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# DELTA REPORT

## 10-Q

CFFN - CAPITOL FEDERAL FINANCIAL

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

| TOTAL DELTAS | 1267 |
|---|---|
| CHANGES | 369 |
| DELETIONS | 421 |
| ADDITIONS | 477 |

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

# Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended March 31, 2024 June 30, 2024**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from __ to __**

**Commission File Number: 001-34814**

# Capitol Federal Financial, Inc.

*(Exact name of registrant as specified in its charter)*

| **Maryland** | **27-2631712** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **700 South Kansas Avenue, Topeka, Kansas** | **66603** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**(785) 235-1341**
*(Registrant's telephone number, including area code)*

*(Former name, former address and former fiscal year, if changed since last report)*

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | CFFN | The NASDAQ Stock Market LLC |

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

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

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

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

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

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

As of May 3, 2024 August 1, 2024, there were 132,733,765 132,736,765 shares of Capitol Federal Financial, Inc. common stock outstanding.

## PART I -- FINANCIAL INFORMATION

**Item 1. Financial Statements**

| | | |
|---|---|---|
| **CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY** | **CONSOLIDATED BALANCE SHEETS (Unaudited)** | **(Dollars in thousands, except per share amounts)** |

| | | | | | |
|---|---|---|---|---|---|
| | March 31, March 31, March 31, | | September 30, | | |
| | June 30, June 30, June 30, | | September 30, | | |
| | 2024 | 2024 | 2023 | 2024 | 2023 |
| ASSETS: | | | | | |
| Cash and cash equivalents (includes interest-earning deposits of $419,332 and $213,830) | | | | | |
| Cash and cash equivalents (includes interest-earning deposits of $419,332 and $213,830) | | | | | |
| Cash and cash equivalents (includes interest-earning deposits of $419,332 and $213,830) | | | | | |
| Cash and cash equivalents (includes interest-earning deposits of $292,675 and $213,830) | | | | | |
| Cash and cash equivalents (includes interest-earning deposits of $292,675 and $213,830) | | | | | |
| Cash and cash equivalents (includes interest-earning deposits of $292,675 and $213,830) | | | | | |
| Available-for-sale ("AFS") securities, at estimated fair value (amortized cost of $831,337 and $1,385,992) | | | | | |
| Available-for-sale ("AFS") securities, at estimated fair value (amortized cost of $831,337 and $1,385,992) | | | | | |
| Available-for-sale ("AFS") securities, at estimated fair value (amortized cost of $831,337 and $1,385,992) | | | | | |
| Available-for-sale ("AFS") securities, at estimated fair value (amortized cost of $793,556 and $1,385,992) | | | | | |
| Available-for-sale ("AFS") securities, at estimated fair value (amortized cost of $793,556 and $1,385,992) | | | | | |
| Available-for-sale ("AFS") securities, at estimated fair value (amortized cost of $793,556 and $1,385,992) | | | | | |
| Loans receivable, net (allowance for credit losses ("ACL") of $24,634 and $23,759) | | | | | |
| Loans receivable, net (allowance for credit losses ("ACL") of $24,634 and $23,759) | | | | | |
| Loans receivable, net (allowance for credit losses ("ACL") of $24,634 and $23,759) | | | | | |
| Loans receivable, net (allowance for credit losses ("ACL") of $25,854 and $23,759) | | | | | |
| Loans receivable, net (allowance for credit losses ("ACL") of $25,854 and $23,759) | | | | | |
| Loans receivable, net (allowance for credit losses ("ACL") of $25,854 and $23,759) | | | | | |
| Federal Home Loan Bank Topeka ("FHLB") stock, at cost | | | | | |
| Premises and equipment, net | | | | | |
| Income taxes receivable, net | | | | | |
| Deferred income tax assets, net | | | | | |
| Other assets | | | | | |
| TOTAL ASSETS | | | | | |
| LIABILITIES: | | | | | |
| LIABILITIES: | | | | | |
| LIABILITIES: | | | | | |
| Deposits | | | | | |
| Deposits | | | | | |
| Deposits | | | | | |
| Borrowings | | | | | |
| Advances by borrowers | | | | | |
| Advances by borrowers | | | | | |
| Advances by borrowers | | | | | |
| Other liabilities | | | | | |

Other liabilities

Other liabilities

Total liabilities

STOCKHOLDERS' EQUITY:

STOCKHOLDERS' EQUITY:

STOCKHOLDERS' EQUITY:

Preferred stock, $.01 par value; 100,000,000 shares authorized, no shares issued or outstanding

Preferred stock, $.01 par value; 100,000,000 shares authorized, no shares issued or outstanding

Preferred stock, $.01 par value; 100,000,000 shares authorized, no shares issued or outstanding

Common stock, $.01 par value; 1,400,000,000 shares authorized, 132,685,065 and 135,936,375 shares issued and outstanding as of March 31, 2024 and September 30, 2023, respectively

Common stock, $.01 par value; 1,400,000,000 shares authorized, 132,733,765 and 135,936,375 shares issued and outstanding as of June 30, 2024 and September 30, 2023, respectively

Additional paid-in capital

Unearned compensation, Employee Stock Ownership Plan ("ESOP")

Accumulated deficit

Accumulated other comprehensive income ("AOCI"), net of tax

Total stockholders' equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY** **CONSOLIDATED STATEMENTS OF INCOME (Unaudited)** **(Dollars in thousands, except per share amounts)**

| | For the Three Months Ended<br>For the Three Months Ended<br>For the Three Months Ended | | | For the Six Months Ended | | For the Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | March 31, | | June 30, | | | | |
| | **2024** | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| INTEREST AND DIVIDEND INCOME: | | | | | | | | | |
| Loans receivable | | | | | | | | | |
| Loans receivable | | | | | | | | | |
| Loans receivable | | | | | | | | | |
| Mortgage-backed securities ("MBS") | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | |
| FHLB stock | | | | | | | | | |
| Investment securities | | | | | | | | | |
| Total interest and dividend income | | | | | | | | | |
| INTEREST EXPENSE: | | | | | | | | | |
| Deposits | | | | | | | | | |
| Deposits | | | | | | | | | |
| Deposits | | | | | | | | | |
| Borrowings | | | | | | | | | |
| Total interest expense | | | | | | | | | |
| Total interest expense | | | | | | | | | |

| |
|---|
| Total interest expense |
| NET INTEREST INCOME |
| PROVISION FOR CREDIT LOSSES |
| NET INTEREST INCOME AFTER |
| PROVISION FOR CREDIT LOSSES |
| PROVISION FOR CREDIT LOSSES |
| PROVISION FOR CREDIT LOSSES |
| NON-INTEREST INCOME: |
| Deposit service fees |
| Deposit service fees |
| Deposit service fees |
| Insurance commissions |
| Net loss from securities transactions |
| Net loss from securities transactions |
| Net loss from securities transactions |
| Other non-interest income |
| Total non-interest income |
| NON-INTEREST EXPENSE: |
| Salaries and employee benefits |
| Salaries and employee benefits |
| Salaries and employee benefits |
| Information technology and related expense |
| Occupancy, net |
| Federal insurance premium |
| Regulatory and outside services |
| Advertising and promotional |
| Deposit and loan transaction costs |
| Office supplies and related expense |
| Other non-interest expense |
| Other non-interest expense |
| Other non-interest expense |
| Total non-interest expense |
| INCOME BEFORE INCOME TAX EXPENSE |
| INCOME TAX EXPENSE |
| NET INCOME |
| Basic earnings per share ("EPS") |
| Basic earnings per share ("EPS") |
| Basic earnings per share ("EPS") |
| Diluted EPS |
| Basic weighted average common shares |
| Basic weighted average common shares |
| Basic weighted average common shares |
| Diluted weighted average common shares |
| See accompanying notes to consolidated financial statements. |

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)** **(Dollars in thousands)**

| | For the Three Months Ended For the Three Months Ended For the Three Months Ended | | | For the Six Months Ended | | For the Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | March 31, | | | June 30, | | | |
| | 2024 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Net income | | | | | | | | | |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Unrealized (losses) gains on AFS securities arising during the period, net of taxes of $1,766, $(5,415), $(3,584), and $(9,626) | | | | | | | | | |
| Unrealized (losses) gains on AFS securities arising during the period, net of taxes of $1,766, $(5,415), $(3,584), and $(9,626) | | | | | | | | | |
| Unrealized (losses) gains on AFS securities arising during the period, net of taxes of $1,766, $(5,415), $(3,584), and $(9,626) | | | | | | | | | |
| Unrealized (losses) gains on AFS securities arising during the period, net of taxes of $804, $3,475, $(2,780), and $(6,151) | | | | | | | | | |
| Unrealized (losses) gains on AFS securities arising during the period, net of taxes of $804, $3,475, $(2,780), and $(6,151) | | | | | | | | | |
| Unrealized (losses) gains on AFS securities arising during the period, net of taxes of $804, $3,475, $(2,780), and $(6,151) | | | | | | | | | |
| Reclassification adjustment for gross gains on AFS securities included in net income, net of taxes of $0, $0, $383, and $0 | | | | | | | | | |
| Unrealized gains (losses) on cash flow hedges arising during the period, net of taxes of $(814), $483, $153, and $251 | | | | | | | | | |
| Reclassification adjustment for cash flow hedge amounts included in net income, net of taxes of $542, $427, $1,168, and $664 | | | | | | | | | |
| Unrealized gains (losses) on cash flow hedges arising during the period, net of taxes of $(244), $(1,410), $(91), and $(1,159) | | | | | | | | | |

Reclassification adjustment for cash flow hedge amounts included in net income, net of taxes of $502, $538, $1,670, and $1,202

Comprehensive income

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)**

**(Dollars in thousands, except per share amounts)**

| | For the Six Months Ended March 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-In Capital | Unearned Compensation ESOP | Accumulated Deficit | AOCI | Total Stockholders' Equity |
| Balance at September 30, 2023 | $ 1,359 | $ 1,166,643 | $ (28,083) | $ (104,565) | $ 8,700 | $ 1,044,054 |
| Net income | | | | 2,543 | | 2,543 |
| Cumulative effect of adopting Accounting Standards Update ("ASU") 2022-02, net of tax | | | | (27) | | (27) |
| Other comprehensive income, net of tax | | | | | 10,455 | 10,455 |
| ESOP activity | | (190) | 412 | | | 222 |
| Restricted stock activity, net | | (6) | | | | (6) |
| Stock-based compensation | | 87 | | | | 87 |
| Repurchase of common stock | (20) | (11,879) | | | | (11,899) |
| Cash dividends to stockholders ($0.085 per share) | | | | (11,308) | | (11,308) |
| Balance at December 31, 2023 | $ 1,339 | $ 1,154,655 | $ (27,671) | $ (113,357) | $ 19,155 | $ 1,034,121 |
| Net income | | | | 13,762 | | 13,762 |
| Other comprehensive loss, net of tax | | | | | (4,628) | (4,628) |
| ESOP activity | | (168) | 413 | | | 245 |
| Restricted stock activity, net | 1 | (3) | | | | (2) |
| Stock-based compensation | | 82 | | | | 82 |
| Repurchase of common stock | (13) | (7,537) | | | | (7,550) |
| Cash dividends to stockholders ($0.085 per share) | | | | (11,127) | | (11,127) |
| Balance at March 31, 2024 | $ 1,327 | $ 1,147,029 | $ (27,258) | $ (110,722) | $ 14,527 | $ 1,024,903 |

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)**

**(Dollars in thousands,**

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY**

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

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

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

**For the Nine Months Ended June 30, 2024**

**For the Nine Months Ended June 30, 2024**

**For the Nine Months Ended June 30, 2024**

| Common Stock | Additional Common Stock | Capital | Additional Paid-In ESOP | Unearned Compensation Earnings | AOCI | Retained Equity | Stock | Stockholders' Capital | Total Common ESOP | Paid-In Deficit | Addition Compensatio AOCI |
|---|---|---|---|---|---|---|---|---|---|---|---|

Balance at September 30, 2022

Balance at September 30, 2023

Net income

Net income

Net income

Cumulative effect of adopting Accounting Standards Update ("ASU") 2022-02, net of tax

Other comprehensive income, net of tax

ESOP activity

ESOP activity

ESOP activity

Stock-based compensation

Stock-based compensation

Restricted stock activity, net

Stock-based compensation

Repurchase of common stock

Cash dividends to stockholders ($0.365 per share)

Cash dividends to stockholders ($0.365 per share)

Cash dividends to stockholders ($0.365 per share)

Balance at December 31, 2022

Cash dividends to stockholders ($0.085 per share)

Cash dividends to stockholders ($0.085 per share)

Cash dividends to stockholders ($0.085 per share)

Balance at December 31, 2023

Net income

Net income

Net income

| |
|---|
| Other comprehensive income, net of tax |
| Other comprehensive loss, net of tax |
| Other comprehensive loss, net of tax |
| Other comprehensive loss, net of tax |
| ESOP activity |
| ESOP activity |
| ESOP activity |
| Restricted stock activity, net |
| Stock-based compensation |
| Repurchase of common stock |
| Stock-based compensation |
| Stock-based compensation |
| Cash dividends to stockholders ($0.085 per share) |
| Cash dividends to stockholders ($0.085 per share) |
| Cash dividends to stockholders ($0.085 per share) |
| Balance at March 31, 2024 |
| Net income |
| Other comprehensive loss, net of tax |
| Other comprehensive loss, net of tax |
| Other comprehensive loss, net of tax |
| ESOP activity |
| ESOP activity |
| ESOP activity |
| Restricted stock activity, net |
| Stock-based compensation |
| Cash dividends to stockholders ($0.085 per share) |
| Cash dividends to stockholders ($0.085 per share) |
| Cash dividends to stockholders ($0.085 per share) |
| Balance at March 31, 2023 |

Balance at
June 30, 2024

(Continued)
(Continued)
(Continued)

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

**(Dollars in thousands)**

| | For the Six Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | 16,305 | 30,429 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| FHLB stock dividends | (5,114) | (7,765) |
| Provision for credit losses | 424 | 4,551 |
| Originations of loans receivable held-for-sale ("LHFS") | (425) | (218) |
| Proceeds from sales of LHFS | 431 | 215 |
| Amortization and accretion of premiums and discounts on securities | (5,741) | 1,559 |
| Depreciation and amortization of premises and equipment | 4,078 | 4,581 |
| Amortization of intangible assets | 379 | 548 |
| Amortization of deferred amounts related to FHLB advances, net | 762 | 886 |
| Common stock committed to be released for allocation - ESOP | 467 | 677 |
| Stock-based compensation | 169 | 163 |
| Net loss from securities transactions | 13,345 | — |
| Changes in: | | |
| Unrestricted cash collateral from derivative counterparties, net | (5,800) | (2,500) |
| Other assets, net | 7,076 | 1,461 |
| Income taxes payable/receivable, net | 5,875 | (2,650) |
| Deferred income tax liabilities, net | (7,656) | 787 |
| Other liabilities | (9,407) | (7,990) |
| Net cash provided by operating activities | 15,168 | 24,734 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of AFS securities | (951,527) | — |
| Proceeds from calls, maturities and principal reductions of AFS securities | 255,533 | 95,393 |
| Proceeds from sale of AFS securities | 1,272,512 | — |
| Proceeds from the redemption of FHLB stock | 6,758 | 214,120 |
| Purchase of FHLB stock | — | (233,827) |
| Net change in loans receivable | 92,101 | (503,585) |
| Proceeds from sale of participating interest in loans receivable | — | 5,563 |
| Purchase of premises and equipment | (2,732) | (2,269) |
| Proceeds from sale of other real estate owned ("OREO") | 396 | 347 |
| Proceeds from sale of assets held-for-sale | 180 | — |
| Proceeds from bank-owned life insurance ("BOLI") death benefit | 1,049 | — |
| Net cash provided by (used in) investing activities | 674,270 | (424,258) |

(Continued)

| | For the Nine Months Ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-In Capital | Unearned Compensation ESOP | Retained Earnings | AOCI | Total Stockholders' Equity |
| Balance at September 30, 2022 | $ 1,388 | $ 1,190,213 | $ (29,735) | $ 80,266 | $ (145,633) | $ 1,096,499 |
| Net income | | | | 16,240 | | 16,240 |
| Other comprehensive income, net of tax | | | | | 13,031 | 13,031 |
| ESOP activity | | (72) | 413 | | | 341 |
| Stock-based compensation | | 89 | | | | 89 |
| Repurchase of common stock | (27) | (22,169) | | | | (22,196) |
| Cash dividends to stockholders ($0.365 per share) | | | | (49,209) | | (49,209) |
| Balance at December 31, 2022 | $ 1,361 | $ 1,168,061 | $ (29,322) | $ 47,297 | $ (132,602) | $ 1,054,795 |
| Net income | | | | 14,189 | | 14,189 |
| Other comprehensive income, net of tax | | | | | 13,959 | 13,959 |
| ESOP activity | | (76) | 412 | | | 336 |
| Stock-based compensation | | 74 | | | | 74 |
| Cash dividends to stockholders ($0.085 per share) | | | | (11,319) | | (11,319) |
| Balance at March 31, 2023 | $ 1,361 | $ 1,168,059 | $ (28,910) | $ 50,167 | $ (118,643) | $ 1,072,034 |
| Net income | | | | 8,302 | | 8,302 |
| Other comprehensive loss, net of tax | | | | | (8,063) | (8,063) |
| ESOP activity | | (155) | 413 | | | 258 |
| Stock-based compensation | | 75 | | | | 75 |
| Cash dividends to stockholders ($0.085 per share) | | | | (11,321) | | (11,321) |
| Balance at June 30, 2023 | $ 1,361 | $ 1,167,979 | $ (28,497) | $ 47,148 | $ (126,706) | $ 1,061,285 |

See accompanying notes to consolidated financial statements.

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

**(Dollars in thousands)**

| | For the Six Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends paid | (22,435) | (60,528) |
| Net change in deposits | 90,491 | (50,431) |
| Proceeds from borrowings | 225,100 | 3,092,000 |
| Repayments on borrowings | (754,942) | (2,528,436) |
| Change in advances by borrowers | (10,295) | (19,872) |
| Repurchase of common stock | (19,449) | (22,196) |
| Net cash (used in) provided by financing activities | (491,530) | 410,537 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 197,908 | 11,013 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | 245,605 | 49,194 |
| End of period | $ 443,513 | $ 60,207 |

| | | |
|---|---|---|
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES: | | |
| Purchase of securities that will settle in a subsequent period | $ 29,467 | $ — |

See accompanying notes to consolidated financial statements. (Concluded)

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

**(Dollars in thousands)**

| | For the Nine Months Ended June 30, | |
|---|---|---|
| | **2024** | **2023** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | 25,953 | 38,731 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| FHLB stock dividends | (7,591) | (11,025) |
| Provision for credit losses | 1,896 | 5,875 |
| Originations of loans receivable held-for-sale ("LHFS") | (425) | (218) |
| Proceeds from sales of LHFS | 431 | 215 |
| Amortization and accretion of premiums and discounts on securities | (7,327) | 2,296 |
| Depreciation and amortization of premises and equipment | 6,084 | 6,816 |
| Amortization of intangible assets | 589 | 821 |
| Amortization of deferred amounts related to FHLB advances, net | 1,143 | 1,262 |
| Common stock committed to be released for allocation - ESOP | 684 | 935 |
| Stock-based compensation | 266 | 238 |
| Net loss from securities transactions | 13,345 | — |
| Changes in: | | |
| Unrestricted cash collateral from derivative counterparties, net | (6,730) | 1,070 |
| Other assets, net | 3,301 | 912 |
| Income taxes receivable, net | 8,374 | (4,660) |
| Deferred income tax assets, net | (1,331) | 878 |
| Other liabilities | (4,387) | (10,083) |
| Net cash provided by operating activities | 34,275 | 34,063 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of AFS securities | (1,059,833) | — |
| Proceeds from calls, maturities and principal reductions of AFS securities | 373,739 | 141,357 |
| Proceeds from sale of AFS securities | 1,272,512 | — |
| Proceeds from the redemption of FHLB stock | 11,996 | 263,807 |
| Purchase of FHLB stock | — | (268,170) |
| Net change in loans receivable | 35,187 | (510,851) |
| Proceeds from sale of participating interest in loans receivable | — | 5,563 |
| Purchase of premises and equipment | (5,408) | (4,397) |
| Proceeds from sale of other real estate owned ("OREO") | 464 | 533 |
| Proceeds from sale of assets held-for-sale | 629 | — |
| Proceeds from bank-owned life insurance ("BOLI") death benefit | 1,049 | 720 |
| Net cash provided by (used in) investing activities | 630,335 | (371,438) |

(Continued)





REFINITIV

**CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

**(Dollars in thousands)**

| | For the Nine Months Ended June 30, | |
|---|---|---|
| | **2024** | **2023** |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends paid | (33,479) | (71,849) |
| Net change in deposits | 78,440 | (102,026) |
| Proceeds from borrowings | 275,100 | 4,293,870 |
| Repayments on borrowings | (864,864) | (3,441,124) |
| Change in advances by borrowers | (28,142) | (39,085) |
| Repurchase of common stock | (19,449) | (22,196) |
| Net cash (used in) provided by financing activities | (592,394) | 617,590 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 72,216 | 280,215 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | 245,605 | 49,194 |
| End of period | $ 317,821 | $ 329,409 |

See accompanying notes to consolidated financial statements. (Concluded)

## Notes to Consolidated Financial Statements (Unaudited)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation*** - The consolidated financial statements include the accounts of Capitol Federal Financial, Inc.® (the "Company") and its wholly-owned subsidiary, Capitol Federal Savings Bank (the "Bank"). The Bank has two wholly-owned subsidiaries, Capitol Funds, Inc. and Capital City Investments, Inc. Capitol Funds, Inc. has a wholly-owned subsidiary, Capitol Federal Mortgage Reinsurance Company. Capital City Investments, Inc. is a real estate and investment holding company. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the Securities and Exchange Commission ("SEC"). Interim results are not necessarily indicative of results for a full year.

***Net Presentation of Cash Flows Related to Borrowings*** - At times, the Bank enters into FHLB advances with contractual maturities of 90 days or less. Cash flows related to these advances are reported on a net basis in the consolidated statements of cash flows.

***Recent Accounting Pronouncements*** - In March 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings* ("TDRs") *and Vintage Disclosures*. This ASU eliminates the accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, this ASU requires that an entity disclose current-period gross write-offs by year of origination for financing receivables within the scope of Accounting Standards Codification ("ASC") 326-20, *Financial Instruments-Credit Losses-Measured at Amortized Cost*. The Company adopted the ASU on October 1, 2023 on a prospective basis, except for the amendments impacting the measurement of the ACL for TDRs, which were adopted on a modified retrospective approach. Upon adoption, the Company recorded a $20 thousand increase in ACL, a $16 thousand increase in reserves for off-balance sheet exposures, and a cumulative effect-adjustment to accumulated deficit of $27 thousand, net of tax. The adjustments are attributable to including TDRs in the ACL model, as of October 1, 2023. The new disclosure requirements associated with this ASU are included below and in Note 4. Loans Receivable and Allowance for Credit Losses.

The following significant accounting policies have been updated since the Company's 2023 Annual Report on Form 10-K to reflect the adoption of ASU 2022-02.

*Troubled debt restructurings* - Prior to the Company's adoption of ASU 2022-02, a loan was accounted for as a TDR if the Bank granted a concession to a borrower experiencing financial difficulties. Such concessions generally involve extensions of loan maturity dates, the granting of periods during which reduced payment amounts are required, and/or reductions in interest rates. The Bank does not forgive principal or interest, nor does it commit to lend additional funds to these borrowers, except for situations generally involving the capitalization of delinquent interest and/or escrow on one- to four-family loans and consumer loans, not to exceed the original loan amount. In the case of commercial loans, the Bank generally does not forgive principal or interest or commit to lend additional funds unless the borrower provides additional collateral or other enhancements to improve the credit quality.

*Loan modifications* - The TDR policy outlined above regarding Bank concessions to a borrower experiencing financial difficulty continues to apply for loan modifications upon adoption of ASU 2022-02 on October 1, 2023. If the change in the loan terms resulting from the modification is deemed to be more than minor, all existing unamortized deferred loan origination fees and costs are recognized at the time of modification. Modifications of loans to borrowers experiencing financial difficulty that are in the form of principal forgiveness, interest rate reductions, other-than-insignificant payment delays, or a term extension (or a combination thereof) require disclosure in the Company's footnotes. The Company's modification disclosures are included in Note 4. Loans Receivable and Allowance for Credit Losses. Modified loans are included in the Company's ACL model based on the risk characteristics of the loan. If a modified loan is deemed uncollectible and no longer shares similar risk characteristics within the respective loan pool in the ACL model, the loan is evaluated on an individual basis and any loss is charged-off against the related ACL.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative.* This ASU incorporates a variety of Topics into the Codification that are currently included in SEC Regulations S-X and S-K. The ASU is intended to align the accounting standards of GAAP with SEC Regulations S-X and S-K. Each amendment in the ASU will only become effective for the Company if the SEC removes the related disclosure or presentation requirement from its existing regulations by June 30, 2027. This may result in disclosures currently presented outside of the Company's financial statements being relocated to the Company's financial statements. The amendments will be applied

prospectively by the Company. The ASU is not expected to have a material impact on the Company's disclosures as the Company is currently subject to SEC Regulations S-X and S-K.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures.* This ASU requires enhanced disclosures of segment information for all public entities, including those that have a single reportable segment, primarily in the area of segment revenues and expenses. Entities that have a single reportable segment, like the Company, will be required to provide all the disclosures required by this ASU and all existing segment disclosures requirements in ASC 280, *Segment Reporting*. This ASU is effective for fiscal years beginning after December 15, 2023, which is the fiscal year ending September 30, 2025 for the Company, on October 1, 2024. and interim periods within fiscal years beginning after December 15, 2024, which is the quarter ending December 31, 2025 for the Company. The Company is currently evaluating the effect this ASU will have on the Company's segment disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*. This ASU requires public entities to provide additional annual disclosures regarding specific categories of the income tax rate reconciliation and additional information for reconciling items within the income tax rate reconciliation that meet a certain quantitative threshold. This ASU is effective for the Company on October 1, 2025. , starting with its December 31, 2025 Form 10-Q. The Company is currently evaluating the effect this ASU will have on the Company's income tax disclosures.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements - Amendments to Remove References to the Concepts Statements.* This ASU removes references to various Concept Statements to simplify the Codification and provide a distinction between authoritative and nonauthoritative literature. This ASU is effective for the Company on October 1, 2025. The Company is currently evaluating this ASU, but it is not expected to have a significant impact on the Company's consolidated financial condition or results of operations, and operation, or the Company's disclosures.

**2. EARNINGS PER SHARE**

Shares acquired by the ESOP are not included in basic average shares outstanding until the shares are committed for allocation or vested to an employee's individual account. Unvested shares awarded pursuant to the Company's restricted stock benefit plans are treated as participating securities in the computation of EPS pursuant to the two-class method as they contain nonforfeitable rights to dividends. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security.

| | For the Three Months Ended | For the Three Months Ended | | For the Six Months Ended | | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|---|---|---|---|---|
| | | | March 31, | | June 30, | | | | |
| | 2024 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | | (Dollars in thousands, except per share amounts) | | | | | | | |
| Net income | | | | | | | | | |
| Income allocated to participating securities | | | | | | | | | |
| Net income available to common stockholders | | | | | | | | | |
| Total basic average common shares outstanding | | | | | | | | | |
| Total basic average common shares outstanding | | | | | | | | | |
| Total basic average common shares outstanding | | | | | | | | | |

| | |
|---|---|
| Effect of dilutive stock options | |
| Total diluted average common shares outstanding | |
| Net EPS: | |
| Net EPS: | |
| Net EPS: | |
| Basic | |
| Basic | |
| Basic | |
| Diluted | |
| Antidilutive stock options, excluded from the diluted average | |
| Antidilutive stock options, excluded from the diluted average | |
| Antidilutive stock options, excluded from the diluted average | |
| common shares outstanding calculation | |
| common shares outstanding calculation | |
| common shares outstanding calculation | |

**3. SECURITIES**

The following tables reflect the amortized cost, estimated fair value, and gross unrealized gains and losses of AFS securities at the dates presented. The majority of our securities are government guaranteed or issued by a Government Sponsored Enterprise ("GSE").

| | March 31, 2024 | | | | | June 30, 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross | | Gross | Gross | Estimated | | Gross | Gross | Estimated |
| | Amortized | Amortized | | Unrealized | Fair | Amortized | | Unrealized | Fair | |
| | Cost | Cost | Gains | Losses | Value | | Cost | Gains | Losses | Value |
| | (Dollars in thousands) | | | | | | | | | |
| MBS | | | | | | | | | | |
| MBS | | | | | | | | | | |
| MBS | | | | | | | | | | |
| U.S. Treasury bills | | | | | | | | | | |
| GSE debentures | | | | | | | | | | |
| GSE debentures | | | | | | | | | | |
| GSE debentures | | | | | | | | | | |
| Corporate bonds | | | | | | | | | | |
| | $ | | | | | | | | | |
| | $ | | | | | | | | | |
| | $ | | | | | | | | | |

| | September 30, 2023 | | | |
|---|---|---|---|---|
| | | Gross | Gross | Estimated |
| | Amortized | Unrealized | Unrealized | Fair |
| | Cost | Gains | Losses | Value |
| | (Dollars in thousands) | | | |
| MBS | $ 901,440 | $ 113 | $ 819 | $ 900,734 |
| GSE debentures | 479,610 | — | 182 | 479,428 |
| Corporate bonds | 4,000 | — | 622 | 3,378 |
| Municipal bonds | 942 | — | — | 942 |
| | $ 1,385,992 | $ 113 | $ 1,623 | $ 1,384,482 |

The following tables summarize the estimated fair value and gross unrealized losses of those AFS securities on which an unrealized loss at the dates presented was reported and the continuous unrealized loss position for less than 12 months and equal to or greater than 12 months as of the dates presented.

| | March 31, 2024 | | | | June 30, 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Less Than 12 Months | | Less Than 12 Months | | Equal to or Greater Than 12 Months | Less Than 12 Months | | Equal to or Greater Than 12 Months | |
| | Estimated Fair Value | Estimated Fair Value | Unrealized Losses | Estimated Fair Value | Unrealized Losses | Estimated Fair Value | Unrealized Losses | Estimated Fair Value | Unrealized Losses |
| | | | (Dollars in thousands) | | | | | | |
| MBS | | | | | | | | | |
| MBS | | | | | | | | | |
| MBS | | | | | | | | | |
| U.S. Treasury bills | | | | | | | | | |
| GSE debentures | | | | | | | | | |
| GSE debentures | | | | | | | | | |
| GSE debentures | | | | | | | | | |
| Corporate bonds | | | | | | | | | |
| | $ | | | | | | | | |
| | $ | | | | | | | | |
| | $ | | | | | | | | |

| | September 30, 2023 | | | |
|---|---|---|---|---|
| | Less Than 12 Months | | Equal to or Greater Than 12 Months | |
| | Estimated Fair Value | Unrealized Losses | Estimated Fair Value | Unrealized Losses |
| | (Dollars in thousands) | | | |
| MBS | $ 6,179 | $ 109 | $ 34,555 | $ 710 |
| GSE debentures | — | — | 24,818 | 182 |
| Corporate bonds | — | — | 3,378 | 622 |
| | $ 6,179 | $ 109 | $ 62,751 | $ 1,514 |

The unrealized losses at March 31, 2024 June 30, 2024 were a result of an increase in market yields from the time the securities were purchased. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management did not record an ACL on securities in an unrealized loss position at March 31, 2024 June 30, 2024 as management does not believe any of the securities were impaired due to credit quality reasons. The issuers of these securities continue to make scheduled and timely principal and interest payments, as applicable, under the contractual term of the securities so management believes the entire principal balance will be collected as scheduled. Additionally, management does not have the intent to sell any of the securities and believes that it is more likely than not that the Company will not be required to sell the securities before the recovery of the remaining amortized cost, which could be at maturity. The fair value is expected to recover as the securities approach their maturity date, if not before, or if market yields for such securities decline.

The amortized cost and estimated fair value of AFS debt securities as of March 31, 2024 June 30, 2024, by contractual maturity, are shown below. Actual principal repayments may differ from contractual maturities due to prepayment or early call privileges by the issuer. In the case of MBS, borrowers on the underlying loans generally have the right to prepay their loans without penalty. For this reason, MBS are not included in the maturity categories.

| | |
|---|---|
| | **AFS** |
| | **AFS** |
| | **AFS** |
| | **Amortized** |
| | **Amortized** |
| | **Amortized** |

| | Cost |
|---|---|
| | Cost |
| | Cost |
| | (Dollars in thousands) |
| | (Dollars in thousands) |
| | (Dollars in thousands) |
| One year or less | |
| One year or less | |
| One year or less | |
| One year through five years | |
| One year through five years | |
| One year through five years | |
| Five years through ten years | |
| Five years through ten years | |
| Five years through ten years | |
| Five years through ten years | |
| | 120,802 |
| Five years through ten years | |
| | 120,802 |
| | 194,950 |
| | 194,950 |
| | 194,950 |
| | 120,802 |
| MBS | |
| MBS | |
| MBS | |
| | $ |
| | $ |
| | $ |

The following table presents the taxable and non-taxable components of interest income on investment securities for the periods presented.

| | For the Three Months Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | | | | | | |
| | For the Three Months Ended | | For the Six Months Ended | | For the Nine Months Ended | | | | | |
| | | March 31, | | | June 30, | | | | | |
| | 2024 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | |
| | | (Dollars in thousands) | | | | | | | | |
| Taxable | | | | | | | | | | |
| Non-taxable | | | | | | | | | | |
| | $ | | | | | | | | | |

The following table summarizes the carrying value of securities pledged as collateral for the obligations indicated below as of the dates presented.

| | March 31, 2024 | September 30, 2023 | June 30, 2024 | September 30, 2023 |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| Public unit deposits | | | | |
| Federal Reserve Bank of Kansas City ("FRB of Kansas City") borrowings | | | | |
| | $ | | | |
| | $ | | | |
| | $ | | | |

.

During the quarter ended December 31, 2023, the Bank sold $1.30 billion of AFS securities. The Bank received gross proceeds of $1.27 billion from the sale and realized gross losses of $14.9 million and gross gains of $1.6 million, resulting in a net loss of $13.3 million on the sale during the quarter ended December 31, 2023. All other dispositions of securities during the current year and prior year periods were the result of principal repayments, calls, or maturities.

**4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES**

Loans receivable, net at the dates presented is summarized as follows:

| | March 31, 2024 | September 30, 2023 |
|---|---|---|
| | June 30, 2024 | September 30, 2023 |
| | | (Dollars in thousands) |
| One- to four-family: | | |
| Originated | | |
| Originated | | |
| Originated | | |
| Correspondent purchased | | |
| Bulk purchased | | |
| Construction | | |
| Total | | |
| Commercial: | | |
| Commercial real estate | | |
| Commercial real estate | | |
| Commercial real estate | | |
| Commercial and industrial | | |
| Construction | | |
| Total | | |
| Consumer: | | |
| Home equity | | |
| Home equity | | |
| Home equity | | |
| Other | | |
| Total | | |
| Total loans receivable | | |
| Total loans receivable | | |
| Total loans receivable | | |
| Less: | | |
| Less: | | |
| Less: | | |
| ACL | | |
| ACL | | |
| ACL | | |
| Deferred loan fees/discounts | | |
| Premiums/deferred costs | | |
| | $ | |

***Lending Practices and Underwriting Standards -*** Originating one- to four-family loans is the Bank's primary lending business. The Bank also purchases one- to four-family loans from correspondent lenders, but to a much lesser extent in the current fiscal year compared to prior years, and originates consumer loans primarily secured by one- to four-family residential properties and originates and participates in commercial loans. The Bank has historically also purchased one- to four-family loans from correspondent lenders, but during the current quarter the Bank suspended its one- to four-family correspondent lending channels for the foreseeable future. The Bank has a loan concentration in one- to four-family loans and a geographic concentration of these loans in Kansas and Missouri.

*One- to four-family loans* - Full documentation to support an applicant's credit and income, and sufficient funds to cover all applicable fees and reserves at closing, are required on all loans. Properties securing one- to four-family loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function.

The underwriting standards for loans purchased from correspondent lenders are were generally similar to the Bank's internal underwriting standards. The underwriting of loans purchased from correspondent lenders on a loan-by-loan basis is was performed by the Bank's underwriters.

The Bank also originates owner-occupied construction-to-permanent loans secured by one- to four-family residential real estate. Construction draw requests and the supporting documentation are reviewed and approved by designated personnel. The Bank also performs regular documented inspections of the construction project to ensure the funds are being used for the intended purpose and the project is being completed according to the plans and specifications provided.

*Commercial loans* - The Bank's commercial portfolio includes loans that are originated by the Bank or in participation with a lead bank. For commercial participation loans, the Bank performs the same underwriting procedures as if the loan was originated by the Bank.

The Bank's commercial portfolio has a loan concentration in commercial real estate and commercial construction loans and a geographic concentration in Kansas, Texas, and Missouri. When underwriting a commercial real estate or commercial construction loan, several factors are considered, such as the income producing potential of the property, cash equity provided by the borrower, the financial strength of the borrower, managerial expertise of the borrower or tenant, feasibility studies, lending experience with the borrower and the marketability of the property. At the time of origination, loan-to-value ("LTV") ratios on commercial real estate loans generally do not exceed 85% of the appraised value of the property securing the loans and the minimum debt service coverage ratio ("DSCR") is generally 1.15. 1.15x. The Bank generally requires a guaranty on all commercial real estate loans, but for an experienced borrower with a strong DSCR and LTV, the Bank may allow the guaranty percentage to be reduced, phased out or originated as a non-recourse loan.

For commercial construction loans, LTV ratios generally do not exceed 80% of the projected appraised value of the property securing the loans and the minimum debt service coverage ratio DSCR is generally 1.15, 1.15x, but it applies to the projected cash flows, and the borrower must have successful experience with the construction and operation of properties similar to the subject property. Appraisals on properties securing these loans are performed by independent state certified fee appraisers. For construction loans, guaranties are typically required during the period of construction. After construction is complete, for select experienced borrowers that have a strong DSCR and LTV, the guaranty may be reduced or phased out when the property meets certain performance metrics. Additionally, the Bank generally requires the borrower to contribute equity at the start of a project and prior to any Bank funding.

The Bank's commercial and industrial loans are generally made to borrowers and secured by assets located in the Bank's market areas and are underwritten on the basis of the borrower's ability to service the debt from income. Working capital loans are primarily collateralized by short-term assets whereas term loans are primarily collateralized by long-term assets. In general, commercial and industrial loans involve more credit risk than commercial real estate loans due to the type of collateral securing commercial and industrial loans. As a result of these additional complexities, variables and risks, commercial and industrial loans generally require more thorough underwriting and servicing than other types of loans.

Management regularly monitors the level of risk in the entire commercial loan portfolio, including concentrations in such factors as geographic locations, collateral types, tenant brand name, borrowing relationships, and lending relationships in the case of participation loans, among other factors. Annual reviews are performed for larger loans and lending relationships. The annual reviews include evaluating updated financials, as well as performing stress tests to measure the ability of the loans to withstand certain stress scenarios such as interest rate increases, revenue decreases and expense increases.

*Consumer loans* - The Bank offers a variety of consumer loans, the majority of which are home equity loans and lines of credit for which the Bank also has the first mortgage or the first lien position.

The underwriting standards for consumer loans include a determination of an applicant's payment history on other debts and an assessment of an applicant's ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of an applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security in relation to the proposed loan amount.

***Credit Quality Indicators*** **-** Based on the Bank's lending emphasis and underwriting standards, management has segmented the loan portfolio into three segments: (1) one- to four-family; (2) consumer; and (3) commercial. These segments are further divided into classes for purposes of providing disaggregated credit quality information about the loan portfolio. The classes are: one- to four-family - originated, one- to four-family - correspondent purchased, one- to four-family - bulk purchased, consumer - home equity, consumer - other, commercial - commercial real estate, and commercial - commercial and industrial. One- to four-family construction loans are included in the originated class and commercial construction loans are included in the commercial real estate class. As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to loan classification and delinquency status.

*Loan Classification* - In accordance with the Bank's asset classification policy, management regularly reviews the problem loans in the Bank's portfolio to determine whether any require classification. Loan classifications are defined as follows:

- Special mention - These loans are performing loans on which known information about the collateral pledged or the possible credit problems of the borrower(s) have caused management to have doubts as to the ability of the borrower(s) to comply with present loan repayment terms and which may result in the future inclusion of such loans in the nonaccrual loan categories.

- Substandard - A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans include those characterized by the distinct possibility the Bank will sustain some loss if the deficiencies are not corrected.
- Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses present make collection or liquidation in full on the basis of currently existing facts and conditions and values highly questionable and improbable.
- Loss - Loans classified as loss are considered uncollectible and of such little value that their continuance as assets on the books is not warranted.

The following tables set forth, as of the dates indicated, the amortized cost of loans by class of financing receivable, year of origination or most recent credit decision, and loan classification. All revolving lines of credit and revolving lines of credit converted to term loans are presented separately, regardless of origination year. Loans classified as doubtful or loss are individually evaluated for loss. At March 31, 2024 June 30, 2024 and September 30, 2023, there were no loans classified as doubtful, and all loans classified as loss were fully charged-off.

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | March 31, 2024 | | | | | | | | | | June 30, 2024 | | | | | | | |
| | | | | | | | Revolving Line of Line of Line of | | | | | | | | | | | | |
| | | Current Current Current Fiscal Fiscal Fiscal Year Year Year | 2023 | 2022 | 2021 | 2020 | | Years | Credit | to Term | Total | 2023 | 2022 | 2021 | 2020 | Years | Credit | to Term | Total |
| | | | | | (Dollars in thousands) | | | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Special Mention | | | | | | | | | | | | | | | | | | | |
| Substandard | | | | | | | | | | | | | | | | | | | |
| Correspondent purchased | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Special Mention | | | | | | | | | | | | | | | | | | | |
| Substandard | | | | | | | | | | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Pass | | | | | | | | | | | | | | | | | | | |
| Special Mention | | | | | | | | | | | | | | | | | | | |
| Substandard | | | | | | | | | | | | | | | | | | | |
| | 85,268 | | | | | | | | | | | | | | | | | | |
| | 172,597 | | | | | | | | | | | | | | | | | | |
| Commercial: | | | | | | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | | | | | | |

| | |
|---|---|
| Commercial real estate | |
| Pass | |
| Pass | |
| Pass | |
| Special Mention | |
| Substandard | |
| Commercial and industrial | |
| Pass | |
| Pass | |
| Pass | |
| Special Mention | |
| Substandard | |
| | 185,849 |
| | 326,682 |
| Consumer: | |
| Home equity | |
| Home equity | |
| Home equity | |
| Pass | |
| Pass | |
| Pass | |
| Special Mention | |
| Substandard | |
| Other | |
| Pass | |
| Pass | |
| Pass | |
| Special Mention | |
| Substandard | |
| | 6,050 |
| | 9,368 |
| Total | |
| Total | |
| Total | |

| | September 30, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year 2023 | Fiscal Year 2022 | Fiscal Year 2021 | Fiscal Year 2020 | Fiscal Year 2019 | Prior Years | Revolving Line of Credit | Revolving Line of Credit Converted to Term | Total |
| | (Dollars in thousands) | | | | | | | | |
| One- to four-family: | | | | | | | | | |
| Originated | | | | | | | | | |
| Pass | $ 318,569 | $ 597,298 | $ 874,518 | $ 568,081 | $ 251,773 | $ 1,398,616 | $ — | $ — | $ 4,008,855 |
| Special Mention | — | 1,883 | 1,468 | 767 | 1,863 | 8,067 | — | — | 14,048 |
| Substandard | 292 | 155 | 221 | 564 | 939 | 7,954 | — | — | 10,125 |
| Correspondent purchased | | | | | | | | | |
| Pass | 346,084 | 517,976 | 607,968 | 246,926 | 62,744 | 643,520 | — | — | 2,425,218 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Special Mention | 308 | 674 | 1,674 | 420 | 357 | 1,133 | — | — | 4,566 |
| Substandard | — | — | — | 564 | — | 5,402 | — | — | 5,966 |
| Bulk purchased | | | | | | | | | |
| Pass | — | — | — | — | — | 134,464 | — | — | 134,464 |
| Special Mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | — | — | 3,208 | — | — | 3,208 |
| | 665,253 | 1,117,986 | 1,485,849 | 817,322 | 317,676 | 2,202,364 | — | — | 6,606,450 |
| Commercial: | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Pass | 403,269 | 301,164 | 208,942 | 81,478 | 82,027 | 79,170 | 10,448 | — | 1,166,498 |
| Special Mention | 2,483 | — | — | — | — | — | — | — | 2,483 |
| Substandard | 67 | — | — | 594 | 219 | 255 | — | — | 1,135 |
| Commercial and industrial | | | | | | | | | |
| Pass | 30,206 | 23,166 | 11,740 | 3,228 | 2,693 | 748 | 27,104 | — | 98,885 |
| Special Mention | 13,191 | — | — | — | — | — | 699 | — | 13,890 |
| Substandard | — | — | — | 73 | — | 82 | — | — | 155 |
| | 449,216 | 324,330 | 220,682 | 85,373 | 84,939 | 80,255 | 38,251 | — | 1,283,046 |
| Consumer: | | | | | | | | | |
| Home equity | | | | | | | | | |
| Pass | 5,501 | 5,624 | 1,955 | 1,069 | 746 | 2,224 | 72,119 | 6,205 | 95,443 |
| Special Mention | — | 46 | — | — | — | 21 | 62 | 195 | 324 |
| Substandard | — | — | — | — | — | 15 | 125 | 48 | 188 |
| Other | | | | | | | | | |
| Pass | 4,758 | 2,693 | 787 | 338 | 133 | 129 | 412 | — | 9,250 |
| Special Mention | — | — | — | 4 | — | — | — | 1 | 5 |
| Substandard | 2 | — | — | — | — | — | — | — | 2 |
| | 10,261 | 8,363 | 2,742 | 1,411 | 879 | 2,389 | 72,718 | 6,449 | 105,212 |
| Total | $ 1,124,730 | $ 1,450,679 | $ 1,709,273 | $ 904,106 | $ 403,494 | $ 2,285,008 | $ 110,969 | $ 6,449 | $ 7,994,708 |

*Delinquency Status* - The following tables set forth, as of the dates indicated, the amortized cost of current loans, loans 30 to 89 days delinquent, and loans 90 or more days delinquent or in foreclosure ("90+/FC"), by class of financing receivable and year of origination or most recent credit decision as of the dates indicated. All revolving lines of credit and revolving lines of credit converted to term loans are presented separately, regardless of origination year.

**March 31, 2024** **June 30, 2024**

**Revolving**

**Line of**

**Line of**

**Line of**

**Current**

**Current**

**Current**

**Fiscal**

**Fiscal**

**Fiscal**

**Year**

**Year**

| | Year | 2023 | 2022 | 2021 | 2020 | | Years | Credit | to Term | Total | 2023 | 2022 | 2021 | 2020 | Years | Credit | to Term | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Dollars in thousands) | | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | |

| | |
|---|---|
| Originated | |
| Originated | |
| Current | |
| Current | |
| Current | |
| 30-89 | |
| 90+/FC | |
| Correspondent purchased | |
| Current | |
| Current | |
| Current | |
| 30-89 | |
| 90+/FC | |
| Bulk purchased | |
| Current | |
| Current | |
| Current | |
| 30-89 | |
| 90+/FC | |
| | 85,268 |
| | 172,597 |
| Commercial: | |
| Commercial real estate | |
| Commercial real estate | |
| Commercial real estate | |
| Current | |
| Current | |
| Current | |
| 30-89 | |
| 90+/FC | |
| Commercial and industrial | |
| Current | |
| Current | |
| Current | |
| 30-89 | |
| 90+/FC | |
| | 185,849 |
| | 326,682 |
| Consumer: | |
| Home equity | |
| Home equity | |
| Home equity | |
| Current | |
| Current | |
| Current | |
| 30-89 | |
| 90+/FC | |
| Other | |
| Current | |
| Current | |
| Current | |

| | |
|---|---|
| 30-89 | |
| 90+/FC | |
| | 6,050 |
| | 9,368 |
| Total | |
| Total | |
| Total | |

| | September 30, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year 2023 | Fiscal Year 2022 | Fiscal Year 2021 | Fiscal Year 2020 | Fiscal Year 2019 | Prior Years | Revolving Line of Credit | Revolving Line of Credit Converted to Term | Total |
| | (Dollars in thousands) | | | | | | | | |
| One- to four-family: | | | | | | | | | |
| Originated | | | | | | | | | |
| Current | $ 318,211 | $ 598,283 | $ 875,563 | $ 567,975 | $ 253,546 | $ 1,407,090 | $ — | $ — | $ 4,020,668 |
| 30-89 | 358 | 898 | 644 | 1,437 | 820 | 5,960 | — | — | 10,117 |
| 90+/FC | 292 | 155 | — | — | 209 | 1,587 | — | — | 2,243 |
| Correspondent purchased | | | | | | | | | |
| Current | 346,084 | 518,650 | 608,573 | 247,346 | 62,652 | 643,739 | — | — | 2,427,044 |
| 30-89 | 308 | — | 1,069 | 564 | 449 | 2,862 | — | — | 5,252 |
| 90+/FC | — | — | — | — | — | 3,454 | — | — | 3,454 |
| Bulk purchased | | | | | | | | | |
| Current | — | — | — | — | — | 136,577 | — | — | 136,577 |
| 30-89 | — | — | — | — | — | 153 | — | — | 153 |
| 90+/FC | — | — | — | — | — | 942 | — | — | 942 |
| | 665,253 | 1,117,986 | 1,485,849 | 817,322 | 317,676 | 2,202,364 | — | — | 6,606,450 |
| Commercial: | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Current | 404,867 | 301,164 | 208,942 | 81,478 | 82,027 | 79,188 | 10,448 | — | 1,168,114 |
| 30-89 | 36 | — | — | — | — | — | — | — | 36 |
| 90+/FC | 916 | — | — | 594 | 219 | 237 | — | — | 1,966 |
| Commercial and industrial | | | | | | | | | |
| Current | 43,397 | 23,166 | 11,740 | 3,228 | 2,690 | 748 | 27,684 | — | 112,653 |
| 30-89 | — | — | — | — | 2 | — | 57 | — | 59 |
| 90+/FC | — | — | — | 73 | 1 | 82 | 62 | — | 218 |
| | 449,216 | 324,330 | 220,682 | 85,373 | 84,939 | 80,255 | 38,251 | — | 1,283,046 |
| Consumer: | | | | | | | | | |
| Home equity | | | | | | | | | |
| Current | 5,428 | 5,631 | 1,955 | 990 | 746 | 2,195 | 71,986 | 6,312 | 95,243 |
| 30-89 | 73 | 39 | — | 79 | — | 50 | 239 | 125 | 605 |
| 90+/FC | — | — | — | — | — | 15 | 81 | 11 | 107 |
| Other | | | | | | | | | |
| Current | 4,737 | 2,613 | 765 | 338 | 132 | 129 | 412 | — | 9,126 |
| 30-89 | 17 | 80 | 22 | 4 | 1 | — | — | 1 | 125 |
| 90+/FC | 6 | — | — | — | — | — | — | — | 6 |
| | 10,261 | 8,363 | 2,742 | 1,411 | 879 | 2,389 | 72,718 | 6,449 | 105,212 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total | $ 1,124,730 | $ 1,450,679 | $ 1,709,273 | $ 904,106 | $ 403,494 | $ 2,285,008 | $ 110,969 | $ 6,449 | $ 7,994,708 |

*Gross Charge-Offs* - Since the adoption of ASU 2022-02 on October 1, 2023, the Company has been required to present gross charge-offs by class of financing receivable and year of origination or most recent credit decision. The following table sets forth the required gross charge-off information for the six nine month period ended March 31, 2024 June 30, 2024.

**Revolving**
**Revolving**
**Revolving**
**Lines**
**Lines**
**Lines**

| | **Current Current Current Fiscal Fiscal Fiscal Year Year Year** | **2023** | **2022** | **2021** | **2020** | | **Years** | **Credit** | **Term** | **Total** | **2023** | **2022** | **2021** | **2020** | **Years** | **Credit** | **Term** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Dollars in thousands) | | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | |
| Correspondent purchased | | | | | | | | | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | | | | | | | | | |
| | — | | | | | | | | | | | | | | | | | |
| | — | | | | | | | | | | | | | | | | | |
| Commercial: | | | | | | | | | | | | | | | | | | |
| Commercial: | | | | | | | | | | | | | | | | | | |
| Commercial: | | | | | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | | | | | |
| Commercial and Industrial | | | | | | | | | | | | | | | | | | |
| | — | | | | | | | | | | | | | | | | | |
| | — | | | | | | | | | | | | | | | | | |
| | 50 | | | | | | | | | | | | | | | | | |
| Consumer: | | | | | | | | | | | | | | | | | | |
| Consumer: | | | | | | | | | | | | | | | | | | |
| Consumer: | | | | | | | | | | | | | | | | | | |
| Home Equity | | | | | | | | | | | | | | | | | | |
| Home Equity | | | | | | | | | | | | | | | | | | |
| Home Equity | | | | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | | | | |
| | 2 | | | | | | | | | | | | | | | | | |
| | 14 | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | |

***Delinquent and Nonaccrual Loans*** - The following tables present the amortized cost, at the dates indicated, by class, of loans 30 to 89 days delinquent, loans 90 or more days delinquent or in foreclosure, total delinquent loans, current loans, and total loans. At March 31, 2024 June 30, 2024 and September 30, 2023, all loans 90 or more days delinquent were on nonaccrual status.

| | March 31, 2024 | | | | | June 30, 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 30 to 89 Days Delinquent | 90 or More Days 30 to 89 Days Delinquent | Delinquent or in Foreclosure | 90 or More Days Delinquent | Total Loans | Current Cost | Amortized Delinquent | 30 to 89 Days | Total in Foreclosure | Delinquent or | 90 or More Days Delinquent | Loans | Curre |
| (Dollars in thousands) | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | |
| Originated | | | | | | | | | | |
| Originated | | | | | | | | | | |
| Originated | | | | | | | | | | |
| Correspondent purchased | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | |
| Commercial: | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | |
| Consumer: | | | | | | | | | | |
| Home equity | | | | | | | | | | |
| Home equity | | | | | | | | | | |
| Home equity | | | | | | | | | | |
| Other | | | | | | | | | | |
| | $ | | | | | | | | | |

| | September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | 30 to 89 Days Delinquent | 90 or More Days Delinquent or in Foreclosure | Total Delinquent Loans | Current Loans | Total Amortized Cost |
| | (Dollars in thousands) | | | | |
| One- to four-family: | | | | | |
| Originated | $ 10,117 | $ 2,243 | $ 12,360 | $ 4,020,668 | $ 4,033,028 |
| Correspondent purchased | 5,252 | 3,454 | 8,706 | 2,427,044 | 2,435,750 |
| Bulk purchased | 153 | 942 | 1,095 | 136,577 | 137,672 |
| Commercial: | | | | | |
| Commercial real estate | 36 | 1,966 | 2,002 | 1,168,114 | 1,170,116 |
| Commercial and industrial | 59 | 218 | 277 | 112,653 | 112,930 |
| Consumer: | | | | | |
| Home equity | 605 | 107 | 712 | 95,243 | 95,955 |
| Other | 125 | 6 | 131 | 9,126 | 9,257 |
| | $ 16,347 | $ 8,936 | $ 25,283 | $ 7,969,425 | $ 7,994,708 |

The amortized cost of mortgage loans secured by residential real estate for which formal foreclosure proceedings were in process as of March 31, 2024 June 30, 2024 and September 30, 2023 was $3.2 million $1.9 million and $2.5 million, respectively, which is included in loans 90 or more days delinquent or in foreclosure in the tables above. The carrying value of residential OREO held as a result of obtaining physical possession upon completion of a foreclosure or through completion of a deed in lieu of foreclosure was $67 thousand at March 31, 2024 and $219 thousand at September 30, 2023. There was no residential OREO held at June 30, 2024.

The following table presents the amortized cost at March 31, 2024 June 30, 2024 and September 30, 2023, by class, of loans classified as nonaccrual. Additionally, the amortized cost of nonaccrual loans that had no related ACL is presented, all of which were individually evaluated for loss and any identified losses have been charged off.

| | | March 31, 2024 | | September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | June 30, 2024 | | September 30, 2023 | | | | | |
| | Nonaccrual Loans | Nonaccrual Loans | Nonaccrual Loans with No ACL | Nonaccrual Loans | Nonaccrual Loans with No ACL | Nonaccrual Loans | Nonaccrual Loans with No ACL | Nonaccrual Loans | Nonaccrual Loans with No ACL |
| | | (Dollars in thousands) | | | | | | | |
| One- to four-family: | | | | | | | | | |
| Originated | | | | | | | | | |
| Originated | | | | | | | | | |
| Originated | | | | | | | | | |
| Correspondent purchased | | | | | | | | | |
| Bulk purchased | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Commercial and industrial | | | | | | | | | |
| Consumer: | | | | | | | | | |
| Home equity | | | | | | | | | |
| Home equity | | | | | | | | | |
| Home equity | | | | | | | | | |
| Other | | | | | | | | | |
| | $ | | | | | | | | |

***Loan Modifications -*** The following tables present the amortized cost basis of loans as of March 31, 2024 June 30, 2024 that were both experiencing financial difficulties and modified during the periods noted, by class of financing receivable and by type of modification. Also presented in the tables is the percentage of the amortized cost basis of loans as of March 31, 2024 June 30, 2024 that were modified to borrowers experiencing financial difficulties as compared to the amortized cost basis of each class of financing receivable as of March 31, 2024 June 30, 2024. During the three months and six nine months ended March 31, 2024 June 30, 2024, the Company did not there was a $50 thousand charge-off any amounts related to a commercial real estate loan modified during the loans presented in the table below. nine months ended June 30, 2024. The Company has not committed to lend additional amounts to borrowers included in these tables.

| | For the Three Months Ended March 31, 2024 | | | | | | | | For the Thre |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Combination- Term Extension | | | | | |
| | Principal Forgiveness | Principal Forgiveness | Interest Rate Reduction | Payment Delay | Term Extension | and Payment Delay | Total | Receivable | Financir |
| | | (Dollars in thousands) | | | | | | | |
| One- to four-family: | | | | | | | | | |
| One- to four-family: | | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| One- to four-family: | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | |
| Originated | $ — | $ | $— | $ | $— | $ | $— | $ | $3,429 | $ | $3,429 | 0.09 | 0.09 % | $ — | $ |
| Correspondent | | | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | | | |
| | — | | | | | | | | | | | |
| Commercial: | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | | | |
| | — | | | | | | | | | | | |
| Consumer loans: | | | | | | | | | | | | |
| Home equity | | | | | | | | | | | | |
| Home equity | | | | | | | | | | | | |
| Home equity | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| | — | | | | | | | | | | | |
| Total | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

| | For the Six Months Ended March 31, 2024 | | | | | | | | For the Nine |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Combination- Term Extension | | | | | |
| | Principal Forgiveness | Principal Forgiveness | Interest Rate Reduction | Payment Delay | Term Extension | and Payment Delay | Total | Receivable | Financir |
| | (Dollars in thousands) | | | | | | | | |
| One- to four-family: | | | | | | | | | |
| One- to four-family: | | | | | | | | | |
| One- to four-family: | | | | | | | | | |
| Originated | | | | | | | | | |
| Originated | | | | | | | | | |
| Originated | $ — | $ $— | $ $— | $ $— | $ $7,385 | $ $7,385 | 0.19 | 0.19 % | $ — $ |
| Correspondent | | | | | | | | | |
| Bulk purchased | | | | | | | | | |
| | — | | | | | | | | |
| Commercial: | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| Commercial and industrial | | | | | | | | | |

—

Consumer loans:

Home equity

Home equity

Home equity

Other

—

Total

Total

Total

*Financial effect of loan modifications* - All The loan modifications during the three months and six nine months ended March 31, 2024 June 30, 2024 were term extensions or a combination of term extensions and payment delays. The table below presents the financial impact effects of loan modifications during the three and six nine months ended March 31, 2024 June 30, 2024.

| | For the Three Months Ended March 31, 2024 June 30, 2024 | | For the Six Nine Months Ended March 31, 2024 June 30, 2024 | | | |
|---|---|---|---|---|---|---|
| | **Term Extension** | **Payment Delays** | **Term Extension** | **Payment Delays** | | |
| One- to four-family: | | | | | | |
| Originated | 39 20 months | 4 8 months | 31 months | 4 months | | |
| Correspondent | 20 months N/A | 5 months N/A | 17 months | 4 months | | |
| Commercial: | | | | | | |
| Commercial real estate | 26 N/A | N/A | 24 months | 26 months | 26 months | 26 24 months |
| Commercial and industrial | 6 9 months | 6 months | 6 months | 6 months | | |

*Performance of loan modifications* - Of The following table provides information about the subsequent performance during the nine months ended June 30, 2024 of loans modified during the three and six months ended March 31, 2024, $93 thousand of one- to four-family originated loans defaulted through March 31, 2024. The Company considers "default" to mean 90 days or more past due under the modified terms. Of the loans modified during the three and six months ended March 31, 2024, $672 thousand of one-to four-family originated loans were 30-89 days delinquent at March 31, 2024. All other loans modified during the three and six months ended March 31, 2024 were current at March 31, 2024. for borrowers experiencing financial difficulty.

| | 30 to 89 Days Delinquent | 90 or More Days Delinquent or in Foreclosure | Total Delinquent Loans | Current Loans | Total Amortized Cost |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| One- to four-family: | | | | | |
| Originated | $ 1,847 | $ 205 | $ 2,052 | $ 5,685 | $ 7,737 |
| Correspondent | 182 | — | 182 | 1,549 | 1,731 |
| Commercial: | | | | | |
| Commercial real estate | 50 | — | 50 | 142 | 192 |
| Commercial & industrial | — | — | — | 486 | 486 |
| | $ 2,079 | $ 205 | $ 2,284 | $ 7,862 | $ 10,146 |

***TDRs*** - Prior to the adoption of ASU 2022-02 on October 1, 2023, loans were accounted for as TDRs if the Bank granted a concession to a borrower experiencing financial difficulties. There was one one- to four-family bulk loan restructured during The following table presents the three and six months ended March 31, 2023, with an amortized cost of

$239 thousand prior to restructuring and an amortized cost of $257 thousand immediately after restructuring. restructuring in all loans restructured during the periods presented.

| | For the Three Months Ended June 30, 2023 | | | For the Nine Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Number of Contracts | Pre-Restructured Outstanding | Post-Restructured Outstanding | Number of Contracts | Pre-Restructured Outstanding | Post-Restructured Outstanding |
| | (Dollars in thousands) | | | | | |
| One- to four-family: | | | | | | |
| Originated | 1 | $ 110 | $ 110 | 1 | $ 110 | $ 110 |
| Bulk purchased | — | — | — | 1 | 239 | 257 |
| Home equity | 1 | 38 | 38 | 1 | 38 | 38 |
| | 2 | $ 148 | $ 148 | 3 | $ 387 | $ 405 |

During the three months ended March 31, 2023 June 30, 2023, there were no TDRs that became delinquent within 12 months after being restructured. During the six nine months ended March 31, 2023 June 30, 2023 there was one one- to four-family originated TDR with an amortized cost of $8 thousand that became delinquent within 12 months after being restructured.

***Allowance for Credit Losses -*** The following is a summary of ACL activity, by loan portfolio segment, for the periods presented.

| | For the Three Months Ended March 31, 2024 | | | | | | | For the Three Months Ended June 30, 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | One- to Four-Family | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | Purchased | Total | Commercial | Consumer | Total | Purchased | Total | Commercial | Consumer | Total |
| | (Dollars in thousands) | | | | | | | | | | | |
| Beginning balance | | | | | | | | | | | | |
| Charge-offs | | | | | | | | | | | | |
| Recoveries | | | | | | | | | | | | |
| Provision for credit losses | | | | | | | | | | | | |
| Ending balance | | | | | | | | | | | | |

| | For the Six Months Ended March 31, 2024 | | | | | | | For the Nine Months Ended June 30, 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | One- to Four-Family | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | Purchased | Total | Commercial | Consumer | Total | Purchased | Total | Commercial | Consumer | Total |
| | (Dollars in thousands) | | | | | | | | | | | |
| Beginning balance | | | | | | | | | | | | |
| Adoption of ASU 2022-02 | | | | | | | | | | | | |
| Balance at October 1, 2023 | | | | | | | | | | | | |
| Charge-offs | | | | | | | | | | | | |
| Recoveries | | | | | | | | | | | | |
| Provision for credit losses | | | | | | | | | | | | |
| Ending balance | | | | | | | | | | | | |

| | For the Three Months Ended March 31, 2023 | | | | | | For the Three Months Ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | One- to Four-Family | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | Purchased | Total | Commercial | Consumer | Total | Purchased | Total | Commercial | Consumer | Total |
| | (Dollars in thousands) | | | | | | | | | | | |
| Beginning balance | | | | | | | | | | | | |
| Charge-offs | | | | | | | | | | | | |
| Recoveries | | | | | | | | | | | | |
| Provision for credit losses | | | | | | | | | | | | |
| Ending balance | | | | | | | | | | | | |

| | For the Six Months Ended March 31, 2023 | | | | | | For the Nine Months Ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | One- to Four-Family | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Correspondent | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | | | | | | | | | | |
| | Originated | | Purchased | Total | Commercial | Consumer | Total | Purchased | Total | Commercial | Consumer | Total |
| | (Dollars in thousands) | | | | | | | | | | | |
| Beginning balance | | | | | | | | | | | | |
| Charge-offs | | | | | | | | | | | | |
| Recoveries | | | | | | | | | | | | |
| Provision for credit losses | | | | | | | | | | | | |
| Ending balance | | | | | | | | | | | | |

The key assumptions in the Company's ACL model include the economic forecast, the forecast and reversion to mean time periods, and prepayment and curtailment assumptions. Management also considered certain qualitative factors when evaluating the adequacy of the ACL at March 31, 2024 June 30, 2024. The key assumptions utilized in estimating the Company's ACL at March 31, 2024 June 30, 2024 are discussed below.

- *Economic Forecast* - Management considered several economic forecasts provided by a third party and selected an economic forecast that was the most appropriate considering the facts and circumstances at March 31, 2024 June 30, 2024. The forecasted economic indices applied to the model at March 31, 2024 June 30, 2024 were the national unemployment rate, changes in commercial real estate price index, changes in home values, and changes in the U.S. gross domestic product. The economic index most impactful to all loan pools within the model at March 31, 2024 June 30, 2024 was the national unemployment rate. The forecasted national unemployment rate in the economic scenario selected by management at March 31, 2024 June 30, 2024 had the national unemployment rate gradually increasing to at 4.1% by March 31, 2025 through June 30, 2025, which was the end of our four-quarter forecast time period.
- *Forecast and reversion to mean time periods* - The forecasted time period and the reversion to mean time period were each four quarters for all of the economic indices at March 31, 2024 June 30, 2024.
- *Prepayment and curtailment assumptions* - The assumptions used at March 31, 2024 June 30, 2024 were generally based on actual historical prepayment and curtailment speeds, adjusted by management as deemed necessary. The prepayment and curtailment assumptions vary for each respective loan pool in the model.
- *Qualitative factors* - The qualitative factors applied by management at March 31, 2024 June 30, 2024 included the following:
  - The economic uncertainties related to the unemployment rate, the labor force composition, and the labor participation rate that are not captured in the third-party economic forecast scenarios; and
  - Other management considerations related to commercial loans to account for credit risks not fully reflected in the discounted cash flow model.

***Reserve for Off-Balance Sheet Credit Exposures* -** The following is a summary of the changes in reserve for off-balance sheet credit exposures during the periods indicated. At March 31, 2024 June 30, 2024 and September 30, 2023, the Bank's off-balance sheet credit exposures totaled $790.9 million $754.6 million and $837.7 million, respectively.

| | For the Three Months Ended | For the Three Months Ended | | For the Six Months Ended | For the Three Months Ended | For the Nine Months Ended |
|---|---|---|---|---|---|---|

| | March 31, 2024 | March 31, 2023 | March 31, 2024 | March 31, 2023 |
|---|---|---|---|---|
| | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| | (Dollars in thousands) | | | |
| Beginning balance | | | | |
| Adoption of ASU 2022-02 | | | | |
| (Release)/provision for credit losses | | | | |
| Ending balance | | | | |

**5. BORROWED FUNDS**

***Borrowings*** - Borrowings at March 31, 2024 June 30, 2024 consisted of $2.35 billion $2.29 billion in FHLB advances, of which $2.05 billion $1.99 billion were fixed-rate advances and $300.0 million were variable-rate advances, and $971 thousand $1.1 million in finance leases. Borrowings at September 30, 2023 consisted of $2.38 billion in FHLB advances, of which $2.02 billion were fixed-rate advances and $365.0 million were variable-rate advances, and $500.0 million of borrowings from the Federal Reserve's Bank Term Funding Program ("BTFP"). During the current year period, the Bank paid off the $500.0 million of BTFP borrowings.

As of March 31, 2024 June 30, 2024 and September 30, 2023, the Bank held interest rate swap agreements with an aggregate notional amount of $300.0 million and $365.0 million, respectively, in order to hedge the variable cash flows associated with $300.0 million and $365.0 million, respectively, of adjustable-rate FHLB advances. At March 31, 2024 June 30, 2024 and September 30, 2023, the interest rate swap agreements had an average remaining term to maturity of 1.9 1.7 years and 2.1 years, respectively. The interest rate swaps were designated as cash flow hedges and involved the receipt of variable amounts from a counterparty in exchange for the Bank making fixed-rate payments over the life of the interest rate swap agreements. At March 31, 2024 June 30, 2024 and September 30, 2023, the interest rate swaps were in a gain position with a total fair value of $7.6 million $6.6 million and $13.0 million, respectively, which was reported in other assets on the consolidated balance sheet. During the three and six nine month periods ended March 31, 2024 June 30, 2024, $1.7 million $1.6 million and $3.6 million $5.2 million, respectively, was reclassified from AOCI as a decrease to interest expense. During the three and six nine month periods ended March 31, 2023 June 30, 2023, $1.3 million $1.7 million and $2.1 million $3.7 million, respectively, was reclassified from AOCI as a decrease to interest expense. At March 31, 2024 June 30, 2024, the Company estimated that $4.9 million $4.3 million of interest expense associated with the interest rate swaps would be reclassified from AOCI as a decrease to interest expense on FHLB borrowings during the next 12 months. The Bank has minimum collateral posting thresholds with its derivative counterparties and posts collateral on a daily basis. The Bank held cash collateral of $8.2 million $7.3 million and $14.0 million at March 31, 2024 June 30, 2024 and September 30, 2023, respectively, in compliance with its minimum posting requirements.

Periodically, management has utilized a leverage strategy to increase earnings which entails entering into short-term FHLB borrowings and depositing the proceeds from these FHLB borrowings, net of the cost to purchase FHLB stock to meet FHLB stock holding requirements, at the FRB of Kansas City ("leverage strategy"). The leverage strategy is not a core operating business for the Company. It provides the Company the ability to utilize excess capital to generate earnings. Additionally, it is a strategy that can be exited quickly without additional costs. Leverage strategy borrowings are repaid prior to each quarter end. The leverage strategy was not in place during the current year six nine month period due to the strategy being unprofitable, but it was in place at points during the prior year six nine month period. When the leverage strategy is in place, it reduces the net interest margin due to the amount of earnings from the transaction in comparison to the size of the transaction. Management continues to monitor the net interest rate spread and overall profitability of the leverage strategy.

**6. INCOME TAXES**

Prior to the Small Business Job Protection Act (the "1996 Act"), the Bank was permitted to deduct, up to a specified formula limit, a certain percentage of income as bad debts, for which the Bank was not required to establish a deferred tax liability. Rather, the difference was recorded in the Bank's retained earnings. As a result of the 1996 Act, savings institutions, like the Bank, have been required to use the specific charge-off method in computing bad debt deductions beginning with their 1996 Federal tax return. Pre-1988 bad debt reserves in retained earnings remain subject to recapture by the Bank on the occurrence of certain distributions in excess of current earnings and profits accumulated in tax years beginning after December 31, 1951 ("accumulated earnings and profits"). The Bank estimates its pre-1988 bad debt reserves to be $99.2 million $85.5 million at March 31, 2024 June 30, 2024, which equates to an unrecorded deferred tax liability of $24.3 million $18.0 million at March 31, 2024 June 30, 2024. Any distributions from the Bank to Capitol Federal Financial, Inc., which would be deemed to be drawn out of the Bank's pre-1988 bad debt reserves, would require a payment of taxes at the then-current rate by the Bank on the amount of earnings deemed to be removed from the bad debt reserves for such distribution, thereby reducing the amount of cash that can be distributed to the Company.

The net loss associated with the strategic securities strategy transaction ("securities strategy") that was recognized in fiscal year 2023 net income will be recognized in the Company's fiscal year 2024 income tax return due to the sale of the securities occurring in October 2023 (in fiscal 2024). As a result, the Company anticipates it will report a taxable net loss on its September 30, 2024 corporate income tax return. Due to the anticipated taxable net loss in fiscal year 2024, the Bank's earning distributions to the Company during fiscal year 2024 will be deemed to draw upon the Bank's pre-1988 bad debt reserves. This has resulted and will continue to result in an increase in income tax expense in fiscal year 2024 equivalent to the distributions paid by the Bank that are deemed to be drawn upon the Bank's pre-1988 bad debt reserves times the Bank's current statutory tax rate. These amounts will be treated as discrete tax items in the quarters when the distributions are paid and will offset the Bank's net operating loss deferred tax asset. During the current fiscal year, the Bank has recorded $3.4 million of income tax expense related to these distributions.

During the current fiscal year, the Company reversed the $47.0 million deferred tax asset as of September 30, 2023 related to the net loss on the securities transaction and recorded a deferred tax asset for the anticipated taxable net loss in the current fiscal year. The deferred tax asset related to the anticipated taxable net loss, or net operating loss, was $42.3

million $36.2 million at March 31, 2024 June 30, 2024. In addition, the

Company recorded a deferred tax asset in the current fiscal year related to its low income housing tax credits that are currently not

utilized due to tax return income limitations. The related deferred tax asset at March 31, 2024 June 30, 2024 was $7.6 million $10.0 million. Federal net operating losses carry forward indefinitely and federal tax credits carry forward for 20 years.

The Company assesses the available positive and negative evidence surrounding the recoverability of its deferred tax assets and applies its judgment in estimating the amount of valuation allowance necessary under the circumstances. At March 31, 2024 June 30, 2024, the Company does not believe a valuation allowance is necessary on the deferred income tax assets recorded during the current quarter as it is more likely than not that these amounts will be realized through the reversal of the Company's existing taxable temporary differences and projected future taxable income.

**7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

***Fair Value Measurements*** - The Company uses fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures in accordance with ASC 820 and ASC 825. The Company's AFS securities and interest rate swaps are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other financial instruments on a non-recurring basis, such as OREO and loans individually evaluated for impairment. These non-recurring fair value adjustments involve the application of lower of cost or fair value accounting or write-downs of individual financial instruments.

The Company groups its financial instruments at fair value in three levels based on the markets in which the financial instruments are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 - Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the financial instrument. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the financial instrument.

The Company bases the fair value of its financial instruments on the price that would be received from the sale of an instrument in an orderly transaction between market participants at the measurement date under current market conditions. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

The following is a description of valuation methodologies used for financial instruments measured at fair value on a recurring basis.

*AFS Securities* - The Company's AFS securities portfolio is carried at estimated fair value. The Company primarily uses prices obtained from third-party pricing services to determine the fair value of its securities. On a quarterly basis, management corroborates a sample of prices obtained from the third-party pricing service for Level 2 securities by comparing them to an independent source. If the price provided by the independent source varies by more than a predetermined percentage from the price received from the third-party pricing service, then the variance is researched by management. The Company did not have to adjust prices obtained from the third-party pricing service when determining the fair value of its securities during the six nine months ended March 31, 2024 June 30, 2024 or during fiscal year 2023. The Company's major security types, based on the nature and risks of the securities, are:

- U.S. Treasury bills - Estimated fair values are based on pricing data from active primary and secondary markets, and inter-dealer brokers. (Level 1)
- MBS - The majority of these securities are issued by GSEs. Estimated fair values are based on a discounted cash flow method. Cash flows are determined based on prepayment projections of the underlying mortgages and are discounted using current market yields for benchmark securities. (Level 2)
- GSE debentures - Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking any embedded options into consideration and are discounted using current market yields for similar securities. (Level 2)
- Corporate Bonds and Municipal Bonds - Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking any embedded options into consideration and are discounted using current market yields for securities with similar credit profiles. (Level 2)

*Interest Rate Swaps* - The Company's interest rate swaps are designated as cash flow hedges and are reported at fair value in other assets on the consolidated balance sheet if in a gain position, and in other liabilities if in a loss position, with any unrealized gains and losses, net of taxes, reported as AOCI in stockholders' equity. See "Note 5. Borrowed Funds" for additional information. The estimated fair values of the interest rates swaps are obtained from the counterparty and are determined by a discounted cash flow analysis using observable market-based inputs. On a quarterly basis, management corroborates the estimated fair values by internally calculating the estimated fair value using a discounted cash flow analysis with independent observable market-based inputs from a third party. No adjustments were made to the estimated fair values obtained from the counterparty during the six nine months ended March 31, 2024 June 30, 2024 or during fiscal year 2023. (Level 2)

The following tables provide the level of valuation assumption used to determine the carrying value of the Company's financial instruments measured at fair value on a recurring basis at the dates presented. The Company did not have any Level 3 financial instruments measured at fair value on a recurring basis at March 31, 2024 June 30, 2024 or September 30, 2023.

| | March 31, 2024 | | | | June 30, 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| Carrying Value | Carrying Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Quoted Prices in Active Markets Inputs (Level 2) | Other Observable Inputs (Level 3) | Significant Unobservable Carrying Value | for Identical Assets (Level 1) | Quoted Prices in Active Markets Inputs (Level 2) | Other Observable Significant Unobservab Inputs (Level 3) |

(Dollars in thousands)

*Assets:*

| | |
|---|---|
| AFS Securities: | |
| AFS Securities: | |
| AFS Securities: | |
| MBS | |
| MBS | |
| MBS | |
| U.S. Treasury bills | |
| GSE debentures | |
| GSE debentures | |
| GSE debentures | |
| Corporate bonds | |
| | 842,950 |
| | 842,950 |
| | 842,950 |
| | 801,953 |
| | 801,953 |
| | 801,953 |
| Interest rate swaps | |
| $ | |

| | September 30, 2023 | | | |
|---|---|---|---|---|
| | Carrying Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |

(Dollars in thousands)

*Assets:*

| | | | | |
|---|---|---|---|---|
| AFS Securities: | | | | |
| MBS | $ 900,734 | $ — | $ 900,734 | $ — |
| GSE debentures | 479,428 | — | 479,428 | — |
| Corporate bonds | 3,378 | — | 3,378 | — |
| Municipal bonds | 942 | — | 942 | — |
| | 1,384,482 | — | 1,384,482 | — |
| Interest rate swaps | 13,018 | — | 13,018 | — |
| | $ 1,397,500 | $ — | $ 1,397,500 | $ — |

The following is a description of valuation methodologies used for significant financial instruments measured at fair value on a non-recurring basis. The significant unobservable inputs used in the determination of the fair value of assets classified as Level 3 have an inherent measurement uncertainty that, if changed, could result in higher or lower fair value measurements of these assets as of the reporting date.

*Loans Receivable* - Collateral dependent assets are assets evaluated on an individual basis. Those collateral dependent assets that are evaluated on an individual basis are considered financial assets measured at fair value on a non-recurring basis. The fair value of collateral dependent loans/loans individually evaluated for loss on a non-recurring basis during the six nine months ended March 31, 2024 June 30, 2024 and 2023 that were still held in the portfolio as of March 31, 2024 June 30, 2024 and 2023 was $1.2 million $1.6 million and $3.6 million $3.9 million, respectively. Fair values of collateral dependent loans/loans individually evaluated for loss cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the loan and, as such, are classified as Level 3.

The one- to four-family loans included in this amount were individually evaluated to determine if the carrying value of the loan was in excess of the fair value of the collateral, less estimated selling costs of 10%. Fair values were estimated through current appraisals. Management does not adjust or apply a discount to the appraised value of one- to four-family loans, except for the estimated sales cost noted above, and the primary unobservable input for these loans was the appraisal.

For commercial loans, if the most recent appraisal or book value of the collateral does not reflect current market conditions due to the passage of time and/or other factors, management will adjust the existing appraised or book value based on knowledge of local market conditions, recent transactions, and estimated selling costs, if applicable. Adjustments to appraised or book values are generally based on assumptions not observable in the marketplace. The primary significant unobservable inputs for commercial loans individually evaluated during the six nine months ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023 were downward adjustments to the book value of the collateral for lack of marketability. During the six nine months ended March 31, 2024 June 30, 2024, the adjustments ranged from 5% to 100%, with a weighted average of 16% 33%. During the six nine months ended March 31, 2023 June 30, 2023, the adjustments ranged from 8% to 100%, with a weighted average of 21%. The basis utilized in calculating the weighted averages for these adjustments was the original unadjusted value of each collateral item.

*OREO* - OREO primarily represents real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at the lower of cost or fair value. The fair value for one- to four-family OREO is estimated through current appraisals or listing prices, less estimated selling costs of 10%. Management does not adjust or apply a discount to the appraised value or listing price, except for the estimated sales costs noted above. The primary significant unobservable input for one- to four-family OREO was the appraisal or listing price. There was $67 thousand and $93 thousand of no one- to four-family OREO measured on a non-recurring basis during the six nine months ended March 31, 2024 and March 31, 2023, respectively. June 30, 2024 or June 30, 2023. The carrying value of the properties equaled the fair value of the properties at March 31, 2024 June 30, 2024 and 2023.

For commercial OREO, if the most recent appraisal or book value of the collateral does not reflect current market conditions due to the passage of time and/or other factors, management will adjust the existing appraised or book value based on knowledge of local market conditions, recent transactions, and estimated selling costs, if applicable. Adjustments to appraised or book values are generally based on assumptions not observable in the marketplace. The primary significant unobservable input for commercial OREO is downward adjustments to book value of the collateral for lack of marketability. Fair values of foreclosed property cannot be determined with precision and may not be realized in an actual sale of the property and, as such, are classified as Level 3. There was no commercial OREO measured on a non-recurring basis during the six nine months ended March 31, 2024 June 30, 2024 and 2023.

***Fair Value Disclosures*** - The Company estimated fair value amounts using available market information and a variety of valuation methodologies as of the dates presented. Considerable judgment is required to interpret market data to develop the estimates of fair value. The estimates presented are not necessarily indicative of amounts the Company would realize from a current market exchange at subsequent dates.

The carrying amounts and estimated fair values of the Company's financial instruments by fair value hierarchy, at the dates presented, were as follows:

| | | March 31, 2024 | | | | June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying | Carrying | Estimated Fair Value | | | Carrying | | Estimated Fair Value | | | |
| | Amount | Amount | Total | Level 1 | Level 2 | Level 3 | Amount | Total | Level 1 | Level 2 | Level 3 |
| | | | (Dollars in thousands) | | | | | | | | |
| **Assets:** | | | | | | | | | | | |

| |
|---|
| Cash and cash equivalents |
| Cash and cash equivalents |
| Cash and cash equivalents |
| AFS securities |
| Loans receivable |
| Loans receivable |
| Loans receivable |
| FHLB stock |
| FHLB stock |
| FHLB stock |
| Interest rate swaps |
| Interest rate swaps |
| Interest rate swaps |
| **Liabilities:** |
| Deposits |
| Deposits |
| Deposits |
| Borrowings |

| | September 30, 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | September 30, 2023 | | | | | | | | | | |
| | September 30, 2023 | | | | | | | | | | |
| | Carrying | Carrying | Estimated Fair Value | | | Carrying | | Estimated Fair Value | | | |
| | Amount | Amount | Total | Level 1 | Level 2 | Level 3 | Amount | Total | Level 1 | Level 2 | Level 3 |
| | (Dollars in thousands) | | | | | | | | | | |
| **Assets:** | | | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | | | |
| AFS securities | | | | | | | | | | | |
| Loans receivable | | | | | | | | | | | |
| Loans receivable | | | | | | | | | | | |
| Loans receivable | | | | | | | | | | | |
| FHLB stock | | | | | | | | | | | |
| FHLB stock | | | | | | | | | | | |
| FHLB stock | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | |
| **Liabilities:** | | | | | | | | | | | |
| Deposits | | | | | | | | | | | |
| Deposits | | | | | | | | | | | |
| Deposits | | | | | | | | | | | |
| Borrowings | | | | | | | | | | | |

**8. ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following tables present the changes in the components of AOCI, net of tax, for the periods indicated.

| | For the Three Months Ended March 31, 2024 | For the Three Months Ended June 30, 2024 |
|---|---|---|
| Unrealized Gains (Losses) | | |

| | Gains (Losses) Gains (Losses) on AFS on AFS on AFS Securities | Securities | on Cash Flow Hedges | Total AOCI | on Cash Flow Securities | Total Hedges | AOCI |
|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | |
| Beginning balance | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $542 | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $502 | | | | | | | |
| Other comprehensive income (loss) | | | | | | | |
| Other comprehensive income (loss) | | | | | | | |
| Other comprehensive income (loss) | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |

| | | For the Six Months Ended March 31, 2024 | | | For the Nine Months Ended June 30, 2024 | | |
|---|---|---|---|---|---|---|---|
| | Unrealized Gains (Losses) Gains (Losses) Gains (Losses) on AFS on AFS on AFS Securities | Securities | on Cash Flow Hedges | Total AOCI | on Cash Flow Securities | Total Hedges | AOCI |
| | (Dollars in thousands) | | | | | | |
| Beginning balance | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $1,168 | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $1,670 | | | | | | | |
| Reclassification adjustment for gross gains on AFS securities included in net income, net of taxes of $383 | | | | | | | |
| Other comprehensive income (loss) | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended June 30, 2023 |
|---|---|---|

| | Gains (Losses) on AFS Securities | Securities | on Cash Flow Hedges | Total AOCI | on Cash Flow Securities | Hedges | Total AOCI |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | | |
| Beginning balance | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $427 | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $538 | | | | | | | |
| Other comprehensive income (loss) | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |

| | | For the Six Months Ended March 31, 2023 | | | For the Nine Months Ended June 30, 2023 | | |
|---|---|---|---|---|---|---|---|
| | Gains (Losses) on AFS Securities | Securities | on Cash Flow Hedges | Total AOCI | on Cash Flow Securities | Hedges | Total AOCI |
| | | | (Dollars in thousands) | | | | |
| Beginning balance | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Other comprehensive income (loss), before reclassifications | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $664 | | | | | | | |
| Amount reclassified from AOCI, net of taxes of $1,202 | | | | | | | |
| Other comprehensive income (loss) | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |
| Ending balance | | | | | | | |

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

The Company and the Bank may from time to time make written or oral "forward-looking statements," including statements contained in documents filed or furnished by the Company with the SEC. These forward-looking statements may be included in this Quarterly Report on Form 10-Q and the exhibits attached to it, in the Company's reports to stockholders, in the Company's press releases, and in other communications by the Company, which are made in good faith pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our future results to differ materially from the beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions expressed in the forward-looking statements:

- our ability to maintain overhead costs at reasonable levels;
- our ability to originate and purchase a sufficient volume of one- to four-family loans in order to maintain the balance of that portfolio at a level desired by management;
- our ability to invest funds in wholesale or secondary markets at favorable yields compared to the related funding source;
- our ability to access cost-effective funding and maintain sufficient liquidity;
- the expected synergies and other benefits from our acquisition activities might not be realized to the extent anticipated, within the anticipated time frames, or at all;
- our ability to extend our commercial banking and trust asset management expertise across our market areas;
- fluctuations in deposit flows;
- transactions or activities that may result in the recapture of base-year, tax basis bad debt reserves;
- the future earnings and capital levels of the Bank, the impact of the pre-1988 bad debt recapture and the continued non-objection by our primary federal banking regulators, to the extent required, to distribute capital from the Bank to the Company, which could affect the ability of Company's income tax expense and the Company Company's ability to pay dividends in accordance with its dividend policy and/or repurchase shares;
- the strength of the U.S. economy in general and the strength and/or the availability of labor in the local economies in which we conduct operations, including areas where we have purchased large amounts of correspondent loans, originated commercial loans, and entered into commercial loan participations;
- changes in real estate values, unemployment levels, general economic trends, and the level and direction of loan delinquencies and charge-offs may require changes in the estimates of the adequacy of the ACL and may adversely affect our business;
- increases in classified and/or non-performing assets, which may require the Bank to increase the ACL, charge-off loans and incur elevated collection and carrying costs related to such non-performing assets;
- results of examinations of the Bank and the Company by their respective primary federal banking regulators, including the possibility that the regulators may, among other things, require us to increase our ACL;
- changes in accounting principles, policies, or guidelines;
- the effects of, and changes in, monetary and interest rate policies of the Board of Governors of the Federal Reserve System ("FRB");
- the effects of, and changes in, trade and fiscal policies and laws of the United States government;
- the effects of, and changes in, foreign and military policies of the United States government;
- inflation, interest rate, market, monetary, and currency fluctuations and the effects of a potential economic recession or slower economic growth;
- the impact of bank failures or adverse developments at other banks and related negative press about the banking industry in general on investor or depositor sentiment;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by users, including the features, pricing, and quality compared to competitors' products and services;
- the willingness of users to substitute competitors' products and services for our products and services;
- our success in gaining regulatory approval of our products and services and branching locations, when required;
- the impact of interpretations of, and changes in, financial services laws and regulations, including laws concerning taxes, banking, securities, consumer protection, trust and insurance and the impact of other governmental initiatives affecting the financial services industry;
- the ability to attract and retain skilled employees;
- implementing business initiatives may be more difficult or expensive than anticipated;
- significant litigation;
- technological changes;

- our ability to maintain the security of our financial, accounting, technology, and other operating systems and facilities, including the ability to withstand cyberattacks;

- changes in consumer spending, borrowing and saving habits; and
- our success at managing the risks involved in our business.

This list of factors is not all inclusive. For a discussion of risks and uncertainties related to our business that could adversely impact our operations and/or financial results, see "Part I, Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023 and Part II, Item 1A. Risk Factors within this Quarterly Report on Form 10-Q. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or the Bank.

As used in this Form 10-Q, unless we specify or the context indicates otherwise, "the Company," "we," "us," and "our" refer to Capitol Federal Financial, Inc. a Maryland corporation, and its subsidiaries. "Capitol Federal Savings," and "the Bank," refer to Capitol Federal Savings Bank, a federal savings bank and the wholly-owned subsidiary of Capitol Federal Financial, Inc.

The following discussion and analysis is intended to assist in understanding the financial condition, results of operations, liquidity, and capital resources of the Company. The Bank comprises almost all of the consolidated assets and liabilities of the Company and the Company is dependent primarily upon the performance of the Bank for the results of its operations. Because of this relationship, references to management actions, strategies and results of actions apply to both the Bank and the Company except where the context indicates otherwise. This discussion and analysis should be read in conjunction with Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the SEC.

**Available Information**

Financial and other Company information, including press releases, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports can be obtained free of charge from our investor relations website, http://ir.capfed.com. SEC filings are available on our website immediately after they are electronically filed with or furnished to the SEC, and are also available on the SEC's website at www.sec.gov.

**Critical Accounting Estimates**

Our most critical accounting estimates are the methodologies used to determine the ACL and reserve for off-balance sheet credit exposures and fair value measurements. These estimates are important to the presentation of our financial condition and results of operations, involve a high degree of complexity, and require management to make difficult and subjective judgments that may require assumptions about highly uncertain matters. The use of different judgments, assumptions, and estimates could affect reported results materially. These critical accounting estimates and their application are reviewed at least annually by the audit committee of our Board of Directors. For a full discussion of our critical accounting estimates, see "Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

**Executive Summary**

The following summary should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section in its entirety.

In October 2023, the Company initiated a securities strategy by selling $1.30 billion of securities, representing 94% of its securities portfolio ("securities strategy"). portfolio. Since the Company did not have the intent to hold the $1.30 billion of securities to maturity at September 30, 2023, the Company recognized an impairment loss on those securities, $192.6 million of which was reflected in the Company's financial statements for the quarter and fiscal year ended September 30, 2023. The securities strategy was designed to allow the Company to improve its earnings stream going forward, beginning in the current fiscal year, by redeploying most of the proceeds into current market rate securities and to provide liquidity to deleverage the balance sheet utilizing the remaining proceeds. During the quarter ended December 31, 2023 the Company completed the sale of securities and recognized $13.3 million ($10.0 million net of tax), or $0.08 per share, of additional loss related to the sale of the securities. See additional information regarding the impact of the securities strategy on our financial measurements in "Comparison of Operating Results for the Three Nine Months Ended March 31, 2024 June 30, 2024 and December 31, 2023 - Average Balance Sheet" and "Comparison of Operating Results for the Six Months Ended March 31, 2024 and March 31, 2023 June 30, 2023 - Average Balance Sheet" below. The $1.30 billion of securities sold had a weighted average yield of 1.22% and an average duration of 3.6 years. With the proceeds from the sale of the securities, the Company purchased $632.0 million of securities yielding 5.75%, paid down $500.0 million of borrowings with a cost of 4.70%, and held deposited the remaining cash at with the FRB earning interest

FRB of Kansas City earning interest at the reserve balance rate, until such time as it can be used pending its use to fund commercial activity or other Bank operations. See additional discussion related to commercial loan activity in the "Financial Condition" and "Financial Condition - Loans Receivable" sections below.

The Company recognized net income of $16.3 million $26.0 million, or $0.12 $0.20 per share, for the current year six month period, compared to net income of $30.4 million $38.7 million, or $0.23 $0.29 per share, for the prior year six month period. The lower net income for the current year six month period was primarily a result of the $13.3 million $10.0 million (net of tax) of net loss on the sale of securities losses associated with the securities strategy, along with lower a decrease in deposit service fees, a decrease in net interest income, and an increase in income tax expense largely related to the pre-1988 bad debt recapture, partially offset by a lower provision for credit losses and income tax expense a decrease in non-interest expense. Excluding the current year six month period. Absent the effect effects of the net loss associated with the securities strategy, EPS would have been $0.20 $0.28 for the current year six month period. The income tax expense associated with the pre-1988 bad debt recapture negatively impacted earnings by $0.02 per share in the current year period. See additional discussion related to the pre-1988 bad debt recapture in the "Comparison of Operating Results for the Three Months Ended June 30, 2024 and March 31, 2024" section below.

Periodically at management's discretion, we have utilized a strategy to increase earnings which entails entering into short-term FHLB borrowings and depositing the proceeds from these FHLB borrowings, net of the cost to purchase FHLB stock to meet FHLB stock holding requirements, at the FRB of Kansas City (the "leverage strategy"). See additional information regarding the leverage strategy in the "Financial Condition - Borrowings" section below. When the leverage strategy is in place, it increases assets and liabilities and reduces the net interest margin due to the amount of earnings from the transaction in comparison to the size of the transaction.

The net interest margin increased 17 27 basis points, from 1.59% 1.50% for the prior year six month period to 1.76% 1.77% for the current year six month period, due primarily to the leverage strategy being in place during portions of the prior year six month period but not in place during the current year six month period. The leverage strategy negatively impacted the net interest margin for the prior year six month period by 20 16 basis points. The absence of the leverage strategy during the current year six month period was partially offset by the negative effect on remaining improvement in the net interest margin of an increase in absent the costs of deposits and borrowings, which exceeded leverage strategy when compared to the increase in prior year period, was due to higher yields on securities and loans. loans which outpaced the increase in the cost of deposits, largely in retail certificates of deposit.

The Company's efficiency ratio was 74.29% 69.77% for the current year six month period compared to 57.43% 61.78% for the prior year six month period. Absent Excluding the net loss from the securities strategy, the efficiency ratio would have been 63.28% 62.87% for the current year six month period. The change in the efficiency ratio, absent excluding the securities strategy, was due primarily to lower net interest non-interest income in the current year six month period compared to the prior year six month period. The Company's operating expense ratio (annualized) for the current year six month period was 1.18% compared to 1.00% 1.03% for the prior year six month period, due mainly to lower average assets in the current year six month period. The leverage strategy was in place at times during the prior year six month period, which increased assets, but was not in place during the current year six month period.

Total assets were $9.72 billion $9.60 billion at March 31, 2024 June 30, 2024, a $456.2 million $574.7 million decrease from September 30, 2023, due primarily to the securities strategy. The loan portfolio was $7.88 billion $7.93 billion at March 31, 2024 June 30, 2024, a $93.4 million $37.9 million decrease from September 30, 2023, due mainly to a $154.4 million $214.4 million decrease in one- to four-family loans, partially offset by a $62.5 million $177.9 million increase in commercial loans during the current year six month period. loans. As a result of rising interest rates and lack of housing inventory, there has been a slowdown in the housing market which has impacted reduced the demand for residential loans and has directly impacted the Bank's one- to four-family loan portfolio. Origination and refinance activity has slowed considerably, and there has been a reduction in one- to four-family loan balances through scheduled repayments and loan payoffs. While Additionally, during the Bank's loan activity levels are down, partially due current quarter, the Bank suspended its one- to four-family correspondent lending channels for the interest rate environment and seasonality, management foreseeable future. Management expects the Bank's one- to four-family loan portfolio will continue to decrease as cash flows generated from the one- to four-family portfolio will be are used to fund commercial loan growth. During the current quarter, several large commercial loans matured or prepaid which contributed to the slower growth in the balance of commercial loans. Management anticipates the balance of commercial loans will trend upward in future periods.

Total deposits were $6.14 billion $6.13 billion at March 31, 2024 June 30, 2024, an increase of $90.5 million $78.4 million from September 30, 2023. The increase in deposits was primarily in retail certificates of deposit, all in the 14 month months or shorter term category, partially offset by a decrease in retail money market accounts. During accounts as some customers elected to move funds to the current quarter, the Bank held a Presidents' Day Bank's certificate of deposit campaign which resulted in some customers electing to move funds from money market accounts at offerings or the Bank into the certificate of deposit portfolio. The Presidents' Day certificate of deposit campaign resulted in $147.0 million in new certificates of deposit at a weighted average rate of 5.27% and a weighted average term of 7 months. Bank's higher yielding savings account offering. Management continues to competitively price certain short-term retail certificate of deposit products so that if market rates were to decrease in the near future, the Bank would be able to more quickly reprice those balances to lower market rates at maturity.

Total borrowings were $2.35 billion $2.29 billion at March 31, 2024 June 30, 2024, a decrease of $528.1 million $587.5 million from September 30, 2023. The decrease was due primarily to $500.0 million of borrowings under the BTFP that were paid off during the quarter ended December 31, 2023 in conjunction with the securities strategy. Management estimates that the Bank had $2.87 billion $3.00 billion in additional liquidity available at March 31, 2024 June 30, 2024, based on the Bank's blanket collateral agreement with FHLB and unencumbered securities.

The Bank's asset quality remained strong, reflected in low delinquency and charge-off ratios. At March 31, 2024 June 30, 2024, loans 30 to 89 days delinquent were 0.19% 0.21% of total loans receivable, net, and loans 90 or more days delinquent or in foreclosure were 0.11% of total loans receivable, net. During the current year six month period, net charge-offs ("NCOs") were $1 $58 thousand.

At March 31, 2024 June 30, 2024, the Bank's gap between the amount of the Bank's interest-earning assets and its interest-bearing liabilities projected to reprice within one year was $(1.10) $(1.40) billion, or (11.3) (14.6)% of total assets, compared to $(679.7) million, $(1.19) billion, or (7.1) (11.7)% of total assets, at December 31, 2023.

September 30, 2023. The change in the one-year gap amount was due to an a net increase in the amount of liability cash flows coming due in one year, at March 31, 2024, partially offset by an increase in the amount of interest-earning asset cash flows coming due during the same time period, in one year as of June 30, 2024, compared to December 31, 2023 September 30, 2023. The net increase in liability cash flows was coming due in one year primarily related to an the Bank's retail certificate of deposit portfolio, partially offset by a decrease in borrowings coming due in one year as the Bank repaid its BTFP amount outstanding in conjunction with the securities strategy. The increase in the one-year cash flow for retail certificates of deposit scheduled was due to mature within one year as of March 31, 2024, compared to December 31, 2023, as the Bank continued continuing to offer its highest higher rates on shorter-term certificates of deposit. The increase in asset cash flows interest-earning assets projected to mature or reprice within one year was due primarily to an increase in the amount of loans expected to mature or reprice, as well as to an increase in the balance of cash between the two periods.

**The Bank's Digital Transformation and Business Initiatives**

With the implementation of our new core system and its ancillary systems ("digital transformation") in August 2023, we improved our internal and customer-facing technology. The digital transformation implemented technology needed to enhance our customer's customers' experience, deepen our wallet share with existing customers, and attract new customers. In addition to the technology improvements, management has adjusted staffing in several areas to align with the Bank's strategy to grow and enhance commercial banking and lending. Pairing improved technology, products and services with the right organizational structure has provided benefits in each customer segment: consumer, small business and commercial.

The Bank has gained immediate traction with the new and improved True Blue Online ("TBO"), the Bank's digital banking platform for consumers and small businesses. Those gains include:

- • a Mobile app store ratings have improved by over 100% for Android year-over-year and approximately 24% 25% for iOS since the digital transformation,
- • b Volume of deposit accounts opened online through the digital channel is 60% higher in the current fiscal year compared to the prior fiscal year,
- c Over 24,000 27,000 new users of our credit score service in TBO since August 2023, and
- • d 64% increase Continued growth in person-to-person payment volume and 40% increase in combined payment amounts year-over-year for the current quarter following the integration of Zelle into TBO. TBO:
  - i Settlement volume is up 37% quarter over quarter and 97% compared to the same quarter in 2023, and
  - ii Transaction volume is up 32% quarter over quarter and 121% compared to the same quarter in 2023.

During the current quarter, we continued to improve our consumer banking products and services, leveraging technology from the digital transformation. We implemented relationship-based pricing for are now accepting credits from two instant payment networks: RTP® and FedNow®, enabling our Presidents' Day certificate of deposit campaign customers to receive credits in February 2024, resulting in new retail checking accounts from a campaign that has traditionally only yielded certificates of deposit. Currently, the Bank is working on new digital banking services for our debit card products that will give consumers more control and faster access to their card. seconds.

Our small business customers now have access to improved digital services, and management has realigned staffing to focus on growing small business banking. We are in the process of adding more small business services into TBO to continue deposit and fee income growth in this area.

For commercial banking, and lending, alignment of technology, people, products and services is crucial to our objective of capturing complete banking relationships as we continue to strategically grow this business. The technology implemented with the digital transformation provides more flexibility for structuring commercial loan transactions and has allowed us to build digital banking services to meet our customers' deposit and payment requirements to capture grow deposit and treasury management fee income growth. The Bank has made two strategic hires within income. During the current quarter several new treasury management area, bringing over 40 years services were added in response to the needs of combined in-market experience customers in the sales pipeline. Leveraging our new technology and organizational structure to help with quickly respond to customer needs in the sales pipeline is central to our business development efforts and to increase the profitability of our existing growth strategy for commercial customer base. deposits.

Management has completed continued to adjust staffing realignments, including reductions and reassignments where appropriate, in numerous areas of the Bank, including deposit operations, lending, and commercial banking, to ensure resources are aligned with our priorities and strategies.

**Financial Condition**

The following table summarizes the Company's financial condition at the dates indicated.

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | **Annualized** | | | | | | **Annualized** | | | | **Ar** |
| | | **March 31,** | | **December 31,** | | **Percent** | | **September 30,** | | **Percent** | | | |
| | | **June 30,** | | **March 31,** | | **Percent** | | **September 30,** | | **Percent** | | | |
| | **2024** | **2024** | | **2023** | | **Change** | | **2023** | | **Change** | | **2024** | **202** |
| | | | | (Dollars and shares in thousands) | | | | | | | | | |
| Total assets | Total assets $9,721,286 | $ | $ 9,576,064 | 6.1 | 6.1 | % | $10,177,461 | (9.0) | (9.0)% | Total assets $9,602,757 | $ | $9,721,286 | (4.9) |
| AFS securities | | | | | | | | | | | | | |
| Loans receivable, net | | | | | | | | | | | | | |
| Deposits | | | | | | | | | | | | | |
| Borrowings | | | | | | | | | | | | | |
| Stockholders' equity | | | | | | | | | | | | | |
| Equity to total assets at end of period | | | | | | | | | | | | | |
| Average number of basic shares outstanding | | | | | | | | | | | | | |
| Average number of basic shares outstanding | | | | | | | | | | | | | |
| Average number of basic shares outstanding | | | | | | | | | | | | | |
| Average number of diluted shares outstanding | | | | | | | | | | | | | |

During the current quarter, total assets increased $145.2 million decreased $118.5 million, to $9.72 $9.60 billion at March 31, 2024 June 30, 2024, due primarily to increases in cash and securities, partially offset by a decrease in the loan portfolio. cash which was used to pay off certain borrowings that matured and to fund deposit withdrawals and other Bank operations. The loan portfolio mix continued to shift from one- to four-family loans to commercial loans during the current quarter, with an $88.0 million $115.4 million in commercial loan growth (34% annualized), partially offset by a $59.9 million decrease in one- to four-family loans including due primarily to a $46.4 million $52.1 million decrease in one- to four-family correspondent loans and a $36.4 million decrease in one- to four-family originated loans, partially offset by a $20.3 million increase in commercial loans. See additional discussion regarding the loan portfolio in the Executive Summary discussion above.

Total liabilities increased $154.4 million during the current quarter were $8.58 billion at June 30, 2024, a decrease of $114.3 million from March 31, 2024, due primarily to a $120.1 million increase in deposits. The increase in deposits was primarily in retail certificates of deposit, all in the 14 months or shorter term category, partially offset by a $59.4 million decrease in retail money market accounts. During the current quarter, the Bank held a Presidents' Day certificate of deposit campaign which resulted in some customers electing to move funds from money market accounts at the Bank into the certificate of deposit portfolio. Total borrowings decreased $22.0 million during the current quarter as not all maturing FHLB borrowings were replaced. Total deposits were $6.13 billion at June 30, 2024, a $12.1 million decrease from March 31, 2024. The decrease was primarily in retail money market and checking accounts, partially offset by an increase in retail certificates of deposit in terms of 14 months or less and the high yield savings account.

**Loans Receivable.** The following table presents the balance and weighted average rate of our loan portfolio as of the dates indicated.

| | | March 31, 2024 | | | December 31, 2023 | | September 30, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | June 30, 2024 | | | March 31, 2024 | | September 30, 2023 | | | | | | | |
| | Amount | Amount | Rate | | Amount | Rate | Amount | | Rate | Amount | | Rate | Amount | R |
| | (Dollars in thousands) | | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | |
| Originated | $ 3,950,097 | 3.47 | 3.47 % | $3,986,479 | 3.44 | 3.44 % | $3,978,837 | 3.39 | 3.39 % | $3,961,407 | 3.54 | 3.54 % | $3,950,097 | 3.47 |
| Correspondent purchased | | | | | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | |
| Commercial: | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | |
| Consumer loans: | | | | | | | | | | | | | | |
| Home equity | | | | | | | | | | | | | | |
| Home equity | | | | | | | | | | | | | | |
| Home equity | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | |
| Total loans receivable | | | | | | | | | | | | | | |
| Less: | | | | | | | | | | | | | | |
| Less: | | | | | | | | | | | | | | |
| Less: | | | | | | | | | | | | | | |
| ACL | | | | | | | | | | | | | | |
| ACL | | | | | | | | | | | | | | |
| ACL | | | | | | | | | | | | | | |

Deferred loan fees/discounts
Deferred loan fees/discounts
Deferred loan fees/discounts
Premiums/deferred costs
Premiums/deferred costs
Premiums/deferred costs
Total loans receivable, net
Total loans receivable, net
Total loans receivable, net

*Loan Activity* - The following table summarizes activity in the loan portfolio, along with weighted average rates where applicable, for the periods indicated, excluding changes in ACL, deferred loan fees/discounts, and premiums/deferred costs. Loans that were paid off as a result of refinances are included in repayments. Loan endorsements are not included in the activity in the following table because a new loan is not generated at the time of the endorsement. The endorsed balance and rate are included in the ending loan portfolio balance and rate. Commercial loan renewals are not included in the activity presented in the following table unless new funds are disbursed at the time of renewal. The renewal balance and rate are included in the ending loan portfolio balance and rate.

| | For the Three Months Ended<br>For the Three Months Ended<br>For the Three Months Ended | | | | For the Six Months Ended | | | | For the Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | March 31, 2024 | | | March 31, 2024 | | March 31, 2023 | | | | | |
| | | June 30, 2024 | | | June 30, 2024 | | June 30, 2023 | | | | | |
| | Amount | Amount | Rate | | Amount | Rate | | Amount | Rate | | Amount | Rate |
| | | | | | | | | (Dollars in thousands) | | | | |
| Beginning balance | Beginning balance $7,961,689 | 3.82 | 3.82 % | | $7,984,381 | 3.76 | 3.76 % | $7,471,670 | 3.33 | 3.33 % | Beginning balance $7,892,732 | 3.86 | 3.86 % | $7,984 |
| Originated and refinanced | | | | | | | | | | | | |
| Purchased and participations | | | | | | | | | | | | |
| Change in undisbursed loan funds | | | | | | | | | | | | |
| Repayments | | | | | | | | | | | | |
| Repayments | | | | | | | | | | | | |
| Repayments | | | | | | | | | | | | |
| Principal (charge-offs)/recoveries, net | | | | | | | | | | | | |
| Principal (charge-offs)/recoveries, net | | | | | | | | | | | | |
| Principal (charge-offs)/recoveries, net | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |

| |
|---|
| Other |
| Other |
| Ending balance |
| Ending balance |
| Ending balance |

The following table presents loan origination, refinance, and purchase/participation activity for the periods indicated, excluding endorsement activity, along with associated weighted average rates and percent of total. Commercial loan renewals are not included in the activity in the following table except to the extent new funds are disbursed at the time of renewal. Loan originations, purchases/participations, and refinances are reported together.

| | For the Six Months Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2024 | | | | March 31, 2023 | | | | | |
| | For the Nine Months Ended | | | | | | | | | |
| | June 30, 2024 | | | | June 30, 2023 | | | | | |
| | Amount | Amount | Rate | % of Total | Amount | | Rate | % of Total | | Am |
| | (Dollars in thousands) | | | | | | | | | |
| Fixed-rate: | | | | | | | | | | |
| One- to four-family | | | | | | | | | | |
| One- to four-family | | | | | | | | | | |
| One- to four-family | $ 64,347 | 6.64 | 6.64 % | 29.8 % | $270,613 | 5.22 | 5.22 % | 24.7 % | $ 139,848 | 6.54 |
| One- to four-family construction | | | | | | | | | | |
| Commercial: | | | | | | | | | | |
| Real estate | | | | | | | | | | |
| Real estate | | | | | | | | | | |
| Real estate | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | |
| Construction | | | | | | | | | | |
| Home equity | | | | | | | | | | |
| Consumer other | | | | | | | | | | |
| Total fixed-rate | | | | | | | | | | |
| Adjustable-rate: | | | | | | | | | | |
| Adjustable-rate: | | | | | | | | | | |
| Adjustable-rate: | | | | | | | | | | |
| One- to four-family | | | | | | | | | | |
| One- to four-family | | | | | | | | | | |
| One- to four-family | | | | | | | | | | |
| One- to four-family construction | | | | | | | | | | |
| Commercial: | | | | | | | | | | |
| Real estate | | | | | | | | | | |
| Real estate | | | | | | | | | | |
| Real estate | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | |
| Construction | | | | | | | | | | |
| Home equity | | | | | | | | | | |
| Consumer other | | | | | | | | | | |
| Total adjustable-rate | | | | | | | | | | |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total originated, refinanced and purchased/participations | | | | | | | | | | | | | | | | |
| Total originated, refinanced and purchased/participations | | | | | | | | | | | | | | | | |
| Total originated, refinanced and purchased/participations | $ | 215,665 | 7.16 | 7.16 | 100.0 | 100.0 | % | $ | 1,096,303 | 5.41 | 5.41 | 100.0 | 100.0 | % | $546,057 | |
| Purchased and participation loans included above: | | | | | | | | | | | | | | | | |
| Purchased and participation loans included above: | | | | | | | | | | | | | | | | |
| Purchased and participation loans included above: | | | | | | | | | | | | | | | | |
| Fixed-rate: | | | | | | | | | | | | | | | | |
| Fixed-rate: | | | | | | | | | | | | | | | | |
| Fixed-rate: | | | | | | | | | | | | | | | | |
| Correspondent purchased - one- to four-family | | | | | | | | | | | | | | | | |
| Correspondent purchased - one- to four-family | | | | | | | | | | | | | | | | |
| Correspondent purchased - one- to four-family | | | | | | | | | | | | | | | | |
| Participations and purchases - commercial | | | | | | | | | | | | | | | | |
| Participations and purchases - commercial | | | | | | | | | | | | | | | | |
| Participations and purchases - commercial | | | | | | | | | | | | | | | | |
| Total fixed-rate purchased/participations | | | | | | | | | | | | | | | | |
| Total fixed-rate purchased/participations | | | | | | | | | | | | | | | | |
| Total fixed-rate purchased/participations | | | | | | | | | | | | | | | | |
| Adjustable-rate: | | | | | | | | | | | | | | | | |
| Adjustable-rate: | | | | | | | | | | | | | | | | |
| Adjustable-rate: | | | | | | | | | | | | | | | | |
| Correspondent purchased - one- to four-family | | | | | | | | | | | | | | | | |
| Correspondent purchased - one- to four-family | | | | | | | | | | | | | | | | |
| Correspondent purchased - one- to four-family | | | | | | | | | | | | | | | | |

| |
|---|
| Participations and purchases - commercial |
| Participations and purchases - commercial |
| Participations and purchases - commercial |
| Total adjustable-rate purchased/participations |
| Total adjustable-rate purchased/participations |
| Total adjustable-rate purchased/participations |
| Total purchased/participation loans |
| Total purchased/participation loans |
| Total purchased/participation loans |

*One- to Four-Family Loans* - The following table presents, for our portfolio of one- to four-family loans, the amount, percent of total, weighted average rate, weighted average credit score, weighted average LTV ratio, and average balance per loan as of March 31, 2024 June 30, 2024. Credit scores were updated in September 2023 from a nationally recognized consumer rating agency. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. In most cases, the most recent appraisal was obtained at the time of origination.

| | | % of<br>% of<br>% of | | | Credit | | Average | | | Credit | | | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | Amount | Total | Rate | Score | LTV | Balance | Amount | Total | Rate | Score | LTV | Balance |
| | (Dollars in thousands) | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | |
| Correspondent purchased | | | | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | |
| | $ | | | | | | | | | | | | |

The following table presents originated and correspondent purchased activity in our one- to four-family loan portfolio, excluding endorsement activity, along with associated weighted average rates, weighted average LTVs and weighted average credit scores for the periods indicated.

| | For the Three Months Ended | | | | | For the Three Months Ended | | | | For the Six Months Ended | For the Three Months Ended | | | | For the Nine Months Ended | | | Credit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | March 31, 2024 | | | | June 30, 2024 | | | | | | | | | | | | |
| | Amount | Amount | Rate | LTV | Score | Amount | Rate | LTV | Score | | Amount | Rate | LTV | Score | Amount | Rate | LTV | Score |
| | (Dollars in thousands) | | | | | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | | | | | | |
| Correspondent purchased | | | | | | | | | | | | | | | | | | |
| | $ | | | | | | | | | | | | | | | | | |
| | $ | | | | | | | | | | | | | | | | | |
| | $ | | | | | | | | | | | | | | | | | |

As of March 31, 2024 June 30, 2024, the Bank had one- to four-family loan origination and refinance commitments of $54.5 million $58.6 million at a weighted average rate of 6.39% 6.57%. There were no one- to four-family correspondent loan purchase commitments at March 31, 2024. June 30, 2024, as during the current quarter the Bank suspended purchasing one- to four-family loans from correspondent lenders for the foreseeable future.

*Commercial Loans* - During the six nine months ended March 31, 2024 June 30, 2024, the Bank originated $52.9 million of commercial loans and entered into commercial loan participations totaling $24.4 million. The $290.1 million, including $135.4 million in commercial construction loans, $87.5 million in commercial real estate loans, and $67.2 million in commercial and industrial loans. During that period, the Bank also processed commercial loan disbursements, excluding lines of credit, during the six months ended March 31, 2024 of $134.9 million approximately $241.0 million at a weighted average rate of 6.15%. 6.42%, which included $194.3 million, $29.5 million, and $17.2 million of disbursements on new and existing commercial construction, commercial real estate, and commercial and industrial loans, respectively.

As of March 31, 2024 June 30, 2024, December 31, 2023 March 31, 2024, and September 30, 2023, the Bank's commercial and industrial gross loan amounts (unpaid principal plus undisbursed amounts) totaled $164.8 million $169.0 million, $157.2 million $164.8 million and $158.5 million, respectively, and commitments totaled $2.9 million $1.1 million, $2.4 million $2.9 million and $2.6 million, respectively. Of the $169.0 million outstanding at June 30, 2024, $76.9 million, or 46%, of the portfolio related to working capital loans, $45.0 million, or 27%, related to financing/leasing/purchasing vehicles and equipment, and $38.5 million, or 23%, related to purchasing/refinancing business and/or assets.

The following table presents the Bank's commercial real estate and commercial construction loans by type of primary collateral as of the dates indicated. As of March 31, 2024 June 30, 2024, the Bank had six commercial real estate and commercial construction loan commitments, totaling $85.0 million $59.1 million, at a weighted average rate of 7.89% 7.57%. Because We anticipate fully funding the commitments to pay out majority of the undisbursed funds amounts as most are not cancellable by the Bank, unless the loan is in default, we generally anticipate fully funding the related projects. Bank. Of the total commercial real estate and commercial construction undisbursed amounts and commitments outstanding as of March 31, 2024 June 30, 2024, management anticipates funding approximately $85 million during the June 2024 quarter, $76 million $98 million during the September 2024 quarter, $70 million during the December 2024 quarter, and $141 million $66 million during the March 2025 quarter, and $128 million during the June 2025 quarter or later. At March 31, 2024 June 30, 2024, the unpaid principal balance of non-owner occupied commercial real estate loans was $750.4 million $828.6 million and the unpaid principal balance of owner occupied commercial real estate loans was $145.0 million $144.6 million, which are included in the table below.

| | March 31, 2024 | | | December 31, 2023 | September 30, 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2024 | | | March 31, 2024 | September 30, 2023 | | | |
| | | Unpaid | | Unpaid | Undisbursed | Gross Loan | Gross Loan | Unpaid | Ur |
| | Count | Count | Principal | | | Amount | Count | Principal | |
| | (Dollars in thousands) | | | | | | | | |
| Multi-family | | | | | | | | | |
| Retail building | | | | | | | | | |
| Senior housing | | | | | | | | | |
| Multi-family | | | | | | | | | |
| Hotel | | | | | | | | | |
| Office building | | | | | | | | | |
| One- to four-family property | | | | | | | | | |
| Single use building | | | | | | | | | |
| Warehouse/manufacturing | | | | | | | | | |
| Other | | | | | | | | | |
| | 796 | | | | | | | | |
| | 786 | | | | | | | | |
| Weighted average rate | | | | | | | | | |
| Weighted average rate | | | | | | | | | |
| Weighted average rate | | 5.36 % | 6.25 % | 5.53 % | 5.44 % | 5.47 % | 5.48 % | 6.71 % | 5.72 % |

The following table summarizes the Bank's commercial real estate and commercial construction loans by state as of the dates indicated.

| March 31, 2024 | | December 31, 2023 | September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|
| June 30, 2024 | | March 31, 2024 | September 30, 2023 | | | | | |
| Unpaid | Unpaid | Undisbursed | Gross Loan | Gross Loan | Unpaid | Undisbursed | Gross Loan | Gross Loan |

| | Count | Count | Principal | Amount | Count | Principal | Amount |
|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | |
| Kansas | | | | | | | |
| Texas | | | | | | | |
| Missouri | | | | | | | |
| Texas | | | | | | | |
| Colorado | | | | | | | |
| Nebraska | | | | | | | |
| New York | | | | | | | |
| Tennessee | | | | | | | |
| Arkansas | | | | | | | |
| Nebraska | | | | | | | |
| Other | | | | | | | |
| | 796 | | | | | | |
| | 786 | | | | | | |

The following table presents the Bank's commercial loan portfolio and outstanding loan commitments, categorized by aggregate gross loan amount (unpaid principal plus undisbursed amounts) or outstanding loan commitment amount and average loan amount, as of March 31, 2024 June 30, 2024. For loans over $50.0 million, $143.1 million were multi-family loans located in Kansas and Missouri, $116.0 million related to hotels in New York and Texas, and $60.0 million related to an office building in Texas. The current weighted average LTV based on the total projected disbursed loan amounts and the weighted average actual/projected DSCR for loans over $50 million was 57% and 1.37x respectively, as of June 30, 2024.

| | Count | Count | Amount | Count | Average Amount |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | (Dollars in thousands) | | (Dollars in thousands) |
| Greater than $30 million | | | | | |
| >$15 to $30 million | | | | | |
| Greater than $50 million | | | | | |
| >$30 to $50 million | | | | | |
| >$20 to $30 million | | | | | |
| >$15 to $20 million | | | | | |
| >$10 to $15 million | | | | | |
| >$5 to $10 million | | | | | |
| $1 to $5 million | | | | | |
| Less than $1 million | | | | | |
| | 1,389 | | | | |
| | 1,403 | | | | |

**Asset Quality**

**Delinquent and nonaccrual loans and OREO.** The following table presents the Company's 30 to 89 day delinquent loans at the dates indicated. The amounts in the table represent the unpaid principal balance of the loans less related charge-offs, if any. Of the loans 30 to 89 days delinquent at March 31, 2024 June 30, 2024, 68% 56% were 59 days or less delinquent.

| | Loans Delinquent for 30 to 89 Days at: | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, | | December 31, | | September 30, | | | | | | | |
| | June 30, | | March 31, | | September 30, | | | | | | | |
| | 2024 | | 2024 | | 2023 | | 2024 | | 2023 | | | |
| | Number | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| | (Dollars in thousands) | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Originated | | | | | | | | | | | |
| Originated | | | | | | | | | | | |
| Originated | | | | | | | | | | | |
| Correspondent purchased | | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | | |
| Construction | | | | | | | | | | | |
| Commercial | | | | | | | | | | | |
| Commercial: | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | |
| Commercial real estate | | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | | |
| Consumer | | | | | | | | | | | |
| | 133 | | | | | | | | | | |
| | 139 | | | | | | | | | | |
| Loans 30 to 89 days delinquent | | | | | | | | | | | |
| Loans 30 to 89 days delinquent | | | | | | | | | | | |
| Loans 30 to 89 days delinquent | | | | | | | | | | | |
| to total loans receivable, net | | | | | | | | | | | |
| to total loans receivable, net | | | | | | | | | | | |
| to total loans receivable, net | | 0.19 % | | 0.24 % | | 0.21 % | 0.21 % | | 0.19 % | | 0.21 % |

The following table presents the Company's nonaccrual loans and OREO at the dates indicated. The amounts in the table represent the unpaid principal balance of the loans less related charge-offs, if any. Nonaccrual loans are loans that are 90 or more days delinquent or in foreclosure and other loans required to be reported as nonaccrual pursuant to accounting and/or regulatory reporting requirements and/or internal policies, even if the loans are current. At all dates presented, there were no loans 90 or more days delinquent that were still accruing interest. Non-performing assets include nonaccrual loans and OREO.

| | Nonaccrual Loans and OREO at: | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, | | December 31, | | September 30, | | | | | |
| | June 30, | | March 31, | | September 30, | | | | | |
| | 2024 | | 2024 | | 2023 | | 2024 | | 2023 | |
| | Number | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| | (Dollars in thousands) | | | | | | | | | |
| *Loans 90 or More Days Delinquent or in Foreclosure:* | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | |
| Originated | | | | | | | | | | |
| Originated | | | | | | | | | | |
| Originated | | | | | | | | | | |

Correspondent purchased

Bulk purchased

Commercial

Commercial:

Commercial real estate

Commercial real estate

Commercial real estate

Commercial and industrial

Consumer

| | |
|---|---|
| | 55 |
| | 56 |

Loans 90 or more days delinquent or in foreclosure

Loans 90 or more days delinquent or in foreclosure

Loans 90 or more days delinquent or in foreclosure

as a percentage of total loans

as a percentage of total loans

| | | | | | |
|---|---|---|---|---|---|
| as a percentage of total loans | 0.11 % | 0.13 % | 0.11 % | 0.11 % | 0.11 % |

*Nonaccrual loans less than 90 Days Delinquent:(1)*

*Nonaccrual loans less than 90 Days Delinquent:(1)*

*Nonaccrual loans less than 90 Days Delinquent:(1)*

One- to four-family:

One- to four-family:

One- to four-family:

Originated

Originated

Originated

Correspondent purchased

Bulk purchased

Commercial

Commercial:

Commercial real estate

Commercial real estate

Commercial real estate

Commercial and industrial

| | | | | | | |
|---|---|---|---|---|---|---|
| Consumer | | | | | | |
| | 1 | | | | | |
| Total nonaccrual loans | | | | | | |
| Nonaccrual loans as a percentage of total loans | | | | | | |
| Nonaccrual loans as a percentage of total loans | | | | | | |
| Nonaccrual loans as a percentage of total loans | 0.11 % | 0.13 % | 0.12 % | 0.11 % | 0.11 % | |
| *OREO:* | | | | | | |
| *OREO:* | | | | | | |
| *OREO:* | | | | | | |
| One- to four-family: | | | | | | |
| One- to four-family: | | | | | | |
| One- to four-family: | | | | | | |
| Originated(2) | | | | | | |
| Originated(2) | | | | | | |
| Originated(2) | | | | | | |
| Correspondent purchased | | | | | | |
| | 1 | | | | | |
| | — | | | | | |
| | 1 | | | | | |
| | — | | | | | |
| | 1 | | | | | |
| | — | | | | | |
| Total non-performing assets | | | | | | |
| 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 | 0.09 % | 0.11 % | 0.09 % | 0.09 % | 0.09 % | |

(1) Includes loans required to be reported as nonaccrual pursuant to accounting and/or internal policies, even if the loans are current.

(2) Real estate-related consumer loans where we also hold the first mortgage are included in the one- to four-family category as the underlying collateral is one- to four-family property.

The following table presents the states where the properties securing ten percent or more of the total amount of our one- to four-family loans are located and the corresponding balance of loans 30 to 89 days delinquent, 90 or more days delinquent or in foreclosure, and weighted average LTV ratios for loans 90 or more days delinquent or in foreclosure at March 31, 2024 June 30, 2024. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. At March 31, 2024 June 30, 2024, potential losses, after taking into consideration anticipated private mortgage insurance proceeds and estimated selling costs, have been charged-off.

| | Loans 30 to 89 | | Loans 30 to 89 | Loans 90 or More Days Delinquent | |
|---|---|---|---|---|---|
| One- to Four-Family | One- to Four-Family | Days Delinquent | or in Foreclosure | One- to Four-Family | Day Delinq |

| State | State | Amount | | % of Total | | Amount | | % of Total | | Amount | | % of Total | | LTV | State | Amount | | % of Total | | Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (Dollars in thousands) | | | | | | | | | | | | | | |
| Kansas | Kansas | $3,526,285 | 54.8 | 54.8 % | $ | 6,110 | 56.6 | 56.6 % | $ | 1,885 | 25.8 | 25.8 % | | 53 % | Kansas | $3,518,238 | 55.2 | 55.2 % | | $ |
| Missouri | | | | | | | | | | | | | | | | | | | | |
| Other states | | | | | | | | | | | | | | | | | | | | |
| Other states | | | | | | | | | | | | | | | | | | | | |
| Other states | | | | | | | | | | | | | | | | | | | | |

| | |
|---|---|
| | $ |
| | $ |
| | $ |

**Classified loans.** The following table presents loans classified as special mention or substandard at the dates presented. The amounts in the table represent the unpaid principal balance of the loans less related charge-offs, if any. The increase in commercial special mention loans at March 31, 2024 June 30, 2024 compared to December 31, 2023 and September 30, 2023 was due mainly to one loan two loans moving to special mention during the March 31, 2024 quarter current year period as certain underlying economic considerations related to this loan the loans are being monitored by management.

| | March 31, 2024 | | December 31, 2023 | | September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2024 | | March 31, 2024 | | September 30, 2023 | | | | | | |
| | Special Mention | Special Mention | Substandard | Special Mention | Substandard | Special Mention | Substandard | Special Mention | Substandard | Special Mention | Substandard | Special Mention | Substandard |
| | | | (Dollars in thousands) | | | | | | | | |
| One- to four-family | | | | | | | | | | | |
| Commercial | | | | | | | | | | | |
| Consumer | | | | | | | | | | | |
| | $ | | | | | | | | | | |

**Allowance for Credit Losses.** The distribution of our ACL and the ratio of ACL to loans receivable, by loan type, at the dates indicated is summarized below. See "Note 4. Loans Receivable and Allowance for Credit Losses" for additional information related to the calculation of ACL as of June 30, 2024. The increase in the ACL to loans receivable ratio at June 30, 2024 compared to March 31, 2024. and September 30, 2023 was due primarily to changes in the loan portfolio mix, due specifically to commercial loan growth. Commercial loans generally have higher expected credit losses compared to one- to four-family loans.

| | Distribution of ACL | | | Distribution of ACL | | | Ratio of ACL to Loans Receivable | | | Distribution of ACL | | | Ratio of A to Loan Receivab |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, | | December 31, | September 30, | March 31, | December 31, | September 30, | | | | | | |
| | June 30, | | March 31, | September 30, | June 30, | March 31, | September 30, | | | | | | |
| | 2024 | | 2024 | 2023 | 2024 | | 2023 | 2024 | 2024 | 2023 | | 2024 | |
| | (Dollars in thousands) | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | |
| One- to four-family: | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | |
| Originated | $ 2,035 | $ | $2,055 | $ | $2,084 | 0.05 | 0.05 % | 0.05 % | 0.05 % | $ 1,984 | $ $2,035 | $ $2,084 | 0.05 0.05 % 0.0 |
| Correspondent purchased | | | | | | | | | | | | | |

| |
|---|
| Bulk purchased |
| Construction |
| Total |
| Commercial: |
| Real estate |
| Real estate |
| Real estate |
| Commercial and industrial |
| Construction |
| Total |
| Consumer |
| Total |

The following table presents ACL activity and related ratios at the dates and for the periods indicated. On October 1, 2023, the Bank adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02"), which eliminated the accounting guidance for TDRs by creditors. The Company applied a modified retrospective approach when adopting ASU 2022-02, resulting in a cumulative-effect adjustment which is reflected in the table below ("ASU 2022-02 Adoption"). See "Note 1. Summary of Significant Accounting Policies" for additional information regarding the adoption of ASU 2022-02.

| | At or For the Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2024 | | | March 31, 2023 | | |
| | At or For the Nine Months Ended | | | | | |
| | June 30, 2024 | | | June 30, 2023 | | |
| | | | (Dollars in thousands) | | | |
| Balance at beginning of period | | | | | | |
| ASU 2022-02 Adoption | | | | | | |
| Charge-offs | | | | | | |
| Recoveries | | | | | | |
| Net (charge-offs) recoveries | | | | | | |
| Provision for credit losses | | | | | | |
| Balance at end of period | | | | | | |
| Ratio of NCOs during the period | | | | | | |
| Ratio of NCOs during the period | | | | | | |
| Ratio of NCOs during the period | | | | | | |
| to average non-performing assets | | | | | | |
| to average non-performing assets | | | | | | |
| to average non-performing assets | 0.01 % | 0.20 % | | 0.64 % | 0.31 % | |
| ACL to nonaccrual loans at end of period | | | | | | |
| ACL to nonaccrual loans at end of period | | | | | | |
| ACL to nonaccrual loans at end of period | | | | | | |
| ACL to loans receivable, net at end of period | | | | | | |
| ACL to loans receivable, net at end of period | | | | | | |
| ACL to loans receivable, net at end of period | | | | | | |
| ACL to NCOs (annualized) | | | | | | |
| ACL to NCOs (annualized) | | | | | | |
| ACL to NCOs (annualized) | 10,971x | 620x | | 332x | 667x | |

The ratio of NCOs to average non-performing assets was lower higher at the end of the current year period due primarily to lower higher NCOs compared to the prior year period. The ratio of ACL to nonaccrual loans was lower at the end of the current year period compared to the end of the prior year period due mainly to a higher balance of nonaccrual loans compared to the prior year period, partially offset by a higher ACL balance at March 31, 2024 June 30, 2024. The ratio of ACL to loans receivable, net was higher at the end of the current year period compared to the end of the prior year period due primarily to a higher changes in the loan portfolio mix, specifically commercial loan ACL balance at March 31,

2024. growth. The ratio of ACL to NCOs was higher lower at the end of the current year period compared to the end of the prior year period due mainly to lower higher NCOs, along with partially offset by a higher ACL balance. See "Note 4. Loans Receivable and Allowance for Credit Losses" for additional information related to ACL activity by specific loan categories.

The following table presents NCOs, average loans, and NCOs as a percentage of average loans, by loan type, for the periods indicated.

| | For the Six Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2024 | | | March 31, 2023 | | | | |
| | For the Nine Months Ended | | | | | | | |
| | June 30, 2024 | | | June 30, 2023 | | | | |
| | NCOs | Average Loans | % of Average Loans | NCOs | Average Loans | % of Average Loans | NCOs | Average Loans | % of Average Loans |
| | (Dollars in thousands) | | | | | | | | |
| One- to four-family: | | | | | | | | | |
| Originated | | | | | | | | | |
| Originated | | | | | | | | | |
| Originated | $ (8) $ | $3,965,723 | — — % | $(1) $ | $3,985,665 | — — % | $ (25) $ $ | 3,958,194 | — — % $(2) $ |
| Correspondent | | | | | | | | | |
| Bulk purchased | | | | | | | | | |
| Construction | | | | | | | | | |
| Total | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Real estate | | | | | | | | | |
| Real estate | | | | | | | | | |
| Real estate | | | | | | | | | |
| Commercial and industrial | | | | | | | | | |
| Construction | | | | | | | | | |
| Total | | | | | | | | | |
| Consumer: | | | | | | | | | |
| Home equity | | | | | | | | | |
| Home equity | | | | | | | | | |
| Home equity | | | | | | | | | |
| Other | | | | | | | | | |
| Total | | | | | | | | | |

While management utilizes its best judgment and information available, the adequacy of the ACL is determined by certain factors outside of the Company's control, such as the performance of our loan portfolio, changes in the economic environment including economic uncertainty, changes in interest rates, and the views of regulatory authorities toward classification of assets and the level of ACL. Additionally, the level of ACL may fluctuate based on the balance and mix of the loan portfolio. If actual results reflect significant underperformance compared to our assumptions and/or if one or more of our assumptions, such as the economic forecast, represents a more negative outlook in a future period, there could be additions to our ACL and an increase in the provision for credit losses.

**Securities.** The following table presents the distribution of our securities portfolio, at amortized cost, at the dates indicated. The majority of our securities are government guaranteed or issued by GSEs. Overall, fixed-rate securities comprised 94% of our securities portfolio at March 31, 2024 June 30, 2024. The weighted average life ("WAL") is the estimated remaining maturity (in years) after three month historical prepayment speeds and projected call option assumptions have been applied. Weighted average yields on tax-exempt securities are not calculated on a fully tax-equivalent basis. The change in the portfolio yield at March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024 compared to September 30, 2023 was primarily related to the securities strategy.

| | March 31, 2024 | | | December 31, 2023 | | | September 30, 2023 | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2024 | | | March 31, 2024 | | | September 30, 2023 | |
| Amount | Amount | Yield | WAL | Amount | Yield | WAL | | |
| | (Dollars in thousands) | | | | | | | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MBS | | | | | | | | | | | | | |
| MBS | | | | | | | | | | | | | |
| MBS | | $636,387 | 5.68 | 5.68 % | 6.2 | $ | $503,912 | 5.76 | 5.76 % | 5.4 | $ | $901,440 | |
| U.S. Treasury bills | | | | | | | | | | | | | |
| GSE debentures | GSE debentures | 91,542 | 5.62 | 5.62 | 5.5 | 5.5 | — | — | — | — | — | — | 479,610 |
| Corporate bonds | Corporate bonds | 4,000 | 5.12 | 5.12 | 8.1 | 8.1 | 4,000 | 4,000 | 5.12 | 5.12 | 8.4 | 8.4 | 4,000 |
| Municipal bonds | Municipal bonds | — | — | — | — | — | — | — | — | — | — | — | 942 |
| | $ | $831,337 | 5.63 | 5.63 % | 5.4 | $ | $ 721,612 | 5.67 | 5.67 % | 3.9 | $ | $1 | |

The following table summarizes the activity in our securities portfolio for the periods presented. The weighted average yields for the beginning and ending balances are as of the first and last days of the periods presented and are generally derived from recent prepayment activity on the securities in the portfolio. The beginning and ending WALs are the estimated remaining principal repayment terms (in years) after three month historical prepayment speeds and projected call option assumptions have been applied.

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Six Months Ended | | | | | | | | | | | |
| | March 31, 2024 | | | | March 31, 2023 | | | | | | | |
| | For the Nine Months Ended | | | | | | | | | | | |
| | June 30, 2024 | | | | June 30, 2023 | | | | | | | |
| | Amount | Amount | Yield | WAL | Amount | Yield | WAL | | | Amount | | |
| | (Dollars in thousands) | | | | | | | | | | | |
| Beginning balance - carrying value | Beginning balance - carrying value | $1,384,482 | 1.35 | 1.35 % | 3.8 | $1,563,307 | 1.29 | 1.29 % | 4.2 | Beginning balance - carrying value | $1,384,482 | 1.35 | 1.35 |
| Maturities and repayments | | | | | | | | | | | | |
| Proceeds from sale | | | | | | | | | | | | |
| Proceeds from sale | | | | | | | | | | | | |
| Proceeds from sale | | | | | | | | | | | | |
| Net amortization of (premiums)/discounts | | | | | | | | | | | | |
| Net amortization of (premiums)/discounts | | | | | | | | | | | | |
| Net amortization of (premiums)/discounts | | | | | | | | | | | | |
| Purchases | | | | | | | | | | | | |
| Purchases | | | | | | | | | | | | |
| Purchases | 980,994 | 5.60 | 5.60 | 4.4 | 4.4 | — | — | — | — | — | 1,059,833 | 5.59 |
| Net loss from securities transactions | | | | | | | | | | | | |
| Change in valuation on AFS securities | | | | | | | | | | | | |
| Change in valuation on AFS securities | | | | | | | | | | | | |
| Change in valuation on AFS securities | | | | | | | | | | | | |

Ending balance - carrying value

Ending balance - carrying value

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ending balance - carrying value | $ 842,950 | 5.63 | 5.63 | 5.4 | 5.4 | $1,505,808 | 1.33 | 1.33 | 4.3 | 4.3 | $ 801,953 | 5.68 |

**Liabilities.** Total liabilities were $8.70 billion $8.58 billion at March 31, 2024 June 30, 2024, compared to $9.13 billion at September 30, 2023. The decrease was due primarily to a decrease in borrowings as some of the cash flows funds from the sale of securities associated with the securities strategy were used to repay all $500.0 million of BTFP borrowings. outstanding borrowings under the BTFP.

**Deposits.** The following table presents the amount, weighted average rate and percent of total for the components of our deposit portfolio at the dates presented. The increase amount of commercial non-maturity deposits included in deposits as of the table below at June 30, 2024, March 31, 2024 compared to December 31, 2023, and September 30, 2023 was primarily in retail certificates of deposit, all in the 14 months or shorter term category, partially offset by a decrease in retail money market balances as some customers elected to move funds to the Bank's certificate of deposit offerings. $247.5 million, $251.8 million, and $267.3 million, respectively. The increase in the deposit portfolio rate at March 31, 2024 June 30, 2024 compared to December 31, 2023 March 31, 2024, and September 30, 2023 was due mainly to higher rates on retail certificates of deposit.

| | June 30, 2024 | | | March 31, 2024 | | | September 30, 2023 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Rate | % of Total | Amount | Rate | % of Total | Amount | Rate | % of Total |
| | (Dollars in thousands) | | | | | | | | |
| Non-interest-bearing checking | $ 548,760 | — % | 9.0 % | $ 549,818 | — % | 8.9 % | $ 558,326 | — % | 9.2 % |
| Interest-bearing checking | 872,462 | 0.27 | 14.2 | 902,848 | 0.19 | 14.7 | 901,994 | 0.19 | 14.9 |
| Savings | 515,399 | 0.56 | 8.4 | 482,503 | 0.27 | 7.9 | 480,091 | 0.12 | 7.9 |
| Money market | 1,263,229 | 1.67 | 20.6 | 1,300,252 | 1.67 | 21.2 | 1,380,617 | 1.96 | 22.8 |
| Retail certificates of deposit | 2,773,048 | 4.18 | 45.2 | 2,725,110 | 4.01 | 44.4 | 2,533,954 | 3.47 | 41.9 |
| Commercial certificates of deposit | 59,372 | 4.35 | 1.0 | 55,727 | 4.19 | 0.9 | 48,751 | 3.56 | 0.8 |
| Public unit certificates of deposit | 97,390 | 4.67 | 1.6 | 125,453 | 4.61 | 2.0 | 147,487 | 4.44 | 2.5 |
| | $ 6,129,660 | 2.44 | 100.0 % | $ 6,141,711 | 2.32 | 100.0 % | $ 6,051,220 | 2.07 | 100.0 % |

Management continues has focused on retaining and growing deposits through the introduction of a high-yield savings account early in fiscal year 2024 which has a current rate of 4.21% for balances over $10 thousand. The high-yield savings account balance was $58.2 million as of June 30, 2024. A portion of the decrease in the money market portfolio during the current year period has been attributable to competitively the growth in this product, along with the growth in retail certificates of deposit. Management has sought to grow certificates of deposit with terms of 14 months or less by offering market competitive rates. We have focused on terms that will allow us to price certain short-term retail down certificates of deposit if the FRB reduces overnight rates. Our certificate of deposit products so that if rates were to decrease in retention rate has been approximately 90% over the near future, the Bank would be able to more quickly reprice those balances to lower market rates at maturity.

| | March 31, 2024 | | | December 31, 2023 | | | September 30, 2023 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Rate | % of Total | Amount | Rate | % of Total | Amount | Rate | % of Total |
| | (Dollars in thousands) | | | | | | | | |
| Non-interest-bearing checking | $ 549,818 | — % | 8.9 % | $ 555,382 | — % | 9.2 % | $ 558,326 | — % | 9.2 % |
| Interest-bearing checking | 902,848 | 0.19 | 14.7 | 895,665 | 0.17 | 14.9 | 901,994 | 0.19 | 14.9 |
| Savings | 482,503 | 0.27 | 7.9 | 471,372 | 0.12 | 7.8 | 480,091 | 0.12 | 7.9 |
| Money market | 1,300,252 | 1.67 | 21.2 | 1,360,349 | 1.96 | 22.6 | 1,380,617 | 1.96 | 22.8 |
| Retail certificates of deposit | 2,725,110 | 4.01 | 44.4 | 2,569,391 | 3.75 | 42.7 | 2,533,954 | 3.47 | 41.9 |
| Commercial certificates of deposit | 55,727 | 4.19 | 0.9 | 49,152 | 3.80 | 0.8 | 48,751 | 3.56 | 0.8 |
| Public unit certificates of deposit | 125,453 | 4.61 | 2.0 | 120,284 | 4.54 | 2.0 | 147,487 | 4.44 | 2.5 |
| | $ 6,141,711 | 2.32 | 100.0 % | $ 6,021,595 | 2.20 | 100.0 % | $ 6,051,220 | 2.07 | 100.0 % |

past 12-months.

As of March 31, 2024 June 30, 2024, approximately $752.0 million $751.2 million (or approximately 7% 12%) of the Bank's Call Report deposit balance was uninsured, of which approximately $430.8 million $440.0 million related to commercial and retail deposit accounts and the remainder was mainly comprised of fully collateralized public unit deposits and intercompany accounts. The uninsured amounts are estimates based on the methodologies and assumptions used for the Bank's regulatory reporting requirements.





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**Borrowings.** Total borrowings at March 31, 2024 June 30, 2024 were $2.35 billion $2.29 billion, which was comprised of $2.05 billion $1.99 billion in fixed-rate FHLB advances, $300.0 million in FHLB variable-rate advances tied to interest rate swaps, and $971 thousand $1.1 million in finance leases.

The following table presents the maturity of term borrowings, which consist of FHLB advances, along with associated weighted average contractual and effective rates as of March 31, 2024 June 30, 2024. Amortizing FHLB advances are presented based on their maturity dates versus their quarterly scheduled repayment dates.

| Maturity by Maturity by Maturity by Fiscal Year | Fiscal Year | | Amount | | Contractual Rate | | Effective Rate(1) | Fiscal Year | | Amount | | Contractual Rate | | Effective Rate(1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Dollars in thousands) | | | | | | | | | |
| 2024 | | | | | | | | | | | | | | |
| 2024 | | | | | | | | | | | | | | |
| 2024 | | $ | 275,000 | 3.77 | 3.77 % | | 2.57 % | | $ | 175,000 | 4.79 | 4.79 % | | 2.92 % |
| 2025 | | | | | | | | | | | | | | |
| 2026 | | | | | | | | | | | | | | |
| 2027 | | | | | | | | | | | | | | |
| 2028 | | | | | | | | | | | | | | |
| 2029 | | | | | | | | | | | | | | |
| | | $ | | | | | | | | | | | | |

(1) The effective rate includes the impact of interest rate swaps and the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid.

The following table presents borrowing activity for the periods shown. The borrowings presented in the table have original contractual terms of one year or longer or are tied to interest rate swaps with original contractual terms of one year or longer. Line of credit borrowings and finance leases are excluded from the table. The effective rate is shown as a weighted average and includes the impact of interest rate swaps and the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid. The weighted average maturity ("WAM") is the remaining weighted average contractual term in years. The beginning and ending WAMs represent the remaining maturity at each date presented. During the current year six nine month period, BTFP borrowings were paid off with the proceeds received from the securities strategy.

| | For the Three Months Ended March 31, 2024 June 30, 2024 | | | | | For the Three Months Ended March 31, 2024 June 30, 2024 | | | | For the Six Months Ended March 31, 2023 June 30, 2023 | | | | | For the Three Months Ended | | | | For |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Effective Amount Amount Amount | | Rate | WAM | | Amount | | Rate | WAM | | Amount | Rate | WAM | Rate | | WAM | | Amount | |
| | | | | | | | | | | (Dollars in thousands) | | | | | | | | | |
| Beginning balance | | | | | | | | | | | | | | | | | | | |
| Maturities and repayments | | | | | | | | | | | | | | | | | | | |
| New FHLB borrowings | | | | | | | | | | | | | | | | | | | |
| New FHLB borrowings | | | | | | | | | | | | | | | | | | | |
| New FHLB borrowings | 50,000 | 4.17 | 4.17 | 5.0 | 5.0 | 200,000 | 4.54 | 4.54 | 4.0 | 4.0 | 550,000 | 4.52 | 4.52 | 3.3 | 3.3 | 50,000 | 4.61 | 4.61 | 5.0 | 5.0 |
| BTFP, net | | | | | | | | | | | | | | | | | | | |
| Ending balance | | | | | | | | | | | | | | | | | | | |

*Leverage Strategy*

Periodically, the Bank has utilized a leverage strategy to increase earnings, which entails entering into short-term FHLB borrowings and depositing the proceeds from these FHLB borrowings, net of the cost to purchase purchases of FHLB stock made to meet FHLB stock holding requirements, at the FRB of Kansas City. The leverage strategy is not a core operating business for the Company. It provides the Company the ability to utilize excess capital to generate earnings. Additionally, it is a strategy that can be exited quickly without additional costs. The profitability of the leverage strategy is attributable to net income derived from the dividends received on the increased FHLB stock holdings, plus the net interest rate spread between the yield on the leverage strategy cash at the FRB of Kansas City and the rate paid on the leverage strategy FHLB borrowings, less applicable Federal Deposit Insurance Corporation ("FDIC") premiums and estimated income tax expense. Leverage strategy borrowings are repaid prior to each quarter end so there is no impact to quarter end capital ratios. The leverage strategy was not in place at any time during the current year six month period due to the strategy being unprofitable, but it was in place at points during the prior year six month period. During the prior year six month period, the average balance of cash associated with the leverage strategy was $1.37 billion $1.10 billion and interest earned on that cash was $27.2 million $34.7 million, the average balance of FHLB stock associated with the leverage strategy was $64.4 million $52.0 million and dividends earned on that stock were $2.8 million $3.4 million, and the average balance of FHLB borrowings associated with the leverage strategy was $1.43 billion $1.16 billion and the related interest expense was $28.6 million $36.5 million. Additionally, the Company recognized $286 $368 thousand of FDIC premiums and $197 $209 thousand of income tax expense during the prior year six month period related to the leverage strategy. When the leverage strategy is in place, it reduces the net interest margin

net interest margin due to the amount of earnings from the transaction in comparison to the size of the transaction. Management continues to monitor the net interest rate spread and overall profitability of the leverage strategy.

**Maturities of Interest-Bearing Liabilities.** The following table presents the maturity and weighted average repricing rate, which is also the weighted average effective rate, of certificates of deposit, split between retail/commercial and public unit amounts, and non-amortizing FHLB advances for the next four quarters as of March 31, 2024 June 30, 2024.

| | | June 30,<br>September 30,<br>2024<br>2024<br>2024 | | 2024 | 2025 | Total | | | | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | | | | | | |
| Retail/Commercial Certificates: | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Repricing Rate | Repricing Rate | 4.05 % | 4.45 % | 4.41 % | 4.43 % | 4.33 % | Repricing Rate | 4.44 % | 4.50 % | 4.51 % | 4.49 % | 4.49 % |
| Public Unit Certificates: | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Repricing Rate | Repricing Rate | 4.42 % | 4.63 % | 4.67 % | 4.90 % | 4.62 % | Repricing Rate | 4.63 % | 4.68 % | 4.90 % | 4.90 % | 4.71 % |
| Term Borrowings: | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Repricing Rate | Repricing Rate | 1.98 % | 2.91 % | 3.35 % | 1.93 % | 2.67 % | Repricing Rate | 2.92 % | 3.35 % | 1.93 % | 3.27 % | 2.93 % |
| Total | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Amount | | | | | | | | | | | | |
| Repricing Rate | Repricing Rate | 3.73 % | 4.08 % | 4.15 % | 3.86 % | 3.97 % | Repricing Rate | 4.07 % | 4.26 % | 3.97 % | 4.09 % | 4.11 % |

The following table sets forth the WAM information for our certificates of deposit, in years, as of March 31, 2024 June 30, 2024.

| | |
|---|---|
| Retail certificates of deposit | 1.0 0.9 |
| Commercial certificates of deposit | 0.8 0.6 |
| Public unit certificates of deposit | 0.6 0.5 |
| Total certificates of deposit | 0.9 |

**Stockholders' Equity.** Stockholders' equity totaled $1.02 billion at March 31, 2024 June 30, 2024, a decrease of $19.2 million $23.4 million from September 30, 2023.

During the current year six month period, the Company repurchased $19.3 million of shares and paid regular quarterly cash dividends totaling $22.4 million $33.5 million, or $0.17 $0.255 per share. On April 23, 2024 July 23, 2024, the Company announced a regular quarterly cash dividend of $0.085 per share, or approximately $11.0 million, payable on

May 17, 2024 August 16, 2024 to stockholders of record as of the close of business on May 3, 2024 August 2, 2024.

During the current year six month period, the Company repurchased 3,280,110 shares of common stock at an average price of $5.87 per share, or $19.3 million. There remains $2.0 million authorized under the existing stock repurchase plan for additional purchases of the Company's common stock. Shares may be repurchased from time to time based upon market conditions, available liquidity and other factors. This plan has no expiration date; however, the FRB's existing approval for the Company to repurchase shares expires in August 2024. In February 2024, the Company received approval from the FRB for a new share repurchase plan of up to $75 million in additional common stock over a period of time, depending upon market conditions, cash balances at the Company level, and after the completion of the Company's existing share repurchase program. This new plan has no expiration date; however, the FRB's approval for the Company to repurchase shares expires in February 2025.

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a well-capitalized status for the Bank in accordance with regulatory standards. As of March 31, 2024 June 30, 2024, the Bank's capital ratios exceeded the well-capitalized requirements and the Bank exceeded all internal policy thresholds for sensitivity to changes in interest rates. See "Liquidity and Capital Resources" below for additional information regarding the Bank's regulatory capital requirements. As of March 31, 2024 June 30, 2024, the Bank's community bank leverage ratio ("CBLR") was 9.1%, which exceeded.

During the minimum requirement current year period, the Company repurchased 3,280,110 shares of 9.0%. common stock at an average price of $5.87 per share. There were no shares repurchased during the current quarter as the Company considered the level of cash at the holding company to be appropriate in light of its continuing evaluation of the corporate and tax implications of distributing earnings from the Bank to the Company as a result of the pre-1988 bad debt recapture requirements at the Bank level. The Company has $77.0 million authorized for repurchase under existing stock repurchase plans. These plans have no expiration date; however, the FRB's existing approval for the Company to repurchase shares up to $2.0 million expires in August 2024 and $75.0 million expires in February 2025. Shares may be repurchased from time to time based upon market conditions, available liquidity and other factors.

At March 31, 2024 June 30, 2024, Capitol Federal Financial, Inc., at the holding company level, had $46.3 million $49.1 million in cash on deposit at the Bank. For fiscal year 2024, it is the intention of the Company's Board of Directors to pay out the regular quarterly cash dividend of $0.085 per share, totaling $0.34 per share for the fiscal year. To the extent that earnings in fiscal year 2024 exceed $0.34 per share, the Board of Directors will consider the payment of additional dividends. Dividend payments depend upon a number of factors, including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company level. Additionally, management is currently evaluating

Based on the timing Company's accumulated earnings and profits at the beginning of capital distributions from its tax year and the Bank to expected current year tax earnings and profits deficit as a result of the holding company during the current fiscal year in relation to the tax issues losses associated with the Bank's pre-1988 bad debt recapture. securities strategy ("See additional discussion regarding the Bank's pre-1988 bad debt recapture in "Comparison Comparison of Operating Results for the Three Months Ended June 30, 2024 and March 31, 2024 - Income Tax Expense" below), all dividends paid to stockholders by the Company during fiscal year 2024 will be treated as a return of capital, pursuant to Internal Revenue Code Section 301(c)(2), which reduces the tax basis in the shares of the holder by the amount of the dividend received. Stockholders should consult their own tax advisors to determine the income tax consequences of their specific situation. The Company is providing this for informational purposes only and December 31, 2023", "Item 1. Financial Statements - Note 6. Income Taxes", not as legal or tax advice. Based on current tax earnings and "Item 1A. Risk Factors". profits projections for fiscal year 2025, the Company anticipates that the majority, if not all, of the dividend payments to Company stockholders in fiscal year 2025 will be treated as dividends for tax purposes.

The following table presents regular quarterly cash dividends and special cash dividends paid in calendar years 2024, 2023, and 2022. The amounts represent cash dividends paid during each period. For the quarter ended June 30, 2024 September 30, 2024, the amount presented represents the dividend payable on May 17, 2024 August 16, 2024 to stockholders of record as of the close of business on May 3, 2024 August 2, 2024.

| | Calendar Year | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2024 | | 2023 | 2022 | | 2024 | | 2023 | | | 2022 |
| | Amount | Amount | Per Share | Amount | Per Share | Amount | Per Share | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| | (Dollars in thousands, except per share amounts) | | | | | | | | | | | | |
| Regular quarterly dividends paid | | | | | | | | | | | | | |
| Quarter ended March 31 | | | | | | | | | | | | | |
| Quarter ended March 31 | | | | | | | | | | | | | |
| Quarter ended March 31 | | | | | | | | | | | | | |
| Quarter ended June 30 | | | | | | | | | | | | | |
| Quarter ended September 30 | | | | | | | | | | | | | |
| Quarter ended December 31 | | | | | | | | | | | | | |
| True-up dividends paid | | | | | | | | | | | | | |
| True Blue Capitol dividends paid | | | | | | | | | | | | | |
| Calendar year-to-date dividends paid | | | | | | | | | | | | | |

**Operating Results**

The following table presents selected income statement and other information for the quarters indicated.

**For the Three Months Ended**

| | | | | | | |
|---|---|---|---|---|---|---|
| | March 31, | December 31, | September 30, | June 30, | March 31, | |
| | June 30, | March 31, | December 31, | September 30, | June 30, | |
| 2024 | 2024 | | | 2023 | 2024 | 2024 |
| (Dollars in thousands, except per share data) | | | | | | |
| Interest and dividend income: | | | | | | |
| Loans receivable | | | | | | |
| Loans receivable | | | | | | |
| Loans receivable | | | | | | |
| MBS | | | | | | |
| Cash and cash equivalents | | | | | | |
| FHLB stock | | | | | | |
| Investment securities | | | | | | |
| Total interest and dividend income | | | | | | |
| Interest expense: | | | | | | |
| Interest expense: | | | | | | |
| Interest expense: | | | | | | |
| Borrowings | | | | | | |
| Borrowings | | | | | | |
| Borrowings | | | | | | |
| Deposits | | | | | | |
| Total interest expense | | | | | | |
| Total interest expense | | | | | | |
| Total interest expense | | | | | | |
| Net interest income | | | | | | |
| Net interest income | | | | | | |
| Net interest income | | | | | | |
| Provision for credit losses | | | | | | |
| Provision for credit losses | | | | | | |
| Provision for credit losses | | | | | | |
| Net interest income | | | | | | |
| Net interest income | | | | | | |
| Net interest income | | | | | | |
| (after provision for credit losses) | | | | | | |
| (after provision for credit losses) | | | | | | |
| (after provision for credit losses) | | | | | | |
| Non-interest income | | | | | | |
| Non-interest income | | | | | | |
| Non-interest income | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-interest expense | | | | | | | | | | |
| Income tax (benefit) expense | | | | | | | | | | |
| Net income (loss) | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | |
| Efficiency ratio | | 61.89 % | 92.86 % | (17.96 %) | 72.32 % | 60.86 % | 62.07 % | 61.89 % | 92.86 % | (17.96 % |
| Operating expense ratio (annualized) | Operating expense ratio (annualized) | 1.19 % | 1.18 % | 1.08 % | 1.09 % | 1.04 % | Operating expense ratio (annualized) 1.17 % | 1.19 % | 1.18 % | 1 |
| Basic EPS | | | | | | | | | | |
| Basic EPS | | | | | | | | | | |
| Basic EPS | | | | | | | | | | |
| Diluted EPS | | | | | | | | | | |

**Comparison of Operating Results for the Three Months Ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024**

For the quarter ended March 31, 2024 June 30, 2024, the Company recognized net income of $9.6 million, or $0.07 per share, compared to net income of $13.8 million, or $0.11 per share, compared to net income of $2.5 million, or $0.02 per share, for the quarter ended December 31, 2023 March 31, 2024. The higher lower net income in the current quarter was due primarily to higher income tax expense, mainly from income tax expense on the prior quarter including $13.3 million ($10.0 million net of tax) of net losses related quarterly earnings distribution from the Bank to the sale of securities holding company due to the Bank's pre-1988 bad debt recapture, and a higher provision for credit losses due largely to commercial loan growth. The income tax expense associated with the securities strategy discussed in the Executive Summary above. Absent the net loss on the sale of securities, EPS would have been $0.10 for the prior quarter, compared to $0.11 pre-1988 bad debt recapture negatively impacted earnings by $0.03 per share in the current quarter. The increase in EPS See additional discussion regarding the Bank's pre-1988 bad debt recapture in the current quarter was due primarily to an increase in the net interest margin. "Income Tax Expense" section below. The net interest margin increased 11 decreased five basis points, from 1.71% 1.82% for the prior quarter to 1.82% 1.77% for the current quarter due mainly to a full quarter increases in the cost and average balance of income retail certificates of deposit outpacing net interest margin improvements from higher yielding securities that were purchased during the prior quarter in association with the securities strategy. and loan portfolios.

*Interest and Dividend Income*

The following table presents the components of interest and dividend income for the time periods presented, along with the change measured in dollars and percent.

| | For the Three Months Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, | | | | | | | | |
| | March 31, | | | | | | | | |
| | March 31, | December 31, | Change Expressed in: | | | | | | |
| | June 30, | | | | | | | | |
| | June 30, | | | | | | | | |
| | June 30, | March 31, | Change Expressed in: | | | | | | |
| | 2024 | 2024 | 2023 | Dollars | Percent | 2024 | 2024 | Dollars | Percent |
| | (Dollars in thousands) | | | | | | | | |
| INTEREST AND DIVIDEND INCOME: | | | | | | | | | |
| INTEREST AND DIVIDEND INCOME: | | | | | | | | | |
| INTEREST AND DIVIDEND INCOME: | | | | | | | | | |
| Loans receivable | | | | | | | | | |
| Loans receivable | | | | | | | | | |
| Loans receivable | $ 76,122 | $ | $ 75,941 | $ | $ 181 | 0.2 | 0.2 % $ 76,803 | $ $ 76,122 | $ $681 0.9 0.9 % |
| MBS | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | |
| FHLB stock | | | | | | | | | |
| Investment securities | | | | | | | | | |
| Total interest and dividend income | | | | | | | | | |

The increase in interest income on loans receivable was due to an increase in the weighted average yield, partially offset by a lower average portfolio balance compared to the prior quarter due largely to a decrease in the one-to four-family correspondent loan portfolio. See additional discussion in the "Financial Condition" section above. The increase in interest income on MBS was due to an increase in the weighted average yield from having a full quarter of income from securities at higher market yields purchased in association with the securities strategy. The weighted average yield on MBS increased 133 basis points balance compared to the prior quarter as a result of the full quarter impact of purchases made late in the prior quarter as well as purchases made during the current quarter. The decrease in interest income on investment securities cash and cash equivalents was due to a decrease in the average balance of as excess operating cash during the portfolio, partially offset by a higher weighted average yield, both a result of the securities strategy as not all the proceeds from the securities sale were current quarter was, in part, reinvested into the securities MBS portfolio. See additional discussion regarding the use of the proceeds from the sale of securities associated with the securities strategy in the Executive Summary discussion above.

*Interest Expense*

The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent.

| | For the Three Months Ended | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, | | | | | | | | | | |
| | March 31, | | | | | | | | | | |
| | March 31, | | December 31, | | Change Expressed in: | | | | | | |
| | June 30, | | | | | | | | | | |
| | June 30, | | | | | | | | | | |
| | June 30, | | March 31, | | Change Expressed in: | | | | | | |
| | 2024 | 2024 | 2023 | Dollars | Percent | 2024 | 2024 | Dollars | Percent | | |
| | (Dollars in thousands) | | | | | | | | | | |
| INTEREST EXPENSE: | | | | | | | | | | | |
| INTEREST EXPENSE: | | | | | | | | | | | |
| INTEREST EXPENSE: | | | | | | | | | | | |
| Deposits | | | | | | | | | | | |
| Deposits | | | | | | | | | | | |
| Deposits | $ 33,415 | $ | $ 32,443 | $ | $ 972 | 3.0 | 3.0 % | $ 36,233 $ | $ 33,415 $ | $ 2,818 | 8.4 | 8.4 % |
| Borrowings | | | | | | | | | | | |
| Total interest expense | | | | | | | | | | | |

The increase in interest expense on deposits was due primarily to increases in the weighted average rate paid and the average balance of the retail certificate of deposit portfolio, partially offset by decreases in the weighted average rate paid and the average balance of money market accounts. A large portion of the decrease in the average balance of money market accounts during the current quarter was related to the Presidents' Day certificate of deposit campaign as funds from money market accounts moved to certificates of deposit as a result of the campaign. The weighted average rate of the money market portfolio decreased due primarily to management lowering the rates for certain tiers during the current quarter. The decrease in interest expense on borrowings was due mainly to the pay down of $500.0 million of borrowings under the Federal Reserve's BTFP, as part of the securities strategy during the prior quarter. portfolio.

*Provision for Credit Losses*

For the quarter ended March 31, 2024 June 30, 2024, the Bank recorded a provision for credit losses of $301 thousand, $1.5 million, compared to a provision for credit losses of $123 $301 thousand for the prior quarter. The provision for credit losses in the current quarter was comprised of a $456 thousand $1.3 million increase in the ACL for loans, partially offset by along with a $155 $195 thousand release increase in the reserve for off-balance sheet credit exposures. The provision for credit losses associated with the ACL was due primarily to commercial loan growth and disbursements on commercial loans, along with changes in the commercial loan mix. See additional discussion regarding changes to the loan mix in the Executive Summary section above. The release of provision for credit losses associated with the reserve for off-balance sheet credit exposures was due primarily to a reduction in the balance of commercial off-balance sheet credit exposures due to loans funding. growth.

*Non-Interest Income*

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

| | For the Three Months Ended | | |
|---|---|---|---|
| | March 31, | | |
| | March 31, | | |
| | March 31, | December 31, | Change Expressed in: |
| | June 30, | | |
| | June 30, | | |
| | June 30, | March 31, | Change Expressed in: |

| | 2024 | 2024 | 2023 | Dollars | Percent | 2024 | 2024 | Dollars | Percent |
|---|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | | | |
| NON-INTEREST INCOME: | | | | | | | | | |
| NON-INTEREST INCOME: | | | | | | | | | |
| NON-INTEREST INCOME: | | | | | | | | | |
| Deposit service fees | | | | | | | | | |
| Deposit service fees | | | | | | | | | |
| Deposit service fees | $ 2,451 $ | $ 2,575 $ | $ (124) | (4.8) (4.8)% | | $ 2,706 $ | $2,451 $ | $255 | 10.4 10.4 % |
| Insurance commissions | | | | | | | | | |
| Net loss from securities transactions | | | | | | | | | |
| Net loss from securities transactions | | | | | | | | | |
| Other non-interest income | | | | | | | | | |
| Net loss from securities transactions | | | | | | | | | |
| Other non-interest income | | | | | | | | | |
| Other non-interest income | | | | | | | | | |
| Total non-interest income | | | | | | | | | |

The net loss from securities transactions increase in the prior quarter related deposit service fees was due primarily to the sale of securities associated with the securities strategy. There was no similar transaction in increased debit card usage, which generated additional interchange and service charge income during the current quarter. The increase in insurance commissions was mainly a result of rate increases within the insurance market on both existing and new business. The decrease in other non-interest income was due mainly to an increase a decrease in income on BOLI related to the receipt of death benefits in the current prior quarter while none were received in the prior current quarter.

*Non-Interest Expense*

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

| | For the Three Months Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, | | | | | | | | |
| | March 31, | | | | | | | | |
| | March 31, | December 31, | Change Expressed in: | | | | | | |
| | June 30, | | | | | | | | |
| | June 30, | | | | | | | | |
| | June 30, | March 31, | Change Expressed in: | | | | | | |
| | 2024 | 2024 | 2023 | Dollars | Percent | 2024 | 2024 | Dollars | Percent |
| | (Dollars in thousands) | | | | | | | | |
| NON-INTEREST EXPENSE: | | | | | | | | | |
| NON-INTEREST EXPENSE: | | | | | | | | | |
| NON-INTEREST EXPENSE: | | | | | | | | | |
| Salaries and employee benefits | | | | | | | | | |
| Salaries and employee benefits | | | | | | | | | |
| Salaries and employee benefits | $ 12,887 $ | $ 12,992 $ | $ (105) | (0.8) (0.8)% | | $13,307 $ | $12,887 $ | $420 | 3.3 3.3 % |
| Information technology and related expense | | | | | | | | | |
| Occupancy, net | | | | | | | | | |
| Federal insurance premium | | | | | | | | | |
| Regulatory and outside services | | | | | | | | | |
| Advertising and promotional | | | | | | | | | |
| Deposit and loan transaction costs | | | | | | | | | |
| Office supplies and related expense | | | | | | | | | |
| Other non-interest expense | | | | | | | | | |
| Other non-interest expense | | | | | | | | | |
| Other non-interest expense | | | | | | | | | |

Total non-interest expense

The decrease increase in salaries and employee benefits was due mainly to a decrease merit and other salary adjustments during the current quarter and an increase in loan commissions due to an increase in one- to four-family loan origination volume compared to the prior quarter. The decrease increase in information technology and related expense was due primarily to lower higher software licensing related expenses and professional services, mainly related to costs associated with the digital transformation. new agreements and agreement renewals at higher costs. The decrease in regulatory and outside services the federal insurance premium was due primarily to the timing of external audit expenses. actual FDIC assessment being lower than projected for the prior quarter, which was reflected in the current quarter when it was paid. The increase decrease in advertising and promotional expense was due mainly to the timing of campaigns. campaigns compared to the prior quarter. The increase decrease in deposit and loan transaction costs was due primarily to expenses related to calendar year-end processing. processing in the prior quarter. The decrease in other non-interest expense was due mainly to a reduction in customer fraud losses compared to the prior quarter.

The Company's efficiency ratio was 61.89% 62.07% for the current quarter compared to 92.86% for the prior quarter. Absent the net loss on the sale of securities associated with the securities strategy, the efficiency ratio would have been 64.73% 61.89% for the prior quarter. The improvement change in the efficiency ratio absent the net loss associated with the securities strategy, was due primarily to higher lower net interest income. income, partially offset by lower non-interest expense. The efficiency ratio is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. A higher value generally indicates that it is costing the financial institution more money to generate revenue, relative to its net interest income and non-interest income. The Company's operating expense ratio (annualized) for the current quarter was 1.19% 1.17% compared to 1.18% 1.19% for the prior quarter, due to lower non-interest expense compared to the prior quarter. The operating expense ratio is a measure of a financial institution's total non-interest expense as a percentage of average assets. The ratio provides

insight into how efficiently the Company is managing its expenses in relation to its assets, without the impact of changes in interest rates which factors into the efficiency ratio.

*Income Tax Expense*

The following table presents pretax income, income tax expense, and net income for the time periods presented, along with the change measured in dollars and percent and the effective tax rate.

| | For the Three Months Ended | | Change Expressed in: | |
|---|---|---|---|---|
| | March 31, 2024 | December 31, 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Income before income tax expense (benefit) | $ 17,217 | $ 2,068 | $ 15,149 | 732.5 % |
| Income tax expense (benefit) | 3,455 | (475) | 3,930 | (827.4) |
| Net income | $ 13,762 | $ 2,543 | $ 11,219 | 441.2 |
| Effective Tax Rate | 20.1 % | (23.0 %) | | |

The income tax benefit in the prior quarter was a result of treating the $13.3 million net loss on sale of the securities associated with the securities strategy as a discrete tax benefit in the prior quarter. The tax benefit related to the net loss was $3.3 million. Without the tax benefit, income tax expense would have been $2.8 million and the effective tax rate, without the $13.3 million net pre-tax loss, would have been 18.0% for the prior quarter.

| | For the Three Months Ended | | Change Expressed in: | |
|---|---|---|---|---|
| | June 30, 2024 | March 31, 2024 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Income before income tax expense | $ 15,611 | $ 17,217 | $ (1,606) | (9.3) % |
| Income tax expense | 5,963 | 3,455 | 2,508 | 72.6 |
| Net income | $ 9,648 | $ 13,762 | $ (4,114) | (29.9) |
| Effective Tax Rate | 38.2 % | 20.1 % | | |

The increase in income tax expense and the higher effective tax rate from 18.0% for the prior quarter, without the tax benefit related to the net loss associated with the securities strategy, to 20.1% for in the current quarter was due primarily to recording $2.9 million of income taxes on the current quarter distribution of earnings from the Bank to the Company, compared to $508 thousand of income taxes on the distribution of earnings from the Bank to the Company during the prior quarter. The distribution of earnings during the current quarter was consistent with distributions in prior periods as 100% of the Bank's quarterly earnings were distributed to the Company.

The income tax on the earnings distribution from the Bank to the Company was due to the recapture of a portion of the Bank's bad debt reserves which were established prior to September 30, 1988, and are included in the Bank's retained earnings ("pre-1988 bad debt reserves"). The federal tax regulations prior to September 30, 1988 allowed banks to deduct, up to specified formula limits, a certain percentage of income as bad debts, for which the Bank was not required to establish a deferred tax liability. Rather, the difference was recorded in the Bank's retained earnings. The pre-1988 bad debt reserves in retained earnings are subject to recapture by the Bank on the occurrence of certain distributions in excess of earnings and profits accumulated in tax years beginning after December 31, 1951 ("accumulated earnings and profits"). For federal tax return purposes, the net loss on the securities strategy in fiscal years 2023 and 2024 will be reported on the Company's September 30, 2024 federal tax return, as the actual sales of the securities occurred during fiscal year 2024. Therefore, it It is anticipated that a taxable net loss will be reported on the Company's September 30, 2024 federal tax return due to the net losses associated with the securities strategy which will result in the Bank and Company having a negative current and accumulated earnings and profit tax position. This requires the Bank to draw upon the pre-1988 bad debt reserves for any distributions from the Bank to the Company during the current fiscal year. The Bank is required to pay taxes on the reductions to the pre-1988 bad debt reserves equal to the current corporate tax rate at the time of the distribution of the amount of Bank earnings paid to the Company. Company ("pre-1988 bad debt recapture"). It is anticipated that the Bank will be required to record income tax expense on earnings distributions from the Bank to the Company for the remainder of fiscal year 2024 due to the amount of remaining pre-1988 bad debt reserves, which was $85.5 million, or $18.0 million tax effected, as of June 30, 2024. Management anticipates the effective tax rate for the fourth quarter of fiscal year 2024 will be approximately 30% which includes the pre-1988 bad debt recapture for the quarterly earnings projected to be paid from the Bank to the Company during the fourth quarter of fiscal year 2024, assuming regulatory approval is researching received for the distribution.

Management continues to evaluate the timing and analyzing amount of capital distributions from the Bank's Bank to the holding company during the remainder of the current fiscal year and in future periods in connection with the tax issues associated with the pre-1988 bad debt recapture. Additionally, management reserves. There is some uncertainty related to how the Bank's current earnings and the Board of Directors are evaluating alternatives regarding additional profits, beginning in fiscal year 2024 earnings 2025, should be treated in relation to distributions from the Bank to the Company as well as and the implications of continuing negative current and accumulated earnings and profit. At March 31, 2024, Capitol Federal Financial, Inc., at associated impact, if any, to the holding company level, had $46.3 million in cash on deposit at the Bank. See additional discussion regarding the Bank's pre-1988 bad debt recapture reserves. Management anticipates the effective tax rate for fiscal year 2025 may be in "Item 1. Financial Statements - Note 6. Income Taxes", and "Item 1A. Risk Factors". the 30% to 33% range if the Bank is required to record income tax expense on all the distributions from the Bank to the Company during fiscal year 2025.

**Average Balance Sheet**

The following table presents the average balances of our assets, liabilities, and stockholders' equity, and the related annualized weighted average yields and rates on our interest-earning assets and interest-bearing liabilities for the periods indicated, as well as selected performance ratios and other information for the periods shown. Weighted average yields are derived by dividing annualized income by the average balance of the related assets, and weighted average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

| | For the Three Months Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | | | |
| | For the Three Months Ended | | | | | | |
| | March 31, 2024 | | | December 31, 2023 | | | |
| | June 30, 2024 | | | March 31, 2024 | | | |
| | Average Outstanding Outstanding Outstanding Amount | Earned/ Amount | Paid Yield/ Rate | Outstanding Amount | Earned/ Paid | Yield/ Rate | Earned/ Rate |
| Assets: | Assets: | (Dollars in thousands) | | Assets: | (Dollars in thousands) | | |
| Interest-earning assets: | | | | | | | |
| One- to four-family loans: | | | | | | | |
| One- to four-family loans: | | | | | | | |
| One- to four-family loans: | | | | | | | |
| Originated Originated Originated | $ 3,987,323 $ | $ 35,151 | 3.53 3.53 % | $ 4,025,539 $ | $35,060 | 3.48 3.48 % | $ 3,970,881 $ $3 |
| Correspondent purchased | | | | | | | |
| Bulk purchased | | | | | | | |
| Total one- to four-family loans | | | | | | | |

| |
|---|
| Commercial loans |
| Consumer loans |
| Total loans receivable(1) |
| MBS(2) |
| Investment securities(2)(3) |
| FHLB stock(4) |
| Cash and cash equivalents(5) |
| Total interest-earning assets |
| Other non-interest-earning assets |
| Total assets |
| Total assets |
| Total assets |
| Liabilities and stockholders' equity: |
| Liabilities and stockholders' equity: |
| Liabilities and stockholders' equity: |
| Interest-bearing liabilities: |
| Interest-bearing liabilities: |
| Interest-bearing liabilities: |
| Checking |
| Checking |
| Checking |
| Savings |
| Money market |
| Retail certificates |
| Commercial certificates |
| Wholesale certificates |
| Total deposits |
| Borrowings(6) |
| Borrowings(6) |
| Borrowings(6) |
| Total interest-bearing liabilities |
| Non-interest-bearing deposits |
| Other non-interest-bearing liabilities |
| Other non-interest-bearing liabilities |

| | | | | |
|---|---|---|---|---|
| Other non-interest-bearing liabilities | | | | |
| Stockholders' equity | | | | |
| Stockholders' equity | | | | |
| Stockholders' equity | | | | |
| Total liabilities and stockholders' equity | | | | |
| Total liabilities and stockholders' equity | | | | |
| Total liabilities and stockholders' equity | | | | |
| Net interest income[7] | | | | |
| Net interest income[7] | | | | |
| Net interest income[7] | | | | |
| Net interest-earning assets | | | | |
| Net interest-earning assets | | | | |
| Net interest-earning assets | | | | |
| Net interest margin[8] | | | | |
| Net interest margin[8] | | | | |
| Net interest margin[8] | | | | |
| Ratio of interest-earning assets to interest-bearing liabilities | Ratio of interest-earning assets to interest-bearing liabilities | 1.16x | 1.17x | Ratio of interest-earnir assets to interest-bear liabilities |
| Selected performance ratios: | | | | |
| Selected performance ratios: | | | | |
| Selected performance ratios: | | | | |
| Return on average assets (annualized)[9][14] | | | | |
| Return on average assets (annualized)[9][14] | | | | |
| Return on average assets (annualized)[9][14] | | 0.58 % | 0.10 % | |
| Return on average equity (annualized)[10][14] | | | | |
| Return on average assets (annualized)[9] | | | | |
| Return on average assets (annualized)[9] | | | | |
| Return on average assets (annualized)[9] | | 0.40 % | 0.58 % | |
| Return on average equity (annualized)[10] | | | | |
| Average equity to average assets | | | | |
| Operating expense ratio (annualized)[11] | | | | |

Efficiency ratio(12)
(14)
Pre-tax yield on leverage strategy(13)
Efficiency ratio(12)

(1) Balances are adjusted for unearned loan fees and deferred costs. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent.
(2) AFS securities are adjusted for unamortized purchase premiums or discounts.
(3) There were no nontaxable securities included in the average balance of investment securities for the quarter quarters ended June 30, 2024 or March 31, 2024. Included in the average balance of investments securities for the quarter ended December 31, 2023 are nontaxable securities with an average balance of $201 thousand.
(4) There was no FHLB stock related to the leverage strategy for the quarters ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024.
(5) There was no cash and cash equivalents related to the leverage strategy during the quarters ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024.
(6) There was no FHLB borrowings related to the leverage strategy for the quarters ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024. The FHLB advance amounts and rates included in this line include the effect of interest rate swaps and are net of deferred prepayment penalties.
(7) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the average balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(8) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets. Management believes the net interest margin is important to investors as it is a profitability measure for financial institutions.
(9) Return on average assets represents annualized net income as a percentage of total average assets. Management believes that the return on average assets is important to investors as it shows the Company's profitability in relation to the Company's average assets.
(10) Return on average equity represents annualized net income as a percentage of total average equity. Management believes that the return on average equity is important to investors as it shows the Company's profitability in relation to the Company's average equity.
(11) The operating expense ratio represents annualized non-interest expense as a percentage of average assets. Management believes the operating expense ratio is important to investors as it provides insight into how efficiently the Company is managing its expenses in relation to its assets. It is a financial measurement ratio that does not take into consideration changes in interest rates.
(12) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. Management believes the efficiency ratio is important to investors as it is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. A higher value generally indicates that it is costing the financial institution more money to generate revenue, related to its net interest margin and non-interest income.

**Rate/Volume Analysis**

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the three months ended June 30, 2024 to the three months ended March 31, 2024. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

| | For the Three Months Ended June 30, 2024 vs. March 31, 2024 | | |
|---|---|---|---|
| | Increase (Decrease) Due to | | |
| | Volume | Rate | Total |
| | (Dollars in thousands) | | |
| Interest-earning assets: | | | |
| Loans receivable | $ (294) | $ 975 | $ 681 |
| MBS | 1,941 | (150) | 1,791 |
| Investment securities | (164) | 87 | (77) |
| FHLB stock | (34) | (17) | (51) |
| Cash and cash equivalents | (638) | — | (638) |
| Total interest-earning assets | 811 | 895 | 1,706 |
| Interest-bearing liabilities: | | | |
| Checking | (1) | 71 | 70 |
| Savings | 12 | 255 | 267 |
| Money market | (281) | (165) | (446) |
| Certificates of deposit | 1,287 | 1,640 | 2,927 |
| Borrowings | (499) | 383 | (116) |
| Total interest-bearing liabilities | 518 | 2,184 | 2,702 |

| | | | | |
|---|---|---|---|---|
| Net change in net interest income | $ | 293 | $ (1,289) | $ (996) |

**Comparison of Operating Results for the Nine Months Ended June 30, 2024 and 2023**

The Company recognized net income of $26.0 million, or $0.20 per share, for the current year period, compared to net income of $38.7 million, or $0.29 per share, for the prior year period. In the first quarter of fiscal year 2024, the Bank incurred $13.3 million ($10.0 million net of tax) of net losses related to the securities strategy discussed in the "Executive Summary" section above. The lower net income for the current year period was primarily a result of the net loss associated with the securities strategy, a decrease in deposit service fees, a decrease in net interest income, and an increase in income tax expense largely related to the pre-1988 bad debt recapture, partially offset by a lower provision for credit losses and a decrease in non-interest expense. Excluding the effects of the net loss associated with the securities strategy, EPS would have been $0.28 for the current year period. The income tax expense associated with the pre-1988 bad debt recapture negatively impacted earnings by $0.02 per share in the current year period.

The net interest margin increased 27 basis points, from 1.50% for the prior year period to 1.77% for the current year period, due primarily to the leverage strategy being in place during the prior year period but not in place during the current year period. The leverage strategy negatively impacted the net interest margin for the prior year period by 16 basis points. The remaining improvement in the net interest margin absent the leverage strategy when compared to the prior year period, was due to higher yields earned on securities and loans which outpaced the increase in the cost of deposits, largely in retail certificates of deposit.

*Interest and Dividend Income*

The following table presents the components of interest and dividend income for the time periods presented, along with the change measured in dollars and percent.

| | For the Nine Months Ended June 30, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| INTEREST AND DIVIDEND INCOME: | | | | |
| Loans receivable | $ 228,866 | $ 206,056 | $ 22,810 | 11.1 % |
| MBS | 23,238 | 14,121 | 9,117 | 64.6 |
| Cash and cash equivalents | 13,166 | 37,657 | (24,491) | (65.0) |
| FHLB stock | 7,591 | 11,025 | (3,434) | (31.1) |
| Investment securities | 7,115 | 2,671 | 4,444 | 166.4 |
| Total interest and dividend income | $ 279,976 | $ 271,530 | $ 8,446 | 3.1 |

The increase in interest income on loans receivable was due largely to an increase in the weighted average yield and the average balance of the portfolio. The increase in the weighted average yield was due primarily to originations and purchases at higher market rates between periods, as well as disbursements on commercial construction loans at rates higher than the overall portfolio rate and upward repricing of existing adjustable-rate loans due to higher market interest rates. The increase in the average balance was mainly in the commercial loan portfolio which was partially offset by a decrease in the average balance of the one-to four-family loan portfolio. See additional discussion in the "Financial Condition" and "Financial Condition - Loans Receivable" sections above. The increase in interest income on MBS and investment securities was due to an increase in the weighted average yield, partially offset by a decrease in the average balance, both a result of the securities strategy. The decrease in interest income on cash and cash equivalents and the decrease in dividend income on FHLB stock were due mainly to the leverage strategy being utilized during the prior year period and not being utilized during the current year period. See additional information regarding the leverage strategy in the "Financial Condition - Borrowings" section above. Interest income on cash and cash equivalents related to the leverage strategy decreased $34.7 million and dividend income on FHLB stock related to the leverage strategy decreased $3.4 million compared to the prior year period. Interest income on cash and cash equivalents not associated with the leverage strategy increased $10.2 million due largely to an increase in the average balance of cash and cash equivalents as a result of the securities strategy.

*Interest Expense*

The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent.

| | For the Nine Months Ended June 30, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| INTEREST EXPENSE: | | | | |
| Deposits | $ 102,091 | $ 52,489 | $ 49,602 | 94.5 % |
| Borrowings | 56,648 | 96,504 | (39,856) | (41.3) |
| Total interest expense | $ 158,739 | $ 148,993 | $ 9,746 | 6.5 |

The increase in interest expense on deposits was due almost entirely to an increase in the weighted average rate paid on the deposit portfolio, specifically retail certificates of deposit and money market accounts. Interest expense on borrowings associated with the leverage strategy decreased $36.5 million compared to the prior year period due to the leverage strategy being in place during the prior year period and not being in place during the current year period. Interest expense on borrowings not associated with the leverage strategy decreased $3.4 million due mainly to a reduction in the average outstanding balance of the FHLB line of credit compared to the prior year period and a decrease in borrowings under the BTFP, which were repaid during the first quarter of fiscal year 2024. The decrease was partially offset by new borrowings added between periods at market interest rates higher than the overall portfolio rate, to replace maturing advances and to fund operational needs.

*Provision for Credit Losses*

The Bank recorded a provision for credit losses of $1.9 million during the current year period, compared to a provision for credit losses of $5.9 million for the prior year period. The provision for credit losses in the current year period was comprised of a $2.1 million increase in the ACL for loans, partially offset by a $238 thousand release in the reserve for off-balance sheet credit exposures. The provision for credit losses associated with the ACL was due primarily to commercial loan growth.

*Non-Interest Income*

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

| | For the Nine Months Ended June 30, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| NON-INTEREST INCOME: | | | | |
| Deposit service fees | $ 7,732 | $ 9,987 | $ (2,255) | (22.6) % |
| Insurance commissions | 2,503 | 2,560 | (57) | (2.2) |
| Net loss from securities transactions | (13,345) | — | (13,345) | N/A |
| Other non-interest income | 3,568 | 3,702 | (134) | (3.6) |
| Total non-interest income | $ 458 | $ 16,249 | $ (15,791) | (97.2) |

The decrease in deposit service fees was due primarily to a change in the fee structure of certain deposit products after completion of the Bank's digital transformation project. The net loss from securities transactions relates to the securities strategy, with no similar transaction in the prior year period.

*Non-Interest Expense*

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

| | For the Nine Months Ended June 30, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| NON-INTEREST EXPENSE: | | | | |
| Salaries and employee benefits | $ 39,186 | $ 39,687 | $ (501) | (1.3) % |
| Information technology and related expense | 15,687 | 16,977 | (1,290) | (7.6) |
| Occupancy, net | 10,116 | 10,598 | (482) | (4.5) |
| Federal insurance premium | 4,939 | 3,289 | 1,650 | 50.2 |
| Regulatory and outside services | 4,345 | 4,274 | 71 | 1.7 |
| Advertising and promotional | 3,210 | 3,613 | (403) | (11.2) |
| Deposit and loan transaction costs | 2,135 | 1,916 | 219 | 11.4 |
| Office supplies and related expense | 1,185 | 1,810 | (625) | (34.5) |
| Other non-interest expense | 4,100 | 3,576 | 524 | 14.7 |
| Total non-interest expense | $ 84,903 | $ 85,740 | $ (837) | (1.0) |

The decrease in salaries and employee benefits was a result of a decrease in full-time equivalent employees between the two periods as a result of management's decision to not backfill non-critical employees through natural attrition, along with a reduction in loan commissions, partially offset by lower capitalized payroll costs than the prior year due to the digital transformation project in the prior year. In connection with management's decision to not backfill non-critical employees, beginning in fiscal year 2023, the Bank moved to a new branch staffing model comprised of decision makers and well-rounded employees that is intended to add an elevated experience for customers who choose in-person banking activities. The decrease in information technology and related expense was due mainly to lower third-party project management expenses due to the Bank's digital transformation project during the prior year period along with the discontinuation of other costs associated with the previous core system, partially offset by higher software licensing expenses resulting from new agreements associated with the digital transformation project. The increase in the federal insurance premium was due primarily to an increase in the FDIC assessment rate as a result of the way the rate is adjusted for the occurrence of a net loss during the quarter ending September 30, 2023. The decrease in advertising and promotional expense was due primarily to the timing of campaigns between the periods. The increase in deposit and loan transaction costs was due primarily to the outsourcing of statement processing related to the digital transformation, partially offset by a reduction in other costs due to the digital transformation. The decrease in office supplies and related expense was due primarily to the outsourcing of statement processing related to the digital transformation, and the timing of office supply purchases between periods. The increase in other non-interest expense was due mainly to an increase in customer fraud losses.

The Company's efficiency ratio was 69.77% for the current year period compared to 61.78% for the prior year period. Excluding the net losses from the securities strategy, the efficiency ratio would have been 62.87% for the current year period. The change in the efficiency ratio, excluding the securities strategy, was due primarily to lower non-interest income in the current year period compared to the prior year period. The Company's operating expense ratio (annualized) for the current year period was 1.18% compared to 1.03% for the prior year period, due mainly to lower average assets in the current year period. The leverage strategy was in place at times during the prior year period, which increased assets, but was not in place during the current year period.

*Income Tax Expense*

The following table presents pretax income, income tax expense, and net income for the time periods presented, along with the change measured in dollars and percent and effective tax rate.

| | For the Nine Months Ended June 30, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Income before income tax expense | $ 34,896 | $ 47,171 | $ (12,275) | (26.0) % |
| Income tax expense | 8,943 | 8,440 | 503 | 6.0 |
| Net income | $ 25,953 | $ 38,731 | $ (12,778) | (33.0) |
| Effective Tax Rate | 25.6 % | 17.9 % | | |

The increase in income tax expense and the higher effective tax rate in the current year period was due primarily to recording income taxes on the current year distributions of earnings from the Bank to the Company in association with the pre-1988 bad debt recapture, partially offset by a $3.3 million tax benefit related to the $13.3 million net loss on the securities sale associated with the securities strategy.

**Average Balance Sheet**

The following table presents the average balances of our assets, liabilities, and stockholders' equity, and the related annualized weighted average yields and rates on our interest-earning assets and interest-bearing liabilities for the periods indicated, as well as selected performance ratios and other information for the periods shown. Weighted average yields are derived by dividing annualized income by the average balance of the related assets, and weighted average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

| | For the Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2024 | | | June 30, 2023 | | |
| | Average Outstanding Amount | Interest Earned/ Paid | Yield/ Rate | Average Outstanding Amount | Interest Earned/ Paid | Yield/ Rate |
| Assets: | (Dollars in thousands) | | | | | |
| Interest-earning assets: | | | | | | |
| One- to four-family loans: | | | | | | |
| Originated | $ 3,994,694 | $ 105,823 | 3.53 % | $ 4,051,068 | $ 101,249 | 3.33 % |
| Correspondent purchased | 2,367,032 | 57,788 | 3.26 | 2,419,202 | 56,578 | 3.12 |
| Bulk purchased | 133,783 | 2,160 | 2.15 | 144,514 | 1,374 | 1.27 |
| Total one- to four-family loans | 6,495,509 | 165,771 | 3.40 | 6,614,784 | 159,201 | 3.21 |
| Commercial loans | 1,343,241 | 56,285 | 5.51 | 1,117,549 | 41,089 | 4.85 |
| Consumer loans | 106,670 | 6,810 | 8.53 | 102,600 | 5,766 | 7.51 |
| Total loans receivable(1) | 7,945,420 | 228,866 | 3.83 | 7,834,933 | 206,056 | 3.50 |
| MBS(2) | 580,178 | 23,238 | 5.34 | 1,173,959 | 14,121 | 1.60 |
| Investment securities(2)(3) | 202,392 | 7,115 | 4.69 | 525,035 | 2,671 | 0.68 |
| FHLB stock(4) | 107,448 | 7,591 | 9.44 | 170,652 | 11,025 | 8.64 |
| Cash and cash equivalents(5) | 320,398 | 13,166 | 5.40 | 1,182,559 | 37,657 | 4.20 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total interest-earning assets | 9,155,836 | 279,976 | 4.06 | 10,887,138 | 271,530 | 3.32 |
| Other non-interest-earning assets | 461,030 | | | 261,221 | | |
| Total assets | $ 9,616,866 | | | $ 11,148,359 | | |
| Liabilities and stockholders' equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Checking | $ 879,536 | 1,389 | 0.21 | $ 982,372 | 1,056 | 0.14 |
| Savings | 480,656 | 854 | 0.24 | 536,363 | 343 | 0.09 |
| Money market | 1,322,851 | 17,702 | 1.79 | 1,622,486 | 12,513 | 1.03 |
| Retail certificates | 2,643,182 | 76,603 | 3.87 | 2,193,096 | 34,567 | 2.11 |
| Commercial certificates | 52,961 | 1,596 | 4.02 | 38,970 | 608 | 2.09 |
| Wholesale certificates | 116,590 | 3,947 | 4.52 | 126,567 | 3,402 | 3.59 |
| Total deposits | 5,495,776 | 102,091 | 2.48 | 5,499,854 | 52,489 | 1.28 |
| Borrowings(6) | 2,375,474 | 56,648 | 3.18 | 3,829,154 | 96,504 | 3.35 |
| Total interest-bearing liabilities | 7,871,250 | 158,739 | 2.69 | 9,329,008 | 148,993 | 2.13 |
| Non-interest-bearing deposits | 533,454 | | | 569,239 | | |
| Other non-interest-bearing liabilities | 179,929 | | | 175,176 | | |
| Stockholders' equity | 1,032,233 | | | 1,074,936 | | |
| Total liabilities and stockholders' equity | $ 9,616,866 | | | $ 11,148,359 | | |
| Net interest income(7) | | $ 121,237 | | | $ 122,537 | |
| Net interest-earning assets | $ 1,284,586 | | | $ 1,558,130 | | |
| Net interest margin(8) | | | 1.77 | | | 1.50 |
| Ratio of interest-earning assets to interest-bearing liabilities | | | 1.16x | | | 1.17x |
| Selected performance ratios: | | | | | | |
| Return on average assets (annualized)(9)(14) | | | 0.36 % | | | 0.46 % |
| Return on average equity (annualized)(10)(14) | | | 3.35 | | | 4.80 |
| Average equity to average assets | | | 10.73 | | | 9.64 |
| Operating expense ratio (annualized)(11) | | | 1.18 | | | 1.03 |
| Efficiency ratio(12)(14) | | | 69.77 | | | 61.78 |
| Pre-tax yield on leverage strategy(13) | | | — | | | 0.13 |

(1) Balances are adjusted for unearned loan fees and deferred costs. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent.

(2) AFS securities are adjusted for unamortized purchase premiums or discounts.

(3) The average balance of investment securities includes an average balance of nontaxable securities of $68 thousand and $1.1 million for the nine month periods ended June 30, 2024 and June 30, 2023, respectively.

(4) There was no FHLB stock related to the leverage strategy for the nine month period ended June 30, 2024. Included in this line, for the nine month period ended June 30, 2023, is FHLB stock related to the leverage strategy with an average outstanding balance of $52.0 million and dividend income of $3.4 million, at a weighted average yield of 8.65%, and FHLB stock not related to the leverage strategy with an average outstanding balance of $118.7 million and dividend income of $7.7 million, at a weighted average yield of 8.63%.

(5) There was no cash and cash equivalents related to the leverage strategy during the nine month period ended June 30, 2024. The average balance of cash and cash equivalents includes an average balance of cash related to the leverage strategy of $1.10 billion and interest income of $34.7 million, at a weighted average yield of 4.14% during the nine month period ended June 30, 2023.

(6) There were no borrowings related to the leverage strategy during the nine month period ended June 30, 2024. Included in this line, for the nine month period ended June 30, 2023, are FHLB borrowings related to the leverage strategy with an average outstanding balance of $1.16 billion and interest paid of $36.5 million, at a weighted average rate of 4.17%, and borrowings not related to the leverage strategy with an average outstanding balance of $2.67 billion and interest paid of $60.0 million, at a weighted average rate of 2.99%. The FHLB advance amounts and rates included in this line include the effect of interest rate swaps and are net of deferred prepayment penalties.

(7) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the average balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.

(8) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets. Management believes the net interest margin is important to investors as it is a profitability measure for financial institutions.

(9) Return on average assets represents annualized net income as a percentage of total average assets. Management believes that the return on average assets is important to investors as it shows the Company's profitability in relation to the Company's average assets.

(10) Return on average equity represents annualized net income as a percentage of total average equity. Management believes that the return on average equity is important to investors as it shows the Company's profitability in relation to the Company's average equity.

(11) The operating expense ratio represents annualized non-interest expense as a percentage of average assets. Management believes the operating expense ratio is important to investors as it provides insight into how efficiently the Company is managing its expenses in relation to its assets. It is a financial measurement ratio that does not take into consideration changes in interest rates.

(12) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. Management believes the efficiency ratio is important to investors as it is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. A higher value generally indicates that it is costing the financial institution more money to generate revenue, related to its net interest margin and non-interest income.

(13) The pre-tax yield on the leverage strategy represents annualized pre-tax income resulting from the transaction as a percentage of the average interest-earning assets associated with the transaction. Management believes this ratio is important to investors as it provides the yield the Company is earning on the leverage strategy transaction.

(14) The table below provides a reconciliation between performance measures presented in accordance with GAAP and the same performance measures absent the impact of the net loss on the securities transactions associated with the securities strategy, which are not presented in accordance with GAAP. The securities strategy was non-recurring in nature; therefore management believes it is meaningful to investors to present certain financial measures without the securities strategy to better evaluate the Company's core operations. See information regarding the securities strategy in the Executive Summary "Executive Summary" discussion above.

| | For the Three Months Ended December 31, 2023 | | |
|---|---|---|---|
| | Actual (GAAP) | Securities Strategy | Without Securities Strategy (Non-GAAP) |
| Return on average assets (annualized) | 0.10 % | (0.42)% | 0.52 % |
| Return on average equity (annualized) | 0.98 | (3.89) | 4.87 |
| Efficiency Ratio | 92.86 | 28.13 | 64.73 |
| EPS(15) | $ 0.02 | $ (0.08) | $ 0.10 |

(15) EPS is calculated as net income divided by average shares outstanding. Management believes EPS is an important measure to investors as it shows the Company's earnings in relation to the Company's outstanding shares.

**Rate/Volume Analysis**

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the three months ended March 31, 2024 to the three months ended December 31, 2023. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

| | For the Three Months Ended March 31, 2024 vs. December 31, 2023 | | |
|---|---|---|---|
| | Increase (Decrease) Due to | | |
| | Volume | Rate | Total |
| | (Dollars in thousands) | | |
| Interest-earning assets: | | | |
| Loans receivable | $ (137) | $ 318 | $ 181 |
| MBS | 139 | 1,796 | 1,935 |
| Investment securities | (1,021) | 825 | (196) |
| FHLB stock | (57) | (1) | (58) |
| Cash and cash equivalents | (264) | (1) | (265) |
| Total interest-earning assets | (1,340) | 2,937 | 1,597 |
| Interest-bearing liabilities: | | | |
| Checking | (8) | 1 | (7) |
| Savings | — | 86 | 86 |
| Money market | (154) | (878) | (1,032) |
| Certificates of deposit | 400 | 1,525 | 1,925 |
| Borrowings | (1,033) | (69) | (1,102) |
| Total interest-bearing liabilities | (795) | 665 | (130) |
| Net change in net interest income | $ (545) | $ 2,272 | $ 1,727 |

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

The Company recognized net income of $16.3 million, or $0.12 per share, for the current year period, compared to net income of $30.4 million, or $0.23 per share, for the prior year period. The lower net income for the current year period was primarily a result of the $13.3 million net loss on the securities sales associated with the securities strategy, along with lower net interest income, partially offset by lower provision for credit losses and income tax expense in the current year period. Without the effects of the securities strategy, EPS would have been $0.20 for the current year period. See the Executive Summary section above for additional discussion.

Periodically at management's discretion, we have utilized the leverage strategy to increase earnings which entails entering into short-term FHLB borrowings and depositing the proceeds from these FHLB borrowings, net of the cost to purchase FHLB stock to meet FHLB stock holding requirements, at the FRB of Kansas City. See additional information regarding the leverage strategy in the "Financial Condition - Borrowings" section above. When the leverage strategy is in place, it reduces the net interest margin due to the amount of earnings from the transaction in comparison to the size of the transaction.

The net interest margin increased 17 basis points, from 1.59% for the prior year period to 1.76% for the current year period, due primarily to the leverage strategy being in place during the prior year period but not in place during the current year period. The leverage strategy negatively impacted the net interest margin for the prior year period by 20 basis points. The absence of the leverage strategy during the current year period was partially offset by the negative effect on the net interest margin of an increase in the costs of deposits and borrowings, which exceeded the increase in yields on securities and loans.

*Interest and Dividend Income*

The following table presents the components of interest and dividend income for the time periods presented, along with the change measured in dollars and percent.

| | For the Six Months Ended March 31, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| INTEREST AND DIVIDEND INCOME: | | | | |
| Loans receivable | $ 152,063 | $ 134,138 | $ 17,925 | 13.4 % |
| MBS | 13,653 | 9,559 | 4,094 | 42.8 |
| Cash and cash equivalents | 9,291 | 27,648 | (18,357) | (66.4) |
| FHLB stock | 5,114 | 7,765 | (2,651) | (34.1) |
| Investment securities | 4,860 | 1,776 | 3,084 | 173.6 |
| Total interest and dividend income | $ 184,981 | $ 180,886 | $ 4,095 | 2.3 |

The increase in interest income on loans receivable was due to an increase in the weighted average yield and the average balance of the loan portfolio. The increase in the weighted average yield was due primarily to originations and purchases/participations at higher market yields between periods, as well as disbursements on commercial construction loans at rates higher than the overall portfolio rate and upward repricing of existing adjustable-rate loans due to higher market interest rates. The increase in the average balance was mainly in the commercial real estate loan portfolio. The increase in interest income on MBS and investment securities was due to an increase in the weighted average yield, partially offset by a decrease in the average balance, both a result of the securities strategy. The decrease in interest income on cash and cash equivalents and the decrease in dividend income on FHLB stock were due mainly to the leverage strategy being utilized during the prior year period and not being utilized during the current year period. Interest income on cash and cash equivalents related to the leverage strategy decreased $27.2 million and dividend income on FHLB stock related to the leverage strategy decreased $2.8 million compared to the prior year period. Interest income on cash and cash equivalents not associated with the leverage strategy increased $8.8 million related to an increase in the average balance of cash and cash equivalents as a result of the securities strategy.

*Interest Expense*

The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent.

| | For the Six Months Ended March 31, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| INTEREST EXPENSE: | | | | |
| Deposits | $ 65,858 | $ 28,044 | $ 37,814 | 134.8 % |
| Borrowings | 38,210 | 65,055 | (26,845) | (41.3) |
| Total interest expense | $ 104,068 | $ 93,099 | $ 10,969 | 11.8 |

The increase in interest expense on deposits was due almost entirely to an increase in the weighted average rate paid on the deposit portfolio, specifically retail certificates of deposit and money market accounts. Interest expense on borrowings associated with the leverage strategy decreased $28.5 million compared to the prior year period due to the leverage strategy being in place during the prior year period and not being in place during the current year period. Interest expense on borrowings not associated with the leverage strategy increased $1.7 million due to new borrowings being added between periods, at market interest rates higher than the overall portfolio rate, to replace maturing advances and to fund operational needs.

*Provision for Credit Losses*

The Bank recorded a provision for credit losses of $424 thousand during the current year period, compared to a provision for credit losses of $4.6 million for the prior year period. The provision for credit losses in the current year period was comprised of an $856 thousand increase in the ACL for loans, partially offset by a $432 thousand release in the reserve for off-balance sheet credit exposures. The provision for credit losses associated with the ACL was due primarily to commercial loan growth. The release of provision for credit losses associated with the reserve for off-balance sheet credit exposures was due primarily to a reduction in the balance of commercial off-balance sheet credit exposures due to construction loans being funded and converted to permanent loans.

*Non-Interest Income*

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

| | For the Six Months Ended March 31, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| NON-INTEREST INCOME: | | | | |
| Deposit service fees | $ 5,026 | $ 6,583 | $ (1,557) | (23.7) % |
| Insurance commissions | 1,598 | 1,672 | (74) | (4.4) |
| Net loss from securities transactions | (13,345) | — | (13,345) | N/A |
| Other non-interest income | 2,470 | 2,180 | 290 | 13.3 |
| Total non-interest income | $ (4,251) | $ 10,435 | $ (14,686) | (140.7) |

The decrease in deposit service fees was due primarily to a change in the fee structure of certain deposit products after the digital transformation. The net loss from securities transactions relates to the securities strategy, with no similar transaction in the prior year period. The increase in other non-interest income was due mainly to an increase in income on BOLI related to the receipt of death benefits in the current year period while none were received in the prior year period.

*Non-Interest Expense*

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

| | For the Six Months Ended March 31, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| NON-INTEREST EXPENSE: | | | | |
| Salaries and employee benefits | $ 25,879 | $ 26,487 | $ (608) | (2.3) % |
| Information technology and related expense | 10,323 | 10,859 | (536) | (4.9) |
| Occupancy, net | 6,853 | 7,042 | (189) | (2.7) |
| Federal insurance premium | 3,587 | 2,058 | 1,529 | 74.3 |
| Regulatory and outside services | 3,023 | 2,838 | 185 | 6.5 |
| Advertising and promotional | 2,259 | 2,166 | 93 | 4.3 |
| Deposit and loan transaction costs | 1,409 | 1,301 | 108 | 8.3 |
| Office supplies and related expense | 780 | 1,264 | (484) | (38.3) |
| Other non-interest expense | 2,840 | 2,389 | 451 | 18.9 |
| Total non-interest expense | $ 56,953 | $ 56,404 | $ 549 | 1.0 |

The decrease in salaries and employee benefits was a result of a decrease in full-time equivalent employees between the two periods as a result of management's decision to not backfill non-critical employees through natural attrition, along with a reduction in loan commissions. During fiscal year 2023, the Bank moved to a new branch staffing model comprised of decision makers and well-rounded employees that is intended to add an elevated experience for customers who choose in-person banking activities. The decrease in information technology and related expenses was due mainly to lower third-party project management expenses related to the Bank's digital transformation project during the prior year period along with other costs no longer incurred that were associated with the previous system, partially offset by higher software licensing expenses resulting from new agreements associated with the digital transformation project. The increase in the federal insurance premium was due to an increase in the FDIC assessment rate as a result of the way the rate is adjusted for the occurrence of a net loss during the quarter ending September 30, 2023, along with an FDIC rule that increased the FDIC initial base deposit assessment rate by approximately two basis points on January 1, 2023. The decrease in office supplies and related expense was due primarily to the outsourcing of statement processing associated with the digital transformation and the timing of office supply purchases, along with the write-off of the Bank's remaining inventory of unissued non-contactless debit cards during the prior year period which had become obsolete. The increase in other non-interest expense was due mainly to an increase in fraud losses and other miscellaneous expenses.

The Company's efficiency ratio was 74.29% for the current year period compared to 57.43% for the prior year period. Absent the net loss from the securities strategy, the efficiency ratio would have been 63.28% for the current year period. The change in the efficiency ratio, without the securities strategy, was due primarily to lower net interest income in the current year period compared to the prior year period. The Company's operating expense ratio (annualized) for the current year period was 1.18% compared to 1.00% for the prior year period, due mainly to lower average assets in the current year period. The leverage strategy was in place at times during the prior year period, which increased assets, but was not in place during the current year period.

*Income Tax Expense*

The following table presents pretax income, income tax expense, and net income for the time periods presented, along with the change measured in dollars and percent and effective tax rate.

| | For the Six Months Ended March 31, | | Change Expressed in: | |
|---|---|---|---|---|
| | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Income before income tax expense | $ 19,285 | $ 37,267 | $ (17,982) | (48.3) % |
| Income tax expense | 2,980 | 6,838 | (3,858) | (56.4) |
| Net income | $ 16,305 | $ 30,429 | $ (14,124) | (46.4) |
| Effective Tax Rate | 15.5 % | 18.3 % | | |

The lower income tax expense in the current year period was a result of treating the $13.3 million net loss on the securities sale associated with the securities strategy as a discrete tax benefit. The tax benefit related to the net loss was $3.3 million. Without the tax benefit, income tax expense would have been $6.2 million and the effective tax rate, would have been 19.1% for the current year period.

**Average Balance Sheet**

The following table presents the average balances of our assets, liabilities, and stockholders' equity, and the related annualized weighted average yields and rates on our interest-earning assets and interest-bearing liabilities for the periods indicated, as well as selected performance ratios and other information for the periods shown. Weighted average yields are derived by dividing annualized income by the average balance of the related assets, and weighted average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

| | For the Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2024 | | | March 31, 2023 | | |
| | Average Outstanding Amount | Interest Earned/ Paid | Yield/ Rate | Average Outstanding Amount | Interest Earned/ Paid | Yield/ Rate |
| Assets: | (Dollars in thousands) | | | | | |
| Interest-earning assets: | | | | | | |
| One- to four-family loans: | | | | | | |
| Originated | $ 4,006,536 | $ 70,211 | 3.50 % | $ 4,050,149 | $ 67,024 | 3.31 % |
| Correspondent purchased | 2,391,638 | 38,934 | 3.26 | 2,383,295 | 36,642 | 3.07 |
| Bulk purchased | 135,228 | 1,429 | 2.11 | 145,779 | 847 | 1.16 |
| Total one- to four-family loans | 6,533,402 | 110,574 | 3.38 | 6,579,223 | 104,513 | 3.18 |
| Commercial loans | 1,329,123 | 36,974 | 5.47 | 1,085,870 | 25,917 | 4.72 |
| Consumer loans | 106,112 | 4,515 | 8.51 | 102,705 | 3,708 | 7.24 |
| Total loans receivable(1) | 7,968,637 | 152,063 | 3.80 | 7,767,798 | 134,138 | 3.45 |
| MBS(2) | 532,774 | 13,653 | 5.13 | 1,197,462 | 9,559 | 1.60 |
| Investment securities(2)(3) | 221,601 | 4,860 | 4.39 | 525,047 | 1,776 | 0.68 |
| FHLB stock(4) | 108,108 | 5,114 | 9.46 | 182,737 | 7,765 | 8.52 |
| Cash and cash equivalents(5) | 338,528 | 9,291 | 5.40 | 1,389,121 | 27,648 | 3.94 |
| Total interest-earning assets | 9,169,648 | 184,981 | 4.02 | 11,062,165 | 180,886 | 3.26 |
| Other non-interest-earning assets | 467,011 | | | 255,882 | | |
| Total assets | $ 9,636,659 | | | $ 11,318,047 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Liabilities and stockholders' equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Checking | $ 882,409 | 883 | 0.20 | $ 998,604 | 657 | 0.13 |
| Savings | 472,034 | 362 | 0.15 | 543,630 | 201 | 0.07 |
| Money market | 1,349,997 | 12,443 | 1.84 | 1,690,893 | 6,218 | 0.74 |
| Retail certificates | 2,589,307 | 48,496 | 3.75 | 2,119,905 | 18,882 | 1.79 |
| Commercial certificates | 50,426 | 973 | 3.86 | 36,413 | 301 | 1.66 |
| Wholesale certificates | 121,518 | 2,701 | 4.45 | 112,272 | 1,785 | 3.19 |
| Total deposits | 5,465,691 | 65,858 | 2.41 | 5,501,717 | 28,044 | 1.02 |
| Borrowings(6) | 2,414,384 | 38,210 | 3.16 | 3,983,434 | 65,055 | 3.25 |
| Total interest-bearing liabilities | 7,880,075 | 104,068 | 2.64 | 9,485,151 | 93,099 | 1.96 |
| Non-interest-bearing deposits | 532,735 | | | 575,518 | | |
| Other non-interest-bearing liabilities | 187,477 | | | 182,083 | | |
| Stockholders' equity | 1,036,372 | | | 1,075,295 | | |
| Total liabilities and stockholders' equity | $ 9,636,659 | | | $ 11,318,047 | | |
| Net interest income(7) | | $ 80,913 | | | $ 87,787 | |
| Net interest-earning assets | $ 1,289,573 | | | $ 1,577,014 | | |
| Net interest margin(8) | | | 1.76 | | | 1.59 |
| Ratio of interest-earning assets to interest-bearing liabilities | | | 1.16x | | | 1.17x |
| Selected performance ratios: | | | | | | |
| Return on average assets (annualized)(9)(14) | | | 0.34 % | | | 0.54 % |
| Return on average equity (annualized)(10)(14) | | | 3.15 | | | 5.66 |
| Average equity to average assets | | | 10.75 | | | 9.50 |
| Operating expense ratio (annualized)(11) | | | 1.18 | | | 1.00 |
| Efficiency ratio(12)(14) | | | 74.29 | | | 57.43 |
| Pre-tax yield on leverage strategy(13) | | | — | | | 0.15 |

(1) Balances are adjusted for unearned loan fees and deferred costs. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent.

(2) AFS securities are adjusted for unamortized purchase premiums or discounts.

(3) The average balance of investment securities includes an average balance of nontaxable securities of $101 thousand and $1.1 million for the six month periods ended March 31, 2024 and March 31, 2023, respectively.

(4) There was no FHLB stock related to the leverage strategy for the six month period ended March 31, 2024. Included in this line, for the six month period ended March 31, 2023, is FHLB stock related to the leverage strategy with an average outstanding balance of $64.4 million and dividend income of $2.8 million, at a weighted average yield of 8.58%, and FHLB stock not related to the leverage strategy with an average outstanding balance of $118.4 million and dividend income of $5.0 million, at a weighted average yield of 8.49%.

(5) There was no cash and cash equivalents related to the leverage strategy during the six month period ended March 31, 2024. The average balance of cash and cash equivalents includes an average balance of cash related to the leverage strategy of $1.37 billion and interest income of $27.2 million, at a weighted average yield of 3.93% during the six month period ended March 31, 2023.

(6) There were no borrowings related to the leverage strategy during the six month period ended March 31, 2024. Included in this line, for the six month period ended March 31, 2023, are FHLB borrowings related to the leverage strategy with an average outstanding balance of $1.43 billion and interest paid of $28.6 million, at a weighted average rate of 3.95%, and borrowings not related to the leverage strategy with an average outstanding balance of $2.55 billion and interest paid of $36.5 million, at a weighted average rate of 2.86%. The FHLB advance amounts and rates included in this line include the effect of interest rate swaps and are net of deferred prepayment penalties.

(7) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the average balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.

(8) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets. Management believes the net interest margin is important to investors as it is a profitability measure for financial institutions.

(9) Return on average assets represents annualized net income as a percentage of total average assets. Management believes that the return on average assets is important to investors as it shows the Company's profitability in relation to the Company's average assets.

(10) Return on average equity represents annualized net income as a percentage of total average equity. Management believes that the return on average equity is important to investors as it shows the Company's profitability in relation to the Company's average equity.

(11) The operating expense ratio represents annualized non-interest expense as a percentage of average assets. Management believes the operating expense ratio is important to investors as it provides insight into how efficiently the Company is managing its expenses in relation to its assets. It is a financial measurement ratio that does not take into consideration changes in interest rates.

(12) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. Management believes the efficiency ratio is important to investors as it is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and

non-interest income. A higher value generally indicates that it is costing the financial institution more money to generate revenue, related to its net interest margin and non-interest income.

(13) The pre-tax yield on the leverage strategy represents annualized pre-tax income resulting from the transaction as a percentage of the average interest-earning assets associated with the transaction. Management believes this ratio is important to investors as it provides the yield the Company is earning on the leverage strategy transaction.

(14) The table below provides a reconciliation between performance measures presented in accordance with GAAP and the same performance measures absent the impact of the net loss on the securities transactions associated with the securities strategy, which are not presented in accordance with GAAP. The securities strategy was non-recurring in nature; therefore management believes it is meaningful to investors to present certain financial measures without the securities strategy to better evaluate the Company's core operations. See information regarding the securities strategy in the Executive Summary discussion above.

| | | For the Six Months Ended | | March 31, 2024 | | | For the Nine Months Ended | June 30, 2024 | Without | Securities |
|---|---|---|---|---|---|---|---|---|---|---|
| | Actual (GAAP) | Actual (GAAP) | Securities Strategy | Strategy (Non-GAAP) | Actual (GAAP) | Securities Strategy | Strategy (Non-GAAP) | | | |
| Return on average assets (annualized) | Return on average assets (annualized) | 0.34 % | (0.21)% | 0.55 % | Return on average assets (annualized) | 0.36 % | (0.14)% | 0.50 % | | |
| Return on average equity (annualized) | | | | | | | | | | |
| Efficiency Ratio | | | | | | | | | | |
| EPS(15) | | | | | | | | | | |

(15) EPS is calculated as net income divided by average shares outstanding. Management believes EPS is an important measure to investors as it shows the Company's earnings in relation to the Company's outstanding shares.

**Rate/Volume Analysis**

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous period's average rate, and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

| | For the Six Months Ended<br>For the Six Months Ended<br>For the Six Months Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | March 31, 2024 vs. March 31, 2023 | | | | | | |
| | For the Nine Months Ended<br>For the Nine Months Ended<br>For the Nine Months Ended | | | | | | |
| | June 30, 2024 vs. June 30, 2023 | | | | | | |
| | Increase (Decrease) Due to | | Increase (Decrease) Due to | | | Increase (Decrease) Due to | |
| | Volume | Volume | Rate | Total | Volume | Rate | Total |
| | | | | (Dollars in thousands) | | | |
| Interest-earning assets: | | | | | | | |
| Loans receivable | | | | | | | |
| Loans receivable | | | | | | | |
| Loans receivable | | | | | | | |
| MBS | | | | | | | |
| Investment securities | | | | | | | |

FHLB stock

Cash and cash equivalents

Total interest-earning assets

Interest-bearing liabilities:

Interest-bearing liabilities:

Interest-bearing liabilities:

Checking

Checking

Checking

Savings

Money market

Certificates of deposit

Borrowings

Total interest-bearing liabilities

Net change in net interest income

Net change in net interest income

Net change in net interest income

**Comparison of Operating Results for the Three Months Ended March 31, 2024 June 30, 2024 and 2023**

For the quarter ended March 31, 2024 June 30, 2024, the Company recognized net income of $13.8 million $9.6 million, or $0.11 $0.07 per share, compared to net income of $14.2 million $8.3 million, or $0.11 $0.06 per share for the quarter ended March 31, 2023 June 30, 2023. The decrease increase in net income was due primarily to a decrease an increase in net interest income partially offset by lower provision for credit losses higher income tax expense, mainly from income tax expense on the quarterly earnings distribution from the Bank to the holding company due to the Bank's pre-1988 bad debt recapture. The income tax expense associated with the pre-1988 bad debt recapture negatively impacted earnings by $0.03 per share in the current year quarter.

The net interest margin increased 26 45 basis points, from 1.56% 1.32% for the prior year quarter to 1.82% 1.77% for the current quarter, due primarily to higher yields on securities and loans and a lower average balance on borrowings, which outpaced the increase in the cost of deposits, largely retail certificates of deposit. The leverage strategy being was in place during the prior year quarter, but was not in place during the current year quarter. The leverage strategy negatively impacted the net interest margin for the prior year period quarter by 15 seven basis points. The absence of the leverage strategy during the current year period was partially offset by the negative effect on the net interest margin of an increase in the cost of retail certificates of deposit, which exceeded the increase in yields on securities and loans.

*Interest and Dividend Income*

The following table presents the components of interest and dividend income for the time periods presented along with the change measured in dollars and percent.

| | For the Three Months Ended March 31, March 31, March 31, | | | Change Expressed in: | |
|---|---|---|---|---|---|
| | June 30, June 30, June 30, | | | Change Expressed in: | |
| | 2024 | 2024 | 2023 | Dollars | Percent |
| | 2024 | | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | | |
| INTEREST AND DIVIDEND INCOME: | | | | | |
| INTEREST AND DIVIDEND INCOME: | | | | | |
| INTEREST AND DIVIDEND INCOME: | | | | | |
| Loans receivable | | | | | |
| Loans receivable | | | | | |
| Loans receivable | $ 76,122 | $ | $ 69,319 | $ $ 6,803 | 9.8 9.8 % |
| | $ 76,803 | $ | $ 71,918 | $ $ 4,885 | 6.8 6.8 % |
| MBS | | | | | |
| Cash and cash equivalents | | | | | |
| FHLB stock | | | | | |

| | |
|---|---|
| Investment securities | |
| Total interest and dividend income | |

The increase in interest income on loans receivable was due mainly to an increase in the weighted average yield and the average balance of the loan portfolio. The increase in the weighted average yield was due primarily to originations and purchases/participations at higher market yields between periods, as well as disbursements on commercial construction loans at rates higher than the overall portfolio rate and upward repricing of existing adjustable-rate loans due to higher market interest rates. The increase in the average balance was primarily in the commercial loan portfolio. The increase in interest income on MBS and investment securities was due to an increase in the weighted average yield, partially offset by a decrease in the average balance, both mainly a result of the securities strategy. The decrease in interest income on cash and cash equivalents and the decrease in dividend income on FHLB stock were due mainly to the leverage strategy being utilized during the prior year quarter and not being utilized during the current year quarter. Interest income on cash and cash equivalents related to the leverage strategy decreased $10.6 million $7.5 million and dividend income on FHLB stock related to the leverage strategy decreased $951 $610 thousand compared to the prior year quarter. Interest income on cash and cash equivalents not associated with the leverage strategy increased $4.1 million $1.4 million due primarily to an increase in the average balance of cash and cash equivalents which was mainly a result of the securities strategy.

*Interest Expense*

The following table presents the components of interest expense for the periods presented, along with the change measured in dollars and percent.

| | For the Three Months Ended March 31, March 31, March 31, June 30, June 30, June 30, | | | | Change Expressed in: Change Expressed in: | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2024 | 2023 | | Dollars | Percent | 2024 | 2023 | | Dollars | Percent | | |
| | (Dollars in thousands) | | | | | | | | | | | | |
| INTEREST EXPENSE: INTEREST EXPENSE: INTEREST EXPENSE: | | | | | | | | | | | | | |
| Deposits Deposits Deposits | $ 33,415 | $ | $ 16,140 | $ | $ 17,275 | 107.0 | 107.0 % | $ 36,233 | $ | $ 24,445 | $ | $ 11,788 | 48.2 48.2 % |
| Borrowings | | | | | | | | | | | | | |
| Total interest expense | | | | | | | | | | | | | |

The increase in interest expense on deposits was due primarily to an increase in the weighted average rate paid on and the deposit portfolio, mainly average balance of the retail certificates certificate of deposit and money market accounts. portfolio. Interest expense on borrowings associated with the leverage strategy decreased $11.3 million $7.9 million compared to the prior year quarter due to the leverage strategy being in place during the prior year quarter and not being in place during the current year quarter. Interest expense on borrowings not associated with the leverage strategy decreased $1.6 million $5.1 million due primarily to a decrease in borrowings under the average balance of FHLB borrowings compared to Federal Reserve's BTFP, which were repaid during the prior year quarter. quarter ended December 31, 2023 in association with the securities strategy.

*Provision for Credit Losses*

The Bank recorded a provision for credit losses during the current quarter of $301 thousand, $1.5 million, compared to a provision of $891 thousand $1.3 million during the prior year quarter. See "Comparison Comparison of Operating "Operating Results for the Three Months Ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024" above for additional discussion regarding the provision for credit losses during the current quarter.

*Non-Interest Income*

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

| | For the Three Months Ended March 31, March 31, March 31, June 30, June 30, June 30, | | | Change Expressed in: Change Expressed in: | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2024 | 2023 | Dollars | Percent | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NON-INTEREST INCOME: | | | | | | | | | | | | |
| NON-INTEREST INCOME: | | | | | | | | | | | | |
| NON-INTEREST INCOME: | | | | | | | | | | | | |
| Deposit service fees | | | | | | | | | | | | |
| Deposit service fees | | | | | | | | | | | | |
| Deposit service fees | $ 2,451 | $ | $ 3,122 | $ | $ (671) | (21.5) | (21.5) % | $ 2,706 | $ | $ 3,404 | $ | $ (698) (20.5) (20.5) % |
| Insurance commissions | | | | | | | | | | | | |
| Other non-interest income | | | | | | | | | | | | |
| Other non-interest income | | | | | | | | | | | | |
| Other non-interest income | | | | | | | | | | | | |
| Total non-interest income | | | | | | | | | | | | |

The decrease in deposit service fees was due primarily to a change in the fee structure of certain deposit products after the Bank's digital transformation in August 2023. project. The increase decrease in other non-interest income was due mainly to an increase a decrease in income on BOLI related to the receipt of death benefits in the current prior year quarter while none were received in the prior current year quarter. quarter, along with a decrease in the fair value of a loan-related financial derivative.

*Non-Interest Expense*

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

| | For the Three Months Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, | | | | | | | | |
| | March 31, | | | | | | | | |
| | March 31, | | Change Expressed in: | | | | | | |
| | June 30, | | | | | | | | |
| | June 30, | | | | | | | | |
| | June 30, | | Change Expressed in: | | | | | | |
| | 2024 | 2024 | 2023 | Dollars | Percent | 2024 | 2023 | Dollars | Percent |
| | (Dollars in thousands) | | | | | | | | |
| NON-INTEREST EXPENSE: | | | | | | | | | |
| NON-INTEREST EXPENSE: | | | | | | | | | |
| NON-INTEREST EXPENSE: | | | | | | | | | |
| Salaries and employee benefits | | | | | | | | | |
| Salaries and employee benefits | | | | | | | | | |
| Salaries and employee benefits | $ 12,887 | $ | $12,789 | $ | $ 98 | 0.8 | 0.8 % | $13,307 | $ $13,200 $ $ 107 0.8 0.8 % |
| Information technology and related expense | | | | | | | | | |
| Occupancy, net | | | | | | | | | |
| Federal insurance premium | | | | | | | | | |
| Regulatory and outside services | | | | | | | | | |
| Advertising and promotional | | | | | | | | | |
| Deposit and loan transaction costs | | | | | | | | | |
| Office supplies and related expense | | | | | | | | | |
| Other non-interest expense | | | | | | | | | |
| Other non-interest expense | | | | | | | | | |
| Other non-interest expense | | | | | | | | | |
| Total non-interest expense | | | | | | | | | |

The decrease in information technology and related expenses was due mainly to lower third-party project management expenses associated with the digital transformation project during the prior year quarter along with other costs no longer incurred that were associated with the previous system, partially offset by higher software licensing expenses resulting from new agreements associated with the digital transformation project. The increase in the federal insurance premium was due to an increase in the FDIC assessment rate as a result of the way the rate is adjusted for the occurrence of a net loss during the quarter ending September 30, 2023. The increase in deposit and loan transaction costs was due primarily to new statement and check processing expenses related to agreements associated with the digital transformation. The decrease in office supplies advertising and related promotional expense was due primarily to the outsourcing of statement processing related to the digital transformation, and the timing of office supply purchases campaigns between the periods. The increase in other non-interest expense was due mainly to an increase in customer fraud losses.

The Company's efficiency ratio was 61.89% 62.07% for the current quarter compared to 60.86% 72.32% for the prior year quarter. The change improvement in the efficiency ratio was due primarily to lower higher net interest income and lower non-interest expense in the current quarter. The Company's operating expense ratio (annualized) for the current quarter was 1.19% 1.17% compared to 1.04% 1.09% for the prior year quarter, due mainly to lower average assets in the current quarter. quarter, partially offset by lower non-interest expense. The decrease in average assets was due primarily to the securities strategy, which lowered the average balance of securities compared to the prior year quarter, along with the leverage strategy was being in place at times during the prior year quarter, which increased assets, but assets. The leverage strategy was not in place during the current year quarter.

*Income Tax Expense*

The following table presents pretax income, income tax expense, and net income for the time periods presented, along with the change measured in dollars and percent and the effective tax rate.

| | For the Three Months Ended March 31, March 31, March 31, June 30, June 30, June 30, | | | Change Expressed in: Change Expressed in: | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2024 | 2023 | Dollars | Percent | 2024 | 2023 | Dollars | Percent | | | |
| | (Dollars in thousands) | | | | | | | | | | | |
| Income before income tax expense | | | | | | | | | | | | |
| Income before income tax expense | | | | | | | | | | | | |
| Income before income tax expense | $ 17,217 | $ | $ 17,520 | $ | $ (303) | (1.7) | (1.7)% | $ 15,611 | $ | $ 9,904 | $ | $ 5,707 | 57.6 | 57.6 % |
| Income tax expense | | | | | | | | | | | | |
| Net income | | | | | | | | | | | | |
| Effective Tax Rate | | | | | | | | | | | | |
| Effective Tax Rate | | | | | | | | | | | | |
| Effective Tax Rate | | | | | | | | | | | | |

Income The higher income tax expense was higher in the current year quarter due to a higher effective tax rate, partially offset by lower pretax income. The higher effective tax rate was due primarily to recording $2.9 million of income taxes on the current quarter distribution of earnings from the Bank to the Company. Company, along with higher pretax income in the current quarter. The income tax expense on the distribution of earnings is also the main reason for the increase in the effective tax rate between periods as there was no such income tax expense on distributions in the prior year quarter. See "Comparison Comparison of Operating "Operating Results for the Three Months Ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024" above for additional discussion.

**Average Balance Sheet**

The following table presents the average balances of our assets, liabilities, and stockholders' equity, and the related annualized weighted average yields and rates on our interest-earning assets and interest-bearing liabilities for the periods indicated, as well as selected performance ratios and other information for the periods shown. Weighted average yields are derived by dividing annualized income by the average balance of the related assets, and weighted average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

| | For the Three Months Ended For the Three Months Ended For the Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2024 June 30, 2024 | | | | March 31, 2023 June 30, 2023 | | | |
| | Average Outstanding Outstanding Outstanding Amount | Earned/ Amount | Paid | Yield/ Rate | Outstanding Amount | Earned/ Paid | Yield/ | Earned/ Rate |
| Assets: | Assets: | (Dollars in thousands) | | | Assets: | | (Dollars in thousands) | |
| Interest-earning assets: | | | | | | | | |
| One- to four-family loans: | | | | | | | | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| One- to four-family loans: | | | | | | | | | | | | | |
| One- to four-family loans: | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | |
| Originated | | | | | | | | | | | | | |
| Originated | $ 3,987,323 | $ | $ | 35,151 | 3.53 | 3.53 % | $ 4,050,515 | $ | $33,660 | 3.32 | 3.32 % | $3,970,881 | $ $3 |
| Correspondent purchased | | | | | | | | | | | | | |
| Bulk purchased | | | | | | | | | | | | | |
| Total one- to four-family loans | | | | | | | | | | | | | |
| Commercial loans | | | | | | | | | | | | | |
| Consumer loans | | | | | | | | | | | | | |
| Total loans receivable(1) | | | | | | | | | | | | | |
| MBS(2) | | | | | | | | | | | | | |
| Investment securities(2)(3) | | | | | | | | | | | | | |
| FHLB stock(4) | | | | | | | | | | | | | |
| Cash and cash equivalents(5) | | | | | | | | | | | | | |
| Total interest-earning assets | | | | | | | | | | | | | |
| Other non-interest-earning assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| Liabilities and stockholders' equity: | | | | | | | | | | | | | |
| Liabilities and stockholders' equity: | | | | | | | | | | | | | |
| Liabilities and stockholders' equity: | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Checking | | | | | | | | | | | | | |
| Checking | | | | | | | | | | | | | |
| Checking | | | | | | | | | | | | | |
| Savings | | | | | | | | | | | | | |
| Money market | | | | | | | | | | | | | |
| Retail certificates | | | | | | | | | | | | | |
| Commercial certificates | | | | | | | | | | | | | |

| | | | | |
|---|---|---|---|---|
| Wholesale certificates | | | | |
| Total deposits | | | | |
| Borrowings(6) | | | | |
| Borrowings(6) | | | | |
| Borrowings(6) | | | | |
| Total interest-bearing liabilities | | | | |
| Non-interest-bearing deposits | | | | |
| Other non-interest-bearing liabilities | | | | |
| Other non-interest-bearing liabilities | | | | |
| Other non-interest-bearing liabilities | | | | |
| Stockholders' equity | | | | |
| Stockholders' equity | | | | |
| Stockholders' equity | | | | |
| Total liabilities and stockholders' equity | | | | |
| Total liabilities and stockholders' equity | | | | |
| Total liabilities and stockholders' equity | | | | |
| Net interest income(7) | | | | |
| Net interest income(7) | | | | |
| Net interest income(7) | | | | |
| Net interest-earning assets | | | | |
| Net interest-earning assets | | | | |
| Net interest-earning assets | | | | |
| Net interest margin(8) | | | | |
| Net interest margin(8) | | | | |
| Net interest margin(8) | | | | |
| Ratio of interest-earning assets to interest-bearing liabilities | Ratio of interest-earning assets to interest-bearing liabilities | 1.16x | 1.17x | Ratio of interest-earnir assets to interest-bear liabilities |
| Selected performance ratios: | | | | |
| Selected performance ratios: | | | | |
| Selected performance ratios: | | | | |
| Return on average assets (annualized) (9) | | | | |
| Return on average assets (annualized) (9) | | | | |
| Return on average assets (annualized) (9) | | 0.58 % | 0.52 % | |
| Return on average equity (annualized)(10) | | | | |

| |
|---|
| Average equity to average assets |
| Operating expense ratio (annualized)(11) |
| Efficiency ratio(12) |
| Pre-tax yield on leverage strategy(13) |

(1) Balances are adjusted for unearned loan fees and deferred costs. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent.
(2) AFS securities are adjusted for unamortized purchase premiums or discounts.
(3) There were no nontaxable securities included in the average balance of investment securities for the three months ended March 31, 2024 June 30, 2024. The average balance of investment securities includes an average balance of nontaxable securities of $1.0 million for the three months ended March 31, 2023 June 30, 2023.
(4) There was no FHLB stock related to the leverage strategy for the three months ended March 31, 2024 June 30, 2024. Included in this line, for the three months ended March 31, 2023 June 30, 2023 is FHLB stock related to the leverage strategy with an average outstanding balance of $44.1 million $27.2 million and dividend income of $951 $610 thousand, at a weighted average yield of 8.75% 9.00%, and FHLB stock not related to the leverage strategy with an average outstanding balance of $123.5 million $119.3 million and dividend income of $2.7 million, at a weighted average yield of 8.72% 8.91%.
(5) There was no cash and cash equivalents related to the leverage strategy during the three months ended March 31, 2024 June 30, 2024. The average balance of cash and cash equivalents includes an average balance of cash related to the leverage strategy of $935.1 million $577.2 million and interest income of $10.6 million $7.5 million, at a weighted average yield of 4.54% 5.15% during the three months ended March 31, 2023 June 30, 2023.
(6) There was no FHLB borrowings related to the leverage strategy for the three months ended March 31, 2024 June 30, 2024. Included in this line, for the three months ended March 31, 2023 June 30, 2023 are FHLB borrowings related to the leverage strategy with an average outstanding balance of $979.2 million $604.4 million and interest paid of $11.3 million $7.9 million, at a weighted average rate of 4.60% 5.20%, and borrowings not related to the leverage strategy with an average outstanding balance of $2.72 billion $2.92 billion and interest paid of $20.2 million $23.5 million, at a weighted average rate of 3.00% 3.23%. The FHLB advance amounts and rates included in this line include the effect of interest rate swaps and are net of deferred prepayment penalties.
(7) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the average balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(8) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets. Management believes the net interest margin is important to investors as it is a profitability measure for financial institutions.
(9) Return on average assets represents annualized net income as a percentage of total average assets. Management believes that the return on average assets is important to investors as it shows the Company's profitability in relation to the Company's average assets.
(10) Return on average equity represents annualized net income as a percentage of total average equity. Management believes that the return on average equity is important to investors as it shows the Company's profitability in relation to the Company's average equity.
(11) The operating expense ratio represents annualized non-interest expense as a percentage of average assets. Management believes the operating expense ratio is important to investors as it provides insight into how efficiently the Company is managing its expenses in relation to its assets. It is a financial measurement ratio that does not take into consideration changes in interest rates.
(12) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. Management believes the efficiency ratio is important to investors as it is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. A higher value generally indicates that it is costing the financial institution more money to generate revenue, related to its net interest margin and non-interest income.
(13) The pre-tax yield on the leverage strategy represents annualized pre-tax income resulting from the transaction as a percentage of the average interest-earning assets associated with the transaction. Management believes this ratio is important to investors as it provides the yield the Company is earning on the leverage strategy transaction.

**Rate/Volume Analysis**

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the three months ended March 31, 2024 June 30, 2024 to the three months ended March 31, 2023 June 30, 2023. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

| | For the Three Months Ended March 31, | | | | For the Three Months Ended June 30, | | | 2024 vs. 2023 | Increase (Decrease) Due to |
|---|---|---|---|---|---|---|---|---|---|
| | Volume | Volume | Rate | Total | Volume | Rate | Total | | |
| | | (Dollars in thousands) | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Loans receivable | | | | | | | | | |
| Loans receivable | | | | | | | | | |
| Loans receivable | | | | | | | | | |

| |
|---|
| MBS |
| Investment securities |
| FHLB stock |
| Cash and cash equivalents |
| Total interest-earning assets |
| Interest-bearing liabilities: |
| Interest-bearing liabilities: |
| Interest-bearing liabilities: |
| Checking |
| Checking |
| Checking |
| Savings |
| Money market |
| Certificates of deposit |
| Borrowings |
| Total interest-bearing liabilities |
| Total interest-bearing liabilities |
| Total interest-bearing liabilities |
| Net change in net interest income |
| Net change in net interest income |
| Net change in net interest income |

**Liquidity and Capital Resources**

Liquidity refers to our ability to generate sufficient cash to fund ongoing operations, to repay maturing certificates of deposit and other deposit withdrawals, to repay maturing borrowings, and to fund loan commitments. Liquidity management is both a daily and long-term function of our business management. The Company's most available liquid assets are represented by cash and cash equivalents and AFS securities. The Bank's primary sources of funds are deposits, FHLB borrowings, repayments and maturities of outstanding loans and MBS and other short-term investments, and funds provided by operations. The Bank's long-term borrowings primarily have been used to manage long-term liquidity needs and the Bank's interest rate risk with the intention to improve the earnings of the Bank while maintaining capital ratios that meet or exceed the regulatory standards for well-capitalized financial institutions. In addition, the Bank's focus on managing risk has provided additional liquidity capacity by maintaining a balance of MBS and investment securities available as collateral for borrowings.

We generally intend to manage cash reserves sufficient to meet short-term liquidity needs, which are routinely forecasted for 10, 30, and 365 days. Additionally, on a monthly basis, we perform a liquidity stress test in accordance with the Interagency Policy Statement on Funding and Liquidity Risk Management. The liquidity stress test incorporates both short-term and long-term liquidity scenarios in order to identify and to quantify liquidity risk. Management also monitors key liquidity statistics related to items such as wholesale funding gaps, borrowings capacity, and available unpledged collateral, as well as various liquidity ratios.

In the event short-term liquidity needs exceed available cash, the Bank has access to a line of credit at the FHLB, in addition to the FRB of Kansas City's discount window. Per FHLB's lending guidelines, total FHLB borrowings cannot exceed 40% of Bank Call Report total assets without the pre-approval of FHLB senior management. The Bank's FHLB borrowing limit was 50% of Bank Call Report total assets as of March 31, 2024 June 30, 2024, as approved by FHLB senior management. FHLB borrowings are secured by certain qualifying loans pursuant to a blanket collateral agreement with FHLB. When the leverage strategy is in place, the Bank maintains the resulting excess cash reserves from the FHLB borrowings at the FRB of Kansas City, which can be used to meet any short-term liquidity needs. Additionally, FHLB borrowings may exceed 40% of Bank Call Report total assets if the Bank continues its leverage strategy and FHLB senior management continues to approve the Bank's borrowing limit being in excess of 40% of Call Report total assets. All or a portion of the short-term FHLB borrowings in conjunction with the leverage strategy can be repaid at maturity, if necessary or desired. The amount that can be borrowed from the FRB of Kansas City's discount window is based upon the fair value of securities pledged as collateral. At March 31, 2024 June 30, 2024, the amount of securities pledged for the discount window was $117.8 million $112.7 million. At June 30, 2024, there were no borrowings from the FRB of Kansas City's discount window. Management tests the Bank's access to the FRB of Kansas City's discount window annually with a nominal overnight borrowing.

If management observes unusual trends in the amount and frequency of line of credit utilization and/or short-term borrowings that is not in conjunction with a planned strategy, such as the leverage strategy, the Bank will likely utilize long-term wholesale borrowing sources such as FHLB advances and/or repurchase agreements to provide long-term, fixed-rate funding. The maturities of these long-term borrowings are generally staggered in order to mitigate the risk of a highly negative cash flow position at maturity. Recently, the Bank started entering into fully-amortizing FHLB advances that require periodic payments of principal over the term of the advance. This type of advance allows the Bank the opportunity to start repricing its liability cash flows sooner in a down-rate environment and generally provides for favorable pricing when compared to similar long term bullet advances with comparable average lives as a result of the current term structure of interest rates. The Bank's internal policy limits total borrowings to 55% of total assets. At March 31, 2024 June 30, 2024, the Bank had total borrowings, at par, of $2.35 billion $2.29 billion, or approximately 24% of total assets. The borrowings balance was composed of FHLB advances. Of this amount, $664.7 million $774.7 million is scheduled to be repaid or mature in the next 12 months. Management estimated that the Bank had $2.87 billion $2.93 billion in additional liquidity available at March 31, 2024 June 30, 2024 based on the Bank's blanket collateral agreement with FHLB and unencumbered securities.

At March 31, 2024 June 30, 2024, the Bank had no repurchase agreements. The Bank may enter into repurchase agreements as management deems appropriate, not to exceed 15% of total assets, and subject to the total borrowings internal policy limit of 55% as discussed above.

The Bank has the ability to utilize the repayment and maturity of outstanding loans, MBS, and other investments for liquidity needs rather than reinvesting such funds into the related portfolios. At March 31, 2024 June 30, 2024, the Bank had $539.0 million $672.3 million of securities that were eligible but unused as collateral for borrowing or other liquidity needs. The Bank also has access to other sources of funds for liquidity purposes, such as brokered and public unit certificates of deposit. As of March 31, 2024 June 30, 2024, the Bank's policy allowed for combined brokered and public unit certificates of deposit up to 15% of total deposits. At March 31, 2024 June 30, 2024, the Bank did not have any brokered certificates of deposit, and public unit certificates of deposit were approximately 2% of total deposits. The Bank had pledged securities with an estimated fair value of $156.7 million $126.3 million as collateral for public unit certificates of deposit at March 31, 2024 June 30, 2024. The securities pledged as collateral for public unit certificates of deposit are held under joint custody with FHLB and generally will be released upon deposit maturity.

At March 31, 2024 June 30, 2024, $2.15 billion $2.20 billion of the Bank's certificate of deposit portfolio was scheduled to mature within the next 12 months, including $113.1 million $83.8 million of public unit certificates of deposit and $47.0 million $50.7 million of commercial certificates of deposit. Based on our

deposit retention experience and our current pricing strategy, we anticipate the majority of the maturing retail certificates of deposit will renew or transfer to other deposit products of the Bank at prevailing rates, although no assurance can be given in this regard. Due to the nature of public unit certificates of deposit and commercial certificates of deposit, retention rates are not as predictable as for retail certificates of deposit.

While scheduled payments from the amortization of loans and MBS and payments on short-term investments are relatively predictable sources of funds, deposit flows, prepayments on loans and MBS, and calls of investment securities are greatly influenced by general interest rates, economic conditions, and competition, and are less predictable sources of funds. To the extent possible, the Bank manages the cash flows of its loan and deposit portfolios by the rates it offers customers. We anticipate we will continue to have sufficient funds, through the repayments and maturities of loans and securities, deposits and borrowings, to meet our current commitments.

**Limitations on Dividends and Other Capital Distributions**

Office of the Comptroller of the Currency ("OCC") regulations impose restrictions on savings institutions with respect to their ability to make distributions of capital, which include dividends and other transactions charged to the capital account. Under FRB and OCC safe harbor regulations, savings institutions generally may make capital distributions during any calendar year equal to earnings of the previous two calendar years and current year-to-date earnings (to the extent not previously distributed). A savings institution that is a subsidiary of a savings and loan holding company, such as the Company, that proposes to make a capital distribution must submit written notice to the OCC and FRB 30 days prior to such distribution. The OCC and FRB may object to the distribution during that 30-day period based on safety and soundness or other concerns. Savings institutions that desire to make a larger capital distribution, are under special restrictions, or are not, or would not be, sufficiently capitalized following a proposed capital distribution must obtain regulatory non-objection prior to making such a distribution.

The long-term ability of the Company to pay dividends to its stockholders is based primarily upon the ability of the Bank to make capital distributions to the Company. So long as the Bank remains well capitalized after each capital distribution (as evidenced by maintaining regulatory capital ratios greater than the required percentages) and operates in a safe and sound manner, it is management's belief that the OCC and FRB will continue to allow the Bank to distribute its earnings to the Company, although no assurance can be given in this regard. Management is currently evaluating continues to evaluate the timing and amount of capital distributions to be made from the Bank to the holding company during the remainder of the current fiscal year and in relation to future periods in connection with the tax issues associated with the Bank's pre-1988 bad debt recapture. See additional discussion regarding the Bank's pre-1988 bad debt recapture in "Comparison of Operating Results for the Three Months Ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024", "Item 1. Financial Statements - Note 6. Income Taxes", and "Item 1A. Risk Factors".

**Regulatory Capital**

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a well-capitalized status for the Bank per the regulatory framework for prompt corrective action ("PCA"). Qualifying institutions that elect to use the CBLR framework, such as the Bank and the Company, that maintain the required minimum leverage ratio of 9.0% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the regulatory agencies' capital rules, and to have met the capital requirements for the well capitalized category under the agencies' PCA framework. As of March 31, 2024 June 30, 2024, the Bank's CBLR was 9.1% and the Company's CBLR was 10.0%, which exceeded the minimum requirements. The Bank's risk-based tier 1 capital ratio at March 31, 2024 June 30, 2024 was 16.3% 16.0%.

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

**Asset and Liability Management and Market Risk**

For a complete discussion of the Bank's asset and liability management policies, as well as the potential impact of interest rate changes upon the market value of the Bank's portfolios, see "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023. The analysis presented in the tables below reflects the level of market risk at the Bank, including the cash the holding company has on deposit at the Bank.

The rates of interest the Bank earns on its assets and pays on its liabilities are generally established contractually for a period of time. Fluctuations in interest rates have a significant impact not only upon our net income, but also upon the cash flows and market values of our assets and liabilities. Our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities. Risk associated with changes in interest rates on the earnings of the Bank and the market value of its financial assets and liabilities is known as interest rate risk. Interest rate risk is our most significant market risk, and our ability to adapt to changes in interest rates is known as interest rate risk management.

The general objective of our interest rate risk management program is to determine and manage an appropriate level of interest rate risk while maximizing net interest income in a manner consistent with our policy to manage, to the extent practicable, the exposure of net interest income to changes in market interest rates. The Board of Directors and Asset and Liability Management Committee ("ALCO") regularly review the Bank's interest rate risk exposure by forecasting the impact of hypothetical, alternative interest rate environments on net interest income and the market value of portfolio equity ("MVPE") at various dates. The MVPE is defined as the net of the present value of cash flows from existing assets, liabilities, and off-balance sheet instruments. The present values are determined based upon market conditions as of the date of the analysis, as well as in alternative interest rate environments providing potential changes in the MVPE under those alternative interest rate environments. Net interest income is projected in the same alternative interest rate environments with both a static balance sheet and one with management strategies considered. The MVPE and net interest income analyses are also conducted to estimate our sensitivity to rates for future time horizons based upon market conditions as of the date of the analysis. The MVPE ratio continues to be an important measurement for management as we consider the changes in market rates, liquidity needs, and portfolio balances. MVPE represents a long-term view of the interest sensitivity of the Bank's balance sheet while our net interest income projections inform management of the short-term impacts of pricing decisions. In addition to the interest rate environments presented below, management also reviews the impact of non-parallel rate shock scenarios on a quarterly basis. These scenarios consist of flattening and steepening the yield curve by changing short-term and long-term interest rates independent of each other, and simulating cash flows and determining valuations as a result of these hypothetical changes in interest rates to identify rate environments that pose the greatest risk to the Bank. This analysis helps management quantify the Bank's exposure to changes in the shape of the yield curve.

**Qualitative Disclosure about Market Risk**

**Gap Table.** The following gap table summarizes the anticipated maturities or repricing periods of the Bank's interest-earning assets and interest-bearing liabilities based on the information and assumptions set forth in the notes below. Cash flow projections for mortgage-related assets are calculated based in part on prepayment assumptions at current and projected interest rates. Prepayment projections are subjective in nature, involve uncertainties and assumptions and, therefore, cannot be determined with a high degree of accuracy. Although certain assets and liabilities may have similar maturities or periods to repricing, they may react differently to changes in market interest rates. Assumptions may not reflect how actual yields and costs respond to market interest rate changes. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. Certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment rates would likely deviate significantly from those assumed in calculating the gap table below. A positive gap generally means more cash flows from assets are expected to reprice than cash flows from liabilities and suggests, in a rising rate environment, that earnings should increase. A negative gap generally means more cash flows from liabilities are expected to reprice than cash flows from assets and suggests, in a rising rate environment, that earnings should decrease. For additional information regarding the impact of changes in interest rates, see the following Change in Net Interest Income and Change in MVPE discussions and tables.

| | | Within<br>Within<br>Within<br>One Year<br>One Year<br>One Year | More Than<br>Three Years | to Five Years | Five Years | Total | | Three Years | to Five Years | Five Years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest-earning assets: | Interest-earning assets: | | (Dollars in thousands) | | | | Interest-earning assets: | (Dollars in thousands) | | | |
| Loans receivable(1) | | | | | | | | | | | |
| Securities(2) | | | | | | | | | | | |
| Other interest-earning assets | | | | | | | | | | | |
| Total interest-earning assets | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | |
| Non-maturity deposits(3) | | | | | | | | | | | |
| Non-maturity deposits(3) | | | | | | | | | | | |
| Non-maturity deposits(3) | | | | | | | | | | | |
| Certificates of deposit | | | | | | | | | | | |

Borrowings(4)

Total interest-bearing liabilities

Excess (deficiency) of interest-earning assets over

Excess (deficiency) of interest-earning assets over

Excess (deficiency) of interest-earning assets over

interest-bearing liabilities

interest-bearing liabilities

interest-bearing liabilities

Cumulative excess (deficiency) of interest-earning assets over

Cumulative excess (deficiency) of interest-earning assets over

Cumulative excess (deficiency) of interest-earning assets over

interest-bearing liabilities

interest-bearing liabilities

interest-bearing liabilities

Cumulative excess (deficiency) of interest-earning assets over interest-bearing

Cumulative excess (deficiency) of interest-earning assets over interest-bearing

Cumulative excess (deficiency) of interest-earning assets over interest-bearing

liabilities as a percent of total Bank assets at:

liabilities as a percent of total Bank assets at:

liabilities as a percent of total Bank assets at:

June 30, 2024

June 30, 2024

June 30, 2024

March 31, 2024

March 31, 2024

March 31, 2024

December 31, 2023

December 31, 2023

December 31, 2023

September 30, 2023

September 30, 2023

September 30, 2023

Cumulative one-year gap - interest rates +200 bps at:

Cumulative one-year gap - interest rates +200 bps at:

Cumulative one-year gap - interest rates +200 bps at:

June 30, 2024

June 30, 2024

June 30, 2024

March 31, 2024

March 31, 2024

March 31, 2024

December 31, 2023

December 31, 2023

December 31, 2023

September 30, 2023

September 30, 2023

September 30, 2023

(1) Adjustable-rate loans are included in the period in which the rate is next scheduled to adjust or in the period in which repayments are expected to occur, or prepayments are expected to be received, prior to their next rate adjustment, rather than in the period in which the loans are due. Fixed-rate loans are included in the periods in which they are scheduled to be repaid, based on scheduled amortization and prepayment assumptions. Balances are net of undisbursed amounts and deferred fees and exclude loans 90 or more days delinquent or in foreclosure.

(2) MBS reflect projected prepayments at amortized cost. All other securities are presented based on contractual maturities, term to call dates or pre-refunding dates as of March 31, 2024 June 30, 2024, at amortized cost.

(3) Although the Bank's checking, savings, and money market accounts are subject to immediate withdrawal, management considers a substantial amount of these accounts to be core deposits having significantly longer effective maturities. The decay rates (the assumed rates at which the balances of existing accounts decline) used on these accounts are based on assumptions developed from our actual experiences with these accounts. If all of the Bank's checking, savings, and money market accounts had been assumed to be subject to repricing within one year, interest-bearing liabilities estimated to mature or reprice within one year would have exceeded interest-earning assets with comparable characteristics by $3.77 billion $4.04 billion, for a cumulative one-year gap of (38.7) (42.1)% of total assets.

(4) Borrowings exclude deferred prepayment penalty costs. Included in this line item are $300.0 million of FHLB adjustable-rate advances tied to interest rate swaps. The repricing of these liabilities is projected to occur at the maturity date of each interest rate swap.

At March 31, 2024 June 30, 2024, the Bank's gap between the amount of interest-earning assets and interest-bearing liabilities projected to reprice within one year was $(1.10) $(1.40) billion, or (11.3) (14.6)% of total assets, compared to $(1.19) billion, or (11.7)% of total assets, at September 30, 2023. The change in the one-year gap amount was due to a net increase in the amount of liability cash flows coming due in one year, partially offset by an increase in the amount of interest-earning asset cash flows coming due in one year at March 31, 2024, partially offset by a net increase in the amount as of liability cash flows coming due in one year, June 30, 2024, compared to September 30, 2023. The increase in interest-earning assets projected to reprice within one year was due primarily to an increase in the balance of cash between periods, largely related to the securities strategy, and the amount of loans expected to mature or reprice within one year. These increases were partially offset by a net increase in liability cash flows coming due in one year primarily related to the Bank's retail certificate of deposit portfolio, partially offset by a decrease in borrowings coming due in one year as the Bank repaid its BTFP amount outstanding in conjunction with the securities strategy. The increase in the one year one-year cash flow for retail certificates of deposit was due to the Bank continuing to offer its highest rate higher rates on shorter-term certificates of deposit. The increase in interest-earning assets projected to mature or reprice within one year was due primarily to an increase in the amount of loans expected to mature or reprice, as well as to an increase in the balance of cash between periods.

The amount of interest-bearing liabilities expected to reprice in a given period is not typically significantly impacted by changes in interest rates because the Bank's borrowings and certificate of deposit portfolios have contractual maturities and generally cannot be

terminated early without a prepayment penalty. If interest rates were to increase 200 basis points, as of March 31, 2024 June 30, 2024, the Bank's one-year gap is projected to be $(1.21) $(1.59) billion, or (12.5) (16.6)% of total assets. The change in the gap compared to when there is no change in rates was due to lower anticipated net cash flows primarily as a result of lower prepayments on mortgage-related assets in the higher rate environment. This compares to a one-year gap of $(1.21) billion, or (11.9)% of total assets, if interest rates were to have increased 200 basis points as of September 30, 2023. The increase in the percentage of total assets between the two periods was due to a reduction in total assets, due primarily to the securities strategy and related transactions that occurred during the quarter ended December 31, 2023.

**Change in Net Interest Income.** For each date presented in the following table, the estimated change in the Bank's net interest income is based on the indicated instantaneous, parallel and permanent change in interest rates. The change in each interest rate environment represents the difference between estimated net interest income in the zero basis point interest rate environment ("base case," assumes the forward market and product interest rates implied by the yield curve are realized) and the estimated net interest income in each alternative interest rate environment (assumes market and product interest rates have a parallel shift in rates across all maturities by the indicated change in rates). Projected cash flows for each scenario are based upon varying prepayment assumptions to model anticipated customer behavior changes as market rates change. Estimations of net interest income used in preparing the table below were based upon the assumptions that the total composition of interest-earning assets and interest-bearing liabilities does not change materially and that any repricing of assets or liabilities occurs at anticipated product and market rates for the alternative rate environments as of the dates presented. The estimation of net interest income does not include any projected gains or losses related to the sale of loans or securities, or income derived from non-interest income sources, but does include the use of different prepayment assumptions in the alternative interest rate environments. It is important to consider that estimated changes in net interest income are for a cumulative four-quarter period. These do not reflect the earnings expectations of management. Estimates for the -300 basis point scenario were not prepared at September 30, 2023.

| Change (in Basis Points) in Interest Rates(1) | Change (in Basis Points) in Interest Rates(1) | Net Interest Income At March 31, 2024 Amount ($) | | Change ($) | | Change (%) | | Net Interest Income At September 30, 2023 Amount ($) | | Change ($) | | Change (%) | Change (in Basis Points) in Interest Rates(1) | Net Interest Income At June 30, 2024 Amount ($) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | | | | | | | | | | | |
| -300 bp | -300 bp | $143,894 | $ | $(26,677) | (15.6) | (15.6) | % | | | N/A | N/A | -300 bp | $159,739 | $ | |
| -200 bp | -200 bp | 153,455 | (17,116) | (17,116) | (10.0) | (10.0) | $ $ | 126,495 | $ | $(6,963) | (5.2) | (5.2)% | -200 bp | | 162,8 |
| -100 bp | | | | | | | | | | | | | | | |
| 000 bp | | | | | | | | | | | | | | | |
| +100 bp | | | | | | | | | | | | | | | |
| +200 bp | | | | | | | | | | | | | | | |
| +300 bp | | | | | | | | | | | | | | | |

(1) Assumes an instantaneous, parallel, and permanent change in interest rates at all maturities.

In general, increases/(decreases) in the Bank's net interest income projections under the various interest rate scenarios presented are due to the degree to which rates earned on funds received through loan and securities repayments, in each scenario, are greater/(less) than the projected change in deposit and borrowing rates in the next 12 months.The net interest income projection was higher in the base case scenario at March 31, 2024 June 30, 2024 compared to September 30, 2023, due primarily to transactions associated with the securities strategy, which resulted in a decrease in interest expense on borrowings due to the Bank repaying the BTFP borrowing and an increase in interest income on cash and securities.These interest income benefits were partially offset by higher interest expense projections on the Bank's deposit portfolio, primarily on its retail certificate of deposit portfolio, due to increases in both the balance and rate between periods.

In both the rising and declining interest rate scenarios, variability of net interest income projections has become more significant, relative to September 30, 2023, due primarily to the composition of the Bank's balance sheet. For example, at March 31, 2024, the Bank's balance of cash and cash equivalents was $443.5 million compared to $245.6 million at September 30, 2023. As a result of the $197.9 million increase in the balance of cash between periods, in each interest rate scenario, there was a greater impact on net interest income at March 31, 2024 compared to September 30, 2023. Generally, however, increases/(decreases) in net interest income in the various interest rate scenarios are due to the degree to which loan repayments that are projected to reprice are greater/(less) than the projected change in deposit and borrowing rates in the next 12 months. two periods.

**Change in MVPE.** The following table sets forth the estimated change in the MVPE for each date presented based on the indicated instantaneous, parallel, and permanent change in interest rates. The change in each interest rate environment represents the difference between the MVPE in the base case (assumes the forward market interest rates implied by the yield curve are realized) and the MVPE in each alternative interest rate environment (assumes market interest rates have a parallel shift in rates). Projected cash flows for each scenario are based upon varying prepayment assumptions to model anticipated customer behavior as market rates change. The estimations of the MVPE used in preparing the table below were based upon the assumption that the total composition of interest-earning assets and interest-bearing liabilities do not change, that any repricing of assets or liabilities occurs at current product or market rates for the alternative rate environments as of the dates presented, and that different prepayment rates were used in each alternative interest rate environment. The estimated MVPE results from the valuation of cash flows from financial assets and liabilities over the anticipated lives of each for each interest rate environment. The table below presents the effects of the changes in interest rates on our assets and liabilities as they mature, repay, or reprice, as shown by the change in the MVPE for alternative interest rates. Estimates for the -300 basis point scenario were not prepared at September 30, 2023.

| Change (in Basis Points) in Interest Rates(1) | Change (in Basis Points) in Interest Rates(1) | Market Value of Portfolio Equity At | | | | | | | | Change (in Basis Points) | | | | Market Value of Portfo |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | March 31, 2024 | | | | | | September 30, 2023 | | | | June 30, 2024 | | |
| | | Amount ($) | | Change ($) | | Change (%) | | Amount ($) | | Change ($) | | Change (%) | in Interest Rates(1) | Amount ($) |
| | | (Dollars in thousands) | | | | | | | | | | | | |
| -300 bp | -300 bp | $1,252,891 | $ | $177,019 | 16.5 | 16.5 | % | | | N/A | | N/A | -300 bp $1,193,185 | $ |
| -200 bp | -200 bp | 1,253,674 | 177,802 | 177,802 | 16.5 | 16.5 | $ | $ | 1,302,781 $ | | $283,093 | 27.8 | 27.8 % | -200 bp |
| -100 bp | | | | | | | | | | | | | | |
| 000 bp | | | | | | | | | | | | | | |
| +100 bp | | | | | | | | | | | | | | |
| +200 bp | | | | | | | | | | | | | | |
| +300 bp | | | | | | | | | | | | | | |

(1) Assumes an instantaneous, parallel, and permanent change in interest rates at all maturities.

The Bank's MVPE increased decreased from $1.02 billion at September 30, 2023 to $1.08 billion $974.9 million at March 31, 2024 June 30, 2024. The increase decrease was due primarily to model enhancements associated with the calculation of the Bank's estimated MVPE, partially offset by decreases in market interest rates between the two periods, most notably across the intermediate and long-term tenors of the yield curve, as well as to balance sheet composition changes resulting from the securities strategy. The decrease in market interest rates resulted in an increase in the value of the Bank's interest-earning assets more than it increased the value of its interest-bearing liabilities.

As interest rates increase, borrowers have less economic incentive to prepay or to refinance their mortgages and agency debt issuers have less economic incentive or opportunity to exercise their call options in order to issue new debt at lower interest rates, resulting in lower projected cash flows on these assets. As interest rates increase in the rising interest rate scenarios, prepayments on mortgage-related assets are more likely to decrease and only be realized through significant changes in borrowers' lives such as divorce, death, job-related relocations, or other major events as there is less economic incentive for borrowers to prepay their debt, resulting in an increase in the average lives of mortgage-related assets. Similarly, call projections for callable agency debentures decrease as interest rates rise, which results in cash flows related to these assets moving closer to their contractual maturity dates. The longer expected average lives of these assets increases the sensitivity of their market value to changes in interest rates.

In the increasing rate scenarios, the sensitivity reflects the negative impacts of rates on the value of the Bank's loan and securities portfolios more so than on its deposit and borrowings portfolios. In the decreasing interest rate scenarios, the Bank's MVPE increased due to a larger increase in the market value of the Bank's assets than the Bank's liabilities. This is because the Bank's mortgage-related assets continue to have a longer duration in these interest rate scenarios, which results in greater sensitivity in market value as interest rates change.

The following table presents the weighted average yields/rates and WALs (in years), after applying prepayment, call assumptions, and decay rates for our interest-earning assets and interest-bearing liabilities as of March 31, 2024 June 30, 2024. Yields presented for interest-earning assets include the amortization of fees, costs, premiums and discounts, which are considered adjustments to the yield. The interest rate presented for term borrowings is the effective rate, which includes the impact of interest rate swaps and the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid. The WAL presented for term borrowings includes the effect of interest rate swaps.

| | Amount | Amount | | Yield/Rate | | WAL | | % of Category | | % of Total | | Amount | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | | | | | | | |
| Securities | Securities $ 842,950 | 5.63 | 5.63 % | 3.6 | | 9.1 | | | 9.1 % | | Securities $ | 801,953 | 5.68 |
| Loans receivable: | | | | | | | | | | | | | |
| Fixed-rate one- to four-family | | | | | | | | | | | | | |
| Fixed-rate one- to four-family | | | | | | | | | | | | | |
| Fixed-rate one- to four-family | | | | | | | | | | | | | |
| Fixed-rate commercial | | | | | | | | | | | | | |
| All other fixed-rate loans | | | | | | | | | | | | | |
| Total fixed-rate loans | | | | | | | | | | | | | |
| Adjustable-rate one- to four-family | | | | | | | | | | | | | |
| Adjustable-rate commercial | | | | | | | | | | | | | |
| All other adjustable-rate loans | | | | | | | | | | | | | |
| Total adjustable-rate loans | | | | | | | | | | | | | |
| Total loans receivable | | | | | | | | | | | | | |
| FHLB stock | | | | | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | | | | | |
| Total interest-earning assets | Total interest-earning assets $9,288,265 | 4.14 | 4.14 | 5.6 | 5.6 | 100.0 | | | 100.0 % | | Total interest-earning assets $ | 9,177,361 | 4. |
| Non-maturity deposits | | | | | | | | | | | | | |
| Non-maturity deposits | | | | | | | | | | | | | |
| Non-maturity deposits | $2,685,603 | 0.92 | 0.92 | 6.8 | 6.8 | 48.0 | 48.0 % | 33.8 % | $2,651,090 | 1.00 | | 1.00 | |
| Retail certificates of deposit | | | | | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Commercial certificates of deposit | | | | | | | | | |
| Public unit certificates of deposit | | | | | | | | | |
| Total interest-bearing deposits | | | | | | | | | |
| Term borrowings | | | | | | | | | |
| Total interest-bearing liabilities | | | | | | | | | |
| Total interest-bearing liabilities | | | | | | | | | |
| Total interest-bearing liabilities | $7,945,856 | 2.73 | 2.73 | 3.2 | 3.2 | 100.0 | 100.0 % | $ 7,875,065 | 2.84 |

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the "Act") as of March 31, 2024 June 30, 2024. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of March 31, 2024 June 30, 2024, such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Act is accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) that occurred during the Company's quarter ended March 31, 2024 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

In the normal course of business, the Company and the Bank are involved as parties to various legal actions. In our opinion, after consultation with legal counsel, we believe it is unlikely that any such pending legal actions will have a material adverse effect on our financial condition, results of operations or liquidity.

On November 2, 2022, the Bank was served a putative class action lawsuit, captioned Jennifer Harding, et al. vs. Capitol Federal Savings Bank (Case No. 2022-CV-00598), filed in the Third Judicial District Court, Shawnee County, Kansas against the Bank, alleging the Bank improperly charged overdraft fees on (1) debit card transactions that were authorized for payment on sufficient funds but later settled against a negative account balance (commonly known as "authorize positive purportedly settle negative" or "APPSN" transactions) and (2) merchant re-presentments of previously rejected payment requests. The complaint asserts a breach of contract claim (including breach of an implied covenant of good faith and fair dealing) for each practice and seeks restitution for alleged improper fees, alleged actual damages, costs and disbursements, and injunction relief. On April 5, 2023, the court granted the Bank's motion to dismiss the complaint, with prejudice. The plaintiffs have appealed this decision.

The Company assesses the liabilities and loss contingencies in connection with pending or threatened legal and regulatory proceedings on at least a quarterly basis and establishes accruals when it is believed to be probable that a loss may be incurred and that the amount of such loss can be reasonably estimated.

**Item 1A. Risk Factors**

There have been no material changes to our risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023; however, the Company is supplementing its risk factors in this Form 10-Q, with the following:

**The Company's ability to pay dividends and repurchase shares is subject to the ability of the Bank to make capital distributions to the Company.**

The long-term ability of the Company to pay dividends to its stockholders and repurchase shares is based primarily upon the ability of the Bank to generate earnings and to, therefore, make capital distributions to the Company, and on the availability of cash at the holding company level in the event the Bank's earnings are not sufficient to pay dividends or repurchase shares. Under certain circumstances, capital distributions from the Bank to the Company may be subject to regulatory approvals.

**The Bank's bad debt recapture amount may impact the amount and timing of capital distributions to the Company**

The Bank had $99.2 million $85.5 million in pre-1988 bad debt reserves in accumulated deficit at March 31, 2024 June 30, 2024, which equates to an unrecorded deferred tax liability of $24.3 million $18.0 million. The Bank is anticipated to have a net loss for tax purposes in the current year due to the sale of securities in October 2023 associated with the securities strategy and will therefore have a negative accumulated earnings and profits for fiscal year 2024. As a result of the negative accumulated earnings and profits, any capital distributions from the Bank to the holding company during fiscal year 2024 would be deemed to be drawn out of the Bank's pre-1988 bad debt reserves and will result in the recognition of income tax expense at the then-current rate by the Bank. This additional tax expense will reduce the amount of earnings that will be available to be distributed to the holding company during the current fiscal year, at a minimum.

Management is researching and analyzing currently evaluating the Bank's income tax issues associated with the pre-1988 bad debt recapture. Management is also evaluating reserves and the timing and amount of capital distributions to be made from the Bank to the holding company during the remainder of the current fiscal year. year and in future periods. There is some uncertainty related to how the Bank's current earnings and profits, beginning in fiscal year 2025, should be treated in relation to distributions from the Bank to the Company and the associated impact, if any, on the pre-1988 bad debt reserves.

See additional discussion regarding the Bank's pre-1988 bad debt recapture in "Comparison of Operating Results for the Three Months Ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024" and "Item 1. Financial Statements - Note 6. Income Taxes".

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

See "Liquidity and Capital Resources - Limitations on Dividends and Other Capital Distributions" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding OCC restrictions on dividends from the Bank to the Company.

The following table summarizes our stock repurchase activity during the three months ended March 31, 2024 June 30, 2024 and additional information regarding our stock repurchase program. As of March 31, 2024 June 30, 2024, the Company had $2.0 million was authorized to repurchase up to $77.0 million of its common stock authorized under its existing stock repurchase plan. There is plans. These plans have no expiration for this repurchase plan; date; however, the Federal Reserve Bank's FRB's existing approval for the Company to repurchase shares is through August 2024. In February 2024, the Company notified the FRB of its intent to authorize the repurchase of up to $75 million $2.0 million expires in additional common stock over a period of time, depending upon market conditions, cash balances at the Company level, August 2024 and after the completion of the Company's existing share repurchase program. This plan has no expiration date; however, the FRB's new approval for the Company to repurchase shares $75.0 million expires in February 2025. Shares may be repurchased from time to time in the open market or in privately negotiated transactions based upon market conditions, available liquidity and available liquidity. other factors.

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1, 2024 through January 31, 2024 | 199,400 | $ 6.53 | 199,400 | $ 8,138,109 |
| February 1, 2024 through February 29, 2024 | 572,289 | 5.99 | 572,289 | 4,707,647 |
| March 1, 2024 through March 31, 2024 | 474,421 | 5.78 | 474,421 | 1,964,729 |
| Total | 1,246,110 | 6.00 | 1,246,110 | 1,964,729 |

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 1, 2024 through April 30, 2024 | — | $ — | — | $ 1,964,729 |
| May 1, 2024 through May 31, 2024 | — | — | — | 1,964,729 |
| June 1, 2024 through June 30, 2024 | — | — | — | 1,964,729 |
| Total | — | — | — | 1,964,729 |

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

**Trading Plans**

During the quarter ended March 31, 2024 June 30, 2024, no director or executive officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a “Rule "Rule 10b5-1 trading arrangement” arrangement" or “non-Rule "non-Rule 10b5-1 trading arrangement,” " as each term is defined in Item 408(a) of Regulation S-K.

**Item 6. Exhibits**

See Index to Exhibits.

**INDEX TO EXHIBITS**

| Exhibit Number | Document |
|---|---|
| 3(i) | Charter of Capitol Federal Financial, Inc., as filed on May 6, 2010, as Exhibit 3(i) to Capitol Federal Financial, Inc.'s Registration Statement on Form S-1 (File No. 333-166578) and incorporated herein by reference |
| 3(ii) | Bylaws of Capitol Federal Financial, Inc., as amended, filed on March 30, 2020, as Exhibit 3.2 to Form 8-K for Capitol Federal Financial Inc. and incorporated herein by reference |
| 10.1 | Form of Amended and Restated Change of Control Agreement with each of John B. Dicus, Kent G. Townsend, Rick C. Jackson, Natalie G. Haag, Anthony S. Barry, and William J. Skrobacz filed on November 29, 2023 as Exhibit 10.1 to the Registrant's September 30, 2023 Form 10-K and incorporated herein by reference |
| 10.2 | Capitol Federal Financial's 2000 Stock Option and Incentive Plan (the "Stock Option Plan") filed on April 13, 2000 as Appendix A to Capitol Federal Financial's Revised Proxy Statement (File No. 000-25391) and incorporated herein by reference |
| 10.3 | Capitol Federal Financial Deferred Incentive Bonus Plan, as amended, filed on May 8, 2020 as Exhibit 10.3 to the Registrant's March 31, 2020 Form 10-Q and incorporated herein by reference |
| 10.4 | Form of Incentive Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.5 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference |
| 10.5 | Form of Non-Qualified Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.6 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference |
| 10.6 | Description of Director Fee Arrangements, as filed on November 23, 2022 as Exhibit 10.6 to the Registrant's September 30, 2022 Form 10-K and incorporated herein by reference |
| 10.7 | Short-term Performance Plan, as amended, filed on May 8, 2020 as Exhibit 10.7 to the Registrant's March 31, 2020 Form 10-Q and incorporated herein by reference |
| 10.8 | Capitol Federal Financial, Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan") filed on December 22, 2011 as Appendix A to Capitol Federal Financial, Inc.'s Proxy Statement (File No. 001-34814) and incorporated herein by reference |
| 10.9 | Form of Incentive Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.12 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference |
| 10.10 | Form of Non-Qualified Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.13 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference |
| 10.11 | Form of Stock Appreciation Right Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.14 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference |
| 10.12 | Form of Restricted Stock Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.15 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference |
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus |

| | |
|---|---|
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer |
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 made by Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer |
| 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer, and Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer |
| 101 | The following information from the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024June 30, 2024, filed with the Securities and Exchange Commission on May 10, 2024August 7, 2024, has been formatted in Inline eXtensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets at March 31, 2024June 30, 2024 and September 30, 2023, (ii) Consolidated Statements of Income for the three and sixnine months ended March 31, 2024June 30, 2024 and 2023, (iii) Consolidated Statements of Comprehensive Income for the three and sixnine months ended March 31, 2024June 30, 2024 and 2023, (iv) Consolidated Statements of Stockholders' Equity for the three and sixnine months ended March 31, 2024June 30, 2024 and 2023, (v) Consolidated Statements of Cash Flows for the sixnine months ended March 31, 2024June 30, 2024 and 2023, and (vi) Notes to the Unaudited Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File, formatted in Inline XBRL and included in Exhibit 101 |

## SIGNATURES

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

**CAPITOL FEDERAL FINANCIAL, INC.**

Date: May 10, 2024August 7, 2024 By: /s/ John B. Dicus

John B. Dicus, Chairman, President and Chief Executive Officer

Date: May 10, 2024August 7, 2024 By: /s/ Kent G. Townsend

Kent G. Townsend, Executive Vice President,

Chief Financial Officer and Treasurer



**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, John B. Dicus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Capitol Federal Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 10, 2024 August 7, 2024

By: /s/ John B. Dicus

John B. Dicus

Chairman, President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Kent G. Townsend, certify that:

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

Date: May 10, 2024 August 7, 2024

By: /s/ Kent G. Townsend

Kent G. Townsend

Executive Vice President, Chief Financial Officer and Treasurer

**EXHIBIT 32**

**CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Capitol Federal Financial, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Dicus, Chairman, President and Chief Executive Officer of the Company, and I, Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, in my capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 10, 2024 August 7, 2024

By: /s/ John B. Dicus
John B. Dicus
Chairman, President and Chief Executive Officer

Date: May 10, 2024 August 7, 2024

By: /s/ Kent G. Townsend
Kent G. Townsend
Executive Vice President, Chief Financial Officer and Treasurer

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