Bancorp, Inc. (the "Company") and in connection with the Company's Quarterly Report on Form 10-Q for the quarterly period ended **December 31, 2023** **March 31, 2024** ("Report"), that:

- the Report fully complies with the requirements of Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in the Report.

/s/ Dean J. Brydon

Dean J. Brydon

Chief Executive Officer

/s/ Marci A. Basich

Marci A. Basich

Chief Financial Officer

Date: **February 12, 2024** **May 8, 2024**

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