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

FORM 10-K

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

For the fiscal year ended September 30, 2024

or

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

For the transition period from _____ to _____.

Commission File Number: 0-22140

pathward

PATHWARD FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	42-1406262
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5501 South Broadband Lane, Sioux Falls, South Dakota 57108
(Address of principal executive offices and Zip Code)

(877) 497-7497
(Registrant's telephone number, including area code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

As of March 31, 2024, the aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average of the closing bid and asked prices of such stock on the NASDAQ Global Select Market as of such date, was $1.27 billion.

As of November 20, 2024, there were 24,119,508 shares of the Registrant’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

PART III of Form 10-K -- Portions of the Proxy Statement for the Annual Meeting of Stockholders expected to be held February 25, 2025 are incorporated by reference into Part III of this report.

PATHWARD FINANCIAL, INC.
FORM 10-K

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FORWARD-LOOKING STATEMENTS

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

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

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

PART I

Item 1. Business.

General

Pathward Financial, a registered bank holding company ("BHC") that has elected to be a financial holding company ("FHC"), was incorporated in Delaware on June 14, 1993. Pathward Financial's principal assets are all the issued and outstanding shares of the Bank, a chartered national bank, the accounts of which are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC") as administrator of the Deposit Insurance Fund ("DIF"). Unless the context otherwise requires, references herein to the Company include Pathward Financial and the Bank, and all subsidiaries of Pathward Financial, direct or indirect, on a consolidated basis.

As a nationwide provider of payments and commercial finance products, the Company has offices across the country. The principal executive office is located at 5501 South Broadband Lane, Sioux Falls, South Dakota, 57108. Its telephone number at that address is (877) 497-7497. The Company is subject to comprehensive regulation and supervision. See "Regulation and Supervision" herein.

The Company's purpose of powering financial inclusion means individuals and businesses deserve access to financial solutions. It is why for the past two decades Pathward Financial has been building solutions to help those who have been underserved by traditional banking providers.

The Company strives to remove barriers to financial access and promote economic mobility by working with third parties to provide responsible, secure, high quality financial products that contribute to the social and economic benefit of communities at the core of the real economy. Pathward Financial aims to increase financial availability, choice, and opportunity across two business lines: Partner Solutions and Commercial Finance. These strategic business lines provide end-to-end support to individuals and businesses.

As a nationally chartered bank, Pathward sits at the hub of the financial ecosystem where traditional banking and financial technology intersect. With expert talent and access to world-class partners, Pathward moves money seamlessly across a multitude of solutions while mitigating risk and anticipating changes to a complicated, regulatory landscape.

The Bank, a wholly-owned full-service banking subsidiary of Pathward Financial, operates through three reportable segments (Consumer, Commercial, and Corporate Services/Other). See Note 16. Segment Reporting for further information on the reportable segments.

The business of the Bank is to collaborate with partners through the Partner Solutions business line to provide solutions that attract stable deposits and generate fee income. The deposits are primarily invested into loan and lease products offered through the Commercial Finance business line. In addition to originating loans and leases, the Bank also occasionally contracts to sell loans, such as consumer credit product loans, government guaranteed loans, and other commercial loans to third party buyers. The Bank also sells and purchases loan participations from time to time to and from other financial institutions, as well as mortgage-backed securities ("MBS") and other investments permissible under applicable regulations.

The Consumer segment includes the Partner Solutions business line, which collaborates with partners to navigate payment and lending needs. With capabilities ranging from prepaid cards and deposit accounts to payment processing and consumer lending, the Company enables its partners to deliver programs that provide a financial path forward for all.

The Company delivers a diversified portfolio of offerings including issuing, acquiring, digital payments, financial institution solutions, credit solutions, and professional tax solutions. With its issuing solutions, Pathward is one of the leading debit and prepaid card issuers in the country and holds funds for the programs of its partners in order to provide the consumer protections of a traditional bank account. Acquiring solutions focuses on optimizing the core banking activities to ensure secure, compliant, and seamless transactions through merchant acquiring and ATM sponsorship. Digital payments solutions accept and process payments for customers' personal and business needs. The Bank moves funds daily through high speed banking rails, including ACH, wire transfers, and push to debit. Through its financial institution solutions, Pathward offers innovative, cost-effective banking and lending solutions designed to fill product gaps and add value for community banks and credit unions. Credit solutions enable the Bank's partners' lending solutions that serve the borrowing needs of customers in a diverse credit pool. Professional tax solutions offer tax-related financial products, such as electronic refund advances and refund transfers, that ease the pressure of tax season and help over 38,000 independent tax offices stay competitive in a crowded marketplace.

The Commercial segment includes the Company's Commercial Finance business line, which helps businesses access funds they need to launch, operate, and grow. Pathward's innovative approach and customized financial products offer the flexibility traditional bank products cannot. This diverse range of commercial finance products is available through the following lending solutions: working capital, equipment finance, structured finance, and insurance premium finance.

Working capital provides ready cash for liquidity needs to new or growing companies or companies in cyclical or seasonal industries. Working capital financing is secured by business collateral (assets) such as accounts receivable, inventory, and equipment. Equipment finance provides financing in the form of leases and loans for equipment needs. Structured finance assists small- and mid-sized business and rural borrowers to fund growth, expansion, and restructuring. Products include alternative energy financing, conventional loans, and loans administered through partnerships with the Small Business Administration ("SBA") and United States Department of Agriculture ("USDA"). Insurance premium finance is short-term financing to facilitate the purchase of property, casualty, and liability insurance premiums.

On October 31, 2024 (the "Closing Date"), the Bank completed the sale of substantially all of the assets and liabilities related to its commercial insurance premium finance business to AFS IBEX Financial Services, LLC, a subsidiary of Honor Capital Holdings, LLC. See Note 20. Subsequent Events to the "Notes of Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, for more information on the sale and transaction.

Other Subsidiaries

Pathward Venture Capital, LLC ("Pathward Venture Capital"), a wholly-owned service corporation subsidiary of the Bank was formed in 2017 for the purpose of making minority equity investments. Pathward Venture Capital focuses on investing in companies in the financial services industry.

First Midwest Financial Capital Trust I, a wholly-owned subsidiary of Pathward Financial, was established in July 2001 and Crestmark Capital Trust I, a wholly-owned subsidiary of Pathward Financial and acquired by the Company in August 2018, was established in June 2005. Both subsidiaries were established for the purpose of issuing trust preferred securities.

Lending Activities

The Company focuses its lending activities on the origination of commercial finance loans and leases, consumer finance loans and tax services loans. The Company emphasizes credit quality and seeks to avoid undue concentrations of loans and leases to a single industry or based on a single class of collateral. The Company has established lending policies that include a number of underwriting factors it considers in making a loan, including loan-to-value ratio, cash flow, interest rate and credit history of the borrower. At September 30, 2024, the Company’s loans and leases receivable, net of allowance for credit losses, totaled $4.03 billion, or 53% of the Company’s total assets, as compared to $4.32 billion, or 57%, at September 30, 2023.

Loan and lease applications are initially considered and approved at various levels of authority, depending on the type and amount of the loan or lease as directed by the Bank's lending policies. The Company has a loan committee structure in place for oversight of its lending activities. Loans and leases in excess of certain amounts require approval by an Executive Credit Committee. The Company may discontinue, adjust, or create new lending programs to respond to competitive factors.

At September 30, 2024, the Company’s largest lending relationship to a single borrower or group of related borrowers totaled $119.6 million. The Company had 24 other lending relationships in excess of $22.5 million as of September 30, 2024.

Loan and Lease Portfolio Composition

The following table shows the composition of the Company’s loan and lease portfolio by fixed- and adjustable-rate at the dates indicated.

	At September 30,			
	2024		2023	
(Dollars in thousands)	Amount	Percent	Amount	Percent
Fixed-rate loans and leases				
Commercial finance	$ 1,544,745	38.0 %	$ 2,426,782	55.8 %
Consumer finance	77,591	1.9 %	254,416	5.8 %
Tax services	8,825	0.2 %	5,192	0.1 %
Warehouse finance	33,789	0.8 %	141,421	3.2 %
Total fixed-rate loans and leases	1,664,950	40.9 %	2,827,811	64.9 %
Adjustable-rate loans and leases				
Commercial finance	1,750,854	43.0 %	1,296,376	29.7 %
Consumer finance	171,209	4.2 %	—	— %
Warehouse finance	484,058	11.9 %	235,494	5.4 %
Total adjustable-rate loans and leases	2,406,121	59.1 %	1,531,870	35.1 %
Total loans and leases	4,071,071	100.0 %	4,359,681	100.0 %
Deferred fees and discounts	4,124		6,435	
Allowance for credit losses	(45,336)		(49,705)	
Total loans and leases receivable, net	$ 4,029,859		$ 4,316,411	

The following table illustrates the contractual maturities of the Company’s loan and lease portfolio and the distribution by changes in interest rates for loans with a contractual maturity greater than one year at September 30, 2024.

	Loan Maturities					Loans Maturing After 1 Year	
(Dollars in thousands)	Due in 1 Year or Less	Due After 1 Year Through 5 Years	After 5 Years Through 15 Years	After 15 Years	Total	Fixed Interest Rate	Variable Interest Rate
Commercial finance	$ 417,612	$ 1,932,753	$ 592,228	$ 353,006	$ 3,295,599	$ 1,469,846	$ 1,408,140
Consumer finance	30,506	218,294	—	—	248,800	48,578	169,716
Tax services	8,825	—	—	—	8,825	—	—
Warehouse finance	—	517,847	—	—	517,847	33,789	484,059
Total loans and leases	$ 456,943	$ 2,668,894	$ 592,228	$ 353,006	$ 4,071,071	$ 1,552,213	$ 2,061,915

Commercial Finance

The Company's Commercial Finance business line offers a variety of products through its working capital, equipment finance, structured finance, and insurance premium finance lending solutions. These products include term lending, asset-based lending, factoring, lease financing, insurance premium finance, government guaranteed lending, and other commercial finance products offered on a nationwide basis.

Term Lending. The Bank originates a variety of collateralized conventional term loans and notes receivable. While terms range from three years to 12 years, the weighted average life of these loans is approximately 59 months. These term loans may be secured by equipment, recurring revenue streams, or real estate. Credit risk is managed through setting loan amounts appropriate for the collateral based on information including equipment cost, appraisals, valuations, and lending history. The Bank follows standardized loan policies and established and authorized credit limits and applies attentive portfolio management, which includes monitoring past dues, financial performance, financial covenants, and industry trends. As of September 30, 2024, 41% of the term lending portfolio exposure is concentrated in solar/alternative energy, most of which are construction projects that will convert to longer term government guaranteed facilities upon completion of the construction phase. Equipment finance agreements make up 39% of the term lending total as of September 30, 2024. The remaining 20% are a variety of other general purpose commercial loans.

Asset-Based Lending. The Bank provides asset-based loans secured by short-term assets such as accounts receivable and inventory. Asset-based loans may also be secured by equipment supported by third party independent appraisals. The primary sources of repayment are the collection of the receivables and/or the sale of the inventory securing the loan, as well as the operating income of the borrower. Loans are typically revolving lines of credit with terms of one year to three years. Credit risk is managed through advance rates appropriate for the collateral (generally, advance rates on accounts receivable ranges from 80% to 90% and inventory advance rates range from 40% to 60%). In certain cases, inventory advances are supported by the third party independent appraisals. Collateral is further supported and verified via field audits conducted up to three times per year. All asset-based facilities have standardized loan policies, established and authorized credit limits, attentive portfolio management and the use of lock box agreements and similar arrangements which result in the Company receiving and controlling the debtors' cash receipts. As of September 30, 2024, approximately 65% of asset-based loans were backed by accounts receivable.

Factoring. The Bank provides factoring lending where customers provide detailed accounts receivable reporting for lending arrangements. The factoring customers are diversified as to industry and geography. With these loans, the Commercial Finance business lends a percentage of eligible accounts receivable invoices. Advance rates generally range between 80% and 95%. Credit risk is managed through standardized advance policies, established and authorized credit limits, verification of receivables, attentive portfolio management and the use of lock box agreements and similar arrangements which result in the Company receiving and controlling the customer's cash receipts. In addition, customers generally guarantee the payment of purchased accounts receivable.

Lease Financing. The Bank provides creative, flexible lease solutions for equipment needs of its customers. Leases that transfer substantially all of the benefits and risks of ownership to the lessee are accounted for as sales-type or direct financing leases. The lease may contain provisions that transfer ownership to the lessee at the end of the initial term, contain a bargain purchase option or allow for purchase of the equipment at fair market value. Residual values are estimated at the inception of the lease. Lease maturities are generally no greater than 84 months.

Insurance Premium Finance. Effective on the Closing Date of the commercial insurance premium finance business sale to AFS IBEX Financial Services, LLC, the Company no longer holds or originates insurance premium finance loans. Until the Closing Date, the Bank provided, on a national basis, short-term, primarily collateralized financing to facilitate the commercial customers’ purchase of insurance for various forms of risk, otherwise known as insurance premium financing. This included, but was not limited to, policies for commercial property, casualty and liability risk. Premiums were advanced either directly to the insurance carrier or through an intermediary/broker and repaid by the policyholder with interest during the policy term. The policyholder generally made a 20% to 25% down payment to the insurance broker and financed the remainder over nine to 10 months on average. The down payment was set such that if the policy is canceled, the unearned premium was typically sufficient to cover the loan balance and accrued interest and was returned by the insurer to the Bank on a pro rata basis. Over 95% of the portfolio finances policies were provided by investment grade-rated insurance company partners.

Government Guaranteed Lending. The Bank originates loans through programs partially guaranteed by the SBA or USDA. SBA loans are made to small businesses and professionals. Generally, the Bank provides USDA loans to alternative energy project developers and the hotel industry. Certain guaranteed portions of these loans may be sold to the secondary market. See "Originations, Sales and Servicing of Loans and Leases" below for further details.

Other Commercial Finance. Included in this category of loans are the Company's healthcare receivables loan portfolio primarily comprised of loans to individuals for medical services received. The majority of these loans are guaranteed by the hospital providing the service to the debtor and this guarantee serves to reduce credit risk as the guarantors agree to repurchase severely delinquent loans. Credit risk is minimized on these loans based on the guarantor’s repurchase agreement. This loan category also includes commercial real estate loans.

Consumer Finance
The Bank offers a variety of installment and revolving consumer lending products through its credit solutions. The Bank designs its credit program relationships with certain desired outcomes, including liquidity, credit protection, and risk retention by the program partner. The Bank believes the benefits of these outcomes not only support its goals but the goals of the credit program partner as well. The Bank designs its program credit protections in a manner so that the Bank earns a reasonable risk adjusted return, but is protected by certain layers of credit support, similar to what you would find in structured finance. Certain loans are sold to third parties based on terms and conditions within the Program Agreement. See "Originations, Sales and Servicing of Loans and Leases" below for further details.

Tax Services
The Bank's Partner Solutions business line offers professional tax solutions, which includes short-term refund advance loans and short-term electronic return originator ("ERO") advance loans.

Refund Advance Loans. Refund advance loans are unsecured loans to taxpayers that are determined to be eligible based on underwriting criteria designed for this product. Due to the nature of refund advance loans, it typically takes no more than three e-file cycles (the period of time between scheduled IRS payments) from when the return is accepted by the IRS to collect from the borrower. In the event of default, the Bank has no recourse against the taxpayer. When collection of principal becomes doubtful, the Bank will charge off the balance of a refund advance loan on September 30. Any remaining balances are charged off at the end of the calendar year. The Bank may record recoveries of previously charged off loans if collected in subsequent tax years.

ERO Advance Loans. ERO advance loans are unsecured advances that are typically utilized by tax preparers to purchase tax preparation software and to prepare tax office operations for the upcoming tax season. EROs go through an underwriting process to determine eligibility. Collection on ERO advances begins once the ERO begins to process refund transfers. Generally, the Bank will charge off the balance of an ERO advance loan if there is a balance at the end of June, or when collection of principal becomes doubtful.

Warehouse Finance
The Bank participates in several collateral-based warehouse lines of credit whereby the Bank is in a senior, secured position as the first out participant. These facilities are primarily collateralized by consumer receivables, with the Bank holding a senior collateral position enhanced by a subordinate party structure.

Originations, Sales and Servicing of Loans and Leases
The Company, from time to time, sells loans and leases, and in some cases, loan participations, generally without recourse. At September 30, 2024, there were no outstanding loans sold by the Company with recourse. When loans or leases are sold, the Company may retain the responsibility for collecting and remitting loan payments, making certain that escrow payments are made on behalf of borrowers, and otherwise servicing the loans. The servicing fee is recognized as income over the life of the loans. As of September 30, 2024, the Company was servicing $350.7 million of SBA/USDA loans and $13.8 million of term lending loans.

The Company may sell the guaranteed portion of its SBA 7(a) loans and USDA program loans in the secondary market. These sales have resulted in gains for the Company at the time of sale and created a stream of future servicing income. When the Company sells the guaranteed portion of its loans, it retains credit risk on the non-guaranteed portion of the loans, and, if a customer defaults on the loan, the Company shares any loss and recovery related to the loan pro-rata with the SBA or USDA, as applicable. If the SBA or USDA establishes that a loss on a guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by the Company, the SBA or USDA may seek recovery of the principal loss related to the deficiency from the Company, which could materially adversely affect our business, results of operations and financial condition.

On October 31, 2024, as part of the insurance premium finance business sale, the Company sold $588.4 million of commercial insurance premium finance loans. See Note 20. Subsequent Events to the "Notes of Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, for more information on the sale and transaction.

In the normal course of business, the Company enters into off-balance sheet transactions with special purpose entities ("SPEs"). See Note 1. Summary of Significant Accounting Policies to the "Notes of Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, for more information on these transactions.

In periods of economic uncertainty, the Company’s ability to originate large dollar volumes of loans and leases may be substantially reduced or restricted, with a resultant decrease in related loan origination fees, other fee income and operating earnings. In addition, the Company’s ability to sell loans may substantially decrease if potential buyers reduce their purchasing activities.

The following table shows the loan and lease originations (including draws, loan and lease renewals, and undisbursed portions of loans and leases in process), purchases, and sales and repayment activities of the Company for the periods indicated.

	Fiscal Year Ended September 30,	
(Dollars in thousands)	2024	2023
Originations		
Commercial finance	$ 11,691,809	$ 11,268,857
Consumer finance	2,535,736	1,842,021
Tax services	1,596,136	1,493,109
Total loans and leases originated	15,823,681	14,603,987
Purchases		
Commercial finance	13,782	480
Warehouse finance	284,480	212,706
Total loans and leases purchased	298,262	213,186
Sales and Repayments		
Sales:		
Commercial finance	99,005	16,610
Consumer finance	1,937,079	1,123,271
Total loans and leases sales	2,036,084	1,139,881
Repayments:		
Loan and lease principal repayments	13,759,262	12,798,879
Total principal repayments	13,759,262	12,798,879
Total reductions	15,795,346	13,938,760
Increase (decrease) in other items, net	(2,058)	4,348
Net increase	$ 324,539	$ 882,761

Nonperforming Assets, Other Loans and Leases of Concern and Classified Assets

The following table sets forth the Company's loan and lease delinquencies by type, by amount and by percentage of type at September 30, 2024.

	30-59 Days			60-89 Days			> 89 Days Past Due		
(Dollars in thousands)	Number of Loans	Amount	Percent of Category	Number of Loans	Amount	Percent of Category	Number of Loans	Amount	Percent of Category
Loans held for sale	236	$ 2,266	7.7 %	170	$ 1,361	11.1 %	760	$ 1,050	3.2 %
Commercial finance	128	23,381	79.0 %	140	7,671	62.8 %	329	19,975	60.9 %
Consumer finance	2,064	3,962	13.3 %	805	3,186	26.1 %	754	3,053	9.3 %
Tax services [(1)]	—	—	— %	—	—	— %	—	8,733	26.6 %
Warehouse finance	—	—	— %	—	—	— %	—	—	— %
Total loans and leases held for investment	2,192	$ 27,343	92.3 %	945	$ 10,857	88.9 %	1,083	$ 31,761	96.8 %
Total loans and leases	2,428	$ 29,609	100.0 %	1,115	$ 12,218	100.0 %	1,843	$ 32,811	100.0 %

[(1)] The tax services loans past due represented the aggregate remaining balance of the tax services loan portfolio.

Delinquencies 90 days and over constituted 0.69% of total loans and leases and 0.43% of total assets.

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

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

	At September 30,	
(Dollars in thousands)	2024	2023
Nonperforming Loans and Leases		
Nonaccruing loans and leases:		
Commercial finance	$ 26,412	$ 37,372
Total nonaccruing loans and leases	26,412	37,372
Accruing loans and leases delinquent 90 days or more:		
Loans held for sale	1,050	306
Commercial finance	2,314	11,242
Consumer finance	3,053	2,210
Tax services[1]	8,733	5,082
Total accruing loans and leases delinquent 90 days or more	15,150	18,840
Total nonperforming loans and leases	41,562	56,212
Other Assets		
Nonperforming operating leases	1,471	1,764
Total other assets	1,471	1,764
Total nonperforming assets	$ 43,033	$ 57,976
Total as a percentage of total assets	0.57 %	0.77 %

[1] Certain tax services loans do not bear interest.

For the fiscal year ended September 30, 2024, gross interest income, which would have been recorded had the nonaccruing loans and leases been current in accordance with their original terms, was insignificant, none of which was included in interest income.

Nonaccruing Loans and Leases. At September 30, 2024, the Company had $26.4 million in nonaccruing loans and leases, which constituted 0.6% of the Company's gross loan and lease portfolio. At September 30, 2023, the Company had $37.4 million in nonaccruing loans which constituted 0.8% of its gross loan and lease portfolio. The fiscal 2024 decrease in nonaccruing loans and leases was primarily driven by one sizable relationship within the commercial finance portfolio that was nonaccrual during the prior period and not reported as such as of September 30, 2024.

Accruing Loans and Leases Delinquent 90 Days or More. At September 30, 2024, the Company had $15.2 million in accruing loans and leases delinquent 90 days or more, compared to $18.8 million at September 30, 2023. The decrease in the balance of accruing loans and leases 90 days or more past due was primarily within the commercial finance portfolio, partially offset by increases within the consumer finance and seasonal tax services portfolios.

For information on classified assets, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation – Asset Quality” of this Annual Report on Form 10-K.

Allowance for Credit Losses. ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* requires the use of a current expected credit losses ("CECL") methodology to determine the allowance for credit losses ("ACL") for loans and debt securities held to maturity. CECL requires loss estimates for the remaining estimated life of the assets to be measured using historical loss data, adjustments for current conditions, and adjustments for reasonable and supportable forecasts of future economic conditions. See Note 1. Summary of Significant Accounting Policies to the "Notes of Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, for more information of the ACL.

The following table sets forth an analysis of the Company’s ACL.

	At September 30,	
(Dollars in thousands)	2024	2023
Balance at beginning of period	$ 49,705	$ 45,947
Charge-offs:		
Commercial finance	(22,837)	(18,894)
Consumer finance	(4,064)	(2,263)
Tax services	(30,780)	(38,741)
Total charge-offs	(57,681)	(59,898)
Recoveries:		
Commercial finance	3,286	3,245
Consumer finance	3	—
Tax services	7,785	2,963
Total recoveries	11,074	6,208
Net (charge-offs) recoveries	(46,607)	(53,690)
Provision for credit loss	42,238	57,448
Balance at end of period	**$ 45,336**	**$ 49,705**
Ratio of net charge-offs during the period to average loans outstanding during the period	1.00 %	1.36 %
Ratio of net charge-offs during the period to average loans outstanding during the period (excluding tax loans and tax net charge-offs)	0.52 %	0.47 %
Ratio of net charge offs during the period to nonperforming assets at year end	108.31 %	92.61 %
Allowance to total loans and leases	1.11 %	1.14 %
Ratio of allowance to total nonaccrual loans	1.72 %	1.33 %
Ratio of total nonaccrual loans to total loans outstanding	0.55 %	0.84 %

For more information on the Provision for Credit Loss, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which is included in Item 7 of this Annual Report on Form 10-K.

The following table presents net loan charge-offs per lending category and the percentage of net charge-offs to average loan and lease balances.

	At and For the Fiscal Year Ended September 30,					
	2024			2023		
(Dollars in thousands)	Net Loan Charge-offs	Average Outstanding Balance	Percent of Net Charge-offs to Average Loans	Net Loan Charge-offs	Average Outstanding Balance	Percent of Net Charge-offs to Average Loans
Term lending	$ 15,850	$ 1,462,403	1.1 %	$ 9,476	$ 1,184,055	0.8 %
Asset-based lending	(255)	429,726	(0.1)%	2,317	369,686	0.6 %
Factoring	2,229	341,571	0.7 %	1,513	342,447	0.4 %
Lease financing	103	170,962	0.1 %	1,176	190,661	0.6 %
Insurance premium finance	870	639,825	0.1 %	1,162	558,018	0.2 %
SBA/USDA	754	566,255	0.1 %	5	409,296	— %
Other commercial finance	—	159,472	— %	—	166,422	— %
Commercial finance	19,551	3,770,214	0.5 %	15,649	3,220,585	0.5 %
Consumer finance	4,061	318,886	1.3 %	2,263	231,242	1.0 %
Tax services	22,995	153,713	15.0 %	35,778	141,210	25.3 %
Warehouse finance	—	416,988	— %	—	343,168	— %
Total	$ 46,607	$ 4,659,801	1.0 %	$ 53,690	$ 3,936,205	1.4 %

The distribution of the Company's ACL at the dates indicated is summarized as follows:

	At September 30,			
	2024		2023	
(Dollars in thousands)	Amount	Percent of Loans and Leases in Each Category of Total Loans and Leases	Amount	Percent of Loans and Leases in Each Category of Total Loans and Leases
Term lending	$ 30,394	38.2 %	$ 25,686	30.0 %
Asset-based lending	1,356	11.6 %	2,738	8.8 %
Factoring	5,757	8.9 %	6,566	8.2 %
Lease financing	1,189	3.7 %	3,302	4.2 %
Insurance premium finance	—	— %	2,637	18.4 %
SBA/USDA	3,273	14.0 %	2,962	12.0 %
Other commercial finance	607	4.6 %	3,089	3.8 %
Commercial finance	42,576	81.0 %	46,980	85.4 %
Consumer finance	2,240	6.1 %	2,346	5.8 %
Tax services	2	0.2 %	2	0.1 %
Warehouse finance	518	12.7 %	377	8.7 %
Total	$ 45,336	100.0 %	$ 49,705	100.0 %

Management closely monitors economic developments and considers these factors when assessing the appropriateness of its ACL. The Company's ACL as a percentage of total loans and leases decreased to 1.11% at September 30, 2024 from 1.14% at September 30, 2023. The decrease in the total loan and lease coverage ratio was primarily driven by decreases in the loan and lease coverage ratios for the consumer finance portfolio and the seasonal tax services portfolio, partially offset by an increase in the loan and lease coverage ratio for the commercial finance portfolio. The increase in the commercial finance loan and lease coverage ratio was primarily related to the $594.4 million of insurance premium finance loans that were held for sale as of September 30, 2024 and, as such, had no related ACL balance. That portfolio carried a lower reserve rate compared to the rest of the commercial finance portfolio. The Company expects to continue to diligently monitor the ACL and adjust as necessary in future periods to maintain an appropriate and supportable level.

Management believes that, based on a detailed review of the loan and lease portfolio, historic loan and lease losses, current economic conditions, the size of the loan and lease portfolio and other factors, the level of the ACL at September 30, 2024 reflected an appropriate allowance against expected credit losses from the lending portfolio. Although the Company maintains its ACL at a level it considers to be appropriate, investors and others are cautioned that there can be no assurance that future losses will not exceed estimated amounts, or that additional provisions for loan and lease losses will not be required in future periods.

Investment Activities

The investment policy of the Company generally is to invest funds among various categories of investments and maturities based upon the Company's need for liquidity, to achieve the proper balance between its desire to minimize risk and maximize yield, to provide collateral for borrowings and to fulfill the Company's asset/liability management policies. The Company's portfolio is managed in accordance with a written investment policy, which is implemented by members of the Company's Asset/Liability Committee. The Company closely monitors balances in these accounts and maintains a portfolio of highly liquid assets to fund potential deposit outflows or other liquidity needs. To date, the Company has not experienced any unexpected significant outflows related to the Partner Solutions business line deposits, though no assurance can be given that this will continue to be the case.

As of September 30, 2024, the Company had total investment securities with an amortized cost of $1.98 billion compared to $2.18 billion as of September 30, 2023. At September 30, 2024, $1.57 billion, or 79.3%, of the Company's investment securities were pledged to secure various obligations of the Company. Many of the Company's municipal holdings are able to be pledged at either the Federal Reserve bank ("FRB") or the Federal Home Loan Bank of Des Moines ("FHLB").

The Company's mortgage-backed securities ("MBS") portfolio consists of securities issued by U.S. Government agencies or by non-agencies. MBS have uncertain cash flow characteristics that present additional interest rate risk in the form of prepayment or extension risk primarily caused by changes in market interest rates. The prepayment risk associated with MBS is continually monitored, and prepayment rate assumptions are adjusted as appropriate to update the Company's MBS accounting and asset/liability reports.

The following table sets forth the carrying value of the Company's portfolio at the dates indicated.

	At September 30,	
(Dollars in thousands)	2024	2023
Securities Available for Sale ("AFS")		
Corporate securities	$ 19,750	$ 18,250
SBA securities	81,935	85,242
Obligations of states and political subdivisions	480	2,289
Non-bank qualified obligations of states and political subdivisions	217,990	226,723
Asset-backed securities	189,698	246,199
Mortgage-backed securities	1,231,368	1,225,525
Total debt securities AFS	1,741,221	1,804,228
Securities Held to Maturity ("HTM")		
Non-bank qualified obligations of states and political subdivisions	31,060	34,415
Mortgage-backed securities	2,032	2,176
Total debt securities HTM	33,092	36,591
FRB and FHLB stock	36,014	28,210
Total securities and FRB and FHLB stock	$ 1,810,327	$ 1,869,029
Other Interest-Earning Assets		
Interest bearing deposits in other financial institutions and federal funds sold[(1)]	$ 106,672	$ 262,225

[(1)] From time to time, the Company maintains balances in excess of insured limits at various financial institutions, including the FRB, the FHLB, and other private institutions. At September 30, 2024, the Company had $104.9 million and $1.7 million in interest bearing deposits held at the FRB and FHLB, respectively. At September 30, 2023, the Company had $260.3 million and $1.9 million in interest bearing deposits held at the FRB and FHLB, respectively.

The fair value of debt securities available for sale ("AFS") decreased $63.0 million at September 30, 2024 when compared to September 30, 2023 while the amortized cost of debt securities held to maturity ("HTM") decreased $3.5 million over the same period. These decreases were primarily driven by reductions in SBA securities, non-bank qualified obligations of state and political subdivisions, and asset-backed securities, partially offset by an increase in MBS.

The following table sets forth the contractual maturities of debt securities AFS and HTM at September 30, 2024. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	At September 30, 2024					
	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total Securities	
(Dollars in thousands)	Carrying Value	Carrying Value	Carrying Value	Carrying Value	Amortized Cost	Fair Value
Debt Securities AFS						
Corporate securities	$ —	$ —	$ 19,750	$ —	$ 25,000	$ 19,750
SBA securities	1,599	7,330	38,756	34,250	86,036	81,935
Obligations of states and political subdivisions	—	480	—	—	501	480
Non-bank qualified obligations of states and political subdivisions	198	6,402	1,529	209,861	246,233	217,990
Asset-backed securities	—	—	3,601	186,097	192,979	189,698
Total debt securities AFS	$ 1,797	$ 14,212	$ 63,636	$ 430,208	$ 550,749	$ 509,853
Weighted average yield[(1)]	4.86 %	4.21 %	5.02 %	5.59 %	3.87 %	5.50 %
Debt Securities HTM						
Non-bank qualified obligations of states and political subdivisions	$ —	$ —	$ —	$ 31,060	$ 31,060	$ 28,392
Total debt securities HTM	$ —	$ —	$ —	$ 31,060	$ 31,060	$ 28,392
Weighted average yield[(1)]	— %	— %	— %	2.49 %	2.49 %	4.07 %

[(1)] Weighted average yield for debt securities AFS and HTM are calculated on a pro rata basis for each security based on the relative amortized cost and relative market value, respectively. Yields on tax-exempt obligations have not been computed on a tax-equivalent basis.

The following table sets forth the contractual maturities of the Company's MBS, excluding the effect of prepayments, periodic principal repayments and the adjustable rate nature of these instruments, all of which typically lower the average life of these securities.

	At September 30, 2024					
	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total Securities	
(Dollars in thousands)	Carrying Value	Carrying Value	Carrying Value	Carrying Value	Amortized Cost	Fair Value
MBS AFS						
Agency MBS	$ —	$ 30,680	$ 53,537	$ 918,859	$ 1,138,849	$ 1,003,076
Non-agency MBS	—	—	—	228,292	254,700	228,292
Total MBS AFS	$ —	$ 30,680	$ 53,537	$ 1,147,151	$ 1,393,549	$ 1,231,368
Weighted average yield	— %	4.20 %	4.78 %	4.71 %	2.73 %	4.70 %
MBS HTM						
Agency MBS	$ —	$ —	$ —	$ 2,032	$ 2,032	$ 1,844
Total MBS HTM	$ —	$ —	$ —	$ 2,032	$ 2,032	$ 1,844
Weighted average yield	— %	— %	— %	2.75 %	2.75 %	4.59 %

At September 30, 2024, the contractual maturity of approximately 93.2% of the Company's MBS were in excess of ten years. The actual maturity of an MBS is typically less than its stated contractual maturity due to scheduled principal payments and prepayments of the underlying mortgages. Prepayments that are different than anticipated will affect the yield to maturity. The yield is based upon the interest income and the amortization of any premium or discount related to the MBS. In accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), premiums and discounts are amortized over the estimated lives of the loans, which decrease and increase interest income, respectively. The prepayment assumptions used to determine the amortization period for premiums and discounts can significantly affect the yield of MBS, and these assumptions are reviewed periodically to reflect actual prepayments. Although prepayments of underlying mortgages depend on many factors, including the type of mortgages, the coupon rate, borrower credit scores, loan to premises value, the age of mortgages, the geographical location of the underlying real estate collateralizing the mortgages and general levels of market interest rates, the difference between the interest rates on the underlying mortgages and the prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of falling mortgage interest rates, if the coupon rate of the underlying mortgages exceeds the prevailing market interest rates offered for mortgage loans, refinancing generally increases and accelerates the prepayment of the underlying mortgages and the related security. Under such circumstances, the Company may be subject to reinvestment risk because, to the extent that the Company's MBS amortize or prepay faster than anticipated, the Company may not be able to reinvest the proceeds of such repayments and prepayments at a comparable rate. During periods of rising interest rates, these prepayments tend to decelerate as the prevailing market interest rates for mortgage rates increase and prepayment incentives dissipate.

Under ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* and subsequent related ASUs (collectively, "Topic 326") debt securities HTM are subject to an allowance for credit losses that reflects expected credit losses over the life of the financial asset, unless management concludes there is a zero risk of loss. The Company's HTM debt security portfolio is limited to investments with implicit and explicit guarantees by government agencies. As a result, management has concluded a zero risk of loss associated with these securities and no provision for credit loss has been included in the Company's Consolidated Statement of Operations. Under Topic 326, debt securities AFS continue to be recorded at fair value but are subject to an allowance for credit losses that reflects the portion of an unrealized loss position related to credit factors. Any such credit loss is recorded in the Company's Provision for Credit Loss on the Company's Consolidated Statement of Operations. Non-credit related losses are recorded in Other Comprehensive Income in the Company's Consolidated Statement of Condition. The adoption of CECL was inconsequential to debt securities AFS.

Equity Securities. The Company holds marketable equity securities, which have readily determinable fair values, and include common equity and mutual funds. These securities are recorded at fair value with unrealized gains and losses, due to changes in fair value, reflected in earnings. Interest and dividend income from these securities is recognized in interest income. See Note 2. Securities for additional information on marketable equity securities.

The Company also holds non-marketable equity investments and accounts for them under the equity method, fair value, or the measurement alternative method depending on the level of significant influence the Company can exercise and the availability of fair value. All income or loss recognition or fair value adjustments, regardless of measurement methodology, are reflected in earnings as non-interest income. Non-marketable equity investments measured under the equity method, or the measurement alternative method are reviewed for impairment each reporting period and are reported in earnings if applicable.

Funding Activities

The Company's sources of funds are deposits, borrowings, amortization and repayment of loan and lease principal, interest earned on or maturation of securities and funds provided from operations.

Borrowings, including FHLB advances, overnight federal funds purchased, repurchase agreements, other short-term borrowings, and funds available through the FRB Discount Window, may be used at times to compensate for seasonal reductions in deposits or deposit inflows at less than projected levels, may be used to compensate for short-term delays in deposit funding, may be used on a longer-term basis to support expanded lending activities, and may also be used to match the funding of a corresponding asset.

Deposits

The Company offers a variety of deposit accounts having a wide range of interest rates and terms. The Company’s deposits primarily consist of demand deposit accounts, savings accounts, and money market savings accounts, many of which are related to the Partner Solutions business line. In addition, the Company may periodically utilize brokered or other wholesale deposits to target strategic maturities related to its seasonal refund advance lending. The refund advance lending season typically lasts six weeks or less and it is generally more efficient to fund these short-term loans by using brokered deposits to match the expected repayment from refunds. Other sources of wholesale deposits may also be utilized periodically to take advantage of balance sheet funding opportunities.

The flow of deposits is influenced significantly by general economic conditions, changes in prevailing interest rates, and competition.

The variety of deposit accounts offered by the Company has allowed it to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. The Company endeavors to manage the pricing of its deposits in keeping with its asset/liability management and profitability objectives. Based on its experience, the Company believes that deposits related to the Partner Solutions business line are relatively stable sources of deposits. However, the ability of the Company to attract and maintain deposits and the rates paid on these deposits has been and will continue to be significantly affected by market conditions.

During fiscal years 2020 and 2021, in partnership with the U.S. Department of the Treasury’s Bureau of the Fiscal Service (“Fiscal Service”), the Bank issued 16.5 million prepaid cards in conjunction with the three Economic Impact Payment ("EIP") stimulus programs, totaling approximately $24.15 billion. As of September 30, 2024, the Company had $433.3 million in deposits related to government stimulus funds. Of the total amount of government stimulus program deposits, $198.2 million are on activated cards while $235.1 million are on inactivated cards.

At September 30, 2024, $5.64 billion of the Company’s $5.88 billion deposit portfolio was attributable to the Consumer segment. The majority of these deposits represent funds available to spend on prepaid debit cards and other stored value products, of which $5.59 billion are included with noninterest-bearing checking accounts and $47.5 million are included with savings deposits on the Company’s Consolidated Statements of Financial Condition. The Partner Solutions business line originates debit card programs through outside sales agents and other financial institutions. As such, these deposits carry a somewhat higher degree of concentration risk than traditional consumer products. If a major customer or card program were to leave the Bank, deposit outflows could be more significant than if the Bank were to lose a more traditional customer, although it is considered unlikely that all deposits related to a program would leave the Bank without significant advance notification. As such, and as historical results indicate, the Company believes that its deposit portfolio attributable to the Consumer segment is stable. Deposits arising from the Partner Solutions business line has allowed the Bank to reduce its reliance on wholesale deposits, certificates of deposit and public funds, which typically have relatively higher costs.

For information on noninterest-bearing checking deposits, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Financial Condition" of this Annual Report on Form 10-K.

Approximately 57% of the deposit portfolio during the 2024 fiscal fourth quarter was subject to variable, rate-related processing expenses that are derived from the terms of contractual agreements with certain Partner Solutions relationships. These agreements are tied to a rate index, typically the Effective Federal Funds Rate ("EFFR").

The following table sets forth the dollar amount of deposits in the various types of deposit programs offered by the Company for the periods indicated.

	At September 30,			
	2024		2023	
(Dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
Transactions and Savings Deposits:				
Non-Interest bearing checking	$ 5,617,097	95.6 %	$ 6,332,941	96.1 %
Interest bearing checking	4,350	0.1 %	415	— %
Savings deposits	48,730	0.8 %	59,041	0.9 %
Money market deposits	174,701	3.0 %	185,307	2.8 %
Wholesale deposits	1,001	— %	5,944	0.1 %
Total transactions and savings deposits	5,845,879	99.5 %	6,583,648	99.9 %
Time Certificates of Deposit:				
Total time certificates of deposit[(1)]	29,206	0.5 %	5,534	0.1 %
Total deposits	$ 5,875,085	100.0 %	$ 6,589,182	100.0 %

(1) As of September 30, 2024, total time certificates of deposit included $25.0 million of wholesale certificates of deposit.

As of September 30, 2024 and 2023, total deposits that exceed FDIC insurance limits, or are otherwise uninsured, were estimated to be $643.3 million and $550.7 million, respectively. Estimated uninsured domestic deposits reflect amounts, disclosed in U.S. regulatory reports of the Bank, with adjustments for amounts related to consolidated subsidiaries.

The following table presents contractual maturities of estimated U.S. time deposits in excess of FDIC insurance limits or are otherwise uninsured.

	Maturity				
(Dollars in thousands)	3 Months or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 Months	Total
Certificates of deposit	$ 675	$ 579	$ 750	$ 602	$ 2,606

The following table shows rate and maturity information for the Company's certificates of deposit at September 30, 2024.

(Dollars in thousands)	0.00 - 0.99%	1.00 - 1.99%	2.00 - 2.99%	3.00 - 3.99%	4.00 - 4.99%	Total	Percent of Total
Certificate accounts maturing in quarter ending:							
December 31, 2024	$ 1,275	$ —	$ —	$ —	$ —	$ 1,275	4.4 %
March 31, 2025	829	—	—	—	—	829	2.8 %
June 30, 2025	1,000	—	—	—	—	1,000	3.4 %
September 30, 2025	—	—	—	—	—	—	— %
December 31, 2025	300	—	—	—	25,000	25,300	86.6 %
March 31, 2026	802	—	—	—	—	802	2.8 %
Total	$ 4,206	$ —	$ —	$ —	$ 25,000	$ 29,206	100.0 %
Percent of total	14.4 %	— %	— %	— %	85.6 %	100.0 %	

The following table indicates the amount of the Company's certificates of deposit by time remaining until maturity as of September 30, 2024.

(Dollars in thousands)	3 Months or Less	After 3 to 6 Months	After 6 to 12 Months	After 12 Months	Total
Certificates of deposit less than $250,000	$ 100	$ —	$ —	$ 25,000	$ 25,100
Certificates of deposit of $250,000 or more	1,175	829	1,000	1,102	4,106
Total certificates of deposit	$ 1,275	$ 829	$ 1,000	$ 26,102	$ 29,206

At September 30, 2024, there were no deposits from governmental or other public entities included in certificates of deposit.

For information on custodial off-balance sheet deposits, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation – Financial Condition" of this Annual Report on Form 10-K.

Borrowings

Although deposits are the Company's primary source of funds, the Company's practice has been to utilize borrowings when they are a less costly source of funds, can be invested at a positive interest rate spread, or when the Company desires additional capacity to fund loan demand. Borrowings from various sources mature based on stated payment schedules.

The Company's borrowings have historically consisted primarily of advances from the FHLB upon the security of a blanket collateral agreement of a percentage of unencumbered loans and the pledge of specific securities. Such advances can be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. At September 30, 2024, the Bank had $257.0 million overnight borrowings with the ability to borrow up to an approximate additional $726.6 million from the FHLB.

As of September 30, 2024, debt securities with fair values of approximately $533.8 million and $1.04 billion were pledged as collateral to the FRB and the FHLB, respectively, to secure various obligations of the Company. For additional information regarding the Company's collateralization of borrowings, see Note 10. Short-term and Long-term Borrowings to the "Notes to Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

On September 26, 2022, the Company announced the completion of a private placement of $20 million of its 6.625% Fixed-to-Floating Rate Subordinated Notes due 2032 to certain qualified institutional buyers and accredited investors. The Notes are intended to qualify as Tier 2 capital for regulatory capital purposes. The Notes were issued under an indenture with UMB Bank, N.A., as trustee. At September 30, 2024, $19.7 million in aggregate principal amount in subordinated debentures were outstanding.

On July 16, 2001, the Company issued all of the 10,310 authorized shares of Company Obligated Mandatorily Redeemable Preferred Securities of First Midwest Financial Capital Trust I (preferred securities of subsidiary trust) holding solely trust preferred securities. Distributions are paid semiannually. Cumulative cash distributions are calculated at 6-month CME Term SOFR plus 0.42826% tenor spread adjustment plus 3.75%, not to exceed 12.5%. The Company may, at one or more times, defer interest payments on the capital securities for up to 10 consecutive semi-annual periods, but not beyond July 25, 2031. At the end of any deferral period, all accumulated and unpaid distributions must be paid. The capital securities are required to be redeemed on July 25, 2031; however, the Company has a semiannual option to shorten the maturity date. The option has not been exercised as of the date of this filing. The redemption price is $1,000 per capital security plus any accrued and unpaid distributions to the date of redemption. Holders of the capital securities have no voting rights, are unsecured, and rank junior in priority of payment to all of the Company's indebtedness and senior to the Company's common stock. The trust preferred securities have been includable in the Company's capital since they were issued. The preferential capital treatment of the Company's trust preferred securities was grandfathered under the Dodd-Frank Act and is consistent with federal community bank capital rules.

Through the Crestmark Acquisition, the Company acquired $3.4 million in floating rate capital securities due to Crestmark Capital Trust I, a 100%-owned nonconsolidated subsidiary of the Company. The subordinated debentures bear interest at 3-month CME Term SOFR plus 0.26161% tenor spread adjustment plus 3.00%, have a stated maturity of 30 years from the date of issuance and are redeemable by the Company at par, with regulatory approval. The interest rate is reset quarterly at distribution dates in February, May, August, and November. The subsidiary has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years.

The outstanding balance of the trust preferred securities at September 30, 2024 was $13.7 million.

The following table sets forth the maximum month-end balance and average balance of trust preferred securities, subordinated debentures, overnight fed funds purchased, and other borrowings for the periods indicated.

	Fiscal Year Ended September 30,	
(Dollars in thousands)	2024	2023
Maximum Balance:		
Trust preferred securities	$ 13,661	$ 13,661
Subordinated debentures	19,693	19,626
Overnight fed funds purchased	377,000	440,000
Other borrowings	523	2,178
Average Balance:		
Trust preferred securities	$ 13,661	$ 13,661
Subordinated debentures	19,638	19,560
Overnight fed funds purchased	99,290	74,812
Other borrowings	201	1,447

The following table sets forth certain information as to the Company’s trust preferred securities, subordinated debentures, overnight fed funds purchased, and other borrowings.

	At September 30,	
(Dollars in thousands)	2024	2023
Trust preferred securities	$ 13,661	$ 13,661
Subordinated debentures	19,693	19,591
Overnight fed funds purchased	377,000	13,000
Other borrowings	—	621
Total borrowings	$ 410,354	$ 46,873
Weighted average interest rate of trust preferred securities	8.91 %	9.39 %
Weighted average interest rate of subordinated debentures	6.63 %	6.63 %
Weighted average interest rate of overnight fed funds purchased	5.11 %	5.57 %

Partner Solutions Activities

The Company's core differentiators, including industry experience, operational excellence, committed partnership, and mature risk and compliance infrastructure are important for payment innovators in an evolving marketplace. Partner Solutions delivers a diversified portfolio of offerings including issuing, acquiring, digital payments, financial institution solutions, credit solutions, and professional tax solutions with an operating structure that streamlines banking processes and ensures reliable and sustainable programs with unparalleled commitment to enabling our partners' success. Overall, the products and services offered by the Company are generally designed to facilitate the processing and settlement of authorized electronic transactions involving the movement of funds.

While the Company has seasoned banking expertise and time-tested risk and compliance infrastructure, no guarantee can be made that the Company will not experience losses in the Partner Solutions business line. The Company has signed agreements with terms extending through the next few years with several of its largest sales agents/program managers, which the Company expects will help mitigate this risk.

Each offering is discussed generally below with examples to illustrate use cases. The Company cross-utilizes personnel and resources across these offerings.

Issuing

DDA Sponsorship. Partners looking to offer financial services in an ecosystem typically employ a direct deposit account, savings account or debit card, or combination thereof. Pathward facilitates their ability to establish a seamless banking experience for both their consumer and business customers, complete with online acceptance and digital funds transfer, as well as options such as overdraft protection in times of income shortfalls and the overall benefit of improved money management.

Prepaid Sponsorship. Similar to traditional debit cards, prepaid cards are embedded with a magnetic stripe, which encodes relevant card data (which may or may not include information about the user and/or purchaser of such card), and an EMV chip, which is equipped with a microprocessor chip and the technology used to authenticate chip card transactions. When the holder of a card attempts a permitted transaction, necessary information, including the authorization for such transaction, is shared between the “point of use” or “point of sale” and authorization systems maintaining the account of record. Most recently, “virtual” prepaid cards have become popular in the industry. Virtual prepaid cards are used in both the consumer space, for example as a gift card, and in the commercial arena to facilitate accounts payable and vendor payments.

The funds associated with such cards are typically held in pooled accounts at the Bank representing the aggregate value of all cards issued in connection with particular products or programs. Although the funds are held in pooled accounts, the account of record indicates the funds held by each individual card. The cards may work in a closed loop (e.g., the card will only work at one particular merchant and will not work anywhere else), a restricted access network (e.g., the card will only work at a specific set of merchants such as a shopping mall), or in an open loop by way of a Visa, MasterCard, or Discover branded debit card that will work wherever such cards are accepted for payment. Most of the Company's prepaid cards are open loop. Pathward is one of the leading prepaid card issuers in the United States.

The prepaid card business can generally be divided into two program categories: Consumer Use and Business or Commercial Use products. These programs are typically offered through a third-party relationship.

Consumer Use. Examples of consumer use prepaid card programs include payroll, general purpose reloadable ("GPR"), reward, gift and benefit/HSA cards. Payroll cards are a product whereby an employee’s payroll is loaded to the card by their employer via direct deposit. GPR cards are usually distributed by retailers and can be reloaded an indefinite number of times at participating retail load networks. Other examples of reloadable cards are travel cards, which are used in place of traveler’s checks and can be reloaded a predetermined number of times, as well as tax-related cards where a taxpayer’s refund is placed on the card. Reloadable cards are generally open-loop cards that consumers can use to obtain cash at ATMs or purchase goods and services wherever such cards are accepted for payment.

Business or Commercial Use. Prepaid cards are also frequently used by businesses for travel and entertainment, accounts payable and business-to-business ("B2B") settlement products. For example, virtual prepaid cards are used to facilitate one-time payments between a company and its vendors for monthly settlement. Travel and entertainment cards, alternatively, are reloadable by the company for use by its employees to travel for business.

Acquiring

Merchant Acquiring Sponsorship. Acquiring solutions include the acceptance, processing and settlement of credit card and debit card payments by an acquiring bank on behalf of merchants. Pathward acts as an acquiring bank to sponsor acquiring activity on behalf of merchant customers by leveraging partnerships with partners who act as merchant processors, third-party service providers, independent sales organizations (“ISOs”), and/or payment facilitators to identify, onboard and support merchant customers.

ATM Sponsorship. The Company sponsors ATM ISOs into various networks and provides associated sponsorships of encryption support organizations and third-party processors in support of the financial institutions and the ATM ISO sponsorships. Sponsorship consists of the review and oversight of entities participating in debit and credit networks.

Pathward currently provides financial processing services for approximately 300,000 freestanding ATMs nationwide providing consumers with access to funds at ATMs frequently found in malls, retail chains, convenience stores, events, fairs and other small business locations across the U.S.

Digital Payments

Money Movement Solutions. In today's market, consumers want to move their money fast, with more visibility and control of their own financial transactions. Pathward provides the financing operations for Automated Clearing House ("ACH") transactions, disburse to debit (through Visa Direct or Mastercard Send), wire or check processing which enable the faster, almost instantaneous movement of funds from sender to receiver.

Technology has accelerated the growth and speed of transactional payments for corporate and financial organizations. Prompt movement of money creates efficiency, speed and a robust marketplace for consumers, B2B and business-to-consumer ("B2C") companies.

Pathward is a Nacha Top 30 bank for receiving and originating payments. As of September 2024, Pathward typically processes a combined $2.5 billion per day in ACH and wire services to provide safe and efficient movement of money.

Financial Institution Solutions

With this suite of offerings, Pathward provides community banks and credit unions a path to fulfill the unique needs of their customers without using in-house resources.

Prepaid Solutions. Pathward has delivered myriad co-branded prepaid card programs that promote the brands of our financial institution clients.

Commercial Financing Options. Today's businesses require unique, flexible financial products to target areas ranging from acquiring new equipment and business expansion to maximizing cash flow and working capital. When business clients do not qualify for traditional financing or when a product is not available, Pathward provides a variety of options including asset-based lending and SBA lending.

Merchant Services. Pathward's merchant services program empowers community banks and credit unions to offer merchant processing services to their business clients, eliminating the challenges and liabilities associated with managing an independent program.

Professional Tax Solutions

Under the Refund Transfer program, the Bank opens a temporary bank account for each customer who is receiving an income tax refund and elects to defer payment of his or her tax preparation fees. After, the IRS and any state income tax authorities transfer the refund into the customer's account, the net funds are transferred to the customer. The temporary deposit account remains available for use for two tax years, which allows for additional payments to be received in addition to federal and state refunds, and then the account is closed.

Regulation and Supervision

Both the Company and the Bank are subject to extensive regulation in connection with their respective activities and operations, including those of their subsidiaries. On April 1, 2020, the Bank converted from a federal thrift charter to a national bank charter and the Company converted from a savings and loan holding company to a BHC that has elected to be a FHC.

As a national bank, the Bank is supervised and examined by the Office of the Comptroller of the Currency ("OCC"), as its primary federal regulator, and the FDIC, the federal agency that administers the DIF. As a BHC, the Company is supervised and examined by the FRB. Federal banking policy is designed to protect customers of and depositors in insured depository institutions, the DIF, and the U.S. banking system.

The framework by which both the Company and the Bank are supervised and examined is complex. This framework includes acts of Congress, regulations, policy statements and guidance, and other interpretive materials that define the obligations and requirements for entities participating in the U.S. banking system.

Moreover, regulation of banks and their holding companies is subject to continual revision, both through statutory changes and corresponding regulatory revisions as well as through evolving supervisory objectives of banking agency examiners and supervisory staff. It is not possible to predict the content or timing of changes to the laws and regulations that may impact the business of the Bank and the Company. Any changes to the regulatory framework applicable to the Company or the Bank, however, could have a material adverse impact on the condition or operations of each entity.

In addition to regulation and supervision by the FRB, the Company is a reporting company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is required to file reports with the SEC and otherwise comply with federal securities laws.

As described broadly below, the banking industry is subject to significant regulation. The following discussion is not intended to be a complete list of all the activities regulated by the U.S. banking laws or of the impact of such laws and regulations on the Company or the Bank. Rather, it is intended to briefly summarize the legal and regulatory framework in which the Company and the Bank operate and describe legal requirements that impact their businesses and operations. The information set forth below is subject to change and is qualified in its entirety by the actual laws and regulations referenced.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act")

Enacted in 2010, the Dodd-Frank Act significantly changed the financial regulatory regime in the United States. Since the enactment of the Dodd-Frank Act, U.S. banks and financial services firms, such as the Company and the Bank, have been subject to enhanced regulation and oversight. As of the date of the filing of this Annual Report on Form 10-K, several provisions of the Dodd-Frank Act remain subject to further rulemaking and interpretation by the federal banking agencies; moreover, certain provisions of the act that were implemented by federal agencies have been revised or rescinded pursuant to legislative changes adopted by the U.S. Congress.

Certain provisions of the Dodd-Frank Act that directly impact the operation of the Company or the Bank are highlighted below:

Consumer Financial Protection Bureau. Pursuant to the Dodd-Frank Act, the Bank is subject to regulations promulgated by the Consumer Financial Protection Bureau (the “Bureau”). The Bureau has consolidated authority related to federal laws and regulations impacting the provision of consumer financial products and services. The Bureau also has substantial power to define the rights of consumers and responsibilities of lending institutions, such as the Bank. The Bureau does not, however, examine or supervise the Bank for compliance with such laws and regulations; rather, based on the Bank’s size (less than $10 billion in assets), enforcement authority remains with the OCC, although the Bank may be required to submit reports or other materials to the Bureau upon request. The Dodd-Frank Act also provides state attorneys general with the right to enforce federal consumer protection laws. The Bureau is also authorized to prescribe rules applicable to any covered person or service provider identifying and prohibiting acts or practices that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service ("UDAAP authority"). To date, the Bureau has engaged in rulemaking and taken enforcement actions that directly impact the business operations of financial institutions offering consumer financial products or services including the Bank and its divisions.

Interchange Fees. The Dodd-Frank Act includes provisions that restrict interchange fees to those which are “reasonable and proportionate” for certain debit card issuers and limits the ability of networks and issuers to restrict debit card transaction routing (known as the “Durbin Amendment”). In October 2023, the Federal Reserve issued proposed rules that would reduce the maximum permissible interchange fee cap and would adopt an approach for future adjustments to the interchange fee cap. Although, as of the date of the filing of this Annual Report on Form 10-K, the interchange fee restrictions in the Durbin Amendment do not apply to the Bank because debit card issuers with total worldwide assets of less than $10 billion are exempt, such restrictions may negatively impact the pricing all debit card processors in the market, including the Bank, may charge.

Incentive Compensation. The Dodd-Frank Act requires that the federal banking agencies, including the Federal Reserve and the OCC, issue a rule related to incentive-based compensation. No final rule implementing this provision of the Dodd-Frank Act has, as of the date of the filing of this Annual Report on Form 10-K, been adopted, but a proposed rule was published in May 2024. The proposed rule is intended to (i) prohibit incentive-based payment arrangements that the banking agencies determine could encourage certain financial institutions to take inappropriate risks by providing excessive compensation or that could lead to material financial loss, (ii) require the board of directors of those financial institutions to take certain oversight actions related to incentive-based compensation, and (iii) require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator. Although a final rule has not been issued, the Company and the Bank have undertaken efforts to ensure that their incentive compensation plans do not encourage inappropriate risks, consistent with the principles identified above.

The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 ("Regulatory Relief Act")

Enacted in 2018, the Regulatory Relief Act includes several provisions that positively affect smaller banking institutions (e.g., those with less than $10 billion in assets) like the Bank. Specific provisions of the Regulatory Relief Act that benefit smaller banks include modifications to the "qualified mortgage" criteria under the "ability to repay" rules for certain mortgages that are held and maintained on the Bank's retained portfolio as well as relief from certain capital requirements required by an international banking capital framework with the creation of a "community bank leverage ratio." See *"Regulatory Capital Requirements"* and *"Brokered Deposits."*

Temporary Regulatory Capital Relief Related to Impact of CECL

On August 26, 2020, the federal banking agencies adopted a final rule that delayed the estimated impact on regulatory capital resulting from the adoption of CECL. The interim final rule provided banking organizations that implemented CECL before the end of 2020 the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. The Company elected to phase in the regulatory capital impact as permitted under this final rule. The CECL transition amount is being phased out of regulatory capital over a three-year period that began October 1, 2022 and ends on September 30, 2025.

Bank Regulation and Supervision

The Bank is a national bank that is subject to broad federal regulation and oversight extending to all of its operations by its primary federal regulator, the OCC, and by its deposit insurer, the FDIC. Such regulation covers all aspects of the banking business, including lending practices, safeguarding deposits, capital structure, transactions with affiliates, and conduct and qualifications of personnel. The Bank pays assessment fees both to the OCC and the FDIC, and the level of such assessments reflects the condition of the Bank. If the condition of the Bank were to deteriorate, the level of such assessments could increase significantly, having a material adverse effect on the Company's financial condition and results of operations.

Regulatory authorities have been granted extensive discretion in connection with their supervisory and enforcement activities which are intended to strengthen the financial condition of the banking industry, including, but not limited to, the imposition of restrictions on the operation of an institution, the classification of assets by the institution, and the adequacy of an institution's allowance for credit losses. Typically, these actions are undertaken due to violations of laws or regulations or conduct of operations in an unsafe or unsound manner.

The Bank derives its lending and investment powers from the National Bank Act ("NBA") and the OCC's implementing regulations promulgated thereunder. Under these laws and regulations, the Bank may invest in mortgage loans secured by residential and commercial real estate, commercial and consumer loans, certain types of debt securities and certain other assets. The Bank may also invest in operating subsidiaries, bank service companies (but not service corporations generally), financial subsidiaries, and may make non-controlling investments in other entities, in each case subject to the statutory provisions of the NBA and the OCC's regulatory requirements and limitations.

In general, the Bank's legal lending limit totals 15 percent of its capital and surplus plus an additional 10 percent of capital and surplus if the amount that exceeds the 15 percent general limit is fully secured by readily marketable collateral (together, referred to as the "combined general limit"). At September 30, 2024, the Bank was in compliance with the combined general limit.

The OCC announced on October 1, 2024 that its supervisory strategies for 2025 will focus on: (a) credit; (b) allowance for credit losses; (c) asset and liability management; (d) capital; (e) climate-related financial risks for banks with over $100 billion in total consolidated assets; (f) cybersecurity; (g) enterprise change management; (h) operations; (i) third-party risks; (j) payments; (k) Bank Secrecy Act/anti--money laundering/countering the financing of terrorism and Office of Foreign Assets Control; (l) consumer compliance; (m) Community Reinvestment Act; and (n) fair lending.

The OCC’s 2025 supervisory plan provides the foundation for policy initiatives and for supervisory strategies as applied to national banks as well as their third-party service providers subject to OCC examination. OCC staff members use the supervisory plan to guide their supervisory priorities, planning, and resource allocations. The OCC typically provides periodic updates about supervisory priorities through the Semiannual Risk Perspective process in the fall and spring of each year.

Insurance of Deposit Accounts and Regulation by the FDIC

The Bank is a member of the DIF, which is administered by the FDIC. Pursuant to the Dodd-Frank Act, a permanent increase in deposit insurance to $250,000 was authorized. The coverage limit is per depositor, per insured depository institution for each account ownership category. FDIC insurance is backed by the full faith and credit of the United States government.

While not the Bank's primary federal regulator, the FDIC, as insurer of the Bank's deposits, imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order poses a serious risk to the DIF. The FDIC also has authority to initiate enforcement actions against any FDIC-insured institution after giving its primary federal regulator the opportunity to take such action, and may seek to terminate the deposit insurance if it determines that the institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition. Finally, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC or the OCC.

The FDIC imposes an assessment against all depository institutions for deposit insurance quarterly. FDIC total base assessment rates for institutions that have been insured for at least five years range from 2.5 to 42 basis points annually and take into account an institution’s composite CAMELS rating and other factors. Notably, the FDIC has the authority to increase an institution’s deposit insurance premium if it determines that an insured depository institution significantly relies upon brokered deposits. As of September 30, 2024, 2023 and 2022, the Bank’s deposit insurance assessment rate was 7 basis points, 7 basis points, and 5 basis points, respectively. The Bank’s deposit insurance premium expense totaled $5.3 million for 2024, $4.3 million for 2023, and $3.1 million for 2022. A significant increase in DIF insurance premiums would have an adverse effect on the operating expenses and results of operations of the Bank.

The designated reserve ratio (“DRR”) of the DIF reached 1.36% as of September 30, 2018, exceeding the statutorily required 1.35% two years ahead of the deadline imposed by the Dodd-Frank Act. On June 30, 2019, the DRR reached 1.40% and the FDIC applied small bank credits to banks with less than $10 billion in assets, such as the Bank, beginning September 30, 2020. The FDIC will continue to apply small bank credits so long as the DRR is at least 1.35%. After applying small bank credits for four quarters, the FDIC will remit to banks the value of any remaining small bank credits in the next assessment period in which the DRR is at least 1.35%.

The Federal Deposit Insurance Act requires the FDIC to designate and publish the DRR before the beginning of each calendar year. For calendar year 2024, the FDIC set the DRR at 2.00%, which is consistent with the DRR set for each calendar year since 2011 and the FDIC's goal to maintain the DRR at or above the statutory threshold.

Brokered Deposits

The FDIC limits the ability to accept brokered deposits to those insured depository institutions that are well capitalized. Institutions that are less than well capitalized cannot accept, renew or roll over any brokered deposit unless they have applied for and been granted a waiver by the FDIC. The FDIC has defined the “national rate” for all interest-bearing deposits held by less-than-well-capitalized institutions as “a simple average of rates paid by all insured depository institutions and branches for which data are available” and has stated that its presumption is that this national rate is the prevailing rate in any market. As such, institutions that are less than well capitalized that are permitted to accept, renew or rollover brokered deposits via FDIC waiver generally may not pay an interest rate in excess of the national rate plus 75 basis points on such brokered deposits. As of September 30, 2024, the Bank categorized $82.0 million, or 1% of its deposit liabilities, as brokered deposits.

On December 15, 2020, the FDIC issued a final rule establishing a new framework for analyzing whether bank deposits obtained through third-party arrangements are brokered deposits pursuant to Section 29 of the Federal Deposit Insurance Act. Generally, a person is a "deposit broker" if it is "engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties." The final rule clarifies what it means to be in the business of placing deposits and facilitating the placement of deposits for purpose of the deposit broker definition.

Section 29 provides, in particular, that a person with an exclusive deposit placement arrangement with one insured depository institution will not be considered a deposit broker because it is not in the business of placing deposits or facilitating the placement of deposits.

The final rule also clarifies application of the “primary purpose exception” to Section 29 by identifying a number of common business relationships described as “designated exceptions” as meeting the primary purpose exception. Many of these designated exceptions are arrangements previously addressed in advisory opinions and include: certain investment-related deposits; property management service deposits; deposits for cross-border clearing services; deposits related to real estate and mortgage servicing activities; retirement and 529 deposits; deposits related to employee benefits programs; deposits held to secure credit card loans; and deposits placed by agencies to disburse government benefits. As a result of this final rule, the Company's deposits that were classified as brokered deposits reduced significantly beginning with the June 30, 2021 reporting period.

On July 30, 2024, the FDIC proposed a rule that would amend the current rules governing brokered deposits. The proposed rule as drafted would, among other things, (1) amend the definition of “deposit broker”; (2) eliminate the exclusive deposit placement arrangement exception; (3) eliminate the enabling transactions designated business exception; (4) revise the “25 percent test” designated business exception for a primary purpose exception to be available only to broker-dealers and investment advisers and only if less than 10 percent of the total assets that the broker-dealer or investment adviser has under management for its customers is placed at one or more insured depository institutions; (5) revise the interpretation of the primary purpose exception to consider the third party’s intent in placing customer funds at a particular insured depository institution; (6) allow only insured depository institutions to file notices and applications for primary purpose exceptions; and (7) clarify how an insured depository institution that loses its “agent institution” status regains that status. The Company is currently evaluating the effect of the proposed rule on the Company were it to be adopted as a final rule and monitoring the status of this rulemaking.

Branching by National Banks

Subject to certain limitations, federal statutes and OCC regulations permit national banks to establish branches in any state of the United States. With OCC approval, a national bank may open an interstate *de novo* branch in any state that permits the establishment of a branch by a bank chartered by such state, subject to applicable state law limitations. The Bank's only banking office open to the public is its home office in Sioux Falls, South Dakota, where it accepts deposits.

Prepaid Accounts under the Electronic Fund Transfer Act ("Regulation E") and the Truth In Lending Act ("Regulation Z")

The Bureau's "Prepaid Accounts Rule," adopted in October 2016, enhanced the regulations applicable to prepaid products and brought them fully within Regulation E, which implements the federal Electronic Funds Transfer Act. In addition, prepaid products that have a credit component, like some of those offered in connection with an existing program manager agreement, are now regulated by Regulation Z, which implements the federal Truth in Lending Act. The rule also extended Regulation Z's credit card rules and disclosure requirements to prepaid accounts that provide overdraft services and other credit features. These rules became effective on April 1, 2019.

Short-Term, Small-Dollar Installment Lending

In October 2017, the OCC rescinded its guidance on deposit advance products in light of the Bureau's pending small dollar loan rule related to payday, vehicle title and certain high cost installment loans that was issued in November 2017 ("Small Dollar Rule").

The Bureau issued its final Small Dollar Rule on July 22, 2020, which rescinded certain provisions of the rule that was issued in 2017 relating to mandatory underwriting. Specifically, the Bureau revoked provisions that: (i) provide that it is an unfair and abusive practice for a lender to make a covered short-term or longer-term balloon-payment loan, including payday and vehicle title loans, without reasonably determining that consumers have the ability to repay those loans according to their terms; (ii) prescribe mandatory underwriting requirements for making the ability-to-repay determination; (iii) exempt certain loans from the mandatory underwriting requirements; and (iv) establish related definitions, reporting, and recordkeeping requirements. The payment provisions of the Small Dollar Rule were not rescinded and restrict lenders from attempting to withdraw payment from a borrower's account after two consecutive failed attempts unless the borrower provides new authorization for the third attempt. In order to begin re-attempting payments, the lender must follow certain guidelines and obtain new authorizations where applicable. The Small Dollar Rule has been the subject of litigation, but the Bureau indicated that it expects the Small Dollar Rule to become effective on March 30, 2025.

Separately, in May 2018, the OCC published guidance that encourages national banks and federal savings associations to offer responsible short-term, small-dollar installment loans with terms between two and twelve months and equal amortizing payments. Pursuant to the OCC's guidance on this issue, banks are encouraged to offer these products in a manner that is consistent with sound risk management principles and clear, documented underwriting guidelines. Further, the federal banking agencies issued interagency guidance on May 20, 2020 to encourage banks, savings associations, and credit unions to offer responsible small-dollar loans to customers for consumer and small business purposes. As of the date of the filing of this Annual Report on Form 10-K, the Bank has not determined to offer such products, although this position may change as the Bank further refines its business plan in the future.

Interest Rate Risk Management

The OCC requires national banks, like the Bank, to have an effective and sound interest rate risk management program, including appropriate measurement and reporting, robust and meaningful stress testing, assumption development reflecting the institution's experience, and comprehensive model valuations. According to OCC guidance, interest rate risk exposure is supposed to be managed using processes and systems commensurate with their earnings and capital levels; complexity; business model; risk profile; and scope of operations.

Standards for Safety and Soundness

The federal banking agencies have adopted the *Interagency Guidelines Establishing Standards for Safety and Soundness*. The guidelines establish certain safety and soundness standards for all depository institutions. The operational and managerial standards in the guidelines generally relate to the following: (1) internal controls and information systems; (2) internal audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate exposure; (6) asset growth; (7) compensation, fees and benefits; (8) asset quality; and (9) earnings. Failure to meet the standards in the guidelines could result in a request by the OCC to the Bank to provide a written compliance plan to demonstrate its efforts to come into compliance with such guidelines.

Anti-Money Laundering ("AML") Laws and Regulations

AML and financial transparency laws and regulations, including the Bank Secrecy Act and the USA PATRIOT Act of 2001, impose strict standards for gathering and verifying customer information in order to ensure funds or other assets are not being placed in U.S. financial institutions to facilitate terrorist financing and laundering of funds. Applicable laws require financial institutions to have AML programs in place and require the federal banking agencies to consider a holding company's effectiveness in combating money laundering when ruling on certain merger or acquisition applications. In addition, failure to comply with these requirements could lead to significant fines and penalties or the imposition of corrective orders. In July 2024, the federal banking agencies, including the FRB and OCC, proposed amendments to update the requirements for supervised institutions to establish, implement and maintain effective, risk-based and reasonably designed AML and countering the financing of terrorism ("CFT") programs. The proposed amendments would require supervised institutions to identify, evaluate and document the regulated institution's money laundering, terrorist financing and other illicit finance activity risks, as well as consider, as appropriate, the U.S. Department of the Treasury's Financial Crimes Enforcement Network's ("FinCEN") published national AML/CFT priorities.

Customer Identification Programs for Holders of Prepaid Cards

The federal banking agencies, including the OCC and the FRB, issued guidance in 2016 that extends the requirements of the Customer Identification Program required by Section 326 of the USA PATRIOT Act to prepaid accounts where the cardholder has either the (i) ability to reload funds, or (ii) access to credit or overdraft features. If either of these features is present, the issuer must verify the identity of the named account holder.

Privacy and Cybersecurity

The Bank is required by federal statutes and regulations to disclose its privacy policies to its customers. The Bank is also required to appropriately safeguard its customers' personal information.

On November 18, 2021, the federal banking agencies issued a final rule to improve the sharing of information about cyber incidents. The final rule requires a banking organization to notify its primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the banking organization determines that a cyber incident has occurred. Notification is required for incidents that have materially affected—or are reasonably likely to materially affect—the viability of a banking organization's operations, its ability to deliver banking products and services, or the stability of the financial sector. The final rule also requires a bank service provider to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect banking organization customers for four or more hours. This rule became effective May 1, 2022.

In addition, certain state laws could potentially impact the Bank's operations, including those related to applicable notification requirements when computer-security incident or unauthorized access to customers' nonpublic personal information has occurred.

Guidance for Third-Party Relationships

On June 9, 2023, the OCC, Federal Reserve, and FDIC issued final interagency guidance on risk management of third-party relationships, including third-party lending relationships. The interagency guidance is based, in part, on the OCC's previously existing third-party risk management guidance from 2013 and seeks to, among other things, promote consistency in third-party risk management and provide sound risk management guidance for third-party relationships commensurate with a bank's risk profile and complexity as well as the criticality of the activity. The final interagency guidance replaces each agency's existing guidance on this topic (including the OCC's 2020 Frequently Asked Questions on Third-Party Relationships) and is directed to all banking organizations supervised by the OCC, Federal Reserve, and FDIC. Additionally, third party relationship risk management and banking as a service arrangements (including with respect to deposit products and services) have been topics of focus for federal bank regulators in 2024 and further rulemaking activity or guidance may be forthcoming.

Unclaimed Property Laws

Unclaimed property (escheatment) laws vary by state but generally require holders of customer property (including money) to turn over such property to the applicable state after holding the property for the statutorily prescribed period of time. These laws are not uniform and impose varying requirements on entities, like the Bank, which may hold funds that are required to be escheated to the applicable states.

Assessments

The Dodd-Frank Act provides that, in establishing the amount of an assessment, the Comptroller of the Currency may consider the nature and scope of the activities of the entity, the amount and type of assets it holds, the financial and managerial condition of the entity and any other factor that is appropriate. The assessments are paid to the OCC on a semi-annual basis. During the fiscal year ended September 30, 2024, the Bank paid assessments (standard assessments) of $789,608 to the OCC.

Regulatory Capital Requirements

The regulatory capital rules applicable to the Company and the Bank (the “Capital Rules”) identify three components of regulatory capital: (i) common equity tier 1 capital (“CET1 Capital”), (ii) additional tier 1 capital, and (iii) tier 2 capital. Tier 1 capital is the sum of CET1 Capital and additional tier 1 capital instruments meeting certain requirements. Total capital is the sum of tier 1 capital and tier 2 capital. CET1 Capital, tier 1 capital, and total capital serve as the numerators for three prescribed regulatory capital ratios. Risk-weighted assets, calculated using the standardized approach in the Capital Rules for the Company and the Bank, provide the denominator for such ratios. There is also a leverage ratio that compares tier 1 capital to average total assets.

Failure by the Company or the Bank to meet minimum capital requirements set by the Capital Rules could result in certain mandatory and/or discretionary disciplinary actions by their regulators that could have a material adverse effect on their business and their consolidated financial position. Under the capital requirements and the regulatory framework for prompt corrective action (discussed below), the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank’s assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company’s and the Bank’s capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

The Company and the Bank are required to maintain a capital conservation buffer of 2.5% above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively composed of CET1 Capital and applies to each of the three risk-based capital ratios (but not the leverage ratio).

The Capital Rules provide for a number of deductions from and adjustments to CET1 Capital. These include, for example, the requirement that deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 Capital to the extent that any one such category exceeds 10% of CET1 Capital or all such items, in the aggregate, exceed 15% of CET1 Capital.

The Capital Rules prescribe a standardized approach for risk weightings for a large and risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities to 600% for certain equity exposures, and resulting in high-risk weights for a variety of asset classes. As of September 30, 2024, the Bank exceeded all of its regulatory capital requirements and was designated as “well capitalized” under federal guidelines.

There have been several developments which are intended to reduce the regulatory capital burden on smaller or less complex banking organizations like the Company and the Bank. The effect that these developments will have on the Company and the Bank is currently uncertain.

In July 2019, the federal banking agencies finalized a rule intended to simplify and clarify a number of the more complex aspects of existing regulatory capital rules. Specifically, the rule simplifies the capital treatment for mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest. The final rule also allows bank holding companies to redeem common stock without prior approval unless otherwise required. The final rule became effective April 1, 2020 for the amendments to simplify capital rules, and October 1, 2019 for revisions to the pre-approval requirements for the redemption of common stock and other technical amendments. The Bank did not elect to implement the relief provided under the simplification rule.

On November 21, 2018, the FDIC, the OCC, and the FRB jointly issued a proposed rule required by the Regulatory Relief Act that would permit qualifying banks that have less than $10 billion in consolidated assets to elect to be subject to a 9% leverage ratio that would be applied using less complex leverage calculations (referred to as the "community bank leverage ratio" or "CBLR"). Under the proposed rule, banks that opt into the CBLR framework and maintain a CBLR of greater than 9% would not be subject to other risk-based and leverage capital requirements and would be deemed to have met the well capitalized ratio requirements. The rule was adopted in September 2019. The Bank continues to assess the potential impact of opting in to this election as part of its ongoing capital management and planning processes.

Prompt Corrective Action ("PCA")

Federal banking agencies are authorized and, under certain circumstances, required to take certain actions against banks that fail to meet their minimum capital requirements expressed in terms of a total risk-based capital ratio, a Tier 1 risk-based capital ratio, a CET1 ratio, and a leverage ratio (as identified in the tables above).

Well capitalized banks may not make a capital distribution or pay management fees if the bank would be undercapitalized after making such distributions or paying such fees. Adequately capitalized banks, in general, cannot pay dividends or make any capital contributions that would leave them undercapitalized; they cannot pay a management fee to a controlling person if, after paying the fee, they would be undercapitalized; and they cannot accept, renew or roll over any brokered deposit unless they have applied for and been granted a waiver by the FDIC.
The activities of an "undercapitalized," "significantly undercapitalized" or "critically undercapitalized" bank are further restricted. Any such bank must submit a capital restoration plan that is guaranteed by each company that controls the Bank, and such company must provide appropriate assurances of performance. Until such plan is approved, the bank may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions. The federal banking agencies are authorized to impose additional restrictions, discussed below, that are applicable to significantly undercapitalized institutions.

The imposition of any action taken by the OCC against the Bank in connection with the agency's PCA authority would likely have a substantial adverse effect on it and on the Company's operations and profitability. This is especially true if the Bank were to no longer be deemed to be well capitalized and, therefore, subject to limitations on its ability to accept, renew or roll over brokered deposits absent a waiver from the FDIC. The Company's stockholders are not entitled to preemptive rights and, therefore, if the Company is directed by its regulators to issue additional shares of common stock, such issuance may result in dilution to the Company's existing stockholders.

Institutions in Troubled Condition

Certain events, including entering into a formal written agreement with a bank's regulator that requires action to improve the bank's financial condition, or being informed by the regulator that the bank is in troubled condition, will automatically result in limitations on so-called "golden parachute" agreements pursuant to Section 18(K) of the FDIA. In addition, organizations that are not in compliance with minimum capital requirements, or are otherwise in a troubled condition, must give 90 days' written notice to the OCC before appointing a Director or Senior Executive Officer, pursuant to the OCC's regulations.

Civil Money Penalties

The OCC has the authority to assess civil money penalties ("CMPs") against any national bank, federal savings bank or any of their institution-affiliated parties ("IAPs"). In addition, the OCC has the authority to assess CMPs against bank service companies and service providers. CMPs may encourage an affected party to correct violations, unsafe or unsound practices or breaches of fiduciary duty. CMPs are also intended to serve as a deterrent to future violations of law, regulations, orders and other conditions.

Limitations on Dividends and Other Capital Distributions

The NBA and related federal regulations govern the permissibility of dividends and capital distributions by a national bank. As a national bank, the Bank's board of directors may not declare, and the Bank may not pay, any dividend in an amount greater than the sum of current period net income and retained earnings. A distribution in excess of that amount is a reduction in permanent capital, and the Bank would need to follow the applicable procedures set forth in OCC regulations and guidance. Further, the Bank's board of directors may not declare a dividend if paying the dividend would result in the Bank being undercapitalized under the OCC's PCA rule.

The Bank also must obtain prior approval from the OCC to pay a cash dividend if the dividend would exceed the sum of current period net income and retained earnings from the past two years, after deducting the following transactions during that period: (i) any dividends previously declared, (ii) extraordinary transfers required by the OCC, and (iii) payments made for the retirement of preferred stock. This calculation is performed on a rolling basis as described in the OCC's earnings limitation regulations.

The Bank paid cash dividends in the amount of $87.0 million to the Company during fiscal 2024, to be used to fund share repurchases under the common stock share repurchase programs that were authorized by the Company's Board of Directors. On September 3, 2021, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company may repurchase up to 6,000,000 shares of the Company's outstanding common stock on or before September 30, 2024. On August 25, 2023, the Company's Board of Directors authorized a new stock repurchase program pursuant to which the Company may repurchase up to an additional 7,000,000 shares of the Company's outstanding common stock on or before September 30, 2028. As part of its capital planning, the Company will continue to regularly assess its needs for dividends from the Bank in order to fund future share repurchases and dividends to the Company's stockholders as needed.

Transactions with Affiliates

The Bank must comply with Sections 23A and 23B of the Federal Reserve Act relative to transactions with "affiliates," generally defined to mean any company that controls or is under common control with the institution (as such, the Company is an affiliate of the Bank for these purposes). Transactions between an institution or its subsidiaries and its affiliates are required to be on terms as favorable to the Bank as terms prevailing at the time for transactions with non-affiliates. Certain transactions, such as loans to an affiliate, are restricted to a percentage of the institutions' capital (e.g., the aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the institution; the aggregate amount of covered transactions with all affiliates is limited to 20% of the institution's capital and surplus).

Community Reinvestment Act ("CRA")

Under the CRA, the Bank is evaluated periodically by its primary federal banking regulator to determine if it is meeting its continuing and affirmative obligations consistent with its safe and sound operation, to help meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods. CRA ratings can also impact an insured depository institution's ability to engage in certain activities as CRA performance is considered in connection with certain applications by depository institutions and their holding companies, including merger applications, charter applications, and applications to acquire assets or assume liabilities. The Bank received a "Satisfactory" rating during its most recent Performance Evaluation dated January 29, 2024.

On October 24, 2023, the federal banking agencies jointly issued a final rule to modernize CRA regulations consistent with the following key goals: (i) to encourage banks to expand access to credit, investment, and banking services in low to moderate income communities; (ii) to adapt to changes in the banking industry, including internet and mobile banking and the growth of non-branch delivery systems; (iii) to provide greater clarity and consistency in the application of the CRA regulations, including adoption of a new metrics-based approach to evaluating bank retail lending and community development financing; and (iv) to tailor CRA evaluations and data collection to bank size and type, recognizing that differences in bank size and business models may impact CRA evaluations and qualifying activities. Most of the final CRA rule's requirements will be applicable beginning January 1, 2026, with certain requirements, including the data reporting requirements, applicable as of January 1, 2027. The Bank is evaluating the expected impact of the modified CRA regulations.

Federal Home Loan Bank System

The Bank is a member of the FHLB system through the FHLB of Des Moines, one of 11 regional FHLBs that administer the home financing credit function that is subject to regulation and supervision by the Federal Housing Finance Agency. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances must be used for residential home financing.

As a member of the FHLB system, the Bank is required to purchase and maintain activity-based capital stock in the FHLB in the amount specified by the applicable FHLB's capital plan. At September 30, 2024, the Bank had in the aggregate $16.3 million in FHLB stock, which was in compliance with the FHLB of Des Moines' requirement. For the fiscal year ended September 30, 2024, dividends paid by the FHLB to the Bank totaled $0.7 million.

Other Regulation

The Bank is also subject to a variety of other regulations with respect to its business operations including, but not limited to, the Truth in Lending Act, the Truth in Savings Act, the Consumer Leasing Act, the Equal Credit Opportunity Act, the Electronic Funds Transfer Act, the Military Lending Act, the Servicemembers' Civil Relief Act, the Fair Housing Act, the Fair Debt Collection Practices Act, the Telephone Consumer Protection Act, the Controlling the Assault of Non-Solicited Pornography and Marketing Act, and the Fair Credit Reporting Act.

It is possible that additional rulemaking could require significant revisions to the regulations under which the Bank operates and is supervised. Any change in such laws and regulations or interpretations thereof negatively impacting the Bank's or the Company's current operations, whether by the OCC, the FDIC, the Bureau, the FRB or through legislation, could have a material adverse impact on the Bank and its operations and on the Company and its stockholders.

Holding Company Regulation and Supervision

The Company is subject to examination, supervision, and certain reporting requirements by the Federal Reserve, which has responsibility for the primary regulation and supervision of all BHCs, including the Company, under the Bank Holding Company Act ("BHCA"). The Federal Reserve also has supervisory authority over any nonbank subsidiary of a BHC that is not functionally regulated by another federal or state regulator, such as a leasing subsidiary. Through the supervisory process, the Federal Reserve ensures that BHCs, like the Company, comply with law and regulation and are operated in a manner that is consistent with safe and sound banking practices. The Federal Reserve supervises BHCs pursuant to Regulation Y (12 C.F.R. Part 225) and a supervisory program that seeks to ensure that BHCs comply with rules and regulations and that they operate in a safe and sound manner.

As a BHC that has elected to become a FHC, the Company may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity, and that does not pose a substantial risk to the safety and soundness of depository institutions or the financial system (as solely determined by the Federal Reserve). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting, and making merchant banking investments.

Acquisitions

Federal law prohibits a BHC, including the Company, directly or indirectly, from: (a) acquiring control (as defined under Regulation Y) of another bank (or a holding company parent) without prior Federal Reserve approval; or (b) through merger, consolidation or purchase of assets, acquiring another bank or a holding company thereof, or acquiring all or substantially all of the assets of such institution (or a holding company), without prior Federal Reserve approval. In evaluating applications by BHCs to acquire other holding companies and banks, the Federal Reserve must consider the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the DIF, the convenience and needs of the community and competitive factors.

On September 17, 2024, the OCC issued a final rule related to its regulations for business combinations involving national banks and a policy statement that summarizes the principles the OCC uses when it reviews proposed bank merger transactions under the Bank Merger Act ("BMA"). The final rule removes provisions related to expedited review and the use of the streamlined business combination application. The policy statement discusses the OCC's review of applications submitted under the BMA, including general principles for the OCC's review and the OCC's consideration of the financial stability, managerial and financial resources and future prospects and the convenience and statutory needs factors under the BMA. On September 17, 2024, the FDIC also approved a final Statement of Policy on Bank Merger Transactions addressing the scope of transactions subject to FDIC approval, the FDIC's process for evaluating merger applications, and the principles that guide the FDIC's consideration of the applicable statutory factors as set forth in the BMA.

Change in Bank Control

Federal law and regulation set forth the types of transactions that require prior notice under the Change in Bank Control Act (“CIBCA”). Pursuant to CIBCA and Regulation Y, any person (acting directly or indirectly) that seeks to acquire control of a bank or its holding company must provide prior notice to the Federal Reserve. A “person” includes an individual, bank, corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, or any other form of entity. A person acquires "control" of a banking organization whenever the person acquires ownership, control, or the power to vote 25 percent or more of any class of voting securities of the institution. The applicable regulations also provide for certain other "rebuttable" presumptions of control.

In April 2020, the Federal Reserve adopted a final rule to revise its regulations related to determinations of whether a company has the ability to exercise a controlling influence over another company for purposes of the BHCA. The final rule expands and codifies the presumptions for use in such determinations. By codifying the presumptions, the final rule provides greater transparency on the types of relationships that the Federal Reserve generally views as supporting a facts-and-circumstances determination that one company controls another company. The Federal Reserve’s final rule applies to questions of control under the BHCA, but does not extend to CIBCA.

Source of Strength and Capital Requirements

The Dodd-Frank Act requires all companies, including BHCs, that directly or indirectly control an insured depository institution to serve as a source of financial and managerial strength to its subsidiary depository institutions and to maintain adequate resources to support such institutions; to date, however, specific regulations implementing this requirement have not been published. As an BHC, the Company is also subject to the same regulatory capital requirements as the Bank.

Examination

In 2019, the Federal Reserve published finalized guidance with respect to inspection frequency and scope for BHCs with less than $10 billion in assets. According to the Federal Reserve, with respect to institutions with less than $10 billion in assets (such as the Company), the determination of whether a holding company is "complex" versus "noncomplex" is made at least annually on a case-by-case basis taking into account and weighing a number of considerations, such as: the size and structure of the holding company; the extent of intercompany transactions between insured depository institution subsidiaries and the holding company or uninsured subsidiaries of the holding company; the nature and scale of any non-bank activities; and the degree of leverage of the holding company, including the extent of its debt outstanding to the public.

Dividends

In 2009, the Federal Reserve released a supervisory letter entitled *Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions and Stock Repurchases at Bank Holding Companies*. This letter generally sets forth principles describing when a BHC must consult, provide notice, or seek approval from the FRB prior to a capital distribution including the payment of dividends, stock redemptions, or stock repurchases. According to FRB staff, the FRBs are likely to require holding companies to eliminate, defer or reduce dividends if these payments are not fully covered by the net income available to shareholders for the past four quarters, earnings retention is not consistent with capital needs or the holding company will not meet or is in danger of not meeting minimum regulatory capital adequacy ratios.

Management

In August 2017, the Federal Reserve published proposed guidance related to supervisory expectations for boards of directors of BHCs. The proposal sought to clarify supervisory expectations of boards and distinguish the roles held by senior management to allow boards to focus on fulfilling their core responsibilities. On February 26, 2021, the Federal Reserve issued a Supervision and Regulation letter (SR 21-3/CA 21-1) containing its final supervisory guidance on the effectiveness of a banking institution's board of directors. Although the guidance only applies to bank holding companies and savings-and-loan holding companies with total consolidated assets of $100 billion or more, the Company continues to monitor the Federal Reserve's evolving supervisory and regulatory approach to board and senior management effectiveness.

Additional Regulatory Matters

The Company is subject to oversight by the SEC, NASDAQ and various state securities regulators. In the normal course of business, the Company has received requests for information from these regulators. Such requests have been considered routine and incidental to the Company’s operations.

Federal and State Taxation

Pathward Financial and its subsidiaries file a consolidated federal income tax return and various consolidated state income tax returns. Additionally, Pathward Financial or its subsidiaries file separate company income tax returns in states where required. All returns are filed on a fiscal year basis using the accrual method of accounting. The Company monitors relevant tax authorities and changes its estimate of accrued income tax due to changes in income or franchise tax laws and their interpretation by the courts and regulatory authorities.

Competition

The Company operates in competitive markets for each of the different financial sectors in which it engages in business: payments, commercial finance, tax services and consumer lending. Competitors include a wide range of regional and national banks and financial services companies located both in the Company's market areas and across the nation.

The Company’s Partner Solutions business line serves customers nationally and also faces strong competition from large commercial banks and specialty providers of electronic payments processing and servicing, including prepaid, debit and credit card issuers, ACH processors and ATM network sponsors. Many of these national players are aggressive competitors, leveraging relationships and economies of scale.

As part of its national lending operations, the Company also faces strong competition from non-bank commercial finance companies, leasing companies, factoring companies, consumer finance and others on a nationwide basis. In addition, the Company’s tax return processing services division competes nationwide with financial institutions that offer similar processing technologies and capabilities.

Human Capital Resources

The Company's purpose of powering financial inclusion is foundational to our ability to attract and retain top talent who desire to work with innovators to enable financial availability, choice, and opportunity for consumers and businesses in underserved markets. We empower our employees by providing opportunities to grow and develop in their careers, supported by strong compensation, benefits, and health and well-being programs. We seek to provide a diverse, inclusive, safe, and healthy workplace, recognizing our employees enable us to deliver on our purpose.

Demographics

The following table describes the composition of our workforce as of September 30, 2024:

Employee Type	9/30/2023	9/30/2024	Change
Full-time	1,192	1,239	3.94%
All Other Types	7	5	(28.57)%
Total Employees	**1,199**	**1,244**	**3.75%**

Women	53%
Racial/Ethnic Minorities	22%

Diversity, Equity, Inclusion and Belonging ("DEIB")

At Pathward, we are committed to advancing DEIB to meet the dynamic needs of our workforce and business. We aim to cultivate an environment where every employee is embraced and recognized for their unique contributions in serving our clients, partners and communities.

Pathward works to promote diversity throughout our organization and provide an equal opportunity for employment and success regardless of background and identity, as reflected in our Code of Business Conduct and Employee Handbook.

Talent Acquisition

A core tenet of our talent system is to both develop talent from within and enrich our talent pool with external hires to support a continuous improvement mindset. Our “Talent Anywhere” recruitment strategy enables us to source candidates needed to fill essential capabilities and roles while positioning us as a remote-enabled employer of choice. Our remote-enabled workplace has created valuable benefits for both employees and our business by reducing necessary commutes, allowing us to hire diverse talent from anywhere in the United States, and realizing a reduction in our physical footprint. As part of our DEIB strategy, we train our internal recruiters on how to mitigate unconscious bias in the hiring process and how to assemble diverse candidate slates for open positions.

Talent Assessment and Development

Assessing talent and leadership development are also critical to our talent growth and retention strategy. We continue to mature and expand our talent management framework. This framework is used throughout the company to better equip Pathward to have clear line of sight into teams’ strengths and opportunities in terms of skills, diversity, and leadership potential. This helps ensure our internal talent supply keeps pace with demand, that we invest in our workforce with intention, have our highest performing, highest potential employees applied to our most critical work, and are preparing today’s talent for tomorrow’s needs.

Our performance management program is an interactive practice that engages our employees beginning with aligning objectives at the enterprise level to drive individual goal setting and quarterly conversations designed to review progress and accomplishments and calibrate on focus areas for the upcoming quarter, driving progress against objectives, alignment, and performance feedback throughout the year. We offer a variety of support to help team members and managers establish and meet personalized development goals, take on new roles and become better leaders.

Employee Engagement

We recognize that team members who are involved in, enthusiastic about and committed to their work and workplace contribute meaningfully to the success of the company. As a normal course of business, we complete enterprise-wide engagement surveys. The results of the survey are reviewed with the executive management team and are used to prioritize employee programs, initiatives, and communications.

Total Rewards

As part of our total rewards strategy, we aspire to offer and maintain market competitive total rewards programs for our employees that attract and retain superior talent. In addition to competitive base wages, we offer other variable pay depending on an employee's position, including an annual bonus or commission plan. We offer a 401(k) plan with a highly competitive company match. Our healthcare, insurance benefits, health savings and flexible spending accounts are equally competitive with a low-cost share for the employee. We also provide employer paid short- and long-term disability and life insurance benefits. We understand how important it is that our employees have time away from work. To allow employees time to recharge, we offer paid time off, family leave, family care resources, flexible work schedules, adoption assistance, employee assistance programs, and other related benefits. We want our employees to be healthy and be able to bring their whole selves to the workplace.

Health and Safety

We believe the success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety, and wellness of our employees. Being a fully remote-enabled employer, we provide laptops and related hardware along with a stipend to enhance employees' at-home work experience. Employees also have access to our offices if they choose to work there instead. Our employees and their families are also supported with access to a variety of flexible and convenient health and welfare programs, including benefits that support their physical and mental health. We follow local, state and federal regulations issued by the Occupational Safety and Health Administration and are prepared to implement any applicable workplace requirements.

Available Information

The Company’s website address is www.pathwardfinancial.com. The Company makes available, through a link with the SEC’s EDGAR database (http://www.sec.gov), free of charge, its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and statements of ownership on Forms 3, 4, and 5. Investors are encouraged to access these reports and other information about our business on our website. The information found on the Company’s website is not incorporated by reference in this or any other report the Company files or furnishes to the SEC. The Company also will provide copies of its Annual Report on Form 10-K, free of charge, upon written request to Darby Schoenfeld, SVP Chief of Staff and Investor Relations, at the Company’s address. Also posted on the Company's website, among other things, are the Sustainability Report, the charters of committees of the Board of Directors, as well as the Company's Code of Business Conduct.

Item 1A. Risk Factors.

We are subject to various risks, including those described below that, individually or in the aggregate, could cause our actual results to differ materially from expected or historical results. Our business could be harmed, perhaps materially, by any of these risks, as well as other risks that we have not identified, whether due to such risks not presently being known to us, because we do not currently believe such risks to be material, or otherwise. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. Moreover, certain events including geopolitical and financial market turmoil may also have the effect of heightening many of the risks and uncertainties described in the risks discussed below. The risks discussed below also include forward-looking statements, and actual results and events may differ substantially from those discussed or highlighted in these forward-looking statements. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including the Company’s financial statements and related notes. Before making an investment decision with respect to any of our securities, you should carefully consider the following risks and uncertainties described below and elsewhere in this Annual Report on Form 10-K. See “Forward-Looking Statements.”

Risk Factor Summary

These risks and uncertainties include:

Risks Related to Our Industry and Business

- Our framework for managing risk, including our underwriting practices, may not prevent future losses.
- We are subject to credit risk in connection with our lending and leasing activities, and our financial condition and results of operations may be negatively impacted by factors that adversely affect our borrowers.
- If our actual credit losses exceed our allowance for credit losses, our net income will decrease.
- Our earnings are significantly affected by general business, political and economic conditions.
- Adverse developments or concerns affecting the financial services industry or specific financial institutions could adversely affect our financial condition and results of operations.
- Ineffective liquidity management could adversely affect our financial condition and results of operation.
- Our investments in certain tax-advantaged projects may not generate anticipated returns, causing an adverse impact on our results of operations.
- The residual value of leased equipment at the time of its disposition may be less than forecasted at the time we entered into the lease.
- Changes in interest rates could adversely affect our results of operations and financial condition.
- We operate in an extremely competitive market, and our business will suffer if we are unable to compete effectively.
- Our business could suffer if consumer behaviors, or other factors, in connection with the use of prepaid cards change, or there are adverse developments with respect to the prepaid financial services industry in general.
- Our operations depend upon third-party relationships; our ability to maintain such relationships and such third parties' performances could adversely affect our business.
- We derive a significant percentage of our deposits, total assets and income from deposit accounts that we generate through Payments' customer relationships, of which a limited number of program manager relationships are particularly significant to our operations.
- We are exposed to fraud losses from customer accounts.
- We are exposed to settlement and other losses from payments customers.
- Our business strategy includes plans for organic growth, and our financial condition and results of operation could be adversely affected if we fail to grow or fail to manage our growth effectively.
- Acquisitions and other strategic transactions, or the failure to consummate such transactions, could disrupt our business and harm our financial condition and may not yield the intended benefits.
- New lines of business or new products and services may subject us to additional risks.
- An impairment charge of goodwill or other intangibles could have a material adverse impact on our financial condition and results of operations.
- We may incur losses due to fraudulent and negligent acts, as well as errors, by third parties or our employees.
- Security breaches involving us, the Bank or any third parties with which we do business could expose us to liability and litigation, adversely affecting our reputation and operating revenues.
- Failure to comply satisfactorily with certain privacy and data protection laws, regulations, and standards to which we are subject could adversely affect our reputation and operating revenues.
- Our reputation and financial condition may be harmed by system failures, computer viruses and other technological interruptions to our operations.
- Agency, technological, or human error could lead to tax refund processing delays, which could adversely affect our reputation and operating revenues.
- The Commercial Finance business line generates government-backed loans funded by the Bank, any of which could be negatively impacted by a variety of factors.
- Agreements between the Bank and third parties to market and service Bank-originated consumer loans may subject the Bank to credit, fraud and other risks, as well as claims from regulatory agencies and third parties that, if successful, could negatively impact the Bank's current and future business.
- The OCC's grant of bank charters to fintech companies and special purpose fintech charter could present a market risk to us generally and the Partner Solutions business line specifically.
- The loss or transition of key members of our senior management team or key employees in the Bank's divisions, or our inability to attract and retain qualified personnel, could adversely affect our business.
- We regularly assess our investments in technology, and changes in technology could be costly.

- Our ability to receive dividends from the Bank could affect our liquidity and ability to pay dividends on our common stock, interest on our trust preferred securities and principal on our debt.
- Unclaimed funds represented by unused value on the cards presents compliance and other risks.

Risks Related to Regulation of the Company and the Bank

- We operate in a highly regulated environment, and our failure to comply with laws and regulations, or changes in laws and regulations to which we are subject, may adversely affect our business, prospects, results of operations and financial condition.
- The Bureau's rulemaking and enforcement of prohibitions against unfair, deceptive or abusive practices have directly impacted, and may continue to impact, the Bank's consumer financial products and service offerings.
- Regulatory scrutiny of bank provision of partner solutions and related technology considerations has increased.
- Increased scrutiny and evolving expectations from stakeholders with respect to ESG practices may impose additional costs on us or expose us to new or additional risks.
- We will be subject to heightened regulatory requirements if our total assets exceed $10 billion as of December 31 of any calendar year.
- We will become subject to reduced interchange income and could face related adverse business consequences if our total assets exceed $10 billion as of December 31 of any calendar year.
- Any change in the Bank's ability to gather brokered deposits may adversely impact the Bank.
- As a BHC, we are required to serve as a "source of strength" for the Bank.
- If we fail to maintain sufficient capital, our financial condition, liquidity, results of operations, and compliance with regulatory requirements would be adversely affected.
- Changes in federal, state, and local tax laws, interpretations of existing tax laws, or adverse determinations by tax authorities, could increase our tax burden or otherwise have a material adverse effect on our business, financial condition, and results of operations.

General Risk Factors

- The price of our common stock may be volatile, which may result in losses for investors.
- An investment in our common stock is not an insured deposit.
- Future sales or additional issuances of our capital stock may depress prices of shares of our common stock or otherwise dilute the book value of shares then outstanding.
- Changes in accounting policies or accounting standards, or changes in how accounting standards are interpreted or applied, could materially affect how we report our financial results and condition.
- If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and our reputation.
- Federal regulations and our organizational documents may inhibit a takeover, prevent a transaction you favor or limit our growth opportunities, causing the market price of our common stock to decline.
- We may not be able to pay dividends in the future in accordance with past practice.
- Catastrophic events could negatively impact our operations, the operations of third parties with which we do business, and the communities in which we do business.
- Legal challenges to and regulatory investigations of our, or the Bank's, operations could have a significant material adverse effect on us.
- Our reputation and business could be damaged by negative publicity.
- Existing insurance policies may not adequately protect us and our subsidiaries.

Risks Related to Our Industry and Business

Our framework for managing risk, including our underwriting practices, may not prevent future losses.

We have established processes and procedures intended to identify, measure, monitor, report, and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies, as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. For example, if our underwriting practices or criteria fail to adequately identify, price, and mitigate credit risks, such as risks related to economic disruption and the risk in our refund advance loan portfolio that the IRS or the relevant state revenue department does not pay our customer's tax refund in full or the risk that any of our EROs will facilitate or engage in malfeasance or offer the Bank's products and services in a manner that does not comply with applicable law or contractual representations, warranties and covenants, it is possible that losses in our loan portfolio will exceed the amounts the Bank has set aside for loss reserves and result in reduced interest income and increased provision for credit loss, which could have an adverse effect on our financial condition and results of operations. Any resulting deterioration in our loan and lease portfolio could also cause a decrease in our capital, which would make it more difficult to maintain regulatory capital compliance. Further, risk mitigation techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specific circumstances and timing of such outcomes, which may result in the Bank or any of its business lines incurring unexpected losses.

We are subject to credit risk in connection with our lending and leasing activities, and our financial condition and results of operations may be negatively impacted by factors that adversely affect our borrowers.

We, through the Bank and its business lines, originate various types of loans and leases, and our financial condition and results of operations are affected by the ability of borrowers to repay their loans or leases in a timely manner. Borrowers may be unable to repay their loans due to various factors, some of which are outside of their control. Similarly, borrowers under our commercial loans and related financing products (typically, small- to medium-sized businesses) may be more susceptible to even mild or moderate economic declines than larger commercial borrowers, which may subject the Bank and, ultimately, us, to a higher risk of loan loss. Many borrowers have been negatively impacted by recent events impacting financial, real estate, and securities markets, including geopolitical turmoil, higher interest rates, inflation, adverse developments in the financial services industry, and other events that have caused market and economic volatility, and may continue to be similarly or more severely affected in the future. The risk of non-payment by borrowers is assessed through our underwriting processes and other risk management practices, which may not be able to fully identify, price and mitigate such risk. See *"Our framework for managing risk, including our underwriting practices, may not prevent future losses."* Despite those efforts, we do and will experience loan and lease losses, and our financial condition and results of operations will be adversely affected by those loan and lease losses.

If our actual credit losses exceed our allowance for credit losses, our net income will decrease.

We make various assumptions and subjective judgments about the collectability of our loan and lease portfolio, including the creditworthiness of our borrowers and the value of the assets serving as collateral for the repayment of our loans and leases, which are subject to change. Despite our underwriting and monitoring practices, our loan and lease customers may not repay their loans and leases according to their terms, and the collateral securing the payment of these loans and leases may be insufficient to pay any remaining loan and lease balance. We may experience significant credit losses due to nonpayment by our borrowers, which could have a material adverse effect on our overall financial condition and results of operation, as well as the value of our common stock. Because we must use assumptions to establish our allowance for credit losses, the current allowance for credit losses may not be sufficient to cover actual credit losses, and increases in the allowance, which may be significant, may be necessary. In addition, federal and state regulators periodically review our allowance for credit losses and may require us to increase our provision for credit loss or recognize loan charge-offs. Material additions to our allowance would materially decrease our net income. We cannot provide any assurance that our monitoring procedures and policies will reduce certain lending risks or that our allowance for credit losses will be adequate to cover actual losses.

Our earnings are significantly affected by general business, political and economic conditions.

Our operations and profitability, including the value of the portfolio of investment securities we hold and the value of collateral securing certain of our loans, are impacted by general business, political and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, commodity pricing, money supply and monetary policy, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, the strength of the United States economy, and uncertainty in financial markets globally, all of which are beyond our control. A deterioration in business, political or economic conditions, including those arising from pandemics, geopolitical turmoil and war, government shutdowns or defaults, or increases in unemployment, could result in an increase in loan delinquencies and nonperforming assets, decreases in loan collateral values, and a decrease in demand for our products and services, among other things, any of which could have a material adverse impact on our financial condition and results of operations.

Additionally, an unpredictable or volatile political environment in the United States, including any social unrest and uncertainty as a result of the 2024 U.S. presidential election, could negatively impact business and market conditions, economic growth, financial stability, and business, consumer, investor, and regulatory sentiments, any one or more of which could have a material adverse impact on our financial condition and results of operations. It is difficult to predict the legislative and regulatory changes that may result due to the upcoming presidential election. A new administration, or a change in the make-up of either the Senate and/or House of Representatives may cause broader economic changes due to changes in governing ideology and style. New appointments to the Board of Governances of the Federal Reserve could affect monetary policy and interest rates, which could in turn affect economic growth.

The process we use to estimate losses inherent in our credit exposure requires difficult, subjective and complex judgments, including forecasts of economic conditions, and determinations as to whether economic conditions might impair the ability of our borrowers to repay their loans and leases. The level of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates which may, in turn, impact the reliability of our underwriting processes. See also *"If our actual loan and lease losses exceed our allowance for credit losses, our net income will decrease."*

The electronic payments industry, including the prepaid financial services segment within that industry in which the Partner Solutions business line operates, depends heavily upon the overall level of consumer spending, which may decrease if economic or political conditions in the United States deteriorate and result in a reduction of the number of our prepaid accounts that are purchased or reloaded, the number of transactions involving our cards and the use of our reloadable card products and related services. A sustained reduction in the use of our products and related services, either as a result of a general reduction in consumer spending or as a result of a disproportionate reduction in the use of card-based payment systems, would materially harm our business, results of operations and financial condition.

Adverse developments or concerns affecting the financial services industry or specific financial institutions could adversely affect our financial condition and results of operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar events, have in the past and may in the future lead to erosion of customer confidence in the banking system, deposit volatility, liquidity issues, stock price volatility, increased regulatory scrutiny and other adverse developments. For example, the closures of Silicon Valley Bank ("SVB") and Signature Bank in March 2023, and First Republic Bank in May 2023, led to disruption and volatility, including deposit outflows and increased need for liquidity, at certain banks. Although depositors of these banks were largely protected, it is not certain that the Federal Reserve or FDIC will treat future bank failures similarly.

Similarly, inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. Any sale of investment securities that are held in an unrealized loss position by financial institutions for liquidity or other purposes will cause actual losses to be realized. There can be no assurance that there will not be additional bank failures or issues such as liquidity concerns in the broader financial services industry or in the U.S. financial system as a whole. Adverse financial market and economic conditions can exert downward pressure on stock prices, security prices, and credit availability for financial institutions without regard to their underlying financial strength. The volatility and economic disruption resulting from the failures of SVB and Signature Bank particularly impacted the price of securities issued by financial institutions, including us.

While we did not experience any abnormal changes in our total outstanding deposit balances following the bank closures in March and May 2023 and related events, we experienced changes in deposit balances resulting from typical seasonal fluctuations due to the nature of our business. While our deposit base primarily consists of millions of retail cards and other small dollar accounts with an average balance less than $1,000 and we maintain a liquidity position with numerous funding options available totaling over $2.0 billion as of September 30, 2024, we cannot be assured that unusual deposit withdrawal activity will not affect banks generally in the future or us in particular. Continued uncertainty regarding or worsening of the severity or duration of the volatility in the banking industry could also adversely impact our estimate of our allowance for credit losses and related provision for credit loss.

Any of these impacts, or any other impacts resulting from the events described above, could have a material adverse effect on our liquidity and our current and/or projected business operations and financial condition and results of operations.

Ineffective liquidity management could adversely affect our financial condition and results of operation.

Liquidity is essential to our business. We rely on different sources in order to meet our potential liquidity demands. Our primary sources of funds are deposits, derived principally through our Partner Solutions business line, borrowings, principal and interest payments on loans and leases and mortgage-backed securities, and maturing investment securities. We also utilize wholesale deposit sources to provide temporary funding when necessary or when favorable terms are available. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or economy generally. Any decline in available funding in amounts adequate to finance our activities or on terms which are acceptable could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill our obligations, such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have a material adverse effect on our business, financial condition and results of operations. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources” of this Form 10-K.

Our investments in certain tax-advantaged projects may not generate anticipated returns, causing an adverse impact on our results of operations.

We invest in certain tax-advantaged investments that support renewable energy resources. Our investments in these projects are designed to generate a return in part through the realization of federal and state income tax credits, and other tax benefits, over specified time periods. We are subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, may fail to meet certain government compliance requirements and may not be able to be realized.

The risk of not being able to realize, or of subsequently incurring a recapture of, the tax credits and other tax benefits depends on various factors, some of which are outside of our control, including changes in the applicable tax code, as well as the continued economic viability of the project and project operator. Further, while we engage in due diligence review both prior to the initial investment and on an ongoing basis, our due diligence review may not identify relevant issues or risks that may adversely impact our ability to realize these tax credits or other tax benefits. The possible inability to realize these tax credits and other tax benefits would have a negative impact on our financial results.

The residual value of leased equipment at the time of its disposition may be less than forecasted at the time we entered into the lease.

Through our Commercial Finance business line, we engage in equipment leasing activities. The market value of any given piece of leased equipment could be less than its depreciated value at the time it is sold due to various factors, including factors beyond our control. The market value of used leased equipment depends on several factors, including:

- the market price for new equipment that is similar;
- the age and condition of the leased equipment at the time it is sold;
- the supply of and demand for similar used equipment on the market;
- technological advances relating to the leased equipment or similar equipment; and
- economic conditions in the specific business or industry in which the equipment is used, as well as broader regional or national economic conditions.

We include in income from operations the difference between the sales price and the depreciated value of an item of leased equipment sold. Changes in our assumptions regarding depreciation could change our depreciation expense, as well as the gain or loss realized upon disposal of leased equipment. If we sell our used leased equipment at prices significantly below our projections or in lesser quantities than we anticipated at the time we entered into the lease, our results of operations and cash flows may be negatively impacted.

Changes in interest rates could adversely affect our results of operations and financial condition.

Our earnings depend substantially on our interest rate spread, which is the difference between (i) the interest rates we earn on loans, securities, and other interest-earning assets, and (ii) the interest rates we pay on deposits, other borrowings, and other interest-bearing liabilities. We are exposed to interest rate risk because our interest-earning assets and interest-bearing liabilities do not react uniformly or concurrently to changes in interest rates since the two have different time periods for adjustment and can be tied to different measures of rates. These rates are highly sensitive to many factors beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities, including the Federal Reserve. Throughout 2022, 2023 and 2024, the Federal Reserve raised the target range for the federal funds rate in an effort to curb inflation. In September 2024 and November 2024, the Federal Reserve lowered the target range for the federal funds rate to its current range of 4.50% to 4.75% in light of the progress on inflation. As market interest rates have risen, we have experienced competitive pressures to increase the rates we pay on deposits, which may decrease our net interest income. In addition, inflationary pressures will generally increase our operating costs and could have a significant negative effect on our borrowers and the values of collateral securing loans, which could negatively affect our financial performance. In addition, certain of our noninterest income and noninterest expenses are subject to adverse effect in a rising interest rate environment. The Bank monitors its interest rate risk exposure; however, the Bank can provide no assurance that its efforts will appropriately protect the Bank in the future from interest rate risk exposure. For additional information, see Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk."

We operate in an extremely competitive market, and our business will suffer if we are unable to compete effectively.

We encounter significant competition in all of our market areas and national business lines from other commercial banks, savings and loan associations, credit unions, mortgage banking firms, consumer finance companies, factoring companies, card issuers, securities brokerage firms, insurance companies, money market mutual funds and other financial intermediaries, including but not limited to fintech or neobank financial intermediaries. Some of our and the Bank's competitors have substantially greater resources and lending limits, may be subject to less regulation than we are, may offer services that we do not or cannot provide and, due to their size and other factors, may be able to offer services at more competitive rates. Our profitability depends upon both our ability to compete successfully in our market areas and the Bank's and the divisions' ability to compete in their various business markets.

For example, the Commercial Finance business line competes for loans, leases, and other financial services with numerous national and regional banks, thrifts, credit unions, and other financial institutions, as well as other entities that provide financial services, including specialty lenders, securities firms, and mutual funds. Certain larger commercial financing companies do not currently focus their marketing efforts on smaller commercial companies; however, any shift in focus by such larger financing companies may further fragment existing market share in this commercial finance industry. Moreover, some of the financial institutions and financial service organizations with which the Commercial Finance business line competes are not subject to the same degree of regulation as the Commercial Finance business line and the Bank. Many of the Commercial Finance business line's competitors have been in business for many years, have established customer bases, are larger and may offer other services that neither the Commercial Finance business line nor the Bank do.

Several banking institutions have adopted business strategies similar to ours, particularly with respect to the banking-as-a-service ("BaaS") business. This competition, and competition in any of the Bank's other business lines, may increase our costs, reduce our revenues or revenue growth, result in fragmented market share and a failure to enjoy economies of scale or make it difficult for us to compete effectively in maintaining and obtaining additional customer relationships.

Our business could suffer if consumer behaviors, or other factors, in connection with the use of prepaid cards change, or there are adverse developments with respect to the prepaid financial services industry in general.

As the prepaid financial services industry evolves, consumers may either find prepaid financial services to be less attractive than other financial services or may change the way in which they utilize the service prepaid cards provide. Consumers might not use prepaid financial services for any number of reasons. For example, negative publicity surrounding us or other prepaid financial service providers could impact the Payments business and prospects for growth to the extent it adversely impacts the perception of prepaid financial services. Consumer spend behaviors could increase or decrease, or become more difficult to accurately predict, thereby impacting operating revenues and/or expenses of the Company. Growth of prepaid financial services as an electronic payment mechanism may not occur or may occur more slowly than estimated. These factors could have a material adverse effect on our financial condition and results of operations.

Our operations depend upon third-party relationships; our ability to maintain such relationships and such third parties' performances could adversely affect our business.

The Bank has entered into numerous arrangements with third parties with respect to the operations of its business, as described in Part I, Item 1 "Business." Upon the expiration of the then-current term, any such agreements may not be renewed by the third party or may be renewed on terms less favorable to the Bank. In some cases, such agreements may permit the third party to unilaterally prescribe certain business practices and procedures with respect to the Bank and its business lines (as is the case under agreements with Discover, MasterCard, Visa and other card networks) or terminate the agreement early under certain circumstances (as is the case under our program management agreement with Emerald Financial Services, LLC ("EFS") with respect to certain H&R Block financial services if the Bank should lose its exemption from the Durbin Amendment). To the extent any agreement with a service provider is terminated, we may not be able to secure alternate service providers, and, even if we do, the terms with alternate providers may not be as favorable as those currently in place. In addition, were we to lose any of our significant third-party providers, including in our refund advance related business in which we have a limited number of partners, it could cause a material disruption in our ability to service our customers, which also could have an adverse material impact on the Bank, its business lines and, ultimately, us. Moreover, significant disruptions in our ability to provide services could negatively affect the perception of our business, which could result in a loss of confidence and other adverse effects on our business.

In addition, if any of our counterparties is unable to or otherwise does not fulfill (or does not timely fulfill) its obligations to us for any reason (including, but not limited to, bankruptcy, computer or other technological interruptions or failures, personnel loss, negative regulatory actions, or acts of God) or engages in fraud or other misconduct during the course of such relationship, we may need to seek alternative third party service providers, or discontinue certain products or programs in their entirety. We have experienced, and expect to continue to experience, situations where we have been held directly or indirectly responsible, or were otherwise subject to liability, for the inability of our third party service providers to perform services for our customers on a timely basis or at all or for actions of third parties undertaken on behalf of the Bank or otherwise in connection with the Bank's arrangement with such third parties. Any such responsibility or liability in the future may have a material adverse effect on our business, including the operations of the Bank and its divisions, and financial results.

In any event, our agreements with, and management practices with respect to, third parties have been and may continue to be scrutinized by our regulators, and our regulators could raise an issue with, or object to, any term or provision in such an agreement or any action taken by such third party vis-à-vis the Bank's operations or customers, resulting in a material adverse effect to us including, but not limited to, the imposition of fines and/or penalties and the material restructuring or termination of such agreement. Moreover, if our regulators examine our third-party service providers and find questionable or illegal acts or practices, our regulators could require us to restructure or terminate our agreements with such providers or enhance management and risk oversight practices with respect thereto.

Additionally, although our network of tax preparation partners is expansive, it is possible that our EROs may choose to offer tax-related products of other companies that provide products and services similar to the Bank's if such other companies offer superior pricing or for other competitive reasons.

We derive a significant percentage of our deposits, total assets and income from deposit accounts that we generate through Payments' customer relationships, of which a limited number of program manager relationships are particularly significant to our operations.

We derive a significant percentage of our deposits, total assets and income from deposit accounts we generate through program manager relationships between third parties and Payments. If one of these significant program manager relationships were to be terminated or there is a significant decrease in revenues or deposits associated with any of these business relationships, it could materially reduce our deposits, assets and income. Similarly, if a significant program manager relationship was not replaced, we may be required to seek higher-rate funding sources as compared to the existing program manager relationship or see a significant reduction in fee income.

We are exposed to fraud losses from customer accounts.

Fraudulent activity involving our products may lead to customer disputed transactions, for which we may be liable under banking regulations and payment network rules. Our fraud detection and risk control mechanisms may not prevent all fraudulent or illegal activity. To the extent we incur losses from disputed transactions, our business, results of operations and financial condition could be materially and adversely affected.

We are exposed to settlement and other losses from payments customers.

Our cardholders can incur charges in excess of the funds available in their accounts, and we may become liable for these overdrafts. While we decline authorization attempts for amounts that exceed the available balance in a cardholder's account, the application of card association rules, the timing of the settlement of transactions and the assessment of the card's monthly maintenance fee, among other things, can result in overdrawn accounts.

In addition, we face settlement risks from our distributors and banking partners, which may increase during an economic downturn. Depending on contract terms, we may prefund partner accounts. If a partner becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to our card issuing bank from the sales of our products and services, we are liable for any amounts owed to our customers. At September 30, 2024, we had assets subject to settlement risk of $365.9 million.

For one of our programs, the Company pays servicing fees which are primarily offset by estimated card breakage. For cards issued prior to January of 2020, if consumers spend more than projected over the life of the card programs, the Company could experience a material adverse effect on our business, results of operations and financial condition. See “Funding Activities – Deposits” for further breakdown of balances as of September 30, 2024. We are not insured against these settlement or partner risks.

Our business strategy includes plans for organic growth, and our financial condition and results of operation could be adversely affected if we fail to grow or fail to manage our growth effectively.

As part of our general growth strategy, we expect to continue to pursue organic growth, while also continuing to evaluate potential acquisitions and expansion opportunities that we believe provide a strategic or geographic fit with our business. Although we have experienced significant growth in our assets and revenues, we may not be able to sustain our historical growth rate or be able to grow at all. We believe that our future organic growth will depend on competitive factors and on the ability of our senior management to continue to maintain a robust system of internal controls and procedures and manage a growing number of customer relationships. See *"We operate in an extremely competitive market, and our business will suffer if we are unable to compete effectively."* We may not be able to implement changes or improvements to these internal controls and procedures in an efficient or timely manner and may discover deficiencies in existing systems and controls. Our growth strategy may divert management from our existing business and may require us to incur additional expenditures to expand our administrative and operational infrastructure and, if we are unable to effectively manage our growth, including to the satisfaction of our regulators, we could be materially and adversely affected. In addition, acquiring other companies may involve risks such as exposure to potential asset quality issues, disruption to our normal business activities and diversion of management’s time and attention due to integration and conversion efforts. Consequently, continued organic growth, if achieved, may place a strain on our administrative and operational infrastructure, which could have a material adverse effect on our financial condition and results of operations.

Acquisitions and other strategic transactions, or the failure to consummate such transactions, could disrupt our business and harm our financial condition and may not yield the intended benefits.

We have historically and may continue to evaluate, consider and engage in strategic transactions, combinations, acquisitions and dispositions. These transactions could be material to our financial condition and results of operations if consummated. Identifying appropriate business opportunities can be difficult, time-consuming and costly, and we may not be successful in negotiating favorable terms and/or consummating the transaction. Even if we do consummate such a transaction, we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction, including:

- increased regulatory and compliance requirements;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business;

- integration and coordination of product, sales, marketing, program and systems management functions;
- integration of the acquired company's systems and operations generally with ours;
- integration of employees from the acquired company into our organization;
- loss or termination, including costs associated with the termination or replacement, of employees;
- liability for activities of the acquired company prior to the acquisition, including violations of law, commercial disputes and tax and other known and unknown liabilities; and
- increased litigation or other claims in connection with the acquired company, including claims brought by terminated employees, customers, former stockholders or other third parties.

Accordingly, any acquisition, disposition or other strategic transaction may not be successful, may not benefit our business strategy or may not otherwise result in the intended benefits. It also may take us longer than expected to fully realize the anticipated benefits and synergies of these transactions, and those benefits and synergies may ultimately be smaller than anticipated or may not be realized at all, which could adversely affect our business and operating results.

Additionally, any acquisition of target financial institutions or other banking assets by us may require approval by, and cooperation from, a number of governmental regulatory agencies, as well as state banking regulators. Such regulators could delay or deny our applications or regulatory approvals may not be granted on terms that are acceptable to us.

To the extent we pay the consideration for any future strategic acquisition in cash, it would reduce the amount of cash available to us for other purposes. Future strategic transactions could also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses, or goodwill impairment charges, any of which could harm our financial condition and negatively impact our stockholders.

New lines of business or new products and services may subject us to additional risks.

From time to time, we have implemented, and in the future, may implement new lines of business or offer new financial products or services within existing lines of business. Substantial risks and uncertainties are associated with developing and marketing new lines of business or new products or services, particularly in instances where markets are not fully developed or when the laws and regulations regarding a new product are not mature, and we may be required to invest significant time, management and capital resources in connection with such new lines of business or new products or services. Initial timetables for the introduction and development of new lines of business or new products or services may not be achieved. In addition, price and profitability targets for new lines of business or new products or services may not prove feasible, as we, the Bank or any of the Bank's business lines may need to price products and services on less advantageous terms than anticipated to retain or attract customers. External factors, such as regulatory reception, compliance with regulations and guidance, developing laws and regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business or new product or service may be expensive to implement and could also have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could reduce our revenues and potentially generate losses.

An impairment charge of goodwill or other intangibles could have a material adverse impact on our financial condition and results of operations.

From previous acquisitions, the Company has goodwill and intangible assets included in its consolidated assets. Under GAAP we are required to test the carrying value of goodwill and intangible assets at least annually or sooner if events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, legal and regulatory factors, competition, a decrease in our stock price and market capitalization over a sustained period of time, a sustained decline in a reporting unit's fair value or other operating performance indicators. GAAP requires us to assign and then test goodwill at the reporting unit level. If the fair value of our reporting unit is less than its net book value, the shortfall is recognized as impairment and is recognized in current earnings. In addition, if the revenue and cash flows generated from any of our other acquired intangible assets is not sufficient to support its net book value, we may be required to record an impairment charge. The estimation of fair value involves a high degree of judgment and subjectivity in the assumptions used. The amount of any impairment charge could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

We may incur losses due to fraudulent and negligent acts, as well as errors, by third parties or our employees.

We may incur losses due to fraudulent or negligent acts, misconduct or errors on the part of third parties with which we do business, our employees and individuals and entities unaffiliated with us, including unauthorized wire and automated clearinghouse transactions, the theft of customer data, customer fraud concerning the value of any relevant collateral, identity theft, errors in a customer's tax return, tax return fraud, the counterfeiting of cards and "skimming" (whereby a skimmer reads a debit card's encoded mag stripe and a camera records the PIN that is entered by a customer), malicious social engineering schemes (where people are asked to provide a prepaid card or reload product in order to obtain a loan or purchase goods or services) and collusion between participants in the card system to act illegally. Additionally, our employees could hide unauthorized activities from us, engage in improper or unauthorized activities on behalf of our customers, or improperly use confidential information. There can be no assurances that the Bank's program to monitor fraud and other activities will be able to detect all instances of such conduct or that, even if such conduct is detected, we, the Bank, our customers or the third parties with which we do business, including the ATM networks and card payment industry in which the Bank participates, will not be the victims of such activities. Even a single significant instance of fraud, misconduct or other error could result in reputational damage to us, which could reduce the use and acceptance of our cards and other products and services, cause retail distributors or their customers to cease doing business with us or them, or could lead to greater regulation that would increase our compliance costs. Such activities could also result in the imposition of regulatory sanctions, including significant monetary fines, and civil claims which could adversely affect our business, operating results and financial condition.

Security breaches involving us, the Bank or any third parties with which we do business could expose us to liability and litigation, adversely affecting our reputation and operating revenues.

In connection with our business, we collect and retain significant volumes of sensitive business and personally identifiable information, including social security numbers of our customers and other personally identifiable information of our customers and employees, on our data systems. We and the third parties with which we conduct business are subject to security breaches, which may be due to the failure of our data encryption technologies or otherwise, involving the receipt, transmission, and storage of confidential customer and other personally identifiable information, including account takeovers, unavailability of service, computer viruses, or other malicious code, cyberattacks, or other events, any of which may arise from human error, fraud or malice on the part of employees or third parties or from accidental technological failure. If one or more of these events occurs, it could result in the disclosure of confidential customer information, impairment of our ability to provide products and services to our customers, damage to our reputation with our customers and the market, additional costs (such as costs for repairing systems or adding new personnel or protection technologies), regulatory penalties, and financial losses for us, our customers and other third parties. Such events could also cause interruptions or malfunctions in the operations of our customers, or other third parties with which we engage in business. Such events could also damage our reputation with customers and third parties with whom we do business, which could lead to loss of customers and business opportunities and have a material adverse effect on our financial condition and results of operation.

Risks and exposures related to cybersecurity attacks have increased as a result of greater reliance on remote working, and are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, the proliferation of malicious actors internationally, and the expanding use of technology-based products and services by us and our customers. Cybersecurity risk and other security matters are also a major focus of regulatory authorities. We can provide no assurances that the safeguards we have in place or may implement in the future will prevent all unauthorized infiltrations or breaches and that we will not suffer losses related to a security breach in the future, which losses may be material. In addition, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures.

Failure to comply satisfactorily with certain privacy and data protection laws, regulations, and standards to which we are subject could adversely affect our reputation and operating revenues.

We are subject to various privacy, information security and data protection laws, regulations and standards. For example, the largest credit card associations in the world created the Payment Card Industry Data Security Standards (the "PCI DSS"), a multifaceted standard that includes data security management, policies and procedures as well as other protective measures to protect the nonpublic personal information of cardholders. These laws, regulations and standards are rapidly evolving and increasing in complexity and could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer and employee information, and some current or planned business activities. Complying with these laws, regulations and standards may increase our operational costs, restrict our ability to provide certain products and services or have an effect on the profitability of one or more of our business divisions. Additionally, our failure, or perceived failure, to comply with applicable laws and regulations or other obligations to which we may be subject relating to personal information could result in regulatory sanctions, including financial penalties, regulatory investigations, claims for damages by customers and other affected individuals and damage to our reputation, any of which could have a material adverse effect on our operations, financial performance and business.

Our reputation and financial condition may be harmed by system failures, computer viruses and other technological interruptions to our operations.

We rely heavily upon information systems and other operating technologies to efficiently operate and manage our business, including to process transactions through the Internet, including, in particular, in our Partner Solutions business line. Were there to be a failure or a significant impairment in the operation of any of such systems, we may need to develop alternative processes, including to comply with customer safeguard protocols, during which time revenues and profitability may be lower, and there can be no assurance that we could develop or find such an alternative on terms acceptable to us or at all. Any such disruption in the information systems and other operating technologies utilized by the Bank or its divisions, including due to infiltration by hackers or other intruders, power loss, telecommunications failure, physical break-ins, or damage from fire, could also result in negative publicity, have a material adverse effect on our ability to obtain or retain customers, and have a material adverse effect on our financial condition and results of operations.

Agency, technological, or human error could lead to tax refund processing delays, which could adversely affect our reputation and operating revenues.

We and our tax preparation partners rely on the IRS, technology, and employees when processing and preparing tax refunds and tax-related products and services. Any delays during the processing or preparation period could result in reputational damage to us or to our tax preparation partners, which could reduce the use and acceptance of our cards and tax-related products and services, either of which could have a significant adverse impact on our operating revenues and future growth prospects.

The Commercial Finance business line generates government-backed loans funded by the Bank, any of which could be negatively impacted by a variety of factors.

The Commercial Finance business line originates loans backed by numerous state and federal government agencies. Risks inherent in the Bank's participation in such programs, through its Commercial Finance business line, include: (i) some of these programs guarantee only a portion of the commercial loan made by the Bank; as such, if the borrower defaults and losses exceed those guaranteed by the government agency, the Bank could realize significant losses; (ii) certain programs, including some guaranteed by the United States Department of Agriculture, limit the geographic scope of such loans; as such, if the Commercial Finance business line is not able to market these loans to potential borrowers, the Bank's share in this market may be negatively impacted; (iii) the intended beneficiaries of such loan programs may experience a contraction in their credit quality due to local, national, or global economic events or because of factors specific to their business, including, for example, businesses dependent upon the farming and agriculture industry; as such, any negative impact to certain commercial business lines designed to benefit from such government-sponsored loan programs could constrict the Bank's business in these areas; and (iv) nearly all of these guaranteed loan programs are subject to an appropriations process, either at the legislative or regulatory level; this means that funds that may be currently available to guarantee loans or portions of loans could be limited or eliminated in their entirety with little or no advance warning.

Agreements between the Bank and third parties to market and service Bank-originated consumer loans may subject the Bank to credit, fraud and other risks, as well as claims from regulatory agencies and third parties that, if successful, could negatively impact the Bank's current and future business.

The Bank has entered into various agreements with unaffiliated third parties ("Marketers"), whereby the Marketers will market and service unsecured consumer loans underwritten and originated by the Bank. These agreements present potential increased credit, operational, and reputational risks. Because the loans originated under such programs are unsecured, in the event a borrower does not repay the loan in accordance with its terms or otherwise defaults on the loan, the Bank may not be able to recover from the borrower an amount sufficient to pay any remaining balance on the loan. See *"If our actual loan and lease losses exceed our allowance for credit losses, our net income will decrease."* We may also become subject to claims by regulatory agencies, customers, or other third parties due to the conduct of the third parties with which the Bank operates such lending programs if such conduct is deemed not to comply with applicable laws in connection with the marketing and servicing of loans originated pursuant to these programs.

Certain types of these arrangements have been challenged both in the courts and in regulatory actions. In these actions, plaintiffs have generally argued that the "true lender" is the marketer and that the intent of such lending program is to evade state usury and loan licensing laws. Other cases have also included other claims, including racketeering and other state law claims, in their challenge of such programs.

In 2020, the OCC issued final rules designed to clarify when a national bank such as the Bank will be considered the “true lender” in such relationships (the "True Lender Rule"). In June 2021, the True Lender Rule was repealed and the OCC prohibited from issuing any replacement of the True Lender Rule absent Congressional authorization. In the wake of the repeal of the True Lender Rule, several states have announced their intention to broaden oversight of non-bank fintech lenders, and several states have adopted legislation and guidance regarding "true lenders." Additionally, certain parties have initiated litigation in order to obtain court guidance on how particular jurisdictions may weigh loan program facts and rule on “true lender” challenges. In addition, the Consumer Financial Protection Bureau and the Federal Trade Commission have each announced their intention to explore their authority to supervise nonbank lending partnerships in markets for consumer financial products and services.
Consequently, state and federal regulatory authorities may proceed on different paths to promulgate “true lender” restrictions, and – absent binding court rulings or direct legislative action – impacted parties may have little to no advance notice of new restrictions and compliance obligations. In the absence of applicable laws or regulations addressing these matters, true lender disputes will be determined on a case-by-case basis, informed by differing state laws and the facts in each instance. There can be no assurance that lawsuits or regulatory actions in connection with any such lending programs the Bank has entered, or will enter, into will not be brought in the future. If a regulatory agency, consumer advocate group, or other third party were to bring successful action against the Bank or any of the third parties with which the Bank operates such lending programs, there could be a material adverse effect on our financial condition and results of operations.

The OCC's grant of bank charters to fintech companies and special purpose fintech charter could present a market risk to us generally and the Partner Solutions business line specifically.

The OCC announced on July 31, 2018 that it would begin to accept and evaluate charters for entities that wanted to conduct certain components of a banking business pursuant to a federal charter, known as a "special purpose national bank" ("SPNB") charter. Intended to promote economic opportunity and spur financial innovation, SPNBs may engage in paying checks, lending money and taking deposits. While the OCC has not granted any SPNB charters as of the date of this filing, it has granted national bank charters to companies that were previously non-bank fintech companies.

If, in the future, the OCC determines to grant any SPNB applications or continues to grant bank charters to fintech applicants, recipients of such charters may enter the U.S. payments market, BaaS solutions market, and other business lines in which the Bank operates, which could increase the competition we face and have a material adverse effect on the Bank and the Partner Solutions business line.

The loss or transition of key members of our senior management team or key employees in the Bank's divisions, or our inability to attract and retain qualified personnel, could adversely affect our business.

We believe that our success depends largely on the efforts and abilities of our senior executive management team and other key employees. Their experience and industry contacts significantly benefit us. Our future success also depends in part on our ability to attract, retain and motivate key management and operating personnel. The loss of any of our key personnel could have an adverse effect on our business. Management transitions may create uncertainty and involve a diversion of resources and management attention, be disruptive to our daily operations or impact public or market perception, any of which could negatively impact our ability to operate effectively or execute our strategies and result in a material adverse impact on our business, financial condition, results of operations or cash flows.

As we continue to develop and expand our operations, we may require personnel with different skills and experiences, with a sound understanding of our business and the industries in which we operate. The competition for qualified personnel in the financial services industry is intense, and the loss of any of our key personnel or an inability to continue to attract, retain, and motivate key personnel could adversely affect our business.

We regularly assess our investments in technology, and changes in technology could be costly.

The fintech industry is undergoing technological innovation at a fast pace. To keep up with our competition, we regularly evaluate technology to determine whether it may help us compete on a cost-effective basis. This is especially true with respect to our Partner Solutions business line, which requires significant expenditures to exploit technology and to develop new products and services to meet customers' needs. The cost of investing in, implementing and maintaining such technology is high, and there can be no assurance, given the fast pace of change and innovation, that our technology, either purchased or developed internally, will meet our needs, in a timely, cost-effective manner or at all. During the course of implementing new technology into our or the Bank's operations, we may experience system interruptions and failures. In addition, there can be no assurances that we will recognize, in a timely manner or at all, the benefits that we may expect as a result of our implementing new technology into our operations. In connection with our implementation of new lines of business, offering of new financial products or acquisitions, we may experience significant, one-time or recurring technology-related costs. If we are not able to anticipate and keep pace with existing and future technology needs, our business, financial results, or reputation could be negatively impacted.

Our ability to receive dividends from the Bank could affect our liquidity and ability to pay dividends on our common stock, interest on our trust preferred securities and principal on our debt.

We are a legal entity separate and distinct from the Bank. Our primary source of cash, other than securities offerings, is dividends from the Bank. These dividends are a principal source of funds to pay dividends on our common stock, interest on our trust preferred securities and interest and principal on our debt. Various laws and regulations limit the amount of dividends that the Bank may pay us, as further described in Part I, Item 1 "Business - Regulation and Supervision - Bank Regulation and Supervision - Limitations on Dividends and Other Capital Distributions" of this Annual Report on Form 10-K. Such limitations could have a material adverse effect on our liquidity and on our ability to pay dividends on common stock. Additionally, if the Bank's earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common shareholders or make payments on our trust preferred securities.

Unclaimed funds represented by unused value on the cards presents compliance and other risks.

The concept of escheatment involves the reporting and delivery of property to states that is abandoned when its rightful owner cannot be readily located and/or identified. In the context of prepaid cards, the customer funds represented by such cards can sometimes be "abandoned" or unused for the relevant period of time set forth in each applicable state's abandoned property laws. The Partner Solutions business line utilizes automated programs designed to comply with applicable escheatment laws and regulations. There appears, however, to be a movement among some state regulators to more broadly interpret definitions in escheatment statutes and regulations than in the past. State regulators may choose to initiate collection or other litigation action against prepaid card issuers, like Payments, for unreported abandoned property, and such actions may seek to assess fines and penalties and could have an adverse effect on our business.

Risks Related to Regulation of the Company and the Bank

We operate in a highly regulated environment, and our failure to comply with laws and regulations, or changes in laws and regulations to which we are subject, may adversely affect our business, prospects, results of operations and financial condition.

We and the Bank operate in a highly regulated environment, and we are subject to extensive regulation (including, among others, the Dodd-Frank Act, the Basel III Capital Rules, the Bank Secrecy Act and other AML rules), supervision, and examination, including by the OCC and the Federal Reserve, our primary banking regulators. In addition, the Bank is subject to regulation by the FDIC and, to a lesser degree, the Bureau. Prepaid card issuers like the Bank are also subject to heightened regulatory scrutiny based on AML and Bank Secrecy Act concerns, which scrutiny could result in higher compliance costs. See Part I, Item 1 "Business - Regulation and Supervision" herein. Many of the laws, rules, regulations and supervisory policies governing our business are intended primarily for the protection of our depositors, our customers, the financial system and the FDIC insurance fund, not our stockholders or other creditors and are subject to regular modification and change. A considerable amount of management time and resources are devoted to oversight of, and development, implementation and execution of controls and procedures relating to, compliance with these laws, regulations and policies.

Banking regulatory authorities have broad discretion in connection with their supervisory and enforcement activities, including, but not limited, to the imposition of restrictions on the operation of an institution, the classification of assets by the institution, and the adequacy of an institution's allowance for credit losses. If any of our banking regulators takes informal or formal supervisory action or pursues an enforcement action, any required corrective steps could result in us being subject to additional regulatory requirements, operational restrictions, a consent order, enhanced supervision and/or civil money penalties. Failure to maintain and implement adequate policies, procedures, and systems to comply with these regulations could also have serious reputational consequences for us.

Any new requirements or rules, changes in such requirements or rules, changes to or new interpretations of existing requirements or rules, failure to follow requirements or rules, or future lawsuits or rulings could increase our compliance and other costs of doing business, require significant systems redevelopment, render our products or services less profitable or obsolete or otherwise have a material adverse effect on our business, prospects, results of operations, and financial condition. For example, any changes in the U.S. tax laws as a result of pending tax legislation in the U.S. Congress or otherwise may adversely impact our tax refund processing and settlement business, which could reduce customer demand for our strategic partner's refund advance products, thereby reducing the volume of refund advance loans that we may offer. In addition, future regulations could increase the assessment rate we are required to pay to the FDIC, adversely affecting our earnings. It is very difficult to predict future changes in regulation or the competitive impact that any such changes would have on our business.

The Bureau's rulemaking and enforcement of prohibitions against unfair, deceptive or abusive practices have directly impacted, and may continue to impact, the Bank's consumer financial products and service offerings.

The Bureau has broad rulemaking authority to administer and carry out the purposes and objectives of "federal consumer financial laws, and to prevent evasions thereof" with respect to all financial institutions that offer financial products and services to consumers. We cannot predict the impact the Bureau's future actions, including any exercise of its UDAAP authority, will have on the banking industry broadly or us and the Bank specifically. Notwithstanding that insured depository institutions with assets of $10 billion or less (such as the Bank) will continue to be supervised and examined by their primary federal regulators, the full reach and impact of the Bureau's broad rulemaking powers and UDAAP authority on the operations of financial institutions offering consumer financial products or services are currently unknown. The Bureau has initiated enforcement actions against a variety of bank and non-bank market participants with respect to a number of consumer financial products and services that has resulted in those participants expending significant time, money and resources to adjust to the initiatives being pursued by the Bureau. Such enforcement actions may serve as precedent for how the Bureau interprets and enforces consumer protection laws, which may result in the imposition of higher standards of compliance with such laws and, as a result, limit or restrict the Bank with respect to its consumer product offerings. See "Business - Regulation and Supervision - Bank Regulation and Supervision" in Part I, Item 1 of this Annual Report on Form 10-K.

Regulatory scrutiny of bank provision of partner solutions and related technology considerations has increased.

We provide products and services to third parties through issuing, acquiring, digital payments, financial institution solutions, credit solutions, and professional tax solutions. The third parties that use these partner solutions, and with which we often partner in marketing efforts, are typically considered fintech companies but may also include other financial intermediaries. Federal bank regulators are increasingly focused on the risks related to bank and fintech company partnerships, raising concerns regarding risk management, oversight, internal controls, information security, change management, and information technology operational resilience. This focus is demonstrated by recent regulatory enforcement actions against other banks that have allegedly not adequately addressed these concerns while growing their BaaS offerings, as well as by a request for information by the federal banking regulators on bank-fintech arrangements. While we believe we are a leader in managing, monitoring and overseeing partner solutions relationships with third parties and corresponding technologies, we could be subject to additional regulatory scrutiny with respect to that portion of our business.

Increased scrutiny and evolving expectations from stakeholders with respect to ESG practices may impose additional costs on us or expose us to new or additional risks.

As a regulated financial institution and a publicly traded company, we are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to ESG practices and disclosure. Investor advocacy groups, investment funds, and influential investors are increasingly focused on these practices, especially as they relate to climate risk, hiring practices, diversity, health and safety and human rights. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact the Company's reputation, ability to do business with certain partners, and stock price. Both recently adopted and pending government regulations will result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Additionally, ongoing legislative or regulatory uncertainties and changes regarding ESG, including climate risk, management and practices may result in higher compliance, credit and reputational risks and costs. To the extent that we or our customers experience increases in costs, including with respect to compliance with any additional regulatory or disclosure requirements or expectations, reductions in the value of assets, constraints on operations or similar concerns driven by changes in ESG oversight and regulation, our results of operations, financial condition, and business could be adversely affected.

We will be subject to heightened regulatory requirements if our total assets exceed $10 billion as of December 31 of any calendar year.

As of September 30, 2024, our total assets were $7.55 billion. While we intend to remain under the $10 billion asset level, our total assets could exceed $10 billion at the end of this or a future calendar year. In addition to our current regulatory requirements, banks with $10 billion or more in total assets are, among other things: examined directly by the Bureau with respect to various federal consumer financial laws; subject to reduced dividends on the Bank's holdings of Federal Reserve Bank of Minneapolis common stock; subject to limits on interchange fees pursuant to the Durbin Amendment to the Dodd-Frank Act; subject to certain enhanced prudential standards; no longer treated as a "small institution" for FDIC deposit insurance assessment purposes; and no longer eligible to elect to be subject to the Community Bank Leverage ratio. Compliance with these additional ongoing requirements may necessitate additional personnel, the design and implementation of additional internal controls, or the incurrence of other significant expenses, any of which could have a significant adverse effect on our business, financial condition or results of operations. Our regulators may also consider our preparation for compliance with these regulatory requirements in the course of examining our operations generally or when considering any request from us or the Bank.

We will become subject to reduced interchange income and could face related adverse business consequences if our total assets exceed $10 billion as of December 31 of any calendar year.

Debit card interchange fee restrictions set forth in Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is known as the Durbin Amendment, as implemented by regulations of the Federal Reserve, cap the maximum debit interchange fee that a debit card issuer may receive per transaction. Debit card issuers with total consolidated assets of less than $10 billion are exempt from these interchange fee restrictions. The exemption for small issuers ceases to apply as of July 1 of the year following the calendar year in which the debit card issuer has total consolidated assets of $10 billion or more at calendar year-end. While we intend to remain under the $10 billion asset level, and have implemented an off-balance sheet strategy for deposits, growth in deposits and associated loan growth could result in such an increase on our balance sheet. Any reduction in interchange income as a result of the loss of the exemption for small issuers under the Durbin Amendment could have a significant adverse effect on our business, financial condition and results of operations. Moreover, our loss of eligibility under the exemption for small issuers could adversely affect or reduce our ability to maintain certain of our fee-sharing prepaid card partnerships, which have the right to terminate our agreement with respect to certain financial services under such circumstances.

Any change in the Bank's ability to gather brokered deposits may adversely impact the Bank.

Failure to maintain the Bank's status as a "well capitalized" institution could have an adverse effect on us, and our ability to fund our operations. The Bank relies on brokered deposits to assist in funding its loan and other financing products. Should the Bank ever fail to be well capitalized in the future as a result of not meeting the well capitalized requirements or the imposition of an individual minimum capital requirement or similar formal requirement, then, the Bank would be prohibited, absent waiver from the FDIC, from utilizing brokered deposits (i.e., no insured depository institution that is deemed to be less than "well capitalized" may accept, renew or rollover brokered deposits absent a waiver from the FDIC). In such event, such a result could produce material adverse consequences for the Bank with respect to liquidity and could also have material adverse effects on our financial condition and results of operations. Further, depending on the Bank's condition in the future and its reliance on these deposits as a source of funding, the FDIC could increase the surcharge on our brokered deposits. If we are ever required to pay higher surcharge assessments with respect to these deposits, such payments could be material and therefore could have a material adverse effect on our financial condition and results of operations. In addition, changes to FDIC regulations regarding brokered deposits or interpretations of such regulations by federal banking agencies could have an adverse impact on the Bank’s ability to accept brokered deposits. On July 30, 2024, the FDIC released a notice of proposed rulemaking to revise its regulations regarding brokered deposits, which would significantly change the FDIC’s current approach to brokered deposits. If the FDIC adopts these amendments as proposed, it could have an adverse impact on the Bank’s ability to accept brokered deposits. Additionally, brokered deposits are highly sensitive to changes in interest rates and, accordingly, can be a more volatile source of funding. Use of brokered deposits involves the risk that growth supported by such deposits would be halted, or the Bank’s liquidity adversely impacted, if the rates offered by the Bank were less than those offered by other institutions seeking such deposits, or if depositors were to perceive a decline in the Bank’s safety and soundness, or both.

As a BHC, we are required to serve as a "source of strength" for the Bank.

Federal banking law codifies a requirement that a BHC (like us) act as a financial "source of strength" for its FDIC-insured depository institution subsidiaries (like the Bank) and permits the OCC, as the Bank's primary federal regulator, to request reports from us to assess our ability to serve as a source of strength for the Bank and to enforce compliance with these statutory requirements. See Part I, Item 1 "Business - Regulation and Supervision - Holding Company Regulation and Supervision." Given the power provided to the federal banking agencies, we, as a source of strength for the Bank, may be required to contribute capital to the Bank when we might not otherwise voluntarily choose to do so. Specifically, the imposition of such financial requirements might require us to raise additional capital to support the Bank at a time when it is not otherwise prudent for us to do so, including on terms that are not typical or favorable to us. Further, any capital provided by us to the Bank would be subordinate to others with an interest in the Bank, including the Bank's depositors. In addition, in the event of our bankruptcy at a time when we had a commitment to one of the Bank's regulators to maintain the capital of the Bank, the regulators' claims against us may be entitled to priority status over other obligations.

If we fail to maintain sufficient capital, our financial condition, liquidity, results of operations, and compliance with regulatory requirements would be adversely affected.

Both we and the Bank are required to meet regulatory capital requirements and otherwise need to maintain sufficient liquidity to support recent and future growth. We have continued to experience considerable growth recently, having increased our assets from $2.53 billion at September 30, 2015 to $7.55 billion at September 30, 2024, primarily due to strategic transactions, such as the Crestmark Acquisition, through participation in government stimulus programs such as the EIP, and through organic growth. Asset growth, diversification of our lending business, expansion of our financial product offerings and other changes in our asset mix continue to require higher levels of capital, which management believes may not be met through earnings retention alone. Our ability to raise additional capital, when and if needed in the future, to meet such regulatory capital requirements and liquidity needs will depend on conditions in the capital markets, general economic conditions, the performance and prospects of our business and a number of other factors, many of which are outside of our control. We cannot assure you that we will be able to raise additional capital if needed or raise additional capital on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations could be materially and adversely affected.

Although we comply with all current applicable capital requirements, we may be subject to more stringent regulatory capital requirements in the future, and we may need additional capital in order to meet those requirements. If we or the Bank fail to meet applicable minimum capital requirements or cease to be well capitalized, such failure would cause us and the Bank to be subject to regulatory restrictions and could adversely affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common stock and/or repurchase shares, our ability to make distributions on our trust preferred securities, our ability to make acquisitions, and our business, results of operations and financial condition, generally.

Changes in federal, state, and local tax laws, interpretations of existing tax laws, or adverse determinations by tax authorities, could increase our tax burden or otherwise have a material adverse effect on our business, financial condition, and results of operations.

We are subject to taxation at the federal state and local levels. The governing tax laws and applicable tax rates vary by jurisdiction and are subject to interpretation and changes. We may be subject to examination by the tax authorities and such authorities may disagree with our tax positions, which could adversely affect our financial condition. Additionally, the amount of tax payable in a given financial statement period may be impacted by sudden or unforeseen changes in tax laws, changes in the mix and level of earnings by taxing jurisdictions, or changes to existing accounting rules or regulations. For example, the Tax Cuts and Jobs Act (the “Tax Act”) enacted in December 2017, made broad and complex changes to the U.S. tax code.

General Risk Factors

The price of our common stock may be volatile, which may result in losses for investors.

The market price for shares of our common stock has been volatile in the past, and several factors, including factors outside of our control and unrelated to our performance, could cause the price to fluctuate substantially in the future. These factors include:

- announcements of developments related to our business;
- the initiation, pendency or outcome of litigation, regulatory reviews, inquiries and investigations, and any related adverse publicity;
- fluctuations in our results of operations;
- sales of substantial amounts of our securities into the marketplace;
- general conditions in the financial services industry or the worldwide economy;
- operating and stock price performance of comparable companies, as deemed by investors;
- geopolitical conditions, such as acts or threats of terrorism, military conflicts, the effects (or perceived effects) of pandemics and trade relations;
- a shortfall in revenues or earnings compared to securities analysts' expectations;
- lack of an active trading market for the common stock;
- new technology used, or services offered, by competitors;
- changes in analysts' recommendations or projections; and
- announcement of new acquisitions, dispositions or other projects by the Company or our competitors.

General market price declines or market volatility in the future could adversely affect the price of our common stock, and the current market price may not be indicative of future market prices. Stock price volatility also may make it more difficult for our stockholders to resell their common stock when desired. General market fluctuations, industry factors, political conditions, and general economic conditions and events, such as economic slowdowns, recessions, interest rate changes or credit loss trends, could cause our common stock price to decrease regardless of operating results. Further, volatility in our stock price also impacts the value of our equity compensation, which may impact our ability to recruit and retain employees.

Moreover, in the past, securities class action lawsuits have been instituted against some companies following periods of volatility in the market price of its securities. In the future, we could be the target of similar litigation. Securities litigation could result in substantial costs and divert management’s attention and resources from our normal business.

An investment in our common stock is not an insured deposit.

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund, or by any other public or private entity. Investment in our common stock is inherently subject to risks, including those described in this "Risk Factors" section, and is subject to forces that affect the financial markets in general. As a result, if you hold or acquire our common stock, it is possible that you may lose all or a portion of your investment.

Future sales or additional issuances of our capital stock may depress prices of shares of our common stock or otherwise dilute the book value of shares then outstanding.

Sales of a substantial amount of our capital stock in the public market or the issuance of a significant number of shares could adversely affect the market price for shares of our common stock. As of September 30, 2024, we were authorized to issue up to 90,000,000 shares of common stock, of which 24,847,353 shares were outstanding, and 3,769 shares were held as treasury stock. We were also authorized to issue up to 3,000,000 shares of preferred stock and 3,000,000 shares of non-voting common stock, none of which were outstanding or reserved for issuance. Future sales or additional issuances of stock may affect the market price for shares of our common stock.

Changes in accounting policies or accounting standards, or changes in how accounting standards are interpreted or applied, could materially affect how we report our financial results and condition.

Our accounting policies are fundamental to determining and understanding our financial results and condition. From time to time, the Financial Accounting Standards Board (the "FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, those that set accounting standards and those that interpret the accounting standards (such as the FASB, the SEC, banking regulators, and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be difficult to predict, and could materially affect how we report our financial results and condition. We may be required to apply a new or revised standard retroactively or apply an existing standard differently and retroactively, which may result in us being required to restate prior period financial statements, which restatements may reflect material changes. Such changes could also require us to incur additional personnel and technology costs.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and our reputation.

We incur significant costs and demands upon management and accounting and finance resources as a result of complying with the laws and regulations affecting public companies. As a SEC reporting company, we are required to, among other things, maintain a system of effective internal control over financial reporting, which requires annual management and independent registered public accounting firm assessments of the effectiveness of our internal controls. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. We have historically dedicated a significant amount of time and resources to implement our internal financial and accounting controls and procedures. Substantial work may continue to be required to further implement, document, assess, test, and, if necessary, remediate our system of internal controls. We may also need to retain additional finance and accounting personnel in the future.

Control failures, including failures in our controls over financial reporting, could result from human error, fraud, breakdowns in information and computer systems, lapses in operating processes, or natural or man-made disasters. If a significant control failure or business interruption were to occur, it could materially damage our financial condition and results of operations. We may not be able to foresee, prevent, mitigate, reverse, or repair the negative effects of such failures or interruptions.

We have identified control deficiencies in our internal controls over financial reporting in the past, and if our internal controls over financial reporting are not effective in the future, we may be unable to issue our financial statements in a timely manner, we may be unable to obtain the required audit or review of our financial statements by our independent registered public accounting firm in a timely manner, or we may otherwise be unable to comply with the periodic reporting requirements of the SEC. Additionally, our common stock listing on the NASDAQ Global Select Market® could be suspended or terminated and our stock price could materially suffer. In addition, we or members of our management team could be subject to investigation and sanction by the SEC or other regulatory authorities and to claims by stockholders, which could impose significant additional costs on us and divert our management's attention. See also Part II. "Item 9A. *Controls and Procedures - Inherent Limitations on the Effectiveness of Controls*" in this Annual Report on Form 10-K for inherent limitations in a control system.

Federal regulations and our organizational documents may inhibit a takeover, prevent a transaction you favor or limit our growth opportunities, causing the market price of our common stock to decline.

Certain provisions of our organizational documents and federal regulations could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us. In addition, we may need to obtain approval from regulatory authorities before we can acquire control of any other company. Such approvals could involve significant expenses related to diligence, legal compliance, and the submission of required applications and could be conditioned on acts or practices that limit or otherwise constrain our operations.

We may not be able to pay dividends in the future in accordance with past practice.

We have historically paid a quarterly dividend to stockholders. The payment of dividends is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on our earnings, capital requirements, financial condition, regulatory review, and other factors considered relevant by our Board of Directors.

Catastrophic events could negatively impact our operations, the operations of third parties with which we do business, and the communities in which we do business.

Catastrophic events (including natural disasters, severe weather conditions, pandemics, terrorism and other geopolitical events), which are beyond our control, could have an adverse impact on the Bank's ability and the ability of our vendors and other third parties with which we do business, to provide necessary services to support the operation of the Bank and provide products and services to the Bank's customers. Natural disasters and severe weather conditions could harm our operations through interference with communications, including the interruption or loss of our computer systems, which could prevent or impede us from gathering deposits, originating loans, and processing and controlling the flow of business, as well as through the destruction of facilities and our operational, financial and management information systems. Although insurance coverage may provide some protection in light of such events, there can be no assurance that any insurance proceeds would adequately compensate the Bank for the losses it incurred as a result of such events. See also *"Existing insurance policies may not adequately protect us and our subsidiaries."* Moreover, the damage caused by such events may not be directly compensable from insurance proceeds or otherwise, such as damage to our reputation as a result of such events. Additionally, such catastrophic events may negatively impact economic activity, which could lead to an adverse effect on our customers and impact the communities in which we do business. Such catastrophic events could each negatively impact our employees, our business operations or the stability of our deposit base, cause significant property damage, adversely impact the values of collateral securing our loans and/or interrupt our borrowers' abilities to conduct their business in a manner to support their debt obligations, which could result in losses and increased provision for credit loss. There is no assurance that our business continuity and disaster recovery program can adequately mitigate the risks of such business disruptions and interruptions.

Legal challenges to and regulatory investigations of our, or the Bank's, operations could have a significant material adverse effect on us.

From time to time, we, the Bank or our other subsidiaries are subject to regulatory supervision and investigation, legal proceedings and claims in the ordinary course of business. An adverse resolution in litigation or a regulatory action, including litigation or other actions brought by our shareholders, customers or another third party, such as a state attorney general or one of our regulators, could result in substantial damages or otherwise negatively impact our business, reputation and financial condition. Moreover, our involvement in such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation, result in substantial expense, and divert management attention from the operations of our business. See Part I, Item 1 "Business - Regulation and Supervision" and Item 3, "Legal Proceedings."

Our reputation and business could be damaged by negative publicity.

Reputational risk, including as a result of negative publicity, is inherent in our business. Negative publicity or reputational harm can result from actual or alleged conduct in a number of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, inadequate protection of customer data, illegal or unauthorized acts taken by third parties that supply products or services to us or the Bank, the behavior of our employees, the customers with whom we have chosen to do business, and negative publicity for other financial institutions. Damage to our reputation could adversely impact our ability to attract new, and maintain existing, loan and deposit customers, employees and business relationships, and, particularly with respect to our Partner Solutions business line, could result in the imposition of new regulatory requirements, operational restrictions, enhanced supervision and/or civil money penalties. Such damage could also adversely affect our ability to raise additional capital, and otherwise have a material adverse effect on our financial condition and results of operations.

Existing insurance policies may not adequately protect us and our subsidiaries.

Fidelity, business interruption, cybersecurity, and property insurance policies are in place with respect to our operations. Should any event triggering such policies occur, however, it is possible that our policies would not fully reimburse us for the losses we could sustain due to deductible limits, policy limits, coverage limits, or other factors. We generally renew our insurance policies on an annual basis. If the cost of coverage becomes too high, we may need to reduce our policy limits, increase the deductibles or agree to certain exclusions from our coverage in order to reduce the premiums to an acceptable amount.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Information Security Program

Pathward maintains a comprehensive Information Security Program to promote the principles of sound information security governance and to ensure risk-taking activities are in line with the Company’s strategic objectives, risk appetite, and regulatory requirements. The Information Security Program governs the confidentiality, integrity, and availability of data, and defines the responsibilities of departments and individuals for such data. The Information Security Program is designed to protect information resources from a wide range of threats to ensure business continuity and minimize business risk.

Risk Management and Strategy

The goal of the Information Security Program is to prevent cybersecurity incidents. The Information Security Program aligns to the National Institute of Standards and Technology Cybersecurity Framework ("NIST CSF"). The Information Security Policy is designed to address compliance by Pathward and its personnel with applicable laws and regulations. Information security controls are designed to follow the Center for Internet Security ("CIS") controls framework. Policies and program standards that align with CIS and Payment Card Industry Data Security Standard ("PCI-DSS") are also in place.

The Information Security teams include experienced, highly qualified architects, engineers and analysts who support all aspects of cybersecurity including security architecture, identity and access management, vulnerability management, security operations, as well as governance, risk and compliance. The majority of the Information Security staff holds at least one cybersecurity-related certification.

Pathward has a formal Enterprise Risk Management ("ERM") department. The Company’s Chief Risk Officer is responsible for developing and executing the risk framework and ERM plan for the Company. The Company has implemented a three lines of defense model. The first line of defense ("1LOD") is responsible for owning, measuring, and managing the risks and controls. The second line of defense ("2LOD") is responsible for monitoring risk and controls in support of management. The third line of defense ("3LOD") is the independent audit function.

Based on the risk appetite of the Company, the ERM department monitors enterprise-wide risk and control profiles. The ERM department provides monthly and quarterly risk reporting to management and the Board of Directors. The ERM department ensures accurate and timely risk assessments are prepared throughout the organization. The ERM department and compliance team also administer a documented regulatory change control process when new and revised regulations need to be implemented.

Role of Management

Pathward's Information Security Program is managed by the Company's Chief Product and Technology Officer ("CPTO") and Chief Information Security Officer ("CISO"). The current CPTO has over 30 years of experience in senior leadership positions in the areas of information technology, technology innovation and enterprise architecture, and has been recognized for various technology and leadership awards. The current CISO reports to the CPTO and has extensive years of experience in information security both at Pathward and at other companies as well as many years of executive management experience. The CISO regularly reports to executive management, the Risk Committee of the Board of Directors (the "Board Risk Committee") and the Board of Directors regarding all aspects of information security including cybersecurity risk and incidents. The Information Technology Committee and Executive Risk Committee provide governance and oversight of the Information Security Program. These Committees convene at least four times annually, reporting significant activities and issues upward to the Board Risk Committee and the Board of Directors as necessary.

Role of the Board of Directors

The Board of Directors has delegated oversight of all enterprise risks relevant to the Company, including information technology and cybersecurity risk, to the Board Risk Committee, which consists of three independent non-employee directors. The CISO provides quarterly updates on information security and cybersecurity risk to the Board Risk Committee, as well as an annual cybersecurity overview and information security report to the full Board of Directors. The Risk Committee oversees the Information Security Program including through the annual review and approval of any material changes to the Information Security Policy.

Security Awareness Training

All Pathward employees play a crucial role in cybersecurity defense. Pathward has implemented a security awareness training program that includes annual mandatory training for employees and contractors as well as ongoing phishing resiliency testing. The security awareness program also includes periodic videos and educational articles that are shared with employees through a partnership with corporate communications.

Third Party Risk Management Program

The Information Security third party risk management program is a piece of the overarching enterprise third party risk management program. The Information Security team's reviews of third parties include initial and periodic security assessments, documentation and audit report reviews, and consultation on any security enhancements recommended based on the results of the completed reviews.

Incident Response Program

Management has developed and implemented a risk-based incident response program to minimize the impact to Pathward and its customers in the event of an information security incident. The incident response program has defined protocols to declare and respond to an identified incident and includes appropriate containment and restoration strategies. Pathward maintains a documented Cybersecurity Incident Response Plan and has identified Information Technology and Information Security staff who are responsible for assisting with a data breach incident response event. Team members have defined roles, responsibilities and must participate in incident response training and walk-through events at least annually. Pathward has contracted with an incident response provider in the event of a security breach. In addition, Pathward has acquired a cybersecurity insurance policy.

Pathward has established a Crisis Management Team ("CMT"), which is comprised of executive leadership and key senior stakeholders and is engaged immediately following a cybersecurity incident. The CMT provides leadership and maintains ultimate executive level oversight during each phase of the incident.

Pathward has robust cybersecurity measures in place. Pathward is not aware of any cybersecurity incidents that have materially affected or are reasonably likely to materially affect Pathward, including its business strategy, results of operations or financial condition, during the fiscal year ended September 30, 2024. Yet, in this modern, evolving world cybersecurity remains a high risk regardless. For further information about the cybersecurity risks Pathward faces, and potential impacts, see Item 1A. "Risk Factors".

Item 2. Properties.

The Company's corporate headquarters is located at 5501 South Broadband Lane in Sioux Falls, South Dakota. The Company has 10 non-branch offices from which its Commercial Finance and Partner Solutions business lines operate. The Commercial Finance business line operates out of offices in Troy, Michigan; Newport Beach, California; Franklin, Tennessee; Addison, Texas; and Toronto, Ontario, Canada. The Partner Solutions business line operates out of the Company's corporate headquarters along with additional offices in Louisville, Kentucky and Easton, Pennsylvania. The Company has corporate and shared services offices located in Scottsdale, Arizona and Washington, D.C.

The offices in Newport Beach, California and Addison, Texas were included in the sale of the commercial insurance premium finance business that closed October 31, 2024. After the sale, the Company has eight non-branch offices from which its Commercial Finance and Partner Solutions business lines operate.

Of the Company's eight properties, the Company leases seven of them, all on market terms. See Note 5. Premises, Furniture, and Equipment, Net to the “Notes to Consolidated Financial Statements” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Management believes current facilities are adequate to meet its present needs, though it is continuing to assess those property needs as Pathward Financial is a Talent Anywhere remote working environment.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company’s common stock trades on the NASDAQ Global Select Market® under the symbol “CASH.” Quarterly dividends for all quarters of fiscal years 2024 and 2023 were $0.05 per share.

Dividend payment decisions are made with consideration of a variety of factors including earnings, financial condition, market considerations and regulatory restrictions.

As of November 20, 2024, the Company had (i) 24,119,508 shares of common stock outstanding, which were held by approximately 194 stockholders of record, (ii) no shares of nonvoting common stock outstanding, and (iii) 70,123 shares of common stock held in treasury.

The transfer agent for the Company’s common stock is Computershare, P.O. Box 43078, Providence, RI 02940-3078.

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

Period	Total Number of Shares Repurchased(1)	Average Price Paid per Share(1)(2)	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number Of Shares that may yet be Purchased Under the Plans or Programs
July 1 to 31	108,200	$ 62.60	108,200	7,274,543
August 1 to 31	115,100	63.76	115,100	7,159,443
September 1 to 30	16,777	67.17	13,008	7,000,000 (3)
Total	240,077		236,308	

(1) Of the total number of shares acquired during the period, 3,769 shares were acquired in satisfaction of the tax withholding obligations of holders of restricted stock unit awards, which vested during the quarter.

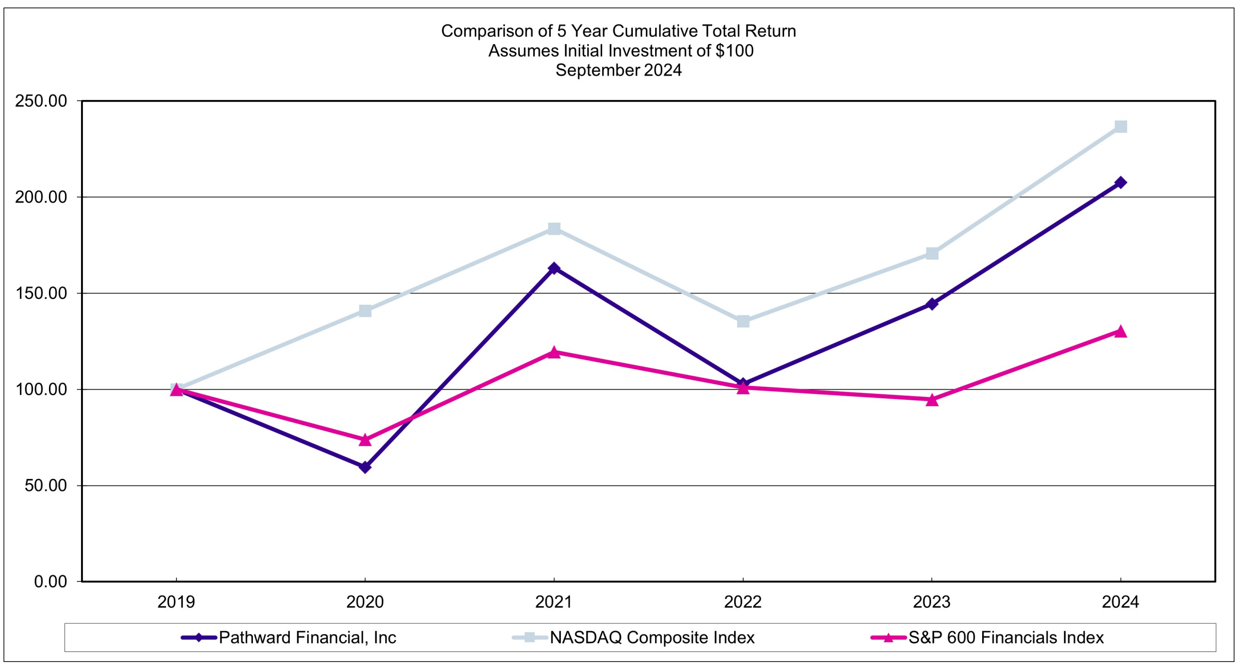
(2) The average price paid per share is calculated on a trade date basis for all open market transactions and excludes commissions and other transaction expenses.

(3) In addition to the shares purchased as part of the publicly announced program and the shares acquired in satisfaction of withholding obligations, the Company's authority to repurchase the remaining 146,435 shares under the program announced on September 7, 2021 expired on September 30, 2024.

Total Stock Return Performance Graph

The following graph compares the cumulative total stockholder return on Pathward Financial common stock over the last five fiscal years with the cumulative total return of the NASDAQ Composite Index and the S&P 600 Financials Index (assuming the investment of $100 in each index on October 1, 2019 and reinvestment of all dividends). The stock price performance reflected below is based on historical results and is not necessarily indicative of future stock price performance.

The information contained in this section, including the following line graph, shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings of Pathward Financial with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.



Index	Fiscal Year Ended September 30, 2019	2020	2021	2022	2023	2024
Pathward Financial, Inc.	$ 100.00	$ 59.44	$ 163.03	$ 102.86	$ 144.43	$ 207.57
NASDAQ Composite Index	100.00	140.96	183.61	135.41	170.76	236.74
S&P 600 Financials Index	100.00	73.90	119.51	101.04	94.75	130.48

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This section should be read in conjunction with the following parts of this Form 10-K: Part I, Item 1 "Business," Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," and Part II, Item 8 "Financial Statements and Supplementary Data."

GENERAL

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

EXECUTIVE SUMMARY

Company Highlights and Business Developments

- On August 28, 2024, Pathward announced the sale of its commercial insurance premium finance business. The sale was completed on October 31, 2024. See Note 20. Subsequent Events to the "Notes to Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

- On September 25, 2024, the Bank celebrated its 20th year serving the payments industry with the announcement it renamed its "Banking as a Service" business line to "Partner Solutions."

- On September 30, 2024, Pathward Financial and Pathward announced the Bank's Partner Solutions line of business won the 2024 Finovate Award for Best Banking as a Service Provider. According to Finovate, its awards recognize the companies driving fintech innovation forward and the individuals bringing new ideas to life.

Financial Highlights for the 2024 Fiscal Fourth Quarter

- Total revenue for the fourth quarter was $167.9 million, an increase of $6.9 million, or 4%, compared to the same quarter in fiscal 2023, driven by an increase in net interest income, partially offset by a reduction in noninterest income.

- Net interest margin ("NIM") increased 47 basis points to 6.66% for the fourth quarter from 6.19% during the same period of last year, primarily driven by increased yields on earning assets and an improved earning asset mix from the continued optimization of the portfolio.

- Total gross loans and leases at September 30, 2024 decreased $290.9 million, to $4.08 billion compared to September 30, 2023. When excluding the insurance premium finance loans of $800.1 million at September 30, 2023, total gross loans and leases at September 30, 2024 increased $509.2 million, or 14%, when compared to September 30, 2023.

- During the 2024 fiscal fourth quarter, the Company repurchased 236,308 shares of common stock at an average share price of $63.44. As of September 30, 2024, there were 7,000,000 shares available for repurchase under the current common stock share repurchase program.

Subsequent Events

Management has evaluated and identified subsequent events that occurred after September 30, 2024. See Note 20. Subsequent Events for details on these events.

FINANCIAL CONDITION

At September 30, 2024, the Company's total assets increased slightly to $7.55 billion compared to $7.54 billion at September 30, 2023, primarily due to an increase of $611.1 million in loans held for sale and $8.1 million in accrued interest receivable, partially offset by decreases of $290.9 million in loans and leases, $217.2 million in cash and cash equivalents, $63.0 million in securities available for sale and $32.3 million in other assets.

Total cash and cash equivalents were $158.3 million at September 30, 2024, decreasing from $375.6 million at September 30, 2023. The Company maintains its cash investments primarily in interest-bearing overnight deposits with the FHLB of Des Moines and the FRB. At September 30, 2024, the Company did not have any federal funds sold.

The total investment portfolio decreased $66.5 million to $1.77 billion at September 30, 2024, compared to $1.84 billion at September 30, 2023. The Company's portfolio of securities customarily consists primarily of MBS, which have expected lives much shorter than the stated final maturity, non-bank qualified obligations of states and political subdivisions, which mature in approximately 15 years or less, and other tax exempt municipal mortgage related pass through securities which have average lives much shorter than their stated final maturities. During the fiscal year ended September 30, 2024, the Company made $3.5 million purchases of investment securities.

Through the Bank, the Company owns stock in the FHLB due to the Bank's membership and participation in this banking system as well as stock in the FRB. The FHLB requires a level of stock investment based on a pre-determined formula. The Company's investment in these stocks was $36.0 million at September 30, 2024, an increase from $28.2 million at September 30, 2023, as purchases of FHLB membership stock were partially offset by redemptions during the fiscal year.

Loans held for sale at September 30, 2024 totaled $688.9 million, increasing from $77.8 million at September 30, 2023. This increase was primarily related to the commercial insurance premium finance portfolio moving to held for sale at September 30, 2024.

Total gross loans and leases totaled $4.08 billion at September 30, 2024, as compared to $4.37 billion at September 30, 2023. The decrease was primarily related to the commercial insurance premium finance portfolio moving to held for sale, partially offset by growth in commercial finance loans excluding commercial insurance premium finance loans and warehouse finance loans. When excluding commercial insurance premium finance loans, total gross loan and leases at September 30, 2024 increased $509.2 million, or 14%, when compared to September 30, 2023. See Note 3. Loans and Leases, Net to the "Notes to Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Commercial finance loans, which comprised 81% of the Company's loan and lease portfolio, totaled $3.30 billion at September 30, 2024, reflecting a decrease of $427.6 million, or 11%, from September 30, 2023. The decrease was primarily driven by the aforementioned commercial insurance premium finance loans along with a decrease in lease financing. This decrease was partially offset by increases in term lending, asset-based lending, SBA/USDA, and other commercial finance portfolios. When excluding commercial insurance premium finance loans, commercial finance loans at September 30, 2024 increased $372.5 million, or 13%, compared to September 30, 2023.

Total end-of-period deposits decreased 11% to $5.88 billion at September 30, 2024, compared to $6.59 billion at September 30, 2023. The decrease in end-of-period deposits was primarily driven by decreases in noninterest-bearing deposits of $715.8 million, money market deposits of $10.6 million, and savings deposits of $10.3 million, partially offset by an increase in wholesale deposits of $20.1 million.

As of September 30, 2024, the Company had $433.3 million in deposits related to government stimulus programs. Of the total amount of government stimulus program deposits, $198.2 million are on activated cards while $235.1 million are on inactivated cards.

The Company's total borrowings increased $363.5 million to $410.4 million at September 30, 2024 from $46.9 million at September 30, 2023, primarily driven by an increase in short-term borrowings of $364.0 million. See Note 10. Short-term and Long-term Borrowings to the "Notes to Consolidated Financial Statements," which are included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

At September 30, 2024, the Company’s stockholders’ equity totaled $839.6 million, an increase of $189.0 million, from $650.6 million at September 30, 2023. The increase was primarily attributable to a decrease in accumulated other comprehensive loss and increases in additional paid-in capital and retained earnings. The Company and Bank remained above the federal regulatory minimum capital requirements at September 30, 2024, and continued to be classified as well-capitalized, and in good standing with the regulatory agencies. See Note 14. Capital Requirements and Restrictions on Retained Earnings to the “Notes to Consolidated Financial Statements,” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

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

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

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

(Dollars in thousands)	September 30, 2024	September 30, 2023
Noninterest-bearing deposits	$ 5,982,992	$ 6,608,137
Prefunding	(315,994)	(230,749)
Discount funding	(38,665)	(34,351)
DDA overdrafts	(11,236)	(10,096)
Noninterest-bearing checking, net	$ 5,617,097	$ 6,332,941

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

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

As of September 30, 2024, the Company managed $201.9 million of customer deposits at other banks in its capacity as custodian. These deposits provide the Company with the ability to earn servicing fee income, typically reflective of the EFFR. Servicing fee income totaled $27.2 million during fiscal 2024, compared to $53.4 million for fiscal 2023.

RESULTS OF OPERATIONS

The Company’s results of operations are dependent on net interest income, provision for credit loss, noninterest income, noninterest expense and income tax expense. Net interest income is the difference, or spread, between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities. The interest rate spread is affected by regulatory, economic and competitive factors that influence interest rates, loan and lease demand and deposit flows. Notwithstanding that a significant amount of the Company’s deposits, primarily those attributable to the Partner Solutions business line, pay relatively low rates of interest or none at all, the Company, like other financial institutions, is subject to interest rate risk to the extent that its interest-earning assets mature or reprice at different times, or on a different basis, than its interest-bearing liabilities and that card processing expense derived from contractual agreements with certain Partner Solutions partners are tied to a rate index and servicing fees the Company recognizes for off-balance sheet custodial deposits are typically reflective of the EFFR. The provision for credit loss is the adjustment to the allowance for credit losses balance for the applicable period. The allowance for credit losses represents management’s current estimate of credit losses expected to be incurred by the loan and lease portfolio over the life of each financial asset as of the balance sheet date.

The Company’s noninterest income is derived primarily from tax product fees, card and deposit fees, credit products, and ATM fees attributable to the Partner Solutions business line and fees charged on bank loans, leases and transaction accounts. Noninterest income is also derived from rental income, net gains on the sale of securities, net gains on the sale of loans and leases, as well as the Company’s holdings of bank-owned life insurance. This income is offset by noninterest expenses, such as compensation and benefits associated with personnel, as well as card processing expenses and tax product expenses attributable to the Partner Solutions business line. Noninterest expense is also impacted by operating lease equipment depreciation expense, occupancy and equipment expense, legal and consulting expenses, and regulatory expense.

Average Balances, Interest Rates and Yields

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

	Fiscal Year Ended September 30,								
	2024			2023			2022		
(Dollars in thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate [1]	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate [1]	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate [1]
Interest-earning assets:									
Cash and fed funds sold	$ 348,149	$ 15,446	4.44 %	$ 316,222	$ 12,425	3.93 %	$ 496,334	$ 3,535	0.71 %
Mortgage-backed securities	1,450,601	39,402	2.72 %	1,541,909	41,197	2.67 %	1,292,804	26,846	2.08 %
Tax-exempt investment securities	130,567	3,631	3.52 %	147,863	3,924	3.36 %	183,936	3,565	2.45 %
Asset-backed securities	227,099	13,048	5.75 %	186,854	8,197	4.39 %	283,752	3,898	1.37 %
Other investment securities	285,281	8,948	3.14 %	295,439	9,390	3.18 %	268,062	6,274	2.34 %
Total investments	2,093,548	65,029	3.15 %	2,172,065	62,708	2.94 %	2,028,554	40,583	2.05 %
Commercial finance	3,770,214	311,480	8.26 %	3,220,585	261,195	8.11 %	2,884,585	203,004	7.04 %
Consumer finance	318,886	33,008	10.35 %	231,242	22,404	9.69 %	295,356	23,097	7.82 %
Tax services	153,713	9,194	5.98 %	141,210	10,490	7.43 %	179,611	12,978	7.23 %
Warehouse finance	416,988	42,194	10.12 %	343,168	29,513	8.60 %	433,121	27,474	6.34 %
Community banking	—	—	— %	—	—	— %	34,758	1,525	4.39 %
Total loans and leases[3]	4,659,801	395,876	8.50 %	3,936,205	323,602	8.22 %	3,827,431	268,078	7.00 %
Total interest-earning assets	**7,101,498**	**$ 476,351**	**6.72 %**	**6,424,492**	**$ 398,735**	**6.23 %**	**6,352,319**	**$ 312,196**	**4.93 %**
Noninterest-earning assets	560,259			585,719			751,555		
Total assets	**$ 7,661,757**			**$ 7,010,211**			**$ 7,103,874**		
Interest-bearing liabilities:									
Interest-bearing checking	$ 506	$ 1	0.22 %	$ 355	$ 1	0.30 %	$ 338	$ 1	0.32 %
Savings	54,594	17	0.03 %	65,175	25	0.04 %	78,613	24	0.03 %
Money markets	181,515	2,318	1.28 %	137,024	461	0.34 %	96,112	214	0.22 %
Time deposits	4,754	13	0.28 %	6,488	10	0.15 %	8,493	38	0.45 %
Wholesale deposits	191,276	10,670	1.18 %	81,153	3,859	4.75 %	63,529	223	0.35 %
Total interest-bearing deposits (a)	432,645	13,019	3.01 %	290,195	4,356	1.50 %	247,085	500	0.20 %
Overnight fed funds purchased	99,290	5,538	5.58 %	74,812	3,922	5.24 %	32,414	235	0.73 %
Subordinated debentures	19,638	1,421	7.23 %	19,560	1,422	7.27 %	46,441	3,375	7.27 %
Other borrowings	13,862	1,255	9.06 %	15,108	1,174	7.77 %	17,490	762	4.36 %
Total borrowings	132,790	8,214	6.19 %	109,480	6,518	5.95 %	96,345	4,372	4.54 %
Total interest-bearing liabilities	**565,435**	**21,233**	**3.76 %**	**399,675**	**10,874**	**2.72 %**	**343,430**	**4,872**	**1.42 %**
Noninterest-bearing deposits (b)	6,113,217	—	— %	5,739,084	—	— %	5,776,852	—	— %
Total deposits and interest-bearing liabilities	**6,678,652**	**$ 21,233**	**0.32 %**	**6,138,759**	**$ 10,874**	**0.18 %**	**6,120,282**	**$ 4,872**	**0.08 %**
Other noninterest-bearing liabilities	251,475			200,054			202,887		
Total liabilities	**6,930,127**			**6,338,813**			**6,323,169**		
Shareholders' equity	731,630			671,398			780,705		
Total liabilities and shareholders' equity	**$ 7,661,757**			**$ 7,010,211**			**$ 7,103,874**		
Net interest income and net interest rate spread including noninterest-bearing deposits		**$ 455,118**	**6.40 %**		**$ 387,861**	**6.05 %**		**$ 307,324**	**4.85 %**
Net interest margin			**6.41 %**			**6.04 %**			**4.84 %**
Tax-equivalent effect			**0.01 %**			**0.01 %**			**0.01 %**
Net interest margin, tax equivalent [2]			**6.42 %**			**6.05 %**			**4.85 %**
Total cost of deposits (a+b)	**6,545,862**	**13,019**	**0.20 %**	**6,029,279**	**4,356**	**0.07 %**	**6,023,937**	**500**	**0.01 %**

[1] Tax rate used to arrive at the tax-equivalent yield ("TEY") for the fiscal years ended September 30, 2024, 2023, and 2022 was 21%.

[2] Net interest margin expressed on a fully taxable equivalent basis ("net interest margin, tax equivalent") is a non-GAAP financial measure. The tax-equivalent adjustment to net interest income recognizes the estimated income tax savings when comparing taxable and tax-exempt assets and adjusting for federal and state exemption of interest income. Management of the Company believes that it is a standard practice in the banking industry to present net interest margin expressed on a fully taxable equivalent basis, and accordingly believe the presentation of this non-GAAP financial measure may be useful for peer comparison purposes.

[3] Included in the yield computation are net loan fees of $22.7 million, $27.7 million, and $33.7 million, for the fiscal years ended September 30, 2024, 2023, and 2022, respectively.

Rate / Volume Analysis

The following table presents, for the periods presented, the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. The table distinguishes between the change related to higher outstanding balances and the change due to the levels and volatility of interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (*i.e.,* changes in volume multiplied by old rate); and (ii) changes in rate (*i.e.,* changes in rate multiplied by old volume). Due to the numerous simultaneous volume and rate changes during any period, it is not possible to precisely allocate such changes between volume and rate. For this table, changes attributable to both rate and volume that cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	Fiscal Year Ended September 30,					
	2024 vs. 2023			2023 vs. 2022		
(Dollars in thousands)	Increase / (Decrease) Due to Volume	Increase / (Decrease) Due to Rate	Total Increase / (Decrease)	Increase / (Decrease) Due to Volume	Increase / (Decrease) Due to Rate	Total Increase / (Decrease)
Interest-earning assets:						
Cash and fed funds sold	$ 1,320	$ 1,701	$ 3,021	$ (1,709)	$ 10,599	$ 8,890
Mortgage-backed securities	(2,515)	720	(1,795)	5,795	8,556	14,351
Tax-exempt investment securities	(546)	253	(293)	(1,032)	1,391	359
Asset-backed securities	1,986	2,865	4,851	(1,721)	6,020	4,299
Other investment securities	(327)	(115)	(442)	691	2,425	3,116
Total investments	(2,319)	4,640	2,321	3,115	19,010	22,125
Commercial finance	45,374	4,911	50,285	25,245	32,946	58,191
Consumer finance	8,985	1,619	10,604	(5,584)	4,891	(693)
Tax services	873	(2,169)	(1,296)	(2,837)	349	(2,488)
Warehouse finance	6,961	5,720	12,681	(6,457)	8,496	2,039
Community banking	—	—	—	(763)	(762)	(1,525)
Total loans and leases	61,017	11,257	72,274	7,778	47,746	55,524
Total interest-earning assets	$ 60,018	$ 17,598	$ 77,616	$ 9,184	$ 77,355	$ 86,539
Interest-bearing liabilities:						
Savings	$ (3)	$ (5)	$ (8)	$ 1	$ —	$ 1
Money markets	196	1,661	1,857	247	—	247
Time deposits	(4)	7	3	(28)	—	(28)
Wholesale deposits	8,112	(1,301)	6,811	78	3,558	3,636
Total interest-bearing deposits	2,842	5,821	8,663	101	3,755	3,856
Overnight fed funds purchased	1,350	266	1,616	644	3,043	3,687
Subordinated debentures	6	(7)	(1)	(1,952)	(1)	(1,953)
Other borrowings	(102)	183	81	(116)	528	412
Total borrowings	1,429	267	1,696	653	1,493	2,146
Total interest-bearing liabilities	$ 4,271	$ 6,088	$ 10,359	$ 754	$ 5,248	$ 6,002
Net effect on net interest income	$ 55,747	$ 11,510	$ 67,257	$ 8,430	$ 72,107	$ 80,537

Comparison of Operating Results for the Fiscal Years Ended September 30, 2024 and September 30, 2023

The Company reported net income of $168.4 million, or $6.62 per diluted share, for the fiscal year ended September 30, 2024, compared to $163.6 million, or $5.99 per diluted share, for the fiscal year ended September 30, 2023, an increase of $4.7 million. The increase in net income was driven by an increase in net interest income and a decrease in provision for credit losses, partially offset by a decrease in noninterest income and increases in noninterest expense and income tax expense. Total revenue for fiscal 2024 was $754.7 million, compared to $704.5 million for fiscal 2023, an increase of 7%.

Net Interest Income

Net interest income for fiscal 2024 was $455.1 million, an increase of 17%, from $387.9 million for the same period of the prior year. The increase was mainly attributable to increased yields, higher average interest-earning asset balances and an improved earning asset mix.

The Company's average interest-earning assets for fiscal 2024 increased by $677.0 million to $7.10 billion compared with fiscal 2023, primarily due to growth in average outstanding balances of loans and leases and cash balances, partially offset by a decrease in total investment security balances. The Company's average outstanding balance of loans and leases increased $723.6 million compared to the prior fiscal year due to increases across all loan portfolios.

The Company’s average deposits and interest-bearing liabilities increased $539.9 million to $6.68 billion during fiscal 2024 from $6.14 billion during fiscal 2023. This increase was primarily due to increases in average noninterest-bearing deposits of $374.2 million, interest-bearing deposits of $142.5 million, and total borrowings of $23.3 million.

Fiscal 2024 NIM increased to 6.41% from 6.04% in fiscal 2023. The overall reported TEY on average earning asset yields increased 37 basis points to 6.42% compared to the prior fiscal year primarily driven by an improved earning asset mix. The yield on the loan and lease portfolio was 8.50% compared to 8.22% for the prior fiscal year and the TEY on the securities portfolio was 3.15% compared to 2.94% for the prior fiscal year.

The Company’s cost of funds for all deposits and borrowings averaged 0.32% during fiscal 2024, as compared to 0.18% during fiscal 2023. The Company's overall cost of deposits was 0.20% in fiscal 2024, as compared to 0.07% during fiscal 2023.

Provision for Credit Loss

The Company recognized a provision for credit loss of $42.7 million for fiscal 2024, compared to $57.4 million in fiscal 2023. The period-over-period decrease in provision for credit loss was primarily due to decreases in the tax services portfolio of $12.8 million and the commercial finance portfolio of $3.3 million, partially offset by an increase of $0.8 million in provision for credit loss in the consumer finance portfolio. The decrease in provision for credit loss in the commercial finance portfolio was primarily due to the commercial insurance premium finance portfolio moving to held for sale and reversing out the provision for credit loss on that portfolio. The Company recognized net charge-offs of $46.6 million for the fiscal year ended September 30, 2024, compared to net charge-offs of $53.7 million for the fiscal year ended September 30, 2023. Net charge-offs attributable to the tax services, commercial finance, and consumer finance portfolios for fiscal 2024 were $23.0 million, $19.5 million, and $4.1 million, respectively. Net charge-offs attributable to the tax services, commercial finance, and consumer finance portfolios for fiscal 2023 were $35.8 million, $15.6 million, and $2.3 million, respectively. See Note 3. Loans and Leases, Net for further information on the provision for credit loss.

Noninterest Income

Fiscal 2024 noninterest income decreased 5% to $299.6 million, compared to $316.6 million for fiscal 2023. The decrease was primarily driven by a decrease in card and deposit fees and the gain on sale of trademarks recognized in the prior year, partially offset by increases in gain on sale of other and tax services product fees.

The decrease in card and deposit fee income was primarily related to lower servicing fee income due to a reduction in custodial deposits. Servicing fee income totaled $27.2 million during fiscal 2024, compared to $53.4 million for fiscal 2023.

Noninterest Expense

Noninterest expense increased 10% to $513.3 million for fiscal 2024 from $465.0 million for fiscal 2023. The increase was primarily attributable to increases in card processing expense, compensation and benefits expense, and other expense, partially offset by decreases in operating lease equipment depreciation and legal and consulting expense.

The card processing expense increase was due to rate-related agreements with Partner Solutions relationships. The amount of expense paid under those agreements is based on an agreed upon rate index that varies depending on the deposit levels, floor rates, market conditions, and other performance conditions. Generally this rate index is based on a percentage of the EFFR and reprices immediately upon a change in the EFFR. Approximately 57% of the deposit portfolio was subject to these higher rate-related processing expenses. For fiscal 2024, contractual, rate-related processing expenses were $110.8 million, as compared to $77.4 million for the fiscal year ended September 30, 2023.

Income Tax Expense
The Company recorded an income tax expense of $29.1 million, representing an effective tax rate of 14.7%, for fiscal 2024, compared to an income tax expense of $16.3 million, representing an effective tax rate of 9.0%, for fiscal 2023. The increase in income tax expense was primarily due a decrease in investment tax credits.

For the fiscal year ended September 30, 2024, the Company originated $68.4 million in renewable energy leases, compared to $93.6 million for the prior fiscal year. Investment tax credits related to renewable energy leases are recognized ratably based on income throughout each fiscal year.

Comparison of Operating Results for the Fiscal Years Ended September 30, 2023, and September 30, 2022

A comparison of the 2023 results to the 2022 results and other 2022 information not included herein can be found in the Company's Annual Report on Form 10-K: Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” filed November 21, 2023 and is incorporated by reference herein.

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

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

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

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

(Dollars in thousands)	September 30, 2024	September 30, 2023
Nonperforming Loans and Leases		
Nonaccruing loans and leases:		
Commercial finance	$ 26,412	$ 37,372
Total nonaccruing loans and leases	26,412	37,372
Accruing loans and leases delinquent 90 days or more:		
Loans held for sale	1,050	306
Commercial finance	2,314	11,242
Consumer finance	3,053	2,210
Tax services[1]	8,733	5,082
Total accruing loans and leases delinquent 90 days or more	15,150	18,840
Total nonperforming loans and leases	41,562	56,212
Other Assets		
Nonperforming operating leases	1,471	1,764
Total other assets	1,471	1,764
Total nonperforming assets	$ 43,033	$ 57,976
Total as a percentage of total assets	0.57 %	0.77 %

[1] Certain tax services loans do not bear interest.

The Company's nonperforming assets at September 30, 2024 were $43.0 million, representing 0.57% of total assets, compared to $58.0 million, or 0.77% of total assets at September 30, 2023. The decrease in the nonperforming assets as a percentage of total assets at September 30, 2024 compared to the prior fiscal year, was primarily driven by a decrease in nonperforming loans in the commercial finance portfolio, partially offset by increases in the tax services and consumer finance portfolios.

The Company's nonperforming loans and leases at September 30, 2024, were $41.6 million, representing 0.87% of total gross loans and leases, compared to $56.2 million, or 1.26% of total gross loans and leases at September 30, 2023.

Classified Assets. Federal regulations provide for the classification of certain loans, leases, and other assets such as debt and equity securities considered by the Bank's primary regulator, the OCC, to be of lesser quality as “substandard,” “doubtful” or “loss,” with each such classification dependent on the facts and circumstances surrounding the assets in question. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the Bank will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such minimal value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

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

On the basis of management’s review of its loans, leases, and other assets, at September 30, 2024, the Company had classified loans and leases of $180.9 million as substandard, $10.3 million as doubtful and none as loss. At September 30, 2023, the Company classified loans and leases of $208.2 million as substandard, $8.2 million as doubtful and none as loss.

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

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

The Company's ACL totaled $45.3 million at September 30, 2024, a decrease compared to $49.7 million at September 30, 2023. The $4.4 million year-over-year decrease in the ACL was primarily driven by a $4.4 million decrease in the allowance related to the commercial finance portfolio and a $0.1 million decrease in the allowance related to the consumer finance portfolio, partially offset by a $0.1 million increase in the allowance related to the warehouse finance portfolio.

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

	As of the Period Ended				
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Commercial finance	1.29 %	1.17 %	1.21 %	1.30 %	1.26 %
Consumer finance	0.90 %	2.23 %	1.71 %	1.45 %	0.92 %
Tax services	0.02 %	66.35 %	37.31 %	1.52 %	0.04 %
Warehouse finance	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %
Total loans and leases	1.11 %	1.73 %	1.83 %	1.22 %	1.14 %
Total loans and leases excluding tax services	1.12 %	1.12 %	1.14 %	1.21 %	1.14 %

The Company's ACL as a percentage of total loans and leases decreased to 1.11% at September 30, 2024 from 1.14% at September 30, 2023. The decrease in the total loans and leases coverage ratio was primarily driven by the tax services and consumer finance portfolios, partially offset by an increase in the commercial finance portfolio.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's financial statements are prepared in accordance with GAAP. The financial information contained within these financial statements is, to a significant extent, based on approximate measures of the financial effects of transactions and events that have already occurred. Management has identified its critical accounting policies, which are those policies described below as Critical Accounting Estimates that, in management's view, are most important in the portrayal of our financial condition and results of operations. These policies involve complex and subjective decisions and assessments. Some of these estimates may be uncertain at the time they are made, could change from period to period, and could have a material impact on the financial statements. See Note 1. Summary of Significant Accounting Policies and Note 4. Loans and Leases, Net to the "Notes of Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, for more information.

Allowance for Credit Losses
The Company's allowance for credit losses methodology estimates expected credit losses over the life of each financial asset as of the balance sheet date.

For the loan and lease portfolio, the Company measures credit loss on individually evaluated loans based on the fair value of the collateral less estimated selling costs if collateral dependent or based on the present value of expected future cash flows discounted at the loan or lease initial effective interest rate if not collateral dependent. The majority of the Company's loans and leases subject to individual evaluation are considered collateral dependent. Only loans and leases that are on nonaccrual status or are designated as a modification are subject to individual evaluation. Management has also identified certain structured finance credits for alternative energy projects in which a substantial cash collateral account has been established to mitigate credit risk. Due to the nature of the transactions and significant cash collateral positions, these credits are evaluated individually. All other loans and leases are evaluated collectively for credit loss by pooling loans and leases based on similar risk characteristics. The collective evaluation of expected losses in all commercial finance portfolios is based on a cohort loss rate and adjustments for forward-looking information, including industry and macroeconomic forecasts. The cohort loss rate is a life of loan loss rate that immediately reverts to historical loss information for the remaining maturity of the financial asset. Management has elected to use a twelve to twenty-four month reasonable and supportable forecast for forward-looking information. Factors utilized in the determination of the allowance include historical loss experience, current and forecasted economic conditions, and measurement date credit characteristics such as product type, delinquency, and industry. The unfunded credit commitments depend on these same factors, as well as estimates of lines of credit usage. The collective evaluation of expected credit losses for certain consumer lending portfolios utilizes different methodologies when estimating expected credit losses.

Debt securities HTM include implicit and explicit guarantees by government agencies and have an expected zero risk of loss, therefore no provision for credit loss for debt securities held to maturity has been included in the Company's Consolidated Statement of Operations. Debt securities AFS are recorded at fair value and are assessed quarterly for credit loss. Any such credit loss is recorded in the Company's Provision for Credit Loss on the Company's Consolidated Statement of Operations. Non-credit related losses are recorded in Other Comprehensive Income in the Company's Consolidated Statement of Condition.

Although management believes the levels of the allowance for credit losses at September 30, 2024 and September 30, 2023 are adequate to absorb expected credit losses in the financial assets evaluated, a decline in local economic conditions or other factors could result in increasing losses.

Goodwill and Intangible Assets
The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Under the acquisition method, the Company records assets acquired, including identifiable intangible assets, liabilities assumed, and any non-controlling interest in the acquired business at their fair values as of the acquisition date. Any acquisition-related transaction costs are expensed in the period incurred. Results of operations of the acquired entity are included in the Consolidated Statements of Operations from the date of acquisition. Any measurement-period adjustments are recorded in the period the adjustment is identified.

The excess of consideration paid over the fair value of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired, including identifiable intangible assets, liabilities assumed, and any noncontrolling interest often requires the use of significant estimates and assumptions. This may involve estimates based on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques such as estimates of attrition, inflation, asset growth rates, discount rates, multiples of earnings or other relevant factors. In addition, the determination of the useful lives over which an intangible asset will be amortized is subjective. See Note 7. Goodwill and Intangibles to the Consolidated Financial Statements for further information.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s primary sources of funds are deposits, derived principally through its Partner Solutions business line, borrowings, principal and interest payments on loans and leases and mortgage-backed securities, and maturing investment securities. In addition, the Company utilizes wholesale deposit sources to provide temporary funding when necessary or when favorable terms are available. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan repayments are influenced by the level of interest rates, general economic conditions and competition. The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposit and loan commitments, to maintain liquidity, and to meet operating expenses. See Note 20. Subsequent Events to the "Notes of Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, for more information on the closing of the sale of the commercial insurance premium finance business.

At September 30, 2024, the Company had unfunded loan and lease commitments of $1.29 billion. Management believes that loan repayment and other sources of funds will be adequate to meet the Company’s foreseeable short- and long-term liquidity needs. The liquidity sources as of September 30, 2024 include $158.3 million in cash and cash equivalents and $201.9 million in off-balance sheet custodial deposits. When factoring in all resources, such as the FHLB, the FRB Discount Window and other unsecured funding and wholesale options, the Company has over $2.1 billion in available liquidity. Due to the characteristics of the Company's deposit portfolio, uninsured deposits remained less than 15% of total deposits during fiscal year 2024 and below the Company's available liquidity.

The following table summarizes the Company’s significant contractual obligations at September 30, 2024.

(Dollars in thousands)	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
Time deposits	$ 3,104	$ 1,102	$ —	$ —	$ 4,206
Wholesale time deposits	—	25,000	—	—	25,000
Short-term debt	377,000	—	—	—	377,000
Long-term debt	—	—	—	33,354	33,354
Operating leases	3,985	6,587	5,936	12,703	29,211
Total	$ 384,089	$ 32,689	$ 5,936	$ 46,057	$ 468,771

For more information on the Company’s short-term and long-term borrowings, see “Funding Activities – Borrowings” within Item 1 “Business,” which is included in Part I of this Annual Report on Form 10-K and Note 10. Short-term and Long-term Borrowings to the “Notes to Consolidated Financial Statements,” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.”

The Company and the Bank met regulatory requirements for classification as well-capitalized institutions at September 30, 2024. Based on current and expected continued profitability and subject to continued access to capital markets, management believes that the Company and the Bank will continue to meet the capital conservation buffer of 2.5% in addition to required minimum capital ratios. See Note 14. Capital Requirements and Restrictions on Retained Earnings to the “Notes to Consolidated Financial Statements,” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

The payment of dividends and repurchase of shares have the effect of reducing stockholders’ equity. Prior to authorizing such transactions, the Board of Directors considers the effect the dividend or repurchase of shares would have on liquidity and regulatory capital ratios. See "Regulation and Supervision - Limitations on Dividends and Other Capital Distributions" within Item 1 "Business", which is included in Part I of this Annual Report on Form 10-K.

No assurance can be given that our regulators will consider our liquidity level, or our capital level, though substantially in excess of current rules pursuant to which the Company and the Bank are considered “well-capitalized,” to be sufficiently high in the future. See Note 14. Capital Requirements and Restrictions on Retained Earnings to the “Notes to Consolidated Financial Statements,” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Impact of New Accounting Standards

See Note 1. Summary of Significant Accounting Policies to the "Notes of Consolidated Financial Statements,” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K, for information regarding recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

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

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

The Company believes that its portfolio of longer duration deposits generated from its Partner Solutions business line provides a stable and profitable funding vehicle. A portion of the Company’s deposit balances are subject to variable card processing expenses, derived from contractual agreements with certain Partner Solutions partners tied to a rate index, typically the EFFR. These costs reprice immediately upon a change in the applicable rate index.

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

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

Interest Rate Risk (“IRR”)

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

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

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

The EAR analysis used in the following table reflects the required analysis used no less than quarterly by management. It models basis point parallel shifts in market interest rates over the next one-year period. The following table shows the results of the scenarios as of September 30, 2024 and 2023:

Net Sensitive Earnings at Risk

		Change in Interest Income/Expense for a given change in interest rates				
		Over/(Under) Base Case Parallel Shift				
(Dollars in thousands)	**Book Value**	**-200**	**-100**	**Base**	**+100**	**+200**
Balances as of September 30, 2024						
Total interest income	6,676,417	411,926	440,588	470,620	499,529	527,533
Total interest expense	634,988	12,614	16,686	22,053	27,715	33,184
Net interest income		399,312	423,902	448,567	471,814	494,349
Percentage change from base		-11.0 %	-5.5 %	— %	5.2 %	10.2 %
Balances as of September 30, 2023						
Total interest income	6,650,735	397,360	424,061	450,823	477,078	503,412
Total interest expense	269,861	1,069	1,905	3,530	5,429	7,352
Net interest income		396,291	422,156	447,293	471,649	496,060
Percentage change from base		-11.4 %	-5.6 %	— %	5.4 %	10.9 %

The EAR analysis reported at September 30, 2024, shows that total interest income will change more rapidly than total interest expense over the next year. IRR is a snapshot in time. The Company's business and deposits are predictably cyclical on a weekly, monthly and yearly basis. The Company's static IRR results could vary depending on which day of the week the month ends, primarily related to payroll processing and timing of when certain programs are prefunded and when the funds are received.

Under EVE analysis, the economic value of financial assets, liabilities and off-balance sheet instruments is derived under each rate scenario. The economic value of equity is calculated as the difference between the estimated market value of assets and liabilities, net of the impact of off-balance sheet instruments.

The EVE analysis used in the following table reflects the required analysis used no less than quarterly by management. It models immediate basis point parallel shifts in market interest rates. The following table shows the results of the scenario as of September 30, 2024 and 2023:

Economic Value Sensitivity

	Standard (Parallel Shift)			
	Economic Value of Equity at Risk %			
	-200	-100	+100	+200
Balances as of September 30, 2024				
Percentage change from base	-10.0 %	-3.9 %	2.6 %	4.2 %
Balances as of September 30, 2023				
Percentage change from base	-9.9 %	-4.3 %	3.4 %	6.3 %

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

Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and the Board of Directors of Pathward Financial, Inc.
Sioux Falls, South Dakota

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Pathward Financial, Inc. and Subsidiaries (the "Company") as of September 30, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of September 30, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated November 26, 2024 expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses (ACL) – Qualitative Adjustments

As described in Notes 1 and 3 to the financial statements, the Company recognizes expected credit losses over the contractual lives of financial assets carried at amortized cost, including loans receivable, utilizing the Current Expected Credit Losses ("CECL") methodology. Estimates of expected credit losses are based on relevant information about current conditions, past events, and reasonable and supportable forward-looking forecasts regarding collectability of the reported amounts. For most of its loan segments, the Company utilized a cohort model which computes the historical life-of-loan loss rate for each identified loan segment (also referred to as the "quantitative loss rates"). The quantitative loss rates are then adjusted, as deemed necessary, based on current economic forecasts over a twelve to twenty-four month reasonable and supportable forecast period as well as for measurement date credit characteristics including problem loan and delinquency trends, portfolio growth and other factors (also referred to as the "qualitative adjustments").

We have identified auditing the qualitative adjustments as a critical audit matter as management's determination of the qualitative adjustments used in the ACL is subjective and involves significant management judgments; and our audit procedures related to the qualitative adjustments involved a high degree of auditor judgment and required significant audit effort, including the need to involve more experienced audit personnel.

The primary procedures we performed to address this critical audit matter included:

- Testing the effectiveness of controls over the qualitative adjustments used in the ACL calculation including controls addressing:

    - Testing the design and operating effectiveness of controls pertaining to the key assumptions and judgments applied in the development of the qualitative adjustments.
    - Testing the design and operating effectiveness of the controls around the mathematical accuracy of the qualitative adjustments applied to the loan segments in the ACL calculation.

- Substantively testing management's determination of the qualitative adjustments used in the ACL estimate, including evaluating their judgements and assumptions, including:

    - Testing management's process for developing the qualitative adjustments and assessing the reasonableness, relevance and reliability of data used to develop the adjustments, including evaluating their judgments and assumptions for reasonableness. Among other procedures, our evaluation considered evidence from internal and external sources, loan portfolio performance and whether such assumptions were applied consistently from period to period.
    - Analytically evaluating the qualitative adjustments for directional consistency.
    - Testing the qualitative adjustments for reasonableness, including evaluating significant changes.
    - Testing the mathematical accuracy of the qualitative adjustments applied to the loan segments in the ACL calculation.

/s/ Crowe LLP

We have served as the Company's auditor since 2018.

South Bend, Indiana
November 26, 2024

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

(Dollars in thousands, except per share data)

ASSETS	September 30, 2024	September 30, 2023
Cash and cash equivalents	$ 158,337	$ 375,580
Securities available for sale, at fair value	1,741,221	1,804,228
Securities held to maturity, at amortized cost (fair value $30,236 and $31,425, respectively)	33,092	36,591
Federal Reserve Bank and Federal Home Loan Bank Stock, at cost	36,014	28,210
Loans held for sale	688,870	77,779
Loans and leases	4,075,195	4,366,116
Allowance for credit losses	(45,336)	(49,705)
Accrued interest receivable	31,385	23,282
Premises, furniture, and equipment, net	39,055	39,160
Rental equipment, net	205,339	211,750
Goodwill and intangible assets	326,094	330,225
Other assets	260,070	292,327
Total assets	$ 7,549,336	$ 7,535,543
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	$ 5,875,085	$ 6,589,182
Short-term borrowings	377,000	13,000
Long-term borrowings	33,354	33,873
Accrued expenses and other liabilities	424,292	248,863
Total liabilities	6,709,731	6,884,918
STOCKHOLDERS' EQUITY		
Preferred stock, 3,000,000 shares authorized, no shares issued, none outstanding at September 30, 2024 and 2023, respectively	—	—
Common stock, $0.01 par value; 90,000,000 shares authorized, 24,851,122 and 26,225,563 shares issued, 24,847,353 and 26,183,583 shares outstanding at September 30, 2024 and 2023, respectively	248	262
Common stock, Nonvoting, $0.01 par value; 3,000,000 shares authorized, no shares issued, none outstanding at September 30, 2024 and 2023, respectively	—	—
Additional paid-in capital	638,803	628,500
Retained earnings	354,474	278,655
Accumulated other comprehensive loss	(153,394)	(255,443)
Treasury stock, at cost, 3,769 and 41,980 common shares at September 30, 2024 and 2023, respectively	(249)	(344)
Total equity attributable to parent	839,882	651,630
Noncontrolling interest	(277)	(1,005)
Total stockholders' equity	839,605	650,625
Total liabilities and stockholders' equity	$ 7,549,336	$ 7,535,543

See Notes to Consolidated Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Fiscal Year Ended September 30, 2024	2023	2022
Interest and dividend income:			
Loans and leases, including fees	$ 395,876	$ 323,602	$ 268,078
Mortgage-backed securities	39,402	41,197	26,846
Other investments	41,073	33,936	17,272
	476,351	398,735	312,196
Interest expense:			
Deposits	13,019	4,356	500
FHLB advances and other borrowings	8,214	6,518	4,372
	21,233	10,874	4,872
Net interest income	455,118	387,861	307,324
Provision for credit loss	42,661	57,354	28,538
Net interest income after provision for credit loss	412,457	330,507	278,786
Noninterest income:			
Refund transfer product fees	40,178	39,452	39,809
Refund advance fee income	43,473	37,433	40,557
Card and deposit fees	125,943	150,746	105,733
Rental income	54,157	54,190	46,558
Gain on sale of trademarks	—	10,000	50,000
Gain (loss) on sale of other	12,669	2,663	(6,207)
Other income	23,167	22,115	17,357
Total noninterest income	299,587	316,599	293,807
Noninterest expense:			
Compensation and benefits	201,472	184,318	171,126
Refund transfer product expense	9,862	9,723	8,908
Refund advance expense	1,943	1,863	2,157
Card processing	137,938	105,498	38,785
Occupancy and equipment expense	36,587	34,691	34,909
Operating lease equipment depreciation	41,757	45,710	35,636
Legal and consulting	24,857	27,102	40,634
Intangible amortization	4,131	4,971	6,585
Impairment expense	3,012	3,273	670
Other expense	51,694	47,826	45,865
Total noninterest expense	513,253	464,975	385,275
Income before income tax expense	198,791	182,131	187,318
Income tax expense	29,141	16,324	27,964
Net income before noncontrolling interest	169,650	165,807	159,354
Net income attributable to noncontrolling interest	1,293	2,192	2,968
Net income attributable to parent	$ 168,357	$ 163,615	$ 156,386
Earnings per common share:			
Basic	$ 6.63	$ 6.01	$ 5.26
Diluted	$ 6.62	$ 5.99	$ 5.26

See Notes to Consolidated Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)

	Fiscal Year Ended September 30,		
(Dollars in thousands)	2024	2023	2022
Net income before noncontrolling interest	$ 169,650	$ 165,807	$ 159,354
Other comprehensive income (loss):			
Change in net unrealized gain (loss) on debt securities	136,028	(56,255)	(292,665)
	136,028	(56,255)	(292,665)
Unrealized gain (loss) on currency translation	81	331	(1,736)
Deferred income tax effect	34,060	(13,561)	(73,722)
Total other comprehensive income (loss)	102,049	(42,363)	(220,679)
Total comprehensive income (loss)	271,699	123,444	(61,325)
Total comprehensive income attributable to noncontrolling interest	1,293	2,192	2,968
Comprehensive income attributable to parent	$ 270,406	$ 121,252	$ (64,293)

See Notes to Consolidated Financial Statements.

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PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity

(Dollars in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Pathward Financial, Inc. Stockholders' Equity	Noncontrolling interest	Total Stockholders' Equity
Balance, September 30, 2021	$ 317	$ 604,484	$ 259,189	$ 7,599	$ (860)	$ 870,729	$ 1,155	$ 871,884
Cash dividends declared on common stock ($0.20 per share)	—	—	(5,921)	—	—	(5,921)	—	(5,921)
Issuance of common stock due to ESOP	1	2,885	—	—	—	2,886	—	2,886
Repurchases of common stock	(30)	30	(164,260)	—	(3,975)	(168,235)	—	(168,235)
Stock compensation	—	10,004	—	—	—	10,004	—	10,004
Total other comprehensive loss	—	—	—	(220,679)	—	(220,679)	—	(220,679)
Net income	—	—	156,386	—	—	156,386	2,968	159,354
Net distribution to noncontrolling interest	—	—	—	—	—	—	(4,153)	(4,153)
Balance, September 30, 2022	**$ 288**	**$ 617,403**	**$ 245,394**	**$ (213,080)**	**$ (4,835)**	**$ 645,170**	**$ (30)**	**$ 645,140**
Balance, September 30, 2022	$ 288	$ 617,403	$ 245,394	$ (213,080)	$ (4,835)	$ 645,170	$ (30)	$ 645,140
Cash dividends declared on common stock ($0.20 per share)	—	—	(5,426)	—	—	(5,426)	—	(5,426)
Issuance of common stock due to restricted stock	1	—	—	—	—	1	—	1
Repurchases of common stock	(27)	27	(117,985)	—	(2,452)	(120,437)	—	(120,437)
Retirement of treasury stock	—	—	(6,943)	—	6,943	—	—	—
Stock compensation	—	11,070	—	—	—	11,070	—	11,070
Total other comprehensive loss	—	—	—	(42,363)	—	(42,363)	—	(42,363)
Net income	—	—	163,615	—	—	163,615	2,192	165,807
Net distribution to noncontrolling interest	—	—	—	—	—	—	(3,167)	(3,167)
Balance, September 30, 2023	**$ 262**	**$ 628,500**	**$ 278,655**	**$ (255,443)**	**$ (344)**	**$ 651,630**	**$ (1,005)**	**$ 650,625**
Balance, September 30, 2023	$ 262	$ 628,500	$ 278,655	$ (255,443)	$ (344)	$ 651,630	$ (1,005)	$ 650,625
Cash dividends declared on common stock ($0.20 per share)	—	—	(5,067)	—	—	(5,067)	—	(5,067)
Issuance of common stock due to restricted stock	3	—	—	—	—	3	—	3
Repurchases of common stock	(17)	17	(80,767)	—	(6,086)	(86,853)	—	(86,853)
Retirement of treasury stock	—	—	(6,181)	—	6,181	—	—	—
Stock compensation	—	10,286	—	—	—	10,286	—	10,286
Total other comprehensive income	—	—	—	102,049	—	102,049	—	102,049
Joint venture membership interest divestiture	—	—	(523)	—	—	(523)	—	(523)
Net income	—	—	168,357	—	—	168,357	1,293	169,650
Net distribution to noncontrolling interest	—	—	—	—	—	—	(565)	(565)
Balance, September 30, 2024	**$ 248**	**$ 638,803**	**$ 354,474**	**$ (153,394)**	**$ (249)**	**$ 839,882**	**$ (277)**	**$ 839,605**

See Notes to Consolidated Financial Statements.

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PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(Dollars in thousands)	Fiscal Year Ended September 30, 2024	2023	2022
Cash flows from operating activities:			
Net income before noncontrolling interest	$ 169,650	$ 165,807	$ 159,354
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	57,765	64,955	61,601
Provision for credit loss	42,661	57,354	28,538
Provision for deferred taxes	11,115	(175)	17,587
Originations of loans held for sale	(2,034,977)	(1,208,684)	(985,330)
Proceeds from sales of loans held for sale	2,036,084	1,139,881	1,059,361
Net change in loans held for sale	18,127	25,922	12,819
Fair value adjustment of foreclosed real estate	—	—	301
Net realized (gain) on securities available for sale	—	—	(154)
Net realized (gain) loss on loans held for sale	(5,920)	(268)	3,694
Net realized loss on premise, furniture, and equipment	—	65	55
Net realized (gain) on trademarks	—	(10,000)	(50,000)
Net realized (gain) on other	(6,749)	(1,832)	(1,956)
Change in bank-owned life insurance value	(2,751)	(1,497)	(2,434)
Impairment on rental equipment	2,013	24	—
Impairment of intangibles	—	—	670
Net change in accrued interest receivable	(8,103)	(5,303)	(1,725)
Net change in other assets	(11,747)	17,134	(32,936)
Net change in accrued expenses and other liabilities	176,083	48,658	(10,640)
Stock compensation	10,286	11,070	10,004
Net cash provided by operating activities	453,537	303,111	268,809
Cash flows from investing activities:			
Purchases of securities available for sale	(3,465)	(156,885)	(907,361)
Proceeds from sales of securities available for sale	—	—	265,951
Proceeds from maturities of and principal collected on securities available for sale	201,730	177,296	324,234
Proceeds from maturities of and principal collected on securities held to maturity	3,317	4,835	14,281
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	(406,390)	(330,144)	(173,653)
Redemption of Federal Reserve Bank and Federal Home Loan Bank stock	398,587	330,746	173,240
Purchases of loans and leases	(298,262)	(215,266)	(115,353)
Proceeds from sales of loans and leases	—	—	123,241
Net change in loans and leases	137,540	(307,473)	358,635
Purchases of premises, furniture, and equipment	(10,141)	(8,623)	(8,177)
Proceeds from sales of premises, furniture, and equipment	—	—	35
Purchases of rental equipment	(266,613)	(441,047)	(424,919)
Proceeds from sales of rental equipment	9,006	14,998	9,372
Net change in rental equipment	565	(236)	(5,772)
Proceeds from sales of foreclosed real estate and repossessed assets	—	1	1,824
Proceeds from death benefit of bank-owned life insurance	—	1,040	—
Proceeds from sale of trademarks	—	10,000	50,000
Proceeds from sale of other assets	6,465	—	3,550
Net cash (used in) investing activities	(227,661)	(920,758)	(310,872)
Cash flows from financing activities:			
Net change in deposits	(714,097)	723,145	351,066
Net change in short-term borrowings	364,000	13,000	—
Redemption of long-term borrowings	—	—	(75,000)
Proceeds from long-term borrowings	—	—	20,000
Principal payments on capital lease obligations	—	—	(75)
Principal payments on other liabilities	(621)	(1,747)	(2,751)
Payment of debt issuance costs	—	(511)	—

Dividends paid on common stock	(5,067)	(5,426)	(5,921)
Issuance of common stock due to restricted stock	3	1	1
Issuance of common stock due to ESOP	—	—	2,886
Repurchases of common stock	(86,853)	(120,437)	(168,235)
Investment by (distributions to) noncontrolling interest	(565)	(3,167)	(4,153)
Net cash provided by (used in) financing activities	(443,200)	604,858	117,818
Effect of exchange rate changes on cash	81	331	(1,736)
Net change in cash and cash equivalents	(217,243)	(12,458)	74,019
Cash and cash equivalents at beginning of fiscal year	375,580	388,038	314,019
Cash and cash equivalents at end of fiscal period	$ 158,337	$ 375,580	$ 388,038

	Fiscal Year Ended September 30,		
(Dollars in thousands)	**2024**	**2023**	**2022**
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$ 20,909	$ 10,819	$ 5,259
Income taxes	19,633	14,056	13,940
Franchise and other taxes	726	1,359	791
Supplemental schedule of non-cash investing activities:			
Transfers			
Held for sale to loans and leases	$ 30,864	$ 158	$ 115,934
Loans and leases to held for sale	594,359	13,421	169,045
Loans and leases to rental equipment	4,847	3,122	3,893
Loans and leases to foreclosed real estate and repossessed assets	—	—	49
Rental equipment to loan and leases	225,870	377,250	400,148
Recognition of operating lease ROU assets, net of measurements	654	—	117
Retirement of treasury stock	6,181	6,943	—

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of Pathward Financial, Inc. ("Pathward Financial" or the “Company” or "us"), a registered bank holding company located in Sioux Falls, South Dakota, and its wholly-owned subsidiaries. The Company's subsidiaries include Pathward®, National Association ("Pathward®, N.A." or "Pathward" or the “Bank”), a national bank whose primary federal regulator is the Office of the Comptroller of the Currency (the "OCC"), and Pathward Venture Capital, LLC, a wholly-owned service corporation subsidiary of Pathward, N.A. which invests in companies in the financial services industry. All significant intercompany balances and transactions have been eliminated. The Company also owns 100% of First Midwest Financial Capital Trust I (the “Trust”), which was formed in July 2001 for the purpose of issuing trust preferred securities, and Crestmark Capital Trust I, which was acquired from the Crestmark Acquisition in August 2018. The Trust and Crestmark Capital Trust I are not included in the Consolidated Financial Statements of the Company.

In addition, the Company is a variable interest holder in certain entities in which the equity holders do not have the characteristics of a controlling financial interest or where the entity does not have enough equity at risk to finance its activities without additional subordinated financial support (referred to as variable interest entities or "VIEs"). The Company's variable interest arises from contractual ownership or other monetary interests that change with fluctuations in the VIE's net asset value. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impacts the VIE's economic performance, and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. To determine whether or not a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size and form of the Company's involvement with the VIE. Further, the Company assesses whether or not the Company is the primary beneficiary of a VIE on an ongoing basis. If the determination is made that the Company is the primary beneficiary, then that entity is included in the Consolidated Financial Statements.

Noncontrolling interests represent the portion of net income and equity attributable to third-party owners of consolidated subsidiaries that are not wholly-owned by Pathward Financial. All of the Company's noncontrolling interests relate to the Company's Commercial Finance business line.

Variable Interest Entities

As a result of the Crestmark Acquisition, the Company acquired existing membership interests of certain joint venture limited liability companies (the "LLCs"). The Company holds 80% of the membership interests in each of the LLC entities, which offer commercial lending and other financing arrangements. In connection with these LLCs, the Company exclusively provides funding for each entity's activities. The Company determined it is the primary beneficiary of all LLCs as it has the managing power under the terms of each of the LLC operating agreements. Results of the LLCs are reflected in the Company's September 30, 2024 Consolidated Financial Statements and are summarized below. The assets recognized as a result of consolidating the LLCs are the property of the LLCs and are not available for any other purpose.

(Dollars in thousands)	At September 30, 2024
Cash and cash equivalents	$ 127
Loans and leases	51,835
Allowance for credit losses	(1,148)
Accrued interest receivable	163
Other assets	1,110
Total assets	52,087
Accrued expenses and other liabilities	338
Noncontrolling interest	(277)
Net assets less noncontrolling assets	$ 52,026

Amounts for noncontrolling interests reflect the proportionate share of membership interest (equity) and net income attributable to the holders of minority membership interest in the following entities:

- CM Help, LLC - CM Help provides flexible patient loan programs to hospitals and patient customers of hospitals as a financing alternative for the self-pay and co-pay portions of patients' hospital expenses.

- CM Southgate II, LLC - CM Southgate II engages in the business of acquiring fleet leases and semi-trailer/tractor loans and leases.

- CM TFS, LLC - CM TFS engages in the business of acquiring equipment financing term loans and leases.

In the normal course of business, the Company enters into off-balance sheet transactions with SPEs, which can be structured as corporations, trusts, limited liability companies, or partnerships and are established for a limited purpose. Currently, the Company utilizes a SPE facility for certain term lending products within the Company's Commercial Finance business line. The Company participated in the structuring of the SPE, has a minority ownership interest in the SPE, and acts as servicer for the SPE in exchange for a servicing fee. Pathward is not the primary beneficiary of the SPE as our risk of loss or right to benefits from the SPE are not significant. At September 30, 2024, there are $18.4 million commercial term loans held at the SPE compared to $13.7 million for the prior fiscal year, and the Company's equity investment in the SPE is $5.8 million compared to $1.2 million for the prior fiscal year. The Company's maximum exposure to loss from the SPE is limited to its equity investment. At September 30, 2024 and 2023, there were $4.6 million and no commercial term loans classified as held for sale related to this SPE, respectively.

NATURE OF BUSINESS AND INDUSTRY SEGMENT INFORMATION

One of the Company's primary sources of revenue relates to payment processing services for prepaid cards, ATM sponsorship, tax refund transfer and money movement. Additionally, a significant source of revenue for the Company is interest from the purchase or origination of commercial finance loans, consumer finance loans, and warehouse finance loans. The Company accepts deposits from customers in the normal course of business on a national basis through its partner solutions and tax services divisions, and through wholesale funding. The Company operates in the banking industry, which accounts for the majority of its revenues and assets. The Company uses the "management approach" for reporting information about segments in annual and interim financial statements. The management approach is based on the way the chief operating decision-maker organizes segments within a company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure and any other manner in which management disaggregates a company. Based on the management approach model, the Company has determined that its business is comprised of three reporting segments. See Note 16. Segment Reporting for additional information on the Company's segment reporting.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain significant estimates include the valuation of residual values within lease receivables, allowance for credit losses, the valuation of goodwill and intangible assets and the fair values of securities and other financial instruments. These estimates are reviewed by management regularly; however, they are particularly susceptible to significant changes in the future.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents is defined to include the Company's cash on hand and due from financial institutions and short-term interest-bearing deposits in other financial institutions. The Company reports cash flows net for customer loan transactions, securities purchased under agreement to resell, federal funds purchased, deposit transactions, securities sold under agreements to repurchase, and FHLB advances with terms less than 90 days. Previously, the FRB required all depository institutions to maintain reserves at specified levels against their transaction accounts, primarily checking accounts. However, since March 26, 2020, the reserve requirement ratio has been zero percent. At September 30, 2024, the Bank was not required to maintain any reserve balances. The Company at times maintains balances in excess of insured limits at various financial institutions including the FRB, the FHLB and other private institutions. At September 30, 2024, the Company had $104.9 million in interest-bearing deposits held at the FRB and $1.7 million interest-bearing deposits held at the FHLB. The Company does not believe these instruments carry a significant risk of loss but cannot provide assurances that no losses could occur if these institutions were to become insolvent.

SECURITIES

GAAP requires that, at acquisition, an enterprise classify debt securities into one of three categories: Available for Sale ("AFS"), Held to Maturity ("HTM") or trading. Debt securities AFS are carried at fair value on the Consolidated Statements of Financial Condition. Unrealized holding gains and losses due to risk of credit loss are recognized in earnings while unrealized holding gains and losses due to market conditions and other non-credit risk factors are excluded from earnings and recognized as a separate component of equity in accumulated other comprehensive income (loss) ("AOCI"). See Note 19. Fair Values of Financial Instruments for additional information on fair value of AFS debt securities. Debt securities HTM are measured at amortized cost. The Company classifies the majority of its debt securities as AFS, which are those the Company may decide to sell if needed for liquidity, asset/liability management, or other reasons. Both AFS and HTM are subject to an allowance for credit losses. Pathward Financial did not hold trading securities at September 30, 2024 or 2023.

Gains and losses on the sale of securities are determined using the specific identification method based on amortized cost and are reflected in results of operations at the time of sale. Interest and dividend income, adjusted by amortization of purchase premium or discount using the level yield method, is included in income as earned. For callable debt securities, any purchase premium is amortized to the first call date while any discount is accreted over the contractual life of the security.

Debt Securities Credit Losses

The Company evaluates debt securities AFS for credit losses on a quarterly basis and records any such losses as a component of provision for credit loss in the Consolidated Statements of Operations. The Company has concluded that any unrealized holding losses in its portfolio as of September 30, 2024 are not related to credit loss and as a result has not recorded an allowance for credit losses. See Note 2. Securities for further information.

The Company evaluates debt securities HTM for credit losses on a quarterly basis and records any such losses as a component of provision for credit loss in the Consolidated Statements of Operations. The Company has concluded that its portfolio as of September 30, 2024 has a zero risk of credit loss due to the related U.S. Government financial guarantees underlying the securities within the HTM portfolio and as a result has not recorded an allowance for credit losses.

Equity Investments

The Company holds marketable equity securities, which have readily determinable fair value, and include common equity and mutual funds. These securities are recorded at fair value with unrealized gains and losses, due to changes in fair value, reflected in earnings. Interest and dividend income from these securities is recognized in interest income. See Note 2. Securities for additional information on marketable equity securities.

The Company also holds non-marketable equity securities that are included in Other Assets in the Company's Consolidated Financial Statements. The Company generally accounts for these investments under the equity method or the provisions of Accounting Standards Codification ("ASC") 321. Equity Securities. Investments where the Company has significant influence, but not control, over the investee are accounted for under the equity method. Investments where the Company cannot exercise significant influence over the investee are measured at fair value, with changes in fair value recognized in earnings, unless those investments have no readily determinable fair value. Investments without readily determinable fair value are measured under the measurement alternative, which reflects cost less impairment, with adjustments in value resulting from observable price changes arising from orderly transactions of the same or a similar security from the same issuer ("measurement alternative investments").

The Company reviews for impairment for equity method and measurement alternative investments and includes an analysis of the facts and circumstances for each investment, expectations of cash flows, capital needs, and viability of its business model. For equity method, the asset carrying value is reduced when the decline in fair value is considered to be other than temporary. For measurement alternative investments, the asset carrying value is reduced when the fair value is less than the carrying value, without the consideration of recovery.

The Company held the following non-marketable equity securities:

- Equity Method - The Company held equity method investments of $4.1 million within other assets as of September 30, 2024 and $4.1 million at September 30, 2023. The Company's ownership of such investments typically ranges from 5% - 25% of the investee. The Company recognized nominal net earnings from these investments within noninterest income for the fiscal year ended September 30, 2024. The Company elected to classify distributions received from equity method investments using the cumulative earnings approach on the Consolidated Statements of Cash Flows.

- Fair Value Method - The Company held equity investments measured at net asset value ("NAV") per share (or its equivalent) of $11.8 million at September 30, 2024 and $8.4 million at September 30, 2023 where NAV is considered the fair value practical expedient. These investments are recorded within other assets on the Company's Consolidated Financial Statements. Fluctuations in fair value are recognized in earnings within noninterest Income.

- Measurement Alternative - The Company held equity investments measured using the measurement alternative of $9.5 million as of September 30, 2024 and $12.1 million at September 30, 2023 within other assets on the Company's Consolidated Financial Statements. Equity investments measured using the measurement alternative are subject to fair value adjustments when observable price changes in orderly transactions for the identical or similar investment of the same issuer occur. The Company did not recognize any fair value adjustments in the fiscal years ended September 30, 2024 and 2023. Additionally, the Company recognized impairment loss of $1.0 million and $3.3 million of such investments during the fiscal years ended September 30, 2024 and 2023, respectively.

LOANS HELD FOR SALE ("LHFS")

Loans are designated as LHFS based on management's intent to sell loans, or portions of loans, in established secondary markets or to participating third-party financial institutions. LHFS are held at the lower of cost or fair value. Any amount by which the cost exceeds fair value is initially recorded as a valuation allowance and subsequently reflected in the gain or loss on sale when sold. At September 30, 2024 and 2023, there was no valuation allowance recorded for LHFS. Gains and losses on LHFS are recorded in noninterest income on the Consolidated Statements of Operations. Loan costs and fees are deferred at origination and are recognized in income at the time of sale. Interest income is calculated based on the note rate of the loan and is recorded as interest income. The Company occasionally transfers loans between held for sale and held for investment classifications based on its intent and ability to hold or sell loans. Management's intent to sell may be impacted by secondary market conditions, loan credit quality, or other factors.

The following table summarizes the activity pertaining to loans held for sale:

	Fiscal Year Ended September 30,			
	2024		2023	
(Dollars in thousands)	Consumer	Commercial	Consumer	Commercial
Beginning of year balance	$ 77,779	$ —	$ 21,071	$ —
Originations	1,901,593	133,388	1,206,201	2,483
Proceeds from sales	(1,937,079)	(99,005)	(1,123,271)	(16,610)
Gain (loss) on sales	—	5,102	—	268
Principal collections, net of deferred fees and costs	(18,083)	(48)	(26,222)	280
Non-cash transfers, net	—	563,495	—	13,579
End of year balance	$ 24,210	$ 602,932	$ 77,779	$ —

LOANS AND LEASES

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are classified as held for investment and are generally reported at their outstanding principal balances net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans, and unamortized premiums or discounts on purchased loans (amortized cost).

Interest income on loans is accrued over the term of the loans based upon the amount of principal outstanding except when serious doubt exists as to the collectability of a loan, in which case the accrual of interest is discontinued. Unearned income, deferred loan fees and costs, and discounts and premiums are amortized to interest income over the contractual life of the loan using the interest method. The Company's business lines follow a nonaccrual policy with certain commercial finance, consumer finance and tax service loans not generally being placed on non-accrual status, but instead are charged off when the collection of principal and interest become doubtful. When placed on nonaccrual status, the accrued unpaid interest receivable is reversed against interest income and any remaining amortizing of net deferred fees is suspended. Cash collected on these loans is applied to first reduce the carrying value of the loan with any remainder being recognized as interest income. Generally, a loan can return to accrual status when all delinquent interest and principal become current under the terms of the loan agreement and collectability of the remaining principal and interest is no longer doubtful. Loans are considered past due when contractually required principal or interest payments have not been made on the due dates.

For commercial loans, the Company generally fully charges off or charges down to net realizable value (fair value of collateral, less estimated costs to sell) for loans secured by collateral when: management judges the loans to be uncollectible; repayment is deemed to be protracted beyond reasonable time frames; the loan has been classified as a loss by either the Company's internal loan review process or its banking regulatory agencies; the customer has filed bankruptcy and the loss becomes evident owing to lack of assets; or the loan meets a defined number of days past due unless the loan is both well-secured and in the process of collection. For consumer loans, the Company fully charges off or charges down to net realizable value when deemed uncollectible due to bankruptcy or other factors, or meets a defined number of days past due.

Leases Receivable

The Company provides various types of commercial lease financing that are classified for accounting purposes as direct financing, sales-type or operating leases. Leases that transfer substantially all of the benefits and risks of ownership to the lessee are classified as direct financing or sales-type leases and are included in loans and leases receivable on the Consolidated Statements of Financial Condition. Direct financing and sales-type leases are carried at the combined present value of future minimum lease payments and lease residual values. The determination of lease classification requires various judgments and estimates by management, including the fair value of equipment at lease inception, useful life of the equipment under lease, lease residual value, and collectability of minimum lease payments.

Sales-type leases generate a gain or loss at lease inception by recording lease revenue less lease cost. Lease revenue consists of the present value of the future minimum lease payments. Lease cost consists of the lease equipment's book value, less the present value of its residual. Interest income on direct financing and sales-type leases is recognized using methods that approximate a level yield over the fixed, non-cancelable term of the lease. Recognition of interest income is generally discontinued at the time the lease becomes 90 days delinquent, unless the lease is well-secured and in process of collection. Delinquency and past due status is based on the contractual terms of the lease. The Company receives pro rata rent payments for the interim period until the lease contract commences and the fixed, non-cancelable lease term begins. Interim payments are recognized in the month they are earned and are recorded in interest income. Management has policies and procedures in place for the determination of lease classification and review of the related judgments and estimates for all lease financings.

The Company generally fully charges off or charges down to net realizable value (fair value of collateral, less estimated costs to sell) for leases when management judges the lease to be uncollectible; repayment is deemed to be protracted beyond reasonable time frames; the lease has been classified as a loss by either the Company's internal review process or its banking regulatory agencies; the customer has filed bankruptcy and the loss becomes evident owing to lack of assets; or the lease meets a defined number of days past due unless the lease is both well-secured and in the process of collection.

Some lease financings include a residual value component, which represents the estimated fair value of the leased equipment at the expiration of the initial term of the transaction. The estimation of the residual value involves judgments regarding product and technology changes, customer behavior, shifts in supply and demand, and other economic assumptions. The Company may purchase and sell minimum lease payments, primarily as a credit risk reduction tool, to third-party financial institutions at fixed rates on a non-recourse basis with its underlying equipment as collateral. For those transactions that achieve sale treatment, the related lease cash flow stream and the non-recourse financing are derecognized. For those transactions that do not achieve sale treatment, the underlying lease remains on the Company's Consolidated Statements of Financial Condition and non-recourse debt is recorded in the amount of the proceeds received. The Company retains servicing of these leases and bills, collects, and remits funds to the third-party financial institution. Upon default by the lessee, the third-party financial institutions may take control of the underlying collateral which the Company would otherwise retain as residual value.

Leases that do not transfer substantially all benefits and risks of ownership to the lessee are classified as operating leases. Such leased equipment are included in rental equipment on the Consolidated Statements of Financial Condition and are depreciated on a straight-line basis over the term of the lease to its estimated residual value.

Depreciation expense is recorded as operating lease equipment depreciation expense within noninterest expense. Operating lease rental income is recognized when it becomes due and is reflected as a component of noninterest income. The Company evaluates the carrying value of rental equipment for impairment whenever events or circumstances have occurred that would indicate the carrying amount may not be fully recoverable. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value, where fair value is based on the condition of the rental equipment and the projected net cash flows from rental and sale adjusted for current market conditions. A $2.0 million impairment expense from rental equipment was recognized for the fiscal year ended September 30, 2024, a nominal impairment expense was recognized for fiscal year ended September 30, 2023, and no impairment expense was recognized for the fiscal year ended September 30, 2022.

Loan Servicing and Transfers of Financial Assets

The Company sells loan participations, generally without recourse, in both the commercial and consumer segments. The Company also sells commercial SBA and USDA loans to third parties, generally without recourse. Sold loans are not included in the Consolidated Financial Statements. The Bank generally retains the right to service the sold loans for a fee. If the fee is determined commensurate and customary with market terms, no servicing asset or liability is recorded. Any fee that is above or below market terms results in a servicing asset or liability and is included within Other Assets on the Consolidated Statements of Financial Condition. At September 30, 2024 and 2023, the Bank was servicing loans for others with aggregate unpaid principal balances of $364.5 million and $332.5 million, respectively. The service fees and ancillary income related to these loans were immaterial.

Transfers of loans, portions of loans meeting the definition of a participating interest, and other financial assets are accounted for as sales on the transaction settlement date when control has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been legally isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of such right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through a repurchase agreement or other means. Upon sale, the loans or other financial assets are derecognized from the Company's Consolidated Statements of Financial Condition. If the transfer does not satisfy the aforementioned control criteria, the transaction is recorded as a secured borrowing with the loans or other financial assets remaining on the Company's Consolidated Statements of Financial Condition and proceeds recognized as a liability.

ALLOWANCE FOR CREDIT LOSSES

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

Individually evaluated loans and leases are a key component of the ACL. Generally, the Company measures credit loss on individually evaluated loans based on the fair value of the collateral less estimated selling costs, as the Company considers these financial assets to be collateral dependent. If an individually evaluated loan or lease is not collateral dependent, credit loss is measured at the present value of expected future cash flows discounted at the loan or lease initial effective interest rate. Management has also identified certain structured finance credits for alternative energy projects in which a substantial cash collateral account has been established to mitigate credit risk. Due to the nature of the transactions and significant cash collateral positions, these credits are evaluated individually.

Credit loss for all other loans and leases is evaluated collectively by various characteristics. The collective evaluation of expected losses in all commercial finance portfolios is based on a cohort loss rate and adjustments for forward-looking information, including industry and macroeconomic forecasts. The cohort loss rate is a life of loan loss rate that immediately reverts to historical loss information for the remaining maturity of the financial asset. Management has elected to use a twelve to twenty-four month reasonable and supportable forecast for forward-looking information. Factors utilized in the determination of the allowance include historical loss experience, current economic forecasts and measurement date credit characteristics such as product type, delinquency, and industry. The unfunded credit commitments depend on these same factors, as well as estimates of lines of credit usage. The various quantitative and qualitative factors used in the methodologies are reviewed quarterly.

The collective evaluation of expected credit losses for certain consumer lending portfolios utilize different methodologies when estimating expected credit losses. The determination of the allowance is governed by structured tiers that dictate how cash collections are applied to losses to assess if there are sufficient available funds to cover expected credit losses.

The amount of ACL depends significantly on management's estimates or key factors and assumptions affecting valuation, appraisals of collateral, evaluations of performance and status, the amounts and timing of future cash flows expected to be received, forecasts of future economic conditions and reversion periods. Such estimates, appraisals, evaluations, cash flows and forecasts may be subject to frequent adjustments due to changing economic prospects of borrowers, lessees, properties or economic conditions. These estimates are reviewed quarterly and adjustments, if necessary, are recorded in the provision for credit loss in the periods in which they become known.

Accrued interest receivable is presented separately on the Consolidated Statements of Financial Condition, and an ACL is not recorded for these balances. Generally, when a loan or lease is placed on nonaccrual status, typically when the collection of interest or principal is 90 days or more past due, uncollected interest accrued in prior years is charged off against the ACL and interest accrued in the current year is reversed against interest income.

Management maintains a framework of controls over the estimation process for the ACL, including review of collective reserve methodologies for compliance with GAAP. Management has a quarterly process to review the appropriateness of historical observation periods and loss assumptions and risk ratings assigned to loans and leases, if applicable. Management reviews its qualitative framework and the effect on the collective reserve compared with relevant credit risk factors and consistency with credit trends. Management also maintains controls over information systems, models and spreadsheets used in the quantitative components of the reserve estimate. This includes the quality and accuracy of historical data used to derive loss rates, the inputs to industry and macroeconomic forecasts and the reversion periods utilized. The results of this process are summarized and presented to management quarterly for their approval of the recorded allowance. See Note 3. Loans and Leases, Net for further information.

The following are risk characteristics of the Company's loan and lease portfolio:

Commercial Finance

The Company's Commercial Finance business line offers a variety of products through its working capital, equipment finance, structured finance, and insurance premium finance lending solutions. These products include term lending, asset-based lending, factoring, lease financing, insurance premium finance, government guaranteed lending and other commercial finance products offered on a nationwide basis that are subject to adverse market conditions which may impact the borrower's ability to make repayment on the loan or lease or could cause a decline in the value of the collateral that secures the loan or lease. The loans or leases are primarily made based on the operating cash flows of the borrower and on the underlying collateral provided by the borrower. The cash flows of borrowers may be volatile and the value of the collateral securing these loans and leases may be difficult to measure. Most commercial finance loans and leases are secured by the assets being financed or other business assets such as accounts receivable or inventory. Although the loans and leases are often collateralized by equipment, inventory, accounts receivable, insurance premiums or other business assets, the liquidation of collateral in the event of a borrower default may be an insufficient source of repayment, because accounts receivable may be uncollectible and inventories and equipment may be obsolete or of limited use. The Company attempts to mitigate these risks by adhering to its underwriting policies in evaluating the management of the business and the credit-worthiness of borrowers and guarantors. See Note 20. Subsequent Events for further information on the Company's commercial premium finance insurance business.

Consumer Finance

The Bank offers a variety of installment and revolving consumer lending products through its credit solutions. The Bank designs its credit program relationships with certain desired outcomes, including liquidity, credit protection, and risk retention by the program partner. The Bank believes the benefits of these outcomes not only support its goals but the goals of the credit program partner as well. The Bank designs its program credit protections in a manner so that the Bank earns a reasonable risk adjusted return, but is protected by certain layers of credit support, similar to what you would find in structured finance. Certain loans are sold to third parties based on terms and conditions within the Program Agreement.

Tax Services

The Bank's Partner Solutions business line also offers tax solutions, which includes short-term refund advance loans. Through this product, taxpayers are underwritten to determine eligibility for these unsecured loans. Due to the nature of refund advance loans, it typically takes no more than three e-file cycles (the period of time between scheduled IRS payments) from when the return is accepted by the IRS to collect from the borrower. In the event of default, the Bank has no recourse against the tax consumer. When collection of principal becomes doubtful, the Bank will charge off the balance of a refund advance loan on September 30. Any remaining balances are charged off at the end of the calendar year. The Bank may record recoveries of previously charged off loans if collected in subsequent tax years.

The Bank offers short-term electronic return originator ("ERO") advance loans on a nationwide basis. These loans are typically utilized by tax preparers to purchase tax preparation software and to prepare tax office operations for the upcoming tax season. EROs go through an underwriting process to determine eligibility for the unsecured advances. ERO loans are not collateralized. Collection on ERO advances begins once the ERO begins to process refund transfers. Generally, the Bank will charge off the balance of an ERO advance loan if there is a balance at the end of June, or when collection of principal becomes doubtful.

Warehouse Finance

The Bank participates in several collateral-based warehouse lines of credit whereby the Bank is in a senior, secured position as the first out participant. These facilities are primarily collateralized by consumer receivables, with the Bank holding a senior collateral position enhanced by a subordinate party structure.

PREMISES, FURNITURE, AND EQUIPMENT

Land is carried at cost. Buildings, furniture, fixtures, leasehold improvements, internal-use software and equipment are carried at cost, less accumulated depreciation and amortization. The Company primarily uses the straight-line method of depreciation and amortization over the estimated useful lives of the assets, which is 39 years for buildings, three years for internal-use software, and range from two years to 15 years for leasehold improvements and for furniture, fixtures and equipment. Assets are reviewed for impairment when events indicate the carrying amount may not be recoverable. See Note 5. Premises, Furniture and Equipment, Net for further information.

GOODWILL

Goodwill represents the cost in excess of the fair value of net assets acquired (including identifiable intangibles) in transactions accounted for as business acquisitions. Goodwill is evaluated annually for impairment at a reporting unit level. The Company has determined that its reporting units are one level below the operating segments and distinguish these reporting units based on how the segments and reporting units are managed, taking into consideration the economic characteristics, nature of the products, and customers of the segments and reporting units. The Company performs its impairment evaluation as of September 30 of each fiscal year unless a triggering event occurs that would require an interim impairment evaluation. The Company generally utilizes a qualitative approach during this annual assessment to determine whether it is more likely than not (i.e. a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying value. If we determine it is more likely than not that goodwill is impaired, then a quantitative assessment is performed to determine fair value of the reporting unit. If the carrying amount of the reporting unit with goodwill exceeds its fair value, goodwill is considered impaired and is written down by the excess carrying value of the reporting unit. Subsequent increases in goodwill are not recognized in the Consolidated Financial Statements. No goodwill impairment was recognized during the fiscal years ended September 30, 2024, 2023 or 2022. See Note 7. Goodwill and Intangible Assets for further information.

INTANGIBLE ASSETS

Intangible assets other than goodwill are amortized over their respective estimated lives. All intangible assets are subject to an impairment test at least annually or more often if conditions indicate a possible impairment. See Note 7. Goodwill and Intangible Assets for further information.

STOCK COMPENSATION

Compensation expense for share-based awards is recorded over the vesting period at the fair value of the award at the time of grant. The fair value of nonvested (restricted) shares and performance share units granted under the Company’s incentive plans is equal to the fair market value of the underlying stock at the grant date, adjusted for dividends where applicable. The Company has elected to record forfeitures as they occur. See Note 12. Stock Compensation for further information.

INCOME TAXES

The Company records income tax expense based on the amount of taxes due on its tax return plus deferred taxes computed based on the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, using enacted tax rates. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In accordance with ASC 740, *Income Taxes*, the Company recognizes a tax position as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized upon examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded. The Company recognizes interest and/or penalties related to income tax matters in noninterest income or noninterest expense. The effect on deferred tax assets and liabilities from a change in tax rates is recorded in income tax expense in the Consolidated Statements of Operations in the period in which the enactment date occurs. If current period income tax rates change, the impact on the annual effective income tax rate is applied year to date in the period of enactment. See Note 13. Income Taxes for further information.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company, in the normal course of business, makes commitments to originate loans which are not reflected in the Consolidated Financial Statements. The reserve for these unfunded commitments is included within Other Liabilities on the Consolidated Statements of Financial Condition.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) consists of net income and other comprehensive income or loss. Other comprehensive income or loss includes the change in net unrealized holding gains and losses due to market conditions and other non-credit risk factors on AFS debt securities, net of reclassification adjustments and tax effects. Accumulated other comprehensive income (loss) is recognized as a separate component of stockholders' equity.

REVENUE RECOGNITION

Interest revenue from loans, leases, and investments is recognized on the accrual basis of accounting as the interest is earned according to the terms of the particular loan, lease, or investment. Income from service and other customer charges is recognized as earned. Revenue within the Consumer segment is recognized as services are performed and service charges are earned in accordance with the terms of the various programs. Refer to Note 15. Revenue from Contracts with Customers for additional information.

EARNINGS PER COMMON SHARE ("EPS")

Basic EPS is computed using the two-class method by dividing income available to common stockholders after the allocation of dividends and undistributed earnings to the participating securities by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, and is computed after giving consideration to the weighted average dilutive effect upon vesting of restricted stock grants and after the allocation of earnings to the participating securities. See Note 4. Earnings per Common Share for further information.

RELATED PARTY TRANSACTIONS

The Company has disclosed information on its equity investments and relationships with variable interest entities in Note 1. Summary of Significant Accounting Policies.

At September 30, 2024 and 2023, the Company had no loans or deposits outstanding with individuals deemed under Regulation O to be directors, executive officers and/or employees of the Company.

RECLASSIFICATION AND REVISION OF PRIOR PERIOD BALANCES

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These changes and reclassifications did not impact previously reported net income or comprehensive income (loss).

RECENTLY ADOPTED ACCOUNTING STANDARDS UPDATES ("ASU")

The following ASU was adopted by the Company during the fiscal year ended September 30, 2024 and did not have a material impact on the Company's Consolidated Financial Statements. The following ASU became effective for the Company on October 1, 2023.

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

The following ASUs have been issued and are considered applicable to the Company, but have not yet been adopted as of September 30, 2024.

ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* This ASU improves reportable segment disclosures primarily by enhancing disclosure requirements about significant segment expenses. The amendments will be effective for the Company beginning with the fiscal year ended September 30, 2025 and subsequent interim periods. The amendments will be applied retrospectively to all prior periods in the consolidated financial statements. The Company is currently evaluating the impact of such amendments to the consolidated financial statements and related disclosures.

ASU 2023-09, *Income Taxes (ASC 740): Improvements to Income Tax Disclosures.* This ASU requires enhanced income tax disclosures primarily related to the rate reconciliation and income taxes paid information to provide further transparency surrounding the Company's income tax position. The amendments in this ASU will be effective for the Company beginning on October 1, 2025. The Company is currently evaluating the impact of such amendments to the consolidated financial statements and related disclosures.

NOTE 2. SECURITIES

The amortized cost, gross unrealized gains and losses and estimated fair values of AFS and HTM debt securities are presented below.

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Debt Securities AFS				
At September 30, 2024				
Corporate securities	$ 25,000	$ —	$ (5,250)	$ 19,750
SBA securities	86,036	—	(4,101)	81,935
Obligations of states and political subdivisions	501	—	(21)	480
Non-bank qualified obligations of states and political subdivisions	246,233	44	(28,287)	217,990
Asset-backed securities	192,979	337	(3,618)	189,698
Mortgage-backed securities	1,393,549	84	(162,265)	1,231,368
Total debt securities AFS	$ 1,944,298	$ 465	$ (203,542)	$ 1,741,221
At September 30, 2023				
Corporate securities	$ 25,000	$ —	$ (6,750)	$ 18,250
SBA securities	95,549	—	(10,307)	85,242
Obligations of states and political subdivisions	2,368	—	(79)	2,289
Non-bank qualified obligations of states and political subdivisions	269,396	—	(42,673)	226,723
Asset-backed securities	255,384	234	(9,419)	246,199
Mortgage-backed securities	1,495,636	—	(270,111)	1,225,525
Total debt securities AFS	$ 2,143,333	$ 234	$ (339,339)	$ 1,804,228
Debt Securities HTM				
At September 30, 2024				
Non-bank qualified obligations of states and political subdivisions	$ 31,060	$ —	$ (2,668)	$ 28,392
Mortgage-backed securities	2,032	—	(188)	1,844
Total debt securities HTM	$ 33,092	$ —	$ (2,856)	$ 30,236
At September 30, 2023				
Non-bank qualified obligations of states and political subdivisions	$ 34,415	$ —	$ (4,844)	$ 29,571
Mortgage-backed securities	2,176	—	(322)	1,854
Total debt securities HTM	$ 36,591	$ —	$ (5,166)	$ 31,425

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

(Dollars in thousands)	LESS THAN 12 MONTHS Fair Value	LESS THAN 12 MONTHS Gross Unrealized (Losses)	OVER 12 MONTHS Fair Value	OVER 12 MONTHS Gross Unrealized (Losses)	TOTAL Fair Value	TOTAL Gross Unrealized (Losses)
Debt Securities AFS						
At September 30, 2024						
Corporate securities	$ —	$ —	$ 19,750	$ (5,250)	$ 19,750	$ (5,250)
SBA securities	—	—	81,935	(4,101)	81,935	(4,101)
Obligations of state and political subdivisions	—	—	280	(21)	280	(21)
Non-bank qualified obligations of states and political subdivisions	—	—	215,956	(28,287)	215,956	(28,287)
Asset-backed securities	52,101	(176)	88,576	(3,442)	140,677	(3,618)
Mortgage-backed securities	2,377	(15)	1,215,781	(162,250)	1,218,158	(162,265)
Total debt securities AFS	$ 54,478	$ (191)	$ 1,622,278	$ (203,351)	$ 1,676,756	$ (203,542)
At September 30, 2023						
Corporate securities	$ —	$ —	$ 18,250	$ (6,750)	$ 18,250	$ (6,750)
SBA securities	22,327	(1,919)	62,915	(8,388)	85,242	(10,307)
Obligations of state and political subdivisions	—	—	2,289	(79)	2,289	(79)
Non-bank qualified obligations of states and political subdivisions	5,010	(83)	221,714	(42,590)	226,723	(42,673)
Asset-backed securities	46,528	(224)	115,608	(9,195)	162,136	(9,419)
Mortgage-backed securities	18,311	(944)	1,207,214	(269,167)	1,225,525	(270,111)
Total debt securities AFS	$ 92,176	$ (3,170)	$ 1,627,990	$ (336,169)	$ 1,720,165	$ (339,339)
Debt Securities HTM						
At September 30, 2024						
Non-bank qualified obligations of states and political subdivisions	$ —	$ —	$ 28,392	$ (2,668)	$ 28,392	$ (2,668)
Mortgage-backed securities	—	—	1,844	(188)	1,844	(188)
Total debt securities HTM	$ —	$ —	$ 30,236	$ (2,856)	$ 30,236	$ (2,856)
At September 30, 2023						
Non-bank qualified obligations of states and political subdivisions	$ —	$ —	$ 29,571	$ (4,844)	$ 29,571	$ (4,844)
Mortgage-backed securities	—	—	1,854	(322)	1,854	(322)
Total debt securities HTM	$ —	$ —	$ 31,425	$ (5,166)	$ 31,425	$ (5,166)

The decrease in the fair value of investment securities balances when comparing September 30, 2024 to the prior year was primarily driven by principal pay downs during the fiscal year. At September 30, 2024, there were 195 debt securities AFS in an unrealized loss position. Management assessed each investment security with unrealized losses for credit loss by evaluating qualitative factors, including materiality of loss position as a percentage of book value, credit ratings, outstanding principal and interest payments, and changes in the underlying implicit or explicit guarantee of the security, and determined all unrealized losses on these securities were due to adverse market conditions and/or change in interest rates versus credit loss. As part of that assessment, management evaluated and concluded that it is more-likely-than-not that the Company will not be required and does not intend to sell any of the securities prior to recovery of the amortized cost. At September 30, 2024, there was no ACL for debt securities AFS.

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

	At September 30,			
(Dollars in thousands)	2024		2023	
Debt Securities AFS	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,826	$ 1,796	$ 5,023	$ 4,971
Due after one year through five years	14,772	14,211	11,175	10,292
Due after five years through ten years	70,894	63,636	79,139	66,428
Due after ten years	463,257	430,210	552,360	497,012
	550,749	509,853	647,697	578,703
Mortgage-backed securities	1,393,549	1,231,368	1,495,636	1,225,525
Total debt securities AFS	$ 1,944,298	$ 1,741,221	$ 2,143,333	$ 1,804,228
Debt Securities HTM				
Due after ten years	$ 31,060	$ 28,392	$ 34,415	$ 29,571
	31,060	28,392	34,415	29,571
Mortgage-backed securities	2,032	1,844	2,176	1,854
Total debt securities HTM	$ 33,092	$ 30,236	$ 36,591	$ 31,425

Activity related to the sale of securities is summarized below.

	Fiscal Year Ended September 30,		
(Dollars in thousands)	2024	2023	2022
Securities AFS			
Proceeds from sales	$ —	$ —	$ 265,951
Gross gains on sales	—	—	1,742
Gross losses on sales	—	—	1,588
Net gain on securities AFS	$ —	$ —	$ 154

There was no activity related to the sale of securities held to maturity during the fiscal years ended September 30, 2024, 2023, and 2022.

No securities were pledged as collateral for public funds on deposit at September 30, 2024 and 2023. No securities were pledged as collateral for individual, trust and estate deposits at September 30, 2024 and 2023.

FRB Stock. The Bank is required by federal law to subscribe to capital stock (divided into shares of $100 each) as a member of the FRB of Minneapolis with an amount equal to six per centum of the paid-up capital stock and surplus. One-half of the subscription is paid at time of application, and one-half is subject to call of the Board of Governors of the Federal Reserve System. FRB of Minneapolis stock held by the Bank totaled $19.7 million at September 30, 2024 and 2023. These equity securities are 'restricted' in that they can only be owned by member banks. At fiscal year-end 2024 and 2023, the Company pledged securities with fair values of $533.8 million and $773.6 million against FRB advances, respectively.

Included in interest and dividend income from other investments is $1.2 million, $1.2 million, and $1.2 million related to dividend income on FRB stock for the fiscal years ended September 30, 2024, 2023, and 2022, respectively.

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

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

The FHLB stock is carried at cost since it is generally redeemable at par value. The carrying value of the stock held at the FHLB was $16.3 million and $8.5 million at September 30, 2024 and 2023, respectively. At fiscal year-end 2024 and 2023, the Company pledged securities with fair values of approximately $1.04 billion and $996.9 million, respectively, as collateral against FHLB advances. There was approximately $136.9 million and $21.3 million of qualifying loans pledged as collateral at September 30, 2024 and 2023, respectively.

Included in interest and dividend income from other investments is $0.7 million, $0.5 million and $0.3 million related to dividend income on FHLB stock for the fiscal years ended September 30, 2024, 2023 and 2022, respectively.

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

Equity Securities. The Company held $3.3 million and $3.4 million in marketable equity securities at September 30, 2024 and 2023, respectively. The Company recognized $0.1 million and $0.2 million in unrealized losses on marketable equity securities during the fiscal years ended September 30, 2024 and 2023, respectively. No such securities were sold during the fiscal year.

Non-marketable equity securities with a readily determinable fair value totaled $11.8 million and $8.4 million at September 30, 2024 and 2023, respectively. The Company recognized $1.1 million in unrealized gains and $0.2 million in unrealized losses during the fiscal years ended September 30, 2024 and 2023, respectively. No such securities were sold during the fiscal year.

Non-marketable equity securities without readily determinable fair value totaled $13.6 million and $16.2 million at September 30, 2024 and 2023, respectively, reflecting the Company's ownership interests in other entities through Pathward Venture Capital, LLC, a wholly-owned service corporation subsidiary of the Bank that was formed in 2017 for the purpose of making minority equity investments and other corporate investments. During the fiscal year, the Company recognized a $2.4 million gain on Visa shares previously carried at cost basis of $0 since 2008. On April 8, 2024, Visa Inc. announced the commencement of an exchange offer for Visa Class B-1 common stock and the Company subsequently tendered its Visa Class B-1 common stock in exchange for a combination of Visa Class C common stock and Visa Class B-2 common stock. After entering the exchange, the Company sold its Visa Class C common stock and Visa Class B-2 common stock in the secondary market. There was one additional security sold during the fiscal year for a $2.5 million gain which is included in gain on sale of other on the Consolidated Statements of Operations.

Equity Securities Impairment. The Company evaluates impairment for investments held at cost on at least an annual basis based on the ultimate recoverability of the par value. All other equity investments, including those under the equity method, are reviewed for other-than-temporary impairment on at least a quarterly basis. The Company recognized $1.0 million, $3.3 million, and zero in impairment for such investments for the fiscal years ended September 30, 2024, 2023, and 2022, respectively.

NOTE 3. LOANS AND LEASES, NET

Loans and leases consist of the following:

(Dollars in thousands)	At September 30, 2024		At September 30, 2023	
Term lending	$	1,554,641	$	1,308,133
Asset-based lending		471,897		382,371
Factoring		362,295		358,344
Lease financing		152,174		183,392
Insurance premium finance		—		800,077
SBA/USDA		568,628		524,750
Other commercial finance		185,964		166,091
Commercial finance		3,295,599		3,723,158
Consumer finance		248,800		254,416
Tax services		8,825		5,192
Warehouse finance		517,847		376,915
Total loans and leases		4,071,071		4,359,681
Net deferred loan origination costs		4,124		6,435
Total gross loans and leases		4,075,195		4,366,116
Allowance for credit losses		(45,336)		(49,705)
Total loans and leases, net	$	4,029,859	$	4,316,411

During the fiscal years ended September 30, 2024 and 2023, the Company originated $2.03 billion and $1.21 billion of consumer finance and SBA/USDA loans as held for sale, respectively.

The Company sold held for sale loans resulting in proceeds of $2.04 billion and gain on sale of $5.9 million during the fiscal year ended September 30, 2024. The Company sold held for sale loans resulting in proceeds of $1.14 billion and gain on sale of $0.3 million during the fiscal year ended September 30, 2023.

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

(Dollars in thousands)	Fiscal Year Ended September 30, 2024		Fiscal Year Ended September 30, 2023	
Loans Purchased				
Loans held for investment:				
Commercial finance	$	13,782	$	480
Warehouse finance		284,480		214,786
Total purchases	$	298,262	$	215,266
Loans Sold				
Loans held for sale:				
Commercial finance	$	99,005	$	16,610
Consumer finance		1,937,079		1,123,271
Total sales	$	2,036,084	$	1,139,881

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

(Dollars in thousands)	At September 30, 2024	2023
Minimum lease payments receivable	$ 162,757	$ 191,807
Unguaranteed residual assets	9,300	12,709
Unamortized initial direct costs	102	141
Unearned income	(19,883)	(21,124)
Total net investment in direct financing and sales-type leases	$ 152,276	$ 183,533

The components of total lease income were as follows:

(Dollars in thousands)	Fiscal Year Ended September 30, 2024	2023	2022
Interest income - loans and leases			
Interest income on net investments in direct financing and sales-type leases	$ 11,827	$ 13,536	$ 17,081
Leasing and equipment finance noninterest income			
Lease income from operating lease payments	53,365	53,551	46,017
Other[1]	4,921	3,964	5,982
Total leasing and equipment finance noninterest income	58,286	57,515	51,999
Total lease income	$ 70,113	$ 71,051	$ 69,080

[1] Other leasing and equipment finance noninterest income consists of gains (losses) on sales of leased equipment, fees and service charges on leases and gains (losses) on sales of leases.

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

(Dollars in thousands)	
2025	$ 59,315
2026	41,380
2027	26,908
2028	19,157
2029	10,236
Thereafter	5,761
Total undiscounted future minimum lease payments receivable for direct financing and sales-type leases	162,757
Third-party residual value guarantees	—
Total carrying amount of direct financing and sales-type leases	$ 162,757

The Company did not record any contingent rental income from direct financing and sales-type leases in the fiscal year ended September 30, 2024.

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

Activity in the allowance for credit losses was as follows:

	Fiscal Year Ended September 30,	
(Dollars in thousands)	2024	2023
Beginning balance	$ 49,705	$ 45,947
Provision for credit loss	42,238	57,448
Charge-offs	(57,681)	(59,898)
Recoveries	11,074	6,208
Ending balance	$ 45,336	$ 49,705

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

	At September 30, 2024				
(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:					
Term lending	$ 25,686	$ 20,558	$ (18,193)	$ 2,343	$ 30,394
Asset-based lending	2,738	(1,637)	—	255	1,356
Factoring	6,566	1,420	(2,453)	224	5,757
Lease financing	3,302	(2,010)	(287)	184	1,189
Insurance premium finance	2,637	(1,767)	(1,149)	279	—
SBA/USDA	2,962	1,065	(755)	1	3,273
Other commercial finance	3,089	(2,482)	—	—	607
Commercial finance	46,980	15,147	(22,837)	3,286	42,576
Consumer finance	2,346	3,955	(4,064)	3	2,240
Tax services	2	22,995	(30,780)	7,785	2
Warehouse finance	377	141	—	—	518
Total loans and leases	49,705	42,238	(57,681)	11,074	45,336
Unfunded commitments[1]	272	423	—	—	695
Total	$ 49,977	$ 42,661	$ (57,681)	$ 11,074	$ 46,031

[1] Reserve for unfunded commitments is recognized within other liabilities on the Consolidated Statements of Financial Condition.

(Dollars in thousands)	At September 30, 2023 Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:					
Term lending	$ 24,621	$ 10,541	$ (11,295)	$ 1,819	$ 25,686
Asset-based lending	1,050	4,005	(2,873)	556	2,738
Factoring	6,556	1,523	(1,545)	32	6,566
Lease financing	5,902	(1,424)	(1,479)	303	3,302
Insurance premium finance	1,450	2,349	(1,659)	497	2,637
SBA/USDA	3,263	(296)	(43)	38	2,962
Other commercial finance	1,310	1,779	—	—	3,089
Commercial finance	44,152	18,477	(18,894)	3,245	46,980
Consumer finance	1,463	3,146	(2,263)	—	2,346
Tax services	5	35,775	(38,741)	2,963	2
Warehouse finance	327	50	—	—	377
Total loans and leases	45,947	57,448	(59,898)	6,208	49,705
Unfunded commitments[(1)]	366	(94)	—	—	272
Total	$ 46,313	$ 57,354	$ (59,898)	$ 6,208	$ 49,977

[(1)] Reserve for unfunded commitments is recognized within other liabilities on the Consolidated Statements of Financial Condition.

(Dollars in thousands)	At September 30, 2022 Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:					
Term lending	$ 29,351	$ 4,850	$ (12,629)	$ 3,049	$ 24,621
Asset-based lending	1,726	(1,092)	(16)	432	1,050
Factoring	3,997	11,699	(11,057)	1,917	6,556
Lease financing	7,629	(2,062)	(301)	636	5,902
Insurance premium finance	1,394	597	(767)	226	1,450
SBA/USDA	2,978	863	(652)	74	3,263
Other commercial finance	1,168	142	—	—	1,310
Commercial finance	48,243	14,997	(25,422)	6,334	44,152
Consumer finance	7,354	(1,449)	(4,787)	345	1,463
Tax services	2	28,093	(30,852)	2,762	5
Warehouse finance	420	(93)	—	—	327
Community banking	12,262	(12,686)	—	424	—
Total loans and leases	68,281	28,862	(61,061)	9,865	45,947
Unfunded commitments[(1)]	690	(324)	—	—	366
Total	$ 68,971	$ 28,538	$ (61,061)	$ 9,865	$ 46,313

[(1)] Reserve for unfunded commitments is recognized within other liabilities on the Consolidated Statements of Financial Condition.

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

(Dollars in thousands)	At September 30, 2024	At September 30, 2023
Term lending	$ 15,491	$ 3,516
Asset-based lending	—	19,226
Factoring	—	1,133
Lease financing	5,300	630
SBA/USDA	1,419	750
Commercial finance[1]	22,210	25,255
Total	$ 22,210	$ 25,255

[1] For Commercial Finance, collateral dependent financial assets have collateral in the form of cash, equipment, or other business assets.

Management has identified certain structured finance credits for alternative energy projects in which a substantial cash collateral account has been established to mitigate credit risk. Due to the nature of the transactions and significant cash collateral positions, these credits are evaluated individually. The balance of these pass rated cash collateral loans totaled $105.1 million and $117.0 million at September 30, 2024 and 2023, respectively.

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

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

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

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

The adverse classifications are as follows:

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

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

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

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

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

The Company has various portfolios of consumer finance and tax services loans that present unique risks that are statistically managed. Due to the unique risks associated with these portfolios, the Company monitors other credit quality indicators in its evaluation of the appropriateness of the ACL on these portfolios, and as such, these loans are not included in the asset classification table below. The outstanding balances of consumer finance loans and tax services loans were $248.8 million and $8.8 million at September 30, 2024, respectively, and $254.4 million and $5.2 million at September 30, 2023, respectively. The amortized cost basis of loans and leases by asset classification and year of origination was as follows:

	Amortized Cost Basis							
(Dollars in thousands)	Term Loans and Leases by Origination Year							
At September 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans and Leases	Total
Term lending								
Pass	$ 548,597	$ 398,832	$ 117,180	$ 77,585	$ 42,950	$ 24,166	$ —	$ 1,209,310
Watch	47,765	52,317	34,964	31,025	2,720	2,312	—	171,103
Special mention	44,617	3,106	9,121	14,772	7,238	2	—	78,856
Substandard	9,798	24,187	18,537	11,660	18,894	2,631	—	85,707
Doubtful	4,314	1,465	2,247	758	114	767	—	9,665
Total	655,091	479,907	182,049	135,800	71,916	29,878	—	1,554,641
Current period charge-offs	114	3,102	8,502	3,576	2,184	715	—	18,193
Asset-based lending								
Pass	—	—	—	—	—	—	233,268	233,268
Watch	—	—	—	—	—	—	221,521	221,521
Special mention	—	—	—	—	—	—	13,187	13,187
Substandard	—	—	—	—	—	—	3,921	3,921
Total	—	—	—	—	—	—	471,897	471,897
Current period charge-offs	—	—	—	—	—	—	—	—
Factoring								
Pass	—	—	—	—	—	—	292,436	292,436
Watch	—	—	—	—	—	—	62,270	62,270
Special mention	—	—	—	—	—	—	271	271
Substandard	—	—	—	—	—	—	7,306	7,306
Doubtful	—	—	—	—	—	—	12	12
Total	—	—	—	—	—	—	362,295	362,295
Current period charge-offs	—	—	—	—	—	—	2,453	2,453
Lease financing								
Pass	44,883	48,851	12,862	7,101	7,938	1,733	—	123,368
Watch	1,837	3,537	370	6,264	1,362	40	—	13,410
Special mention	—	250	—	—	174	—	—	424

Substandard	—	6,691	2,723	2,717	2,069	603	—	14,803
Doubtful	—	—	—	138	31	—	—	169
Total	46,720	59,329	15,955	16,220	11,574	2,376	—	152,174
Current period charge-offs	—	—	—	207	80	—	—	287
Insurance premium finance								
Current period charge-offs	86	890	173	—	—	—	—	1,149
SBA/USDA								
Pass	60,636	171,136	179,490	20,825	28,588	39,319	—	499,994
Watch	5,244	6,967	—	639	10	3,026	—	15,886
Special mention	—	—	—	156	—	363	—	519
Substandard	1,037	15,923	12,158	2,003	9,519	11,134	—	51,774
Doubtful	—	185	55	55	62	98	—	455
Total	66,917	194,211	191,703	23,678	38,179	53,940	—	568,628
Current period charge-offs	—	549	79	—	127	—	—	755
Other commercial finance								
Pass	73,330	2,210	6,685	12,351	1,274	70,203	—	166,053
Watch	—	2,480	—	—	—	—	—	2,480
Substandard	—	508	—	16,923	—	—	—	17,431
Total	73,330	5,198	6,685	29,274	1,274	70,203	—	185,964
Current period charge-offs	—	—	—	—	—	—	—	—
Warehouse finance								
Pass	—	—	—	—	—	—	517,847	517,847
Total	—	—	—	—	—	—	517,847	517,847
Current period charge-offs	—	—	—	—	—	—	—	—
Total loans and leases								
Pass	727,446	621,029	316,217	117,862	80,750	135,421	1,043,551	3,042,276
Watch	54,846	65,301	35,334	37,928	4,092	5,378	283,791	486,670
Special mention	44,617	3,356	9,121	14,928	7,412	365	13,458	93,257
Substandard	10,835	47,309	33,418	33,303	30,482	14,368	11,227	180,942
Doubtful	4,314	1,650	2,302	951	207	865	12	10,301
Total	$ 842,058	$ 738,645	$ 396,392	$ 204,972	$ 122,943	$ 156,397	$ 1,352,039	$ 3,813,446
Current period charge-offs	$ 200	$ 4,541	$ 8,754	$ 3,783	$ 2,391	$ 715	$ 2,453	$ 22,837

	Amortized Cost Basis							
(Dollars in thousands)	Term Loans and Leases by Origination Year						Revolving Loans and Leases	Total
At September 30, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**		
Term lending								
Pass	$ 539,448	$ 149,190	$ 99,677	$ 73,132	$ 14,368	$ 85,812	$ —	$ 961,627
Watch	53,481	51,036	58,041	12,230	4,483	727	—	179,998
Special mention	26,539	13,853	20,463	723	2,932	75	—	64,585
Substandard	20,437	30,451	14,729	24,613	3,872	764	—	94,866
Doubtful	200	2,655	1,691	1,121	165	1,225	—	7,057
Total	640,105	247,185	194,601	111,819	25,820	88,603	—	1,308,133
Asset-based lending								
Pass	—	—	—	—	—	—	161,744	161,744

Watch	—	—	—	—	—	—	174,243	174,243
Special mention	—	—	—	—	—	—	26,382	26,382
Substandard	—	—	—	—	—	—	19,501	19,501
Doubtful	—	—	—	—	—	—	501	501
Total	—	—	—	—	—	—	382,371	382,371
Factoring								
Pass	—	—	—	—	—	—	270,754	270,754
Watch	—	—	—	—	—	—	70,833	70,833
Special mention	—	—	—	—	—	—	8,892	8,892
Substandard	—	—	—	—	—	—	7,865	7,865
Total	—	—	—	—	—	—	358,344	358,344
Lease financing								
Pass	57,123	15,941	15,167	27,489	4,036	1,281	—	121,037
Watch	793	10,436	12,566	4,494	1,579	55	—	29,923
Special mention	—	—	847	415	195	—	—	1,457
Substandard	14,890	1,983	7,082	3,660	3,062	33	—	30,710
Doubtful	—	—	71	61	—	133	—	265
Total	72,806	28,360	35,733	36,119	8,872	1,502	—	183,392
Insurance premium finance								
Pass	797,267	1,210	—	—	—	—	—	798,477
Watch	858	34	—	—	—	—	—	892
Special mention	250	15	—	—	—	—	—	265
Substandard	91	20	—	—	—	—	—	111
Doubtful	180	152	—	—	—	—	—	332
Total	798,646	1,431	—	—	—	—	—	800,077
SBA/USDA								
Pass	158,675	148,525	26,244	36,274	8,798	18,252	—	396,768
Watch	49,010	48,833	658	51	357	2,572	—	101,481
Special mention	—	—	530	—	—	—	—	530
Substandard	252	2,356	1,718	5,418	8,509	7,718	—	25,971
Total	207,937	199,714	29,150	41,743	17,664	28,542	—	524,750
Other commercial finance								
Pass	2,330	18,927	32,737	1,137	10,122	69,927	—	135,180
Watch	1,742	—	—	—	—	—	—	1,742
Substandard	2,753	450	25,708	—	—	258	—	29,169
Total	6,825	19,377	58,445	1,137	10,122	70,185	—	166,091
Warehouse finance								
Pass	—	—	—	—	—	—	376,915	376,915
Total	—	—	—	—	—	—	376,915	376,915
Total loans and leases								
Pass	1,554,843	333,793	173,825	138,032	37,324	175,272	809,413	3,222,502
Watch	105,884	110,339	71,265	16,775	6,419	3,354	245,076	559,112
Special mention	26,789	13,868	21,840	1,138	3,127	75	35,274	102,111
Substandard	38,423	35,260	49,237	33,691	15,443	8,773	27,366	208,193
Doubtful	380	2,807	1,762	1,182	165	1,358	501	8,155

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Total	$ 1,726,319	$ 496,067	$ 317,929	$ 190,818	$ 62,478	$ 188,832	$ 1,117,630	$ 4,100,073

Past due loans and leases were as follows:

	At September 30, 2024								
	Accruing and Nonaccruing Loans and Leases						Nonperforming Loans and Leases		
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans and Leases Receivable	> 89 Days Past Due and Accruing	Nonaccrual Balance	Total
Loans held for sale	$ 2,266	$ 1,361	$ 1,050	$ 4,677	$ 684,193	$ 688,870	$ 1,050	$ —	$ 1,050
Term lending	19,776	5,124	17,694	42,594	1,512,047	1,554,641	1,923	23,462	25,385
Asset-based lending	—	—	—	—	471,897	471,897	—	—	—
Factoring	—	—	—	—	362,295	362,295	—	29	29
Lease financing	3,605	1,595	109	5,309	146,865	152,174	60	746	806
SBA/USDA	—	952	2,172	3,124	565,504	568,628	331	2,175	2,506
Other commercial finance	—	—	—	—	185,964	185,964	—	—	—
Commercial finance	23,381	7,671	19,975	51,027	3,244,572	3,295,599	2,314	26,412	28,726
Consumer finance	3,962	3,186	3,053	10,201	238,599	248,800	3,053	—	3,053
Tax services	—	—	8,733	8,733	92	8,825	8,733	—	8,733
Warehouse finance	—	—	—	—	517,847	517,847	—	—	—
Total loans and leases held for investment	27,343	10,857	31,761	69,961	4,001,110	4,071,071	14,100	26,412	40,512
Total loans and leases	$ 29,609	$ 12,218	$ 32,811	$ 74,638	$ 4,685,303	$ 4,759,941	$ 15,150	$ 26,412	$ 41,562

	At September 30, 2023								
	Accruing and Nonaccruing Loans and Leases						Nonperforming Loans and Leases		
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans and Leases Receivable	> 89 Days Past Due and Accruing	Nonaccrual Balance	Total
Loans held for sale	$ 626	$ 549	$ 306	$ 1,481	$ 76,298	$ 77,779	$ 306	$ —	$ 306
Term lending	13,898	7,723	11,136	32,757	1,275,376	1,308,133	3,737	15,324	19,061
Asset-based lending	—	—	123	123	382,248	382,371	—	18,082	18,082
Factoring	—	—	—	—	358,344	358,344	—	1,298	1,298
Lease financing	6,865	158	4,828	11,851	171,541	183,392	4,242	1,666	5,908
Insurance premium finance	2,159	1,262	2,339	5,760	794,317	800,077	2,339	—	2,339
SBA/USDA	512	—	1,835	2,347	522,403	524,750	833	1,002	1,835
Other commercial finance	—	—	91	91	166,000	166,091	91	—	91
Commercial finance	23,434	9,143	20,352	52,929	3,670,229	3,723,158	11,242	37,372	48,614
Consumer finance	2,992	2,425	2,210	7,627	246,789	254,416	2,210	—	2,210
Tax services	—	—	5,082	5,082	110	5,192	5,082	—	5,082
Warehouse finance	—	—	—	—	376,915	376,915	—	—	—
Total loans and leases held for investment	26,426	11,568	27,644	65,638	4,294,043	4,359,681	18,534	37,372	55,906
Total loans and leases	$ 27,052	$ 12,117	$ 27,950	$ 67,119	$ 4,370,341	$ 4,437,460	$ 18,840	$ 37,372	$ 56,212

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

(Dollars in thousands)	Amortized Cost Basis								
	Term Loans and Leases by Origination Year						Revolving Loans and Leases	Total	Nonaccrual with No ACL
At September 30, 2024	2024	2023	2022	2021	2020	Prior			
Term lending	$ 9,281	$ 3,433	$ 5,369	$ 1,386	$ 625	$ 3,368	$ —	$ 23,462	$ 2,579
Factoring	—	—	—	—	—	—	29	29	—
Lease financing	—	577	11	46	2	110	—	746	—
SBA/USDA	—	738	55	55	742	585	—	2,175	681
Commercial finance	9,281	4,748	5,435	1,487	1,369	4,063	29	26,412	3,260
Total nonaccrual loans and leases	$ 9,281	$ 4,748	$ 5,435	$ 1,487	$ 1,369	$ 4,063	$ 29	$ 26,412	$ 3,260

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

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

(Dollars in thousands)	Amortized Cost Basis							
	Term Loans and Leases by Origination Year						Revolving Loans and Leases	Total
At September 30, 2024	2024	2023	2022	2021	2020	Prior		
Loans held for sale	$ 1,031	$ 19	$ —	$ —	$ —	$ —	$ —	$ 1,050
Term lending	—	621	354	719	217	12	—	1,923
Lease financing	—	—	—	2	58	—	—	60
SBA/USDA	—	—	331	—	—	—	—	331
Commercial finance	—	621	685	721	275	12	—	2,314
Consumer finance	736	1,841	388	88	—	—	—	3,053
Tax services	8,733	—	—	—	—	—	—	8,733
Total loans and leases held for investment	9,469	2,462	1,073	809	275	12	—	14,100
Total 90 days or more delinquent and accruing	$ 10,500	$ 2,481	$ 1,073	$ 809	$ 275	$ 12	$ —	$ 15,150

(Dollars in thousands) At September 30, 2023	Amortized Cost Basis: Term Loans and Leases by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans and Leases	Total
Loans held for sale	$ 306	$ —	$ —	$ —	$ —	$ —	$ —	$ 306
Term lending	1,604	1,371	500	233	29	—	—	3,737
Lease financing	151	490	979	784	1,794	44	—	4,242
Insurance premium finance	—	414	114	—	334	1,477	—	2,339
SBA/USDA	—	—	—	833	—	—	—	833
Other commercial finance	—	—	—	—	—	91	—	91
Commercial finance	1,755	2,275	1,593	1,850	2,157	1,612	—	11,242
Consumer finance	891	1,045	246	—	—	—	28	2,210
Tax services	5,082	—	—	—	—	—	—	5,082
Total loans and leases held for investment	7,728	3,320	1,839	1,850	2,157	1,612	28	18,534
Total 90 days or more delinquent and accruing	$ 8,034	$ 3,320	$ 1,839	$ 1,850	$ 2,157	$ 1,612	$ 28	$ 18,840

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

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

(Dollars in thousands)	Fiscal Year Ended September 30, 2024	2023
Term lending	$ 20,133	$ 11,494
Asset-based lending	4,896	10,295
Factoring	2,079	578
Lease financing	1,176	2,852
SBA/USDA	2,230	1,244
Commercial finance	30,514	26,463
Total loans and leases	$ 30,514	$ 26,463

The recognized interest income on the Company's nonaccrual loans and leases for the fiscal years ended September 30, 2024 and 2023 was not significant.

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

Modifications made to borrowers experiencing financial difficulty during the fiscal year ended September 30, 2024 were $9.8 million in the commercial finance loan portfolio. The types of modifications granted were term extensions and reduced payments.

During the fiscal year ended September 30, 2024, the Company had $1.5 million of commercial finance loans where a modification was granted in the previous 12 months in which there was a payment default. At September 30, 2024, $1.5 million of modifications granted were in the over 89 days past due category.

There were $1.1 million loans that were modified in a trouble debt restructuring ("TDR") during the fiscal year ended September 30, 2023. The Company had $0.9 million of commercial finance loans that were modified within the previous 12 months experience a payment default during the fiscal year ended September 30, 2023. TDR net charge-offs and the impact of TDRs on the Company's allowance for credit losses were insignificant during the fiscal year ended September 30, 2023.

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NOTE 4. EARNINGS PER COMMON SHARE ("EPS")

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

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

	Fiscal Year Ended September 30,		
(Dollars in thousands, except per share data)	2024	2023	2022
Basic income per common share:			
Net income attributable to Pathward Financial, Inc.	$ 168,357	$ 163,615	$ 156,386
Dividends and undistributed earnings allocated to participating securities	(1,542)	(2,453)	(2,565)
Basic net earnings available to common stockholders	166,815	161,162	153,821
Undistributed earnings allocated to nonvested restricted stockholders	1,495	2,372	2,468
Reallocation of undistributed earnings to nonvested restricted stockholders	(1,493)	(2,364)	(2,468)
Diluted net earnings available to common stockholders	$ 166,817	$ 161,170	$ 153,821
Total weighted-average basic common shares outstanding	25,169,937	26,833,079	29,227,071
Effect of dilutive securities[1]			
Performance share units	31,813	92,527	5,176
Total effect of dilutive securities	31,813	92,527	5,176
Total weighted-average diluted common shares outstanding	25,201,750	26,925,606	29,232,247
Net earnings per common share:			
Basic earnings per common share	$ 6.63	$ 6.01	$ 5.26
Diluted earnings per common share[2]	$ 6.62	$ 5.99	$ 5.26

(1) Represents the effect of the assumed exercise of stock options and vesting of performance share units and restricted stock, as applicable, utilizing the treasury stock method.
(2) Excluded from the computation of diluted earnings per share for the fiscal years ended September 30, 2024, 2023, and 2022, respectively, were 232,601, 408,477, and 487,476 weighted average shares of nonvested restricted stock because their inclusion would be anti-dilutive.

NOTE 5. PREMISES, FURNITURE, AND EQUIPMENT, NET

Premises, furniture, and equipment consists of the following:

	At September 30,	
(Dollars in thousands)	2024	2023
Land	$ 1,354	$ 1,354
Buildings	21,685	21,331
Furniture, fixtures, and equipment	63,823	62,312
	86,862	84,997
Less: accumulated depreciation and amortization	(47,807)	(45,837)
Net book value	$ 39,055	$ 39,160

Depreciation expense of premises, furniture and equipment included in occupancy and equipment expense was approximately $10.2 million, $11.1 million and $11.3 million for the fiscal years ended September 30, 2024, 2023 and 2022, respectively.

NOTE 6. RENTAL EQUIPMENT, NET

Rental equipment consists of the following:

	At September 30,	
(Dollars in thousands)	2024	2023
Computers and IT networking equipment	$ 21,308	$ 25,094
Motor vehicles and other	140,920	122,845
Other furniture and equipment	38,755	37,637
Solar panels and equipment	128,296	142,355
Total	329,279	327,931
Accumulated depreciation	(124,987)	(117,418)
Unamortized initial direct costs	1,047	1,237
Net book value	$ 205,339	$ 211,750

Future minimum lease payments expected to be received for operating leases at September 30, 2024 were as follows:

(Dollars in thousands)	
2025	$ 41,983
2026	32,493
2027	24,333
2028	15,017
2029	9,402
Thereafter	5,921
Total	$ 129,149

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

The Company held a total of $309.5 million of goodwill at September 30, 2024. The recorded goodwill is a result of multiple business combinations that occurred from 2015 to 2018. There have been no changes to the carrying amount of goodwill during the fiscal years ended September 30, 2024 and 2023.

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

(Dollars in thousands)	Trademark[1]	Non-Compete	Customer Relationships[2]	All Others[3]	Total
At September 30, 2023	$ 7,477	$ —	$ 9,110	$ 4,133	$ 20,720
Amortization during the period	(1,055)	—	(2,544)	(532)	(4,131)
At September 30, 2024	$ 6,422	$ —	$ 6,566	$ 3,601	$ 16,589
Gross carrying amount	$ 13,774	$ 301	$ 77,578	$ 7,732	$ 99,385
Accumulated amortization	(7,352)	(301)	(60,094)	(3,978)	(71,725)
Accumulated impairment	—	—	(10,918)	(153)	(11,071)
At September 30, 2024	$ 6,422	$ —	$ 6,566	$ 3,601	$ 16,589
At September 30, 2022	$ 8,605	$ —	$ 12,395	$ 4,691	$ 25,691
Amortization during the period	(1,128)	—	(3,285)	(558)	(4,971)
At September 30, 2023	$ 7,477	$ —	$ 9,110	$ 4,133	$ 20,720
Gross carrying amount	$ 14,314	$ 301	$ 77,578	$ 7,796	$ 99,989
Accumulated amortization	(6,837)	(301)	(57,550)	(3,445)	(68,133)
Accumulated impairment	—	—	(10,918)	(218)	(11,136)
At September 30, 2023	$ 7,477	$ —	$ 9,110	$ 4,133	$ 20,720

(1) Book amortization period of 5-15 years. Amortized using the straight line and accelerated methods.
(2) Book amortization period of 10-30 years. Amortized using the accelerated method.
(3) Book amortization period of 3-20 years. Amortized using the straight line method.

The estimated amortization expense of intangible assets assumes no activities, such as acquisitions, which would result in additional amortizable intangible assets. Estimated amortization expense of intangible assets in the subsequent fiscal years at September 30, 2024 was as follows:

(Dollars in thousands)	
2025	$ 3,569
2026	3,223
2027	2,577
2028	2,267
2029	1,637
Thereafter	3,316
Total anticipated intangible amortization	$ 16,589

There were no impairments to intangible assets for the fiscal years ended September 30, 2024 and 2023. Intangible impairment expense is recorded within the impairment expense line of the Consolidated Statements of Operations.

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

Operating lease right-of-use ("ROU") assets, included in other assets, were $24.4 million and $26.9 million at September 30, 2024 and 2023, respectively.

Operating lease liabilities, included in accrued expenses and other liabilities, were $26.0 million and $28.8 million at September 30, 2024 and 2023, respectively.

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

(Dollars in thousands)	
2025	$ 3,985
2026	3,435
2027	3,152
2028	3,095
2029	2,841
Thereafter	12,703
Total undiscounted future minimum lease payments	29,211
Discount	(3,189)
Total operating lease liabilities	$ 26,022

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

	At September 30,	
	2024	2023
Weighted-average discount rate	2.45 %	2.38 %
Weighted-average remaining lease term (years)	8.78	9.66

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

	Fiscal Year Ended September 30,		
(Dollars in thousands)	2024	2023	2022
Lease expense	$ 3,997	$ 3,951	$ 4,431
Short-term and variable lease cost	75	142	194
ROU asset impairment	—	—	670
Sublease income	(1,300)	(1,409)	(1,267)
Total lease cost for operating leases	$ 2,772	$ 2,684	$ 4,028

NOTE 9. TIME CERTIFICATES OF DEPOSIT

Time certificates of deposit in denominations of $250,000 or more were approximately $4.1 million and $5.0 million at September 30, 2024, and 2023, respectively.

Scheduled maturities of time certificates of deposit at September 30, 2024 were as follows for the fiscal years ending:

(Dollars in thousands)	
2025	$ 3,104
2026	26,102
2027	—
2028	—
2029	—
Thereafter	—
Total[1]	$ 29,206

[1] As of September 30, 2024, the Company had $25.0 million certificates of deposit recorded in wholesale deposits on the Consolidated Statements of Financial Condition.

Under the Dodd-Frank Act, IRA and non-IRA deposit accounts are insured up to $250,000 by the DIF under management of the FDIC.

NOTE 10. SHORT-TERM AND LONG-TERM BORROWINGS

Short-Term Borrowings

(Dollars in thousands)	At September 30, 2024	2023
Overnight fed funds purchased	$ 377,000	$ 13,000
Total	$ 377,000	$ 13,000

The Company had $257.0 million of overnight federal funds purchased from the FHLB and $120.0 million from other financial institutions at September 30, 2024, as compared to $13.0 million from the FHLB at September 30, 2023.

The Bank has executed blanket pledge agreements whereby the Bank assigns, transfers, and pledges to the FHLB and grants to the FHLB a security interest in real estate and securities collateral. The Bank has the right to use, commingle, and dispose of the collateral it has assigned to the FHLB. Under the agreement, the Bank must maintain “eligible collateral” that has a “lending value” at least equal to the “required collateral amount,” all as defined by the agreement.

At September 30, 2024 and 2023, the Bank pledged securities with fair values of approximately $1.04 billion and $996.9 million, respectively, to be used against FHLB advances as needed. In addition, qualifying loans of approximately $136.9 million were pledged as collateral at September 30, 2024 compared to $21.3 million at September 30, 2023.

The Company had no securities sold under agreements to repurchase at September 30, 2024 and 2023.

Long-Term Borrowings

(Dollars in thousands)	At September 30, 2024	2023
Trust preferred securities	$ 13,661	$ 13,661
Subordinated debentures, net of issuance costs	19,693	19,591
Other long-term borrowings[1]	—	621
Total	$ 33,354	$ 33,873

[1] Includes zero and $0.6 million of discounted leases at September 30, 2024 and 2023, respectively.

Scheduled maturities of the Company's long-term borrowings at September 30, 2024 were as follows for the fiscal years ending:

(Dollars in thousands)	Trust preferred securities	Subordinated debentures	Other long-term borrowings	Total
2025	$ —	$ —	$ —	$ —
2026	—	—	—	—
2027	—	—	—	—
2028	—	—	—	—
2029	—	—	—	—
Thereafter	13,661	19,693	—	33,354
Total long-term borrowings	$ 13,661	$ 19,693	$ —	$ 33,354

Certain trust preferred securities are due to First Midwest Financial Capital Trust I, a 100%-owned nonconsolidated subsidiary of the Company. The securities were issued in 2001 in conjunction with the Trust’s issuance of 10,000 shares of trust preferred securities. The securities bear the same interest rate and terms as the trust preferred securities. The securities are included on the Consolidated Statements of Financial Condition as liabilities.

The Company issued all of the 10,310 authorized shares of trust preferred securities of First Midwest Financial Capital Trust I holding solely securities. Distributions are paid semi-annually. Cumulative cash distributions are calculated at 6-month CME Term SOFR plus 0.42826% tenor spread adjustment plus 3.75% (8.43% at September 30, 2024 and 9.65% at September 30, 2023), not to exceed 12.5%. The Company may, at one or more times, defer interest payments on the capital securities for up to 10 consecutive semi-annual periods, but not beyond July 25, 2031. At the end of any deferral period, all accumulated and unpaid distributions are required to be paid. The capital securities are required to be redeemed on July 25, 2031; however, the Company has a semi-annual option to shorten the maturity date. The redemption price is $1,000 per capital security plus any accrued and unpaid distributions to the date of redemption.

Holders of the capital securities have no voting rights, are unsecured and rank junior in priority of payment to all of the Company’s indebtedness and senior to the Company’s common stock.

Although the securities issued by the Trust are not included as a component of stockholders’ equity, the securities are treated as capital for regulatory purposes, subject to certain limitations.

Through the Crestmark Acquisition, the Company acquired $3.4 million in floating rate capital securities due to Crestmark Capital Trust I, a 100%-owned nonconsolidated subsidiary of the Company. The subordinated debentures bear interest at 3-month CME Term SOFR plus 0.26161% tenor spread adjustment plus 3.00%, have a stated maturity of 30 years and are redeemable by the Company at par, with regulatory approval. The interest rate is reset quarterly at distribution dates in February, May, August, and November. The interest rate as of September 30, 2024 was 7.85%. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years.

On September 23, 2022, the Company completed a private placement of $20.0 million of its 6.625% fixed-to-floating rate subordinated debentures due 2032 to certain qualified institutional buyers and accredited investors. These notes will mature on September 30, 2032, unless earlier redeemed. Beginning on September 30, 2027, the notes may be redeemed, in whole or in part, at the Company's option subject to regulatory approval, on any scheduled interest payment date. Prior to September 30, 2027, the notes may be redeemed, in whole but not in part, at any time upon certain other specified events. At September 30, 2024, the Company had $19.7 million in aggregate principal amount in subordinated debentures remains outstanding.

NOTE 11. STOCKHOLDERS' EQUITY

Repurchase of Common Stock. The Company's Board of Directors authorized the September 3, 2021 share repurchase program to repurchase up to 6,000,000 shares of the Company's outstanding common stock. This authorization was effective from September 3, 2021 through September 30, 2024, with 146,435 shares authorized by this repurchase program not repurchased when it expired. On August 25, 2023, the Company's Board of Directors announced a share repurchase program to repurchase up to an additional 7,000,000 shares of the Company's outstanding common stock on or before September 30, 2028. During the fiscal years ended September 30, 2024 and 2023, the Company repurchased 1,520,001 and 2,628,541 shares, respectively, as part of the share repurchase programs.

Under the repurchase programs, repurchased shares were retired and designated as authorized but unissued shares. The Company accounts for repurchased shares using the par value method under which the repurchase price is charged to paid-in capital up to the amount of the original proceeds of those shares. When the repurchase price is greater than the original issue proceeds, the excess is charged to retained earnings. As of September 30, 2024, 7,000,000 shares of common stock remained available for repurchase.

For the fiscal years ended September 30, 2024 and 2023, the Company also repurchased 126,221 and 67,103 shares, or $6.1 million and $2.5 million, of common stock, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock.

Repurchase of Treasury Stock. The Company accounts for the retirement of repurchased shares, including treasury stock, using the par value method under which the repurchase price is charged to paid-in capital up to the amount of the original proceeds of those shares. When the repurchase price is greater than the original issue proceeds, the excess is charged to retained earnings. The Company retired 129,929 and 149,679 shares of common stock held in treasury during the fiscal years ended September 30, 2024 and 2023, respectively.

NOTE 12. STOCK COMPENSATION

The Company previously maintained the Pathward Financial, Inc. 2002 Omnibus Incentive Plan, as amended and restated (the "Prior Omnibus Incentive Plan"). No awards were granted under the Prior Omnibus Incentive Plan following November 25, 2022, the date that the Prior Omnibus Incentive Plan expired by its terms. On February 27, 2024, the shareholders of the Company voted to approve the Pathward Financial, Inc. 2023 Omnibus Incentive Plan (the "Plan"). The Plan permits the granting of various types of awards including but not limited to nonvested (restricted) shares and PSUs to certain officers and directors of the Company. Awards may be granted by the Compensation Committee of the Board of Directors based on the performance of the award recipients or other relevant factors.

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

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

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

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

The following tables show the activity of share awards (including shares of restricted stock subject to vesting, fully-vested restricted stock, and PSUs) granted, exercised or forfeited under all of the Company's incentive plans during the fiscal years ended September 30, 2024 and 2023.

(Dollars in thousands, except per share data)	Number of Shares	Weighted Average Fair Value at Grant
Nonvested shares outstanding, September 30, 2023	370,151	$ 35.87
Granted	181,117	50.61
Vested	(288,734)	40.22
Forfeited or expired	(13,864)	42.49
Nonvested shares outstanding, September 30, 2024	248,670	$ 41.19
Nonvested shares outstanding, September 30, 2022	474,348	$ 36.52
Granted	135,417	36.68
Vested	(229,803)	37.46
Forfeited or expired	(9,811)	41.14
Nonvested shares outstanding, September 30, 2023	370,151	$ 35.87

(Dollars in thousands, except per share data)	Number of Units	Weighted Average Fair Value at Grant
Performance share units outstanding, September 30, 2023	155,804	$ 41.20
Granted[(1)]	52,125	49.61
Vested	(60,984)	55.47
Forfeited or expired	(4,483)	44.59
Performance share units outstanding, September 30, 2024	142,462	$ 47.24
Performance share units outstanding, September 30, 2022	96,689	$ 42.59
Granted[(2)]	59,115	38.94
Vested	—	—
Forfeited or expired	—	—
Performance share units outstanding, September 30, 2023	155,804	$ 41.20

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

(2) The number of PSUs granted reflects the target number of PSUs able to be earned under a given award.

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

The following table shows the effect to income, net of tax benefits, of share-based compensation expense recorded:

	Fiscal Year Ended September 30,		
(Dollars in thousands)	2024	2023	2022
Total employee stock-based compensation expense recognized in income, net of tax effects of $1,873, $1,838, and $2,181, respectively	$ 8,416	$ 8,465	$ 7,824

As of September 30, 2024, stock-based compensation expense not yet recognized in income totaled $6.3 million, which is expected to be recognized over a weighted-average remaining period of 1.56 years.

NOTE 13. INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return on a fiscal year basis. The provision for income taxes were as follows:

	Fiscal Year Ended September 30,		
(Dollars in thousands)	2024	2023	2022
Federal:			
Current	$ 9,815	$ 8,682	$ 5,657
Deferred	9,281	(1,168)	12,900
	19,096	7,514	18,557
State:			
Current	8,211	7,817	4,720
Deferred	1,834	993	4,687
	10,045	8,810	9,407
Income tax expense	$ 29,141	$ 16,324	$ 27,964

The tax effects of the Company's temporary differences that give rise to significant portions of its deferred tax assets and liabilities were:

	At September 30,	
(Dollars in thousands)	2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 11,042	$ 11,606
Deferred compensation	4,351	3,739
Stock based compensation	2,402	3,916
Valuation adjustments	175	393
General business credits[(1)]	55,706	59,783
Accrued expenses	2,763	2,558
Lease liability	6,503	7,210
Net unrealized loss on securities available for sale	50,819	84,908
Premises and equipment	3,939	—
Other assets	3,940	4,193
	141,640	178,306
Deferred tax liabilities:		
Premises and equipment	—	(2,016)
Intangibles	(7,859)	(5,862)
Leased assets	(76,016)	(66,877)
Right-of-use assets	(6,218)	(6,877)
Other liabilities	(1,346)	(1,349)
	(91,439)	(82,981)
Net deferred tax assets	$ 50,201	$ 95,325

(1) The general business credits are investment tax credits generated from qualified solar energy property placed in service during the fiscal years ended September 30, 2024 and 2023. These credits will begin to expire on September 30, 2042.

As of September 30, 2024, the Company had a gross deferred tax asset of $3.0 million for separate company state cumulative net operating loss carryforwards, for which $3.0 million was reserved. At September 30, 2023, the Company had a gross deferred tax asset of $2.7 million for separate company state cumulative net operating loss carryforwards, for which $2.7 million was reserved. These state operating loss carryforwards will expire in various subsequent periods.

In general, management believes that the realization of its deferred tax assets is more likely than not based on the expectations as to future taxable income; therefore, there was no deferred tax valuation allowance at September 30, 2024, or 2023 with the exception of the state cumulative net operating loss carryforwards discussed above.

The table below reconciles the statutory federal income tax expense and rate to the effective income tax expense and rate for the fiscal years presented. The Company's effective tax rate is calculated by dividing income tax expense by income before income tax expense.

	Fiscal Year Ended September 30,					
	2024		2023		2022	
(Dollars in thousands)	Amount	Rate	Amount	Rate	Amount	Rate
Statutory federal income tax expense and rate	$ 41,746	21.0 %	$ 38,248	21.0 %	$ 38,714	21.0 %
Change in tax rate resulting from:						
State income taxes net of federal benefits	7,875	4.0 %	7,047	3.9 %	7,413	4.0 %
162(m) disallowance	1,874	0.9 %	919	0.5 %	1,125	0.4 %
Tax exempt income	(690)	(0.3)%	(783)	(0.4)%	(743)	(0.4)%
General business credits	(21,132)	(10.6)%	(28,633)	(15.7)%	(17,589)	(9.5)%
Other, net	(532)	(0.3)%	(474)	(0.3)%	(956)	(0.3)%
Income tax expense	$ 29,141	14.7 %	$ 16,324	9.0 %	$ 27,964	15.2 %

The Company uses the flow through method of accounting for investment tax credits under which the credits are recognized as a reduction to income tax expense in the period in which the credit arises. During the fiscal years ended September 30, 2024, 2023, and 2022, $19.7 million, $27.4 million, and $16.8 million in investment tax credits were recognized as a reduction to income tax expense, respectively.

The Company’s tax reserves reflect management’s judgment as to the resolution of the issues involved if subject to judicial review. While the Company believes that its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, the Company’s income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances surrounding a tax issue, and (ii) any difference from the Company’s tax position as recorded in the Consolidated Financial Statements and the final resolution of a tax issue during the period.

The tax years ended September 30, 2021 and later remain subject to examination by the Internal Revenue Service. For state purposes, the tax years ended September 30, 2021 and later remain open for examination, with few exceptions.

A reconciliation of the beginning and ending balances for liabilities associated with unrecognized tax benefits follows:

	At September 30,	
(Dollars in thousands)	2024	2023
Balance at beginning of fiscal year	$ 521	$ 645
Additions (reductions) for tax positions related to prior years	56	(124)
Balance at end of fiscal year	$ 577	$ 521

The total amount of unrecognized tax benefits that, if recognized, would impact the effective rate was $540,000 as of September 30, 2024. The Company recognizes interest related to unrecognized tax benefits as a component of income tax expense. The amount of accrued interest related to unrecognized tax benefits was $93,000 as of September 30, 2024. The Company does not anticipate any significant change in the total amount of unrecognized tax benefits within the next 12 months.

NOTE 14. CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

The Company and the Bank are required to comply with the regulatory capital rules administered by federal banking agencies (the "Capital Rules"). Under the Capital Rules and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

The Capital Rules require the Company and the Bank to maintain minimum ratios (set forth in the table below) of total risk-based capital and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio consisting of Tier 1 capital (as defined) to average assets (as defined). At September 30, 2024, the Company and the Bank exceeded federal regulatory minimum capital requirements to be classified as well-capitalized under the prompt corrective action requirements. The Company and the Bank took the AOCI opt-out election; under the rule, non-advanced approach banking organizations were given a one-time option to exclude certain AOCI components.

The table below includes certain non-GAAP financial measures that are used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews these measures along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity.

	Company	Bank	Minimum to be Adequately Capitalized Under Prompt Corrective Action Provisions	Minimum to be Well Capitalized Under Prompt Corrective Action Provisions
At September 30, 2024				
Tier 1 leverage capital ratio	9.26 %	9.44 %	4.00 %	5.00 %
Common equity Tier 1 capital ratio	12.61	13.12	4.50	6.50
Tier 1 capital ratio	12.86	13.12	6.00	8.00
Total capital ratio	14.08	13.97	8.00	10.00
At September 30, 2023				
Tier 1 leverage capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Common equity Tier 1 capital ratio	11.25	11.81	4.50	6.50
Tier 1 capital ratio	11.50	11.81	6.00	8.00
Total capital ratio	12.84	12.76	8.00	10.00

The following table provides a reconciliation of the amounts included in the table above for the Company.

	Standardized Approach[1]	
(Dollars in thousands)	September 30, 2024	September 30, 2023
Total stockholders' equity	$ 839,605	$ 650,625
Adjustments:		
LESS: Goodwill, net of associated deferred tax liabilities	296,105	297,679
LESS: Certain other intangible assets	18,018	21,228
LESS: Net deferred tax assets from operating loss and tax credit carry-forwards	13,253	19,679
LESS: Net unrealized (losses) on available for sale securities	(152,328)	(254,294)
LESS: Noncontrolling interest	(277)	(1,005)
ADD: Adoption of Accounting Standards Update 2016-13	1,345	2,017
Common Equity Tier 1[1]	666,179	569,355
Long-term borrowings and other instruments qualifying as Tier 1	13,661	13,661
Tier 1 minority interest not included in common equity Tier 1 capital	(150)	(826)
Total Tier 1 capital	679,690	582,190
Allowance for credit losses	44,687	47,960
Subordinated debentures, net of issuance costs	19,693	19,591
Total capital	$ 774,070	$ 649,741

[1] Capital ratios were determined using the Basel III capital rules that became effective on January 1, 2015. Basel III revised the definition of capital, increased minimum capital ratios, and introduced a minimum common equity tier 1 capital ratio; those changes were fully phased in through the end of 2021.

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

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

NOTE 15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Topic 606 applies to all contracts with customers unless such revenue is specifically addressed under existing guidance. The table below presents the Company's revenue by operating segment. For additional descriptions of the Company's operating segments, including additional financial information and the underlying management accounting process, see Note 16. Segment Reporting to the Consolidated Financial Statements.

(Dollars in thousands)	Consumer		Commercial		Corporate Services/Other		Consolidated Company	
Fiscal Year Ended September 30,	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Net interest income[(1)]	$ 236,011	$ 154,316	$ 194,967	$ 195,239	$ 24,140	$ 38,306	$ 455,118	$ 387,861
Noninterest income:								
Refund transfer product fees	40,178	39,452	—	—	—	—	40,178	39,452
Refund advance fee income[(1)]	43,473	37,433	—	—	—	—	43,473	37,433
Card and deposit fees	124,949	149,703	967	1,018	27	25	125,943	150,746
Rental income[(1)]	—	—	53,443	53,346	714	844	54,157	54,190
Gain on trademarks[(1)]	—	—	—	—	—	10,000	—	10,000
Gain (loss) on sale of other[(1)]	(5)	—	7,702	2,005	4,972	658	12,669	2,663
Other income[(1)]	8,512	6,956	9,636	9,682	5,019	5,477	23,167	22,115
Total noninterest income	217,107	233,544	71,748	66,051	10,732	17,004	299,587	316,599
Revenue	$ 453,118	$ 387,860	$ 266,715	$ 261,290	$ 34,872	$ 55,310	$ 754,705	$ 704,460

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

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

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

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

Deposit fees relate to the Partner Solutions and Commercial Finance business lines and consist of income from banking and deposit-related services, including account services, overdraft protection, and wire transfers. Fee income for account services is recognized over the course of the month as the performance obligation is satisfied. Fee income for overdraft protection and wire transfers is recognized at the point in time when such event occurs. For partner solutions, the fees for account services and overdraft protection are based on standalone pricing within the terms and conditions of the Program Agreement with the sponsorship partner. For these relationships, the Company is considered the agent and certain expenses with the partner are netted with deposit fee revenue. For Commercial Finance, fees for wire transfers are based on standalone pricing within the terms and conditions of the customer deposit agreement. Bank and deposit fees for the Partner Solutions and Commercial Finance business lines are included in the Consumer and Commercial reporting segments, respectively. Also included within Card and Deposit Fees for the Consumer reporting segment are servicing fees the Company recognizes for custodial off-balance sheet deposits. This fee income is for services the Bank performs to maintain records of cardholder funds placed at one or more third-party banks insured by the FDIC. The servicing fee is typically reflective of the EFFR.

NOTE 16. SEGMENT REPORTING

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

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

The following tables present segment data for the Company:

	Fiscal Year Ended September 30, 2024			
(Dollars in thousands)	Consumer	Commercial	Corporate Services/Other	Total
Net interest income	$ 236,011	$ 194,967	$ 24,140	$ 455,118
Provision for credit loss	26,950	15,571	140	42,661
Noninterest income	217,107	71,748	10,732	299,587
Noninterest expense	207,778	142,143	163,332	513,253
Income (loss) before income tax expense	218,390	109,001	(128,600)	198,791
Total assets	444,272	4,437,844	2,667,220	7,549,336
Total goodwill	87,145	222,360	—	309,505
Total deposits	5,643,228	10,935	220,922	5,875,085

	Fiscal Year Ended September 30, 2023			
(Dollars in thousands)	Consumer	Commercial	Corporate Services/Other	Total
Net interest income	$ 154,316	$ 195,239	$ 38,306	$ 387,861
Provision for credit loss	38,920	18,384	50	57,354
Noninterest income	233,544	66,051	17,004	316,599
Noninterest expense	165,782	141,627	157,566	464,975
Income (loss) before income tax expense	183,158	101,279	(102,306)	182,131
Total assets	492,964	4,179,914	2,862,665	7,535,543
Total goodwill	87,145	222,360	—	309,505
Total deposits	6,376,467	5,958	206,757	6,589,182

(Dollars in thousands)	Fiscal Year Ended September 30, 2022 Consumer	Commercial	Corporate Services/Other	Total
Net interest income	$ 98,366	$ 187,209	$ 21,749	$ 307,324
Provision for (reversal of) credit loss	30,680	14,674	(16,816)	28,538
Noninterest income	189,252	68,412	36,143	293,807
Noninterest expense	99,589	128,904	156,782	385,275
Income (loss) before income tax expense	157,349	112,043	(82,074)	187,318
Total assets	356,994	3,487,461	2,902,955	6,747,410
Total goodwill	87,145	222,360	—	309,505
Total deposits	5,695,776	8,965	161,296	5,866,037

NOTE 17. PARENT COMPANY FINANCIAL STATEMENTS

Presented below are the condensed financial statements for the parent company, Pathward Financial, Inc.

Condensed Statements of Financial Condition

(Dollars in thousands)	September 30, 2024	September 30, 2023
ASSETS		
Cash and cash equivalents	$ 1,898	$ 1,399
Securities held to maturity, at amortized cost	10,896	9,220
Investment in subsidiaries	865,843	678,572
Other assets	2,263	1,312
Total assets	$ 880,900	$ 690,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Long-term borrowings	$ 33,354	$ 33,252
Other liabilities	7,941	6,626
Total liabilities	41,295	39,878
STOCKHOLDERS' EQUITY		
Common stock	248	262
Additional paid-in capital	638,803	628,500
Retained earnings	354,474	278,655
Accumulated other comprehensive loss	(153,394)	(255,443)
Treasury stock, at cost	(249)	(344)
Total equity attributable to parent	839,882	651,630
Noncontrolling interest	(277)	(1,005)
Total stockholders' equity	839,605	650,625
Total liabilities and stockholders' equity	$ 880,900	$ 690,503

Condensed Statements of Operations

(Dollars in thousands)	Fiscal Year Ended September 30, 2024	2023	2022
Interest expense	$ 2,667	$ 2,538	$ 3,982
Other expense	3,297	1,409	1,062
Total expense	5,964	3,947	5,044
Loss before income taxes and equity in undistributed net income of subsidiaries	(5,964)	(3,947)	(5,044)
Income tax benefit	(1,147)	(967)	(1,029)
Loss before equity in undistributed net income of subsidiaries	(4,817)	(2,980)	(4,015)
Equity in undistributed net income of subsidiaries	172,017	166,738	159,652
Other income	1,157	(143)	749
Total income	173,174	166,595	160,401
Net income attributable to parent	$ 168,357	$ 163,615	$ 156,386

Condensed Statements of Cash Flows

(Dollars in thousands)	Fiscal Year Ended September 30, 2024	2023	2022
Cash flows from operating activities:			
Net income attributable to parent	$ 168,357	$ 163,615	$ 156,386
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation, amortization and accretion, net	102	102	1,020
Equity in undistributed net income of subsidiaries	(172,017)	(166,738)	(159,652)
Net change in accrued interest receivable	46	(30)	(15)
Net change in other assets	(997)	(354)	(636)
Net change in accrued expenses and other liabilities	1,315	(1,793)	3,163
Cash dividend received	87,000	110,000	229,200
Stock compensation	10,287	11,070	10,004
Net cash provided by operating activities	94,093	115,872	239,470
Cash flows from investing activities:			
Alternative investments	(1,676)	(1,217)	(3,380)
Net cash (used in) investing activities	(1,676)	(1,217)	(3,380)
Cash flows from financing activities:			
Redemption of long-term borrowings	—	—	(75,000)
Payment of debt issuance costs	—	(511)	—
Proceeds from long-term borrowings	—	—	20,000
Dividends paid on common stock	(5,067)	(5,426)	(5,921)
Issuance of common stock due to restricted stock	2	1	1
Issuance of common stock due to ESOP	—	—	2,886
Repurchases of common stock	(86,853)	(120,437)	(168,235)
Net cash (used in) financing activities	(91,918)	(126,373)	(226,269)
Net change in cash and cash equivalents	499	(11,718)	9,821
Cash and cash equivalents at beginning of fiscal year	1,399	13,117	3,296
Cash and cash equivalents at end of fiscal year	$ 1,898	$ 1,399	$ 13,117

The extent to which the Company may pay cash dividends to stockholders will depend on the cash currently available at the Company, as well as the ability of the Bank to pay dividends to the Company.

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NOTE 18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(Dollars in thousands, except per share data)	Quarter Ended December 31	Quarter Ended March 31	Quarter Ended June 30	Quarter Ended September 30
Fiscal Year 2024				
Interest and dividend income	$ 115,898	$ 126,761	$ 113,942	$ 119,750
Interest expense	5,862	8,460	3,083	3,828
Net interest income	110,036	118,301	110,859	115,922
Provision for credit loss	9,890	26,052	5,881	838
Noninterest income	52,761	128,945	65,871	52,010
Net income attributable to parent	27,657	65,268	41,835	33,597
Earnings per common share				
Basic	$ 1.06	$ 2.56	$ 1.66	$ 1.35
Diluted	1.06	2.56	1.66	1.35
Dividend declared per share	0.05	0.05	0.05	0.05
Fiscal Year 2023				
Interest and dividend income	$ 85,060	$ 104,687	$ 99,346	$ 109,642
Interest expense	1,003	3,282	1,881	4,708
Net interest income	84,057	101,405	97,465	104,934
Provision for credit loss	9,776	36,763	1,773	9,042
Noninterest income	65,777	127,038	67,733	56,051
Net income attributable to parent	27,842	54,771	45,096	35,906
Earnings per common share				
Basic	$ 0.98	$ 1.99	$ 1.69	$ 1.37
Diluted	0.98	1.99	1.68	1.36
Dividend declared per share	0.05	0.05	0.05	0.05
Fiscal Year 2022				
Interest and dividend income	$ 72,891	$ 85,177	$ 73,906	$ 80,222
Interest expense	1,278	1,377	1,755	462
Net interest income	71,613	83,800	72,151	79,760
Provision for (reversal of) credit loss	186	32,302	(1,302)	(2,648)
Noninterest income	86,591	109,766	53,994	43,456
Net income attributable to parent	61,324	49,251	22,391	23,420
Earnings per common share				
Basic	$ 2.00	$ 1.66	$ 0.76	$ 0.81
Diluted	2.00	1.66	0.76	0.81
Dividend declared per share	0.05	0.05	0.05	0.05

NOTE 19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The fair value hierarchy is as follows:

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

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

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

There were no transfers between levels of the fair value hierarchy for the fiscal years ended September 30, 2024 or 2023.

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

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

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

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

	At September 30, 2024			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Debt securities AFS				
Corporate securities	$ 19,750	$ —	$ 19,750	—
SBA securities	81,935	—	81,935	—
Obligations of states and political subdivisions	480	—	480	—
Non-bank qualified obligations of states and political subdivisions	217,990	—	217,990	—
Asset-backed securities	189,698	—	189,698	—
Mortgage-backed securities	1,231,368	—	1,231,368	—
Total debt securities AFS	$ 1,741,221	$ —	$ 1,741,221	$ —
Common equities and mutual funds[1]	$ 3,303	$ 3,303	$ —	$ —
Non-marketable equity securities[2]	$ 11,828	$ —	$ —	$ —

[1] Equity securities at fair value are included within other assets on the Consolidated Statements of Financial Condition at September 30, 2024.
[2] Consists of certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

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

[1] Equity securities at fair value are included within other assets on the consolidated statement of financial condition at September 30, 2023.
[2] Consists of certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

Loans and Leases. The Company does not record loans and leases at fair value on a recurring basis. However, if a loan or lease is individually evaluated for risk of credit loss and repayment is expected to be solely provided by the values of the underlying collateral, the Company measures fair value on a nonrecurring basis. Fair value is determined by the fair value of the underlying collateral less estimated costs to sell. The fair value of the collateral is determined based on the internal estimates and/or assessment provided by third-party appraisers and the valuation relies on discount rates ranging from 3% to 37%.

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

(Dollars in thousands)	At September 30, 2024 Total	Level 1	Level 2	Level 3
Loans and leases, net individually evaluated for credit loss				
Commercial finance	$ 7,652	$ —	$ —	$ 7,652
Total loans and leases, net individually evaluated for credit loss	7,652	—	—	7,652
Total	$ 7,652	$ —	$ —	$ 7,652

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

	Quantitative Information About Level 3 Fair Value Measurements				
(Dollars in thousands)	Fair Value at September 30, 2024	Fair Value at September 30, 2023	Valuation Technique	Unobservable Input	Range of Inputs
Loans and leases, net individually evaluated for credit loss	$ 7,652	21,829	Market approach	Appraised values[1]	3% - 37%

[1] The Company generally relies on external appraisers to develop this information. Management reduced the appraised value by estimated selling costs and other inputs in a range of 3% to 37%.

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

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

	At September 30, 2024				
(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 158,337	$ 158,337	$ 158,337	$ —	$ —
Debt securities available for sale	1,741,221	1,741,221	—	1,741,221	—
Debt securities held to maturity	33,092	30,236	—	30,236	—
Common equities and mutual funds[1]	3,303	3,303	3,303	—	—
Non-marketable equity securities[1][2]	21,350	21,350	—	9,522	—
Loans held for sale	688,870	688,870	—	688,870	—
Loans and leases	4,071,071	4,036,490	—	—	4,036,490
Federal Reserve Bank and Federal Home Loan Bank stocks	36,014	36,014	—	36,014	—
Accrued interest receivable	31,385	31,385	31,385	—	—
Financial liabilities					
Deposits	5,875,085	5,874,994	5,845,879	29,115	—
Overnight federal funds purchased	377,000	377,000	377,000	—	—
Other short- and long-term borrowings	33,354	31,787	—	31,787	—
Accrued interest payable	571	571	571	—	—

[1] Equity securities at fair value are included within other assets on the consolidated statement of financial condition at September 30, 2024.
[2] Includes certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

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

(1) Equity securities at fair value are included within other assets on the consolidated statement of financial condition at September 30, 2023.
(2) Includes certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company's financial instruments at September 30, 2024 and 2023.

CASH AND CASH EQUIVALENTS
The carrying amount of cash and short-term investments is assumed to approximate the fair value.

DEBT SECURITIES AVAILABLE FOR SALE AND EQUITY SECURITIES
Fair values for debt securities available for sale are based on quoted prices of similar securities on nationally recognized securities exchanges, or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. Fair values for marketable equity securities are based on unadjusted quoted prices from active markets in which the security is traded. Non-marketable equity securities are measured at fair value using NAV per share (or its equivalent) as a practical expedient.

LOANS HELD FOR SALE
Loans held for sale are carried at the lower of amortized cost or fair value, where fair value reflects the amount a willing market participant would pay for the loan. The Company classifies SBA/USDA loans held for sale as Level 2 in the fair value hierarchy as there is an active secondary market in which these loans are exchanged. Consumer loans held for sale are classified as Level 3 in the fair value hierarchy as the price at which these loans are sold are dictated by terms of the Program Agreements with consumer lending partners.

LOANS AND LEASES
The fair values of loans and leases were estimated using an exit price methodology. The exit price estimation of fair value is based on the present value of expected cash flows, which are based on the contractual terms of the loans, adjusted for prepayments and a discount rate based on the relative risk of the cash flows. Other considerations include the loan type, remaining life of the loan and credit risk.

FEDERAL RESERVE BANK AND FEDERAL HOME LOAN BANK STOCKS
The fair value of FRB and FHLB stock is assumed to approximate book value since the Company is only able to redeem this stock at par value.

ACCRUED INTEREST RECEIVABLE
The carrying amount of accrued interest receivable is assumed to approximate the fair value.

DEPOSITS
With the exception of time certificate deposits and wholesale deposits, the carrying values of deposits are assumed to approximate fair value since deposits are immediately withdrawable without penalty. The fair value of time certificate deposits and wholesale certificate of deposits are estimated using a discounted cash flows calculation that applies the FHLB Des Moines curve to aggregated expected maturities of time deposits.

FEDERAL HOME LOAN BANK ADVANCES
The fair value of such advances was estimated by discounting the expected future cash flows using current interest rates for advances with similar terms and remaining maturities.

SUBORDINATED DEBENTURES AND OTHER BORROWINGS
The fair value of these instruments was estimated by discounting the expected future cash flows using derived interest rates approximating market over the contractual maturity of such borrowings.

ACCRUED INTEREST PAYABLE
The carrying amount of accrued interest payable is assumed to approximate the fair value.

LIMITATIONS
Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument. Additionally, fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business, customer relationships and the value of assets and liabilities that are not considered financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company’s entire holdings of a particular financial instrument for sale at one time. Furthermore, since no market exists for certain of the Company’s financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with a high level of precision. Changes in assumptions as well as tax considerations could significantly affect the estimates. Accordingly, based on the limitations described above, the aggregate fair value estimates are not intended to represent the underlying value of the Company, on either a going concern or a liquidation basis.

NOTE 20. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after September 30, 2024. During this period, up to the filing date of this Annual Report on Form 10-K, management identified the following subsequent events:

- On October 31, 2024, Pathward, N.A. completed the sale (the "Transaction") of substantially all of the assets and liabilities related to the Bank's commercial insurance premium finance business (the "Business") pursuant to an Asset Purchase and Sale Agreement (the "Purchase Agreement") dated August 28, 2024 with Honor Capital Corporation, a Florida corporation (the "Purchaser"), the successor by assignment to AFS IBEX Financial Services, LLC, and Honor Capital Holdings, LLC as guarantor.

  The cash purchase price paid by the Purchaser at the closing was $603.3 million, based on the net asset value of the assets purchased and liabilities assumed pursuant to the Purchase Agreement plus a $31.2 million premium, subject to customary post-closing adjustment based on the final determination of the net asset value of the assets purchased and liabilities assumed pursuant to the terms of the Purchase Agreement. The Bank recorded a gain on the Transaction of $16.4 million.

  As part of the Transaction, $588.4 million of commercial insurance premium finance loans were sold.

- On November 1, 2024, the Bank sold $161.6 million of debt securities AFS with a loss on sale of securities of $15.8 million. This loss largely offsets the gain from the Transaction discussed above.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

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

INHERENT LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s management is responsible for establishing and maintaining effective internal control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company’s management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of September 30, 2024, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in “Internal Control Integrated Framework (2013).” Based on this assessment, our management concluded that our internal control over financial reporting was effective as of September 30, 2024.

The effectiveness of the Company’s internal control over financial reporting as of September 30, 2024, has been audited by Crowe LLP, the independent registered public accounting firm that also has audited the Company’s Consolidated Financial Statements included in this Annual Report on Form 10-K. Crowe LLP’s attestation report on the Company’s internal controls over financial reporting appears below.

Item 9B. Other Information.

Adoption or Termination of Trading Arrangements by Directors and Executive Officers

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

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and the Board of Directors of Pathward Financial, Inc.
Sioux Falls, South Dakota

Opinion on Internal Control over Financial Reporting

We have audited Pathward Financial, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of September 30, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial condition of the Company as of September 30, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2024, and the related notes (collectively referred to as the "financial statements") and our report dated November 26, 2024 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Crowe LLP

South Bend, Indiana
November 26, 2024

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors

Information concerning directors of the Company required by this item will be included under the captions “Election of Directors” and “Stockholder Proposals For The Fiscal Year 2026 Annual Meeting” in the Company’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on February 25, 2025, a copy of which will be filed no later than 120 days after September 30, 2024 (the “2025 Proxy Statement”), and is incorporated herein by reference.

Executive Officers

Information concerning the executive officers of the Company required by this item will be included under the captions “Executive Officers” and “Election of Directors” in the 2025 Proxy Statement and is incorporated herein by reference.

Compliance with Section 16(a)

Information, if applicable, required by this item regarding compliance with Section 16(a) of the Exchange Act will be included under the caption “Delinquent Section 16(a) Reports” in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

Audit Committee and Audit Committee Financial Expert

Information regarding the audit committee of the Company’s Board of Directors will be included under the caption “Committees of the Board” in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

Code of Business Conduct

Information regarding the Company’s Code of Business Conduct will be included under the caption “Corporate Governance” in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

Insider Trading Policy

The Company has an Insider Trading Policy governing the purchase, sale and other dispositions of the Company’s securities that applies to all Company personnel, including directors, officers, employees and other covered persons. The Company believes that its Insider Trading Policy is reasonably designed to promote compliance with insider trading laws, rules and regulations and listing standards applicable to the Company. A copy of the Company’s Insider Trading Policy is filed as Exhibit 19.1 to this Form 10-K.

Item 11. Executive Compensation.

Information concerning executive and director compensation will be included under the captions “Compensation of Directors”, “Executive Compensation” and "Compensation Committee Report" in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

(a) Security Ownership of Certain Beneficial Owners and Management

The information required by this item will be included under the caption “Stock Ownership Information” in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

(b) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any persons of securities of the Company, the operation of which may, at a subsequent date, result in a change in control of the Registrant.

(c) Equity Compensation Plan Information

The Company previously maintained the Pathward Financial, Inc. 2002 Omnibus Incentive Plan, as amended and restated (the "Prior Omnibus Incentive Plan"). On February 27, 2024, the shareholders of the Company voted to approve the Pathward Financial, Inc. 2023 Omnibus Incentive Plan (the "Plan"). The Plan permits the granting of various types of awards including but not limited to nonvested (restricted) shares and performance share units ("PSUs") to certain officers and directors of the Company. The table below presents information on the Company's equity compensation plans as of September 30, 2024, as required by SEC rules.

Plan Category	(a) Number of securities to be issued under outstanding options, warrants and rights[(1)] (#)	(b) Weighted-average exercise price of outstanding options, warrants and rights[(2)] ($)	(c) Number of shares remaining for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#)
Equity compensation plans approved by stockholders	146,945	N/A	1,030,884
Equity compensation plans not approved by stockholders	—	—	—
Total	146,945	N/A	1,030,884

(1) Consists of outstanding performance share units awarded under both the prior 2002 Omnibus Incentive Plan and the current 2023 Omnibus Incentive Plan, reflected based on the assumption that target performance is probable.

(2) Performance share units do not have an exercise price and are delivered without any payment or consideration.

For more information on the Company’s equity compensation plans, see Note 12. Stock Compensation to the “Notes to Consolidated Financial Statements,” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be included under the captions “Election of Directors,” “Committees of the Board”, “Related Person Transactions” and "Corporate Governance" in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item will be included under the captions “Independent Registered Public Accounting Firm Fees” and "Pre-Approval Policy" in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

The Independent Registered Public Accounting Firm is Crowe LLP (Public Company Accounting Oversight Board Firm ID No. 173) located in Chicago, Illinois.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following is a list of documents filed as Part of this report:

(a) **Financial Statements:**

The following financial statements are included under Part II, Item 8 of this Annual Report on Form 10-K:

1. Report of Independent Registered Public Accounting Firm.
2. Consolidated Statements of Financial Condition as of September 30, 2024 and 2023.
3. Consolidated Statements of Operations for the Fiscal Years Ended September 30, 2024, 2023, and 2022.
4. Consolidated Statements of Comprehensive Income (Loss) for the Fiscal Years ended September 30, 2024, 2023, and 2022.
5. Consolidated Statements of Changes in Stockholders' Equity for the Fiscal Years Ended September 30, 2024, 2023, and 2022.
6. Consolidated Statements of Cash Flows for the Fiscal Years Ended September 30, 2024, 2023, and 2022.
7. Notes to Consolidated Financial Statements.

(b) **Exhibits:**

Exhibit Number	Description
†2.1	Asset Purchase and Sale Agreement dated August 28, 2024, among Pathward, N.A., as seller, and AFS IBEX Financial Services, LLC as Purchaser and Honor Capital Holdings, LLC as Guarantor, filed on August 29, 2024 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.
3.1	Registrant's Amended and Restated Certificate of Incorporation, filed on July 13, 2022 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.
3.2	Registrant's Fourth Amended and Restated By-laws, filed on December 12, 2022 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.
4.1	Description of the Securities of the Registrant filed on November 30, 2020 as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2023, is incorporated herein by reference.
4.2	Registrant's Specimen Stock Certificate, filed on June 27, 2016 as an exhibit to the Registrant's registration statement on Form S-3 (Commission File No. 333-212269), is incorporated herein by reference.
4.3	Indenture, dated as of September 23, 2022, by and between the Registrant and UMB Bank, N.A. as Trustee, filed on September 26, 2022 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.
4.4	Forms of 6.625% Fixed-to-Floating Subordinated Note due 2032 (included as Exhibit A-1 and Exhibit A-2 to the Indenture, dated as of September 23, 2022, by and between the Registrant and UMB Bank, N.A. as Trustee), filed on September 26, 2022 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.
*10.1	Performance-Based Restricted Stock Agreement between Meta and Glen W. Herrick, dated as of December 2, 2016, filed on December 6, 2016 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.
*10.2	Registrant's Supplemental Employees' Investment Plan, originally filed as an exhibit to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1994. First amendment to such agreement, filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2008, is incorporated herein by reference.
*10.3	Registrant's Amended and Restated 2002 Omnibus Incentive Plan, as amended, filed on January 24, 2018 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.

10.4	Investor Rights Agreement by and among Meta Financial Group, Inc., BEP IV LLC and BEP Investors, LLC, dated as of December 17, 2015, filed on December 17, 2015 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
*10.5	Form of Performance Share Unit Award Agreement, filed on November 26, 2024 as an exhibit to the Registrant's Annual Report on Form 10-K, is incorporated herein by reference.
*10.6	Form of Performance-Based Restricted Stock Award Agreement, filed on November 26, 2024 as an exhibit to the Registrant's Annual Report on Form 10-K, is incorporated herein by reference.
*10.7	Executive Nonqualified Deferred Compensation Plan Adoption Agreement by MetaBank, National Association, effective as of July 1, 2021, filed on May 20, 2021 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
*10.8	Executive Nonqualified Deferred Compensation Plan, effective as of July 1, 2021, filed on May 20, 2021 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
*10.9	First Amendment to the MetaBank, National Association Amended and Restated Supplemental Employees’ Investment Plan for Salaried Employees, effective as of June 30, 2021, filed on May 20, 2021 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
*10.10	Executive Severance Pay Policy, effective as of November 1, 2021, filed on November 2, 2021 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
*10.11	Termination Agreement by and among Meta Financial Group, Inc., MetaBank, National Associate and Glen W. Herrick, effective as of November 1, 2021, filed on November 2, 2021 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
†10.12	Purchase Agreement, dated December 7, 2021, between the Registrant and Beige Key LLC, filed on February 8, 2022 as an exhibit to the Registrant’s Quarterly Report on Form 10-Q, is incorporated herein by reference.
*10.13	Form of 2002 Omnibus Incentive Plan Restricted Stock Agreement (Non-Employee Directors Annual Equity Award), filed on May 9, 2022 as an exhibit to the Registrant’s Quarterly Report on Form 10-Q, is incorporated herein by reference.
*10.14	Form of 2002 Omnibus Incentive Plan Restricted Stock Agreement (Non-Employee Directors Award in Lieu of Cash Retainer), filed on May 9, 2022 as an exhibit to the Registrant’s Quarterly Report on Form 10-Q, is incorporated herein by reference.
*10.15	Amendment No. 3 to the Registrant’s Amended and Restated 2002 Omnibus Incentive Plan, as amended, filed on May 9, 2022 as an exhibit to the Registrant’s Quarterly Report on Form 10-Q, is incorporated herein by reference.
10.16	Form of Subordinated Note Purchase Agreement, dated as of September 23, 2022, by and among the Registrant and the Purchasers (as defined therein), filed on September 26, 2022 as an exhibit to the Registrant’s Current Report on Form 8-K, in incorporated by reference herein.
10.17	Form of Registration Rights Agreement, dated as of September 23, 2022, by and among the Registrant and the Purchasers (as defined therein), filed on September 26, 2022 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
*10.18	Offer Letter between the Company and Gregory Sigrist, dated as of October 2, 2023, filed on October 5, 2023 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
*10.19	Pathward Financial, Inc. 2023 Omnibus Incentive Plan, filed on February 28, 2024 as an exhibit to the Registrant’s Current Report on Form 8-K, is incorporated herein by reference.
19.1	Pathward Financial, Inc. and Pathward, N.A. Insider Trading Policy is filed herewith.
21	Subsidiaries of the Registrant is filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm of Crowe LLP is filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is filed herewith.
32.1	Certification of the CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is filed herewith.
32.2	Certification of the CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is filed herewith.
97.1	Pathward Financial, Inc. and Pathward, N.A. Dodd-Frank Clawback Policy, filed on November 21, 2023 as an exhibit to the Registrant's Annual Report on Form 10-K, is incorporated herein by reference.

101	Interactive data files formatted in Inline eXtensible Business Reporting Language - pursuant to Rule 405 of Regulation S-T: (i) Consolidated Statements of Financial Condition as of September 30, 2024 and September 30, 2023, (ii) the Consolidated Statements of Operations for the fiscal years ended September 30, 2024, 2023, and 2022, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended September 30, 2024, 2023, and 2022, (iv) the Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended September 30, 2024, 2023, and 2022, (v) the Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2024, 2023, and 2022 and (vi) the Notes to the Consolidated Financial Statements for the fiscal years ended September 30, 2024, 2023, and 2022.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Management Contract or Compensatory Plan or Agreement.

† Certain annexes, schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of such annexes, schedules and exhibits, or any section thereof, to the Securities and Exchange Commission upon request; *provided*, *however* that the Registrant may request confidential treatment for any schedule or exhibit so furnished.

(c) Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is inapplicable.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pathward Financial, Inc.

Date: November 26, 2024

By: /s/ Brett L. Pharr

Brett L. Pharr,
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:	/s/ Brett L. Pharr Brett L. Pharr, Chief Executive Officer and Director *(Principal Executive Officer)*	Date: November 26, 2024
By:	/s/ Douglas J. Hajek Douglas J. Hajek, Director	Date: November 26, 2024
By:	/s/ Elizabeth G. Hoople Elizabeth G. Hoople, Director	Date: November 26, 2024
By:	/s/ Ronald D. McCray Ronald D. McCray, Director	Date: November 26, 2024
By:	/s/ Neeraj Mehta Neeraj Mehta, Director	Date: November 26, 2024
By:	/s/ Christopher Perretta Christopher Perretta, Director	Date: November 26, 2024
By:	/s/ Becky S. Shulman Becky S. Shulman, Director	Date: November 26, 2024
By:	/s/ Kendall E. Stork Kendall E. Stork, Director	Date: November 26, 2024
By:	/s/ Lizabeth H. Zlatkus Lizabeth H. Zlatkus, Director	Date: November 26, 2024
By:	/s/ Gregory A. Sigrist Gregory A. Sigrist, Executive Vice President and Chief Financial Officer *(Principal Financial Officer)*	Date: November 26, 2024
By:	/s/ Jennifer W. Warren Jennifer W. Warren, Senior Vice President and Chief Accounting Officer *(Principal Accounting Officer)*	Date: November 26, 2024

PATHWARD FINANCIAL, INC.
2023 OMNIBUS INCENTIVE PLAN

PERFORMANCE SHARE UNIT AWARD AGREEMENT

Pursuant to this Performance Share Unit Award Agreement (this "**Award Agreement**"), and subject to the terms and conditions set forth herein and in the Pathward Financial, Inc. 2023 Omnibus Incentive Plan (the "**Plan**"), Pathward Financial, Inc. (the "**Company**") hereby grants an award ("**Award**") of performance share units ("**PSUs**") under Section 12 of the Plan to the Participant, as follows. Capitalized terms used in this Award Agreement, unless otherwise defined, shall have the meanings set forth in the Plan. The terms of the Plan are incorporated into this Award Agreement by reference. The Participant has been furnished a copy of the prospectus relating to the Plan.

Summary of Award:

Name of Participant: __________ (the "**Participant**")

Date of Grant: [DATE] (the "**Grant Date**")

Target Number of Performance Share Units: ____ (the "**Target PSUs**")

Performance Period: [DATE] – [DATE] ("**Performance Period**")

Vesting: The PSUs shall become earned and vested as follows:

Performance Conditions: The number of PSUs that may become earned and vested under the Award is between 0% to 200% of the Target PSUs, depending on the achievement of applicable Performance Goals during the Performance Period, as set forth in Exhibit A hereto.

Service Conditions: Except as otherwise set forth in this Award Agreement, the Plan, or a separate written plan, policy, or agreement between or covering the Participant and the Company, the Participant must remain in continuous Service until the last day of the Performance Period in order for the Award, as adjusted for performance as described above, to become earned and vested.

Settlement Date: Settlement of the Award shall occur as soon as practicable following the end of the Performance Period, but in no event later than March 15th of the calendar year following the calendar year in which the Performance Period ends (the "**Settlement Date**").

Detailed Terms and Conditions of Award:

1. **Grant of Performance Share Units**. The Company hereby grants this Award of PSUs to the Participant, subject to the terms and conditions of this Award Agreement and the Plan. As described in more detail below, the Company will issue to the Participant one (1) share of the Company's common stock (a "**Share**") for each PSU which becomes earned and vested hereunder, subject to applicable withholding for taxes.

2. **Vesting**. The Award is subject to the vesting terms set forth in the Summary of Award above. Any portion of the Award that does not vest for any reason shall automatically be cancelled and terminated and be of no further force and effect.

3. **Separation from Service**. Except as otherwise set forth in a separate written plan, policy, or agreement between or covering the Participant and the Company, all of the Participant's unvested PSUs shall automatically be cancelled and terminated if the Participant fails to remain in continuous Service through the last day of the Performance Period, provided, that:

(a) If the Participant's Separation from Service is a Retirement, the Participant shall remain eligible to vest in the Award, subject to the achievement of applicable Performance Goals during the Performance Period, if the Participant was in continuous Service for at least 6 months during the Performance Period. "**Retirement**" means the Participant's Separation from Service, other than by reason of death or the Participant becoming Disabled or by action of the Company for Cause, where either: (i) the Participant has reached the age of 65; or (ii) the sum of the Participant's age and length of Service is greater than or equal to 70.

(b) If the Participant dies or becomes Disabled, the Participant shall remain eligible to vest in the Award, subject to the achievement of applicable Performance Goals during the Performance Period, if the Participant was employed by the Company for at least 6 months during the Performance Period. For this purpose, "**Disabled**" means the Participant is unable to perform his or her duties, with or without reasonable accommodation, due to illness, accident or physical or mental incapacity or disability for a consecutive period of 180 days or for an aggregate of 270 days in any 365-day period. Notwithstanding the foregoing, Disabled shall have the meaning set forth in Section 409A for any Award which constitutes nonqualified deferred compensation under Section 409A, to the extent necessary to comply with Section 409A.

(c) "**Cause**" means the Participant's Separation from Service which occurs in conjunction with a determination that the Participant has (i) committed an act of fraud or dishonesty in the course of the Participant's employment; (ii) been convicted of (or plead no contest with respect to) a crime constituting a felony or a crime of comparable magnitude under applicable law; (iii) committed an act or omission which causes the Participant or the Company to be in violation of federal or state securities laws, rules or regulations, and/or the rules of any exchange or association of which the Company is a member, including statutory disqualification; (iv) failed to perform the Participant's job duties where such failure is injurious to the business interests or reputation of the Company; (v) materially breached any written policy applicable to the Participant's employment with the Company; or (vi) made an unauthorized disclosure of any confidential or proprietary information of the Company.

4. **Change in Control**. In the event of a Change in Control, the Award shall be subject to the provisions of Section 15.3 of the Plan.

5. **Settlement of Award**. On the Settlement Date, the Company will, in full satisfaction of the Award, issue to the Participant one (1) Share for each PSU which has become earned and vested hereunder, as determined by the Committee. Any issuance of Shares shall be in whole Shares, rounded down to the nearest whole Share, as applicable.

(a) Notwithstanding anything herein to the contrary, no issuance of Shares shall occur until the Company has determined that such issuance is in compliance with all applicable laws, regulations, and requirements of any securities exchange on which Shares may be traded.

(b) The Committee may, as a condition to the issuance of Shares, require the Participant to make covenants and representations and/or enter into agreements with the Company to reflect the Participant's rights and obligations as a stockholder of the Company and any limitations and restrictions on such Shares.

(c) Any issuance of Shares pursuant to this Award Agreement may be effectuated by an appropriate entry on the books of the Company, the issuance of certificates representing such Shares (bearing such legends as the Committee deems necessary or desirable), the transfer of Shares to a brokerage account in the name of the Participant, and/or any other appropriate means as determined by the Committee in its sole discretion.

(d) The Award shall not confer to the Participant any rights or privileges as a stockholder of the Company unless and until Shares are issued to the Participant in settlement of PSUs which have become earned and vested under the Award.

6. **<u>Tax Withholding</u>**.

(a) Regardless of any action the Company takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Participant's participation in the Plan (*"***Tax-Related Items***"*), the Participant acknowledges that the ultimate liability for all Tax-Related Items owed by the Participant is and remains the Participant's responsibility and that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Award, including the grant or vesting of this Award or the subsequent sale of Shares acquired pursuant to this Award; and (ii) does not commit to structure the terms of the grant or any aspect of this Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve a particular tax result.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Participant agrees to make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company, or its agents, at their discretion, to satisfy any applicable withholding obligations with regard to Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company; (ii) withholding from the proceeds of the sale of Shares acquired upon vesting of this Award either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization) without further consent; (iii) withholding Shares to be issued upon vesting of this Award; or (iv) any other method determined by the Committee and permitted by applicable laws. Notwithstanding the foregoing, if the Participant is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Company will withhold in Shares issuable at vesting of the Award upon the relevant withholding event, unless otherwise determined by the Committee.

7. **<u>No Assignment or Transfer</u>**. The Award granted hereunder may not be sold, pledged, assigned, transferred, or otherwise encumbered or disposed of in any manner other than by will or by the laws of descent and distribution. No transfer of the Award by will or the laws of descent and distribution shall be effective unless the Committee has been provided with (i) written notice thereof along with such evidence as the Committee may deem necessary to establish the validity of the transfer and (ii) an agreement by the transferee to comply with all applicable terms and conditions of the Award and any acknowledgements made by the Participant in connection therewith.

8. **<u>Participant Representations</u>**. By accepting the Award, the Participant represents and acknowledges the following:

(a) The Participant has received a copy of the Plan, reviewed each of the Plan and this Award Agreement in their entirety, and has had an opportunity to obtain the advice of independent legal counsel prior to accepting the Award.

(b) The Participant has had the opportunity to consult with a personal tax advisor concerning the tax consequences of accepting the Award and understands that the Company makes no representation and shall have no liability related to the tax treatment of the Award, including as it may relate to the grant, vesting, settlement, or conversion of the Award.

(c) The Participant understands that neither the grant of this Award nor the Participant's participation in the Plan confer any right to continue in the service of the Company nor to be granted or receive any other award or amount of compensation under the Plan or otherwise. Further, the payment to the Participant of any amount under the Plan will not be taken into account in determining benefits under any pension, retirement, profit sharing, group insurance, or other benefit plan of the Company or any Affiliate, except as specifically provided therein.

(d) The Participant consents to the collection, use, and transfer, in electronic or other form, of the Participant's personal data by the Company, any Affiliate, the Committee, and any third party retained to administer the Plan, for the purpose of administering the Award and the Plan. The Participant agrees to promptly notify the Company of any changes in the Participant's name, address, or contact information while the Participant remains a participant in the Plan.

9. **Electronic Delivery and Notice**.

(a) The Company may, in its sole discretion, decide to deliver any documents related to this Award or future Awards that may be granted under the Plan by electronic means or request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.

(b) Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Participant from time to time; and to the Participant at the Participant's electronic mail or postal address as shown on the records of the Company from time to time or as otherwise determined appropriate by the Company, in its sole discretion, or at such other electronic mail or postal address as the Participant, by notice to the Company, may designate in writing from time to time.

10. **Administration; Interpretation**. In accordance with the Plan and this Award Agreement, the Committee shall have full discretionary authority to administer the Award, including discretionary authority to interpret and construe any and all provisions relating to the Award. Decisions of the Committee shall be final, binding, and conclusive on all parties.

11. **Company Policies; Clawback.** The Award granted hereunder is subject to the compensation policies of the Company, as in effect from time to time, including but not limited to any clawback policy adopted in compliance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, to the extent applicable to the Participant, and any other clawback policy of the Company. Such policies may result in the cancellation, forfeiture, and/or repayment of the Award, in full or in part, as well as any gain related thereto.

12. **Section 409A**. It is intended that this Award will be exempt from Internal Revenue Code Section 409A and the interpretive guidance thereunder ("**Section 409A**"), and this Award Agreement shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. To the extent that any provision of this Award Agreement would fail to comply with applicable requirements of Section 409A, the Committee may, in its sole and absolute discretion and without requiring the Participant's consent, make such modifications to this Award Agreement and/or payments to be made hereunder to the extent it determines necessary or advisable to comply with the requirements of Section 409A. Nothing in this Award Agreement shall be construed as a guarantee of any particular tax effect for the Award, and the Company does not guarantee that any compensation or benefits provided under this Award Agreement will satisfy the provisions of Section 409A. Neither the Company nor the Committee will have any liability to any Participant for the assessment of any excise tax or penalty on any Participant under Section 409A. If (i) the Participant's right to payment is subject to Section 409A, and (ii) the Participant is a specified employee (within the meaning of Section 409A) at the time of the Participant's Separation from Service, then, to the extent necessary to comply with Treasury Regulation section 1.409A-3(i)(2), settlement of the Award shall be delayed until the earlier of (A) the first payroll date which is six months after the Participant's Separation from Service, or (B) the date of the Participant's death.

13. **Successors**. The terms of this Award Agreement shall be binding upon and inure to the benefit of the heirs of the Participant or distributees of the Participant's estate and any successor to the Company.

14. **Governing Law; Severability**.

(a) **Governing Law**. This Award Agreement shall be construed and administered in accordance with the laws of the State of Delaware without regard to its conflict of law principles, and applicable federal law.

(b) **Severability**. Any determination by a court of competent jurisdiction or relevant governmental authority that any provision or part of a provision in this Award Agreement is unlawful or invalid shall not serve to invalidate any portion of this Award Agreement not found to be unlawful or invalid, and any provision or part of a provision found to be unlawful or invalid shall be construed in a manner that will give effect to the terms of such provision or part of a provision to the fullest extent possible while remaining lawful and valid.

15. **Acknowledgment of Receipt and Acceptance**. By signing below (or executing the Award Agreement by other means approved by the Committee, including electronic signature), the undersigned acknowledges receipt and acceptance of the Award, agrees to the representations made in the Award, and indicates the undersigned's intention to be bound by this Award Agreement and the terms of the Plan.

PATHWARD FINANCIAL, INC.	**PARTICIPANT**
By: __	By:__
Name: ____	Participant's Name: __
Title: __	Date: __
Date: __	

EXHIBIT A

PERFORMANCE GOALS

Exhibit 10.6

PATHWARD FINANCIAL, INC.
2023 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to this Restricted Stock Unit Award Agreement (this "**Award Agreement**"), and subject to the terms and conditions set forth herein and in the Pathward Financial, Inc. 2023 Omnibus Incentive Plan (the "**Plan**"), Pathward Financial, Inc. (the "**Company**") hereby grants an award ("**Award**") of Restricted Stock Units ("**RSUs**") under Section 10 of the Plan to the Participant, as follows. Capitalized terms used in this Award Agreement, unless otherwise defined, shall have the meanings set forth in the Plan. The terms of the Plan are incorporated into this Award Agreement by reference. The Participant has been furnished a copy of the prospectus relating to the Plan.

Grant Details:

The name of the individual to whom the Award is granted (the "**Participant**"), the number of RSUs awarded, and the date of grant of the Award (the "**Grant Date**") are as set forth in the Company's administrative system of record currently administered by Computershare and as separately communicated to the Participant in the cover page to this Award Agreement (the "**Cover Page**").

Vesting Schedule: Except as otherwise set forth in this Award Agreement, the Plan, or a separate written plan, policy, or agreement between or covering the Participant and the Company, provided that the Participant remains in continuous Service, the RSUs shall become earned and vested in the amounts and on the dates set forth in the Cover Page (each, a "**Vesting Date**").

Settlement Date: Settlement of the earned and vested portion of the Award shall occur as soon as practicable (not more than sixty (60) days) following the applicable Vesting Date, subject to any payment delay as may be required by Section 17.9 of the Plan for compliance with Section 409A (each, a "**Settlement Date**").

Detailed Terms and Conditions of Award:

1. **Grant of Restricted Stock Units**. The Company hereby grants this Award of RSUs to the Participant, subject to the terms and conditions of this Award Agreement and the Plan. As described in more detail below, the Company will issue to the Participant one (1) share of the Company's common stock (a "**Share**") for each RSU which becomes earned and vested hereunder, subject to applicable withholding for taxes.

2. **Vesting**. The Award is subject to the vesting terms set forth in the Grant Details above. Any portion of the Award that does not vest for any reason shall automatically be cancelled and terminated and be of no further force and effect.

3. **Separation from Service**. Except as otherwise set forth in a separate written plan, policy, or agreement between or covering the Participant and the Company, all of the Participant's unvested RSUs shall automatically be cancelled and terminated if the Participant fails to remain in continuous Service through a Vesting Date, provided, that:

(a) If the Participant's Separation from Service is a Retirement, the RSUs shall continue to vest on each Vesting Date in accordance with the schedule set forth in the Cover Page and be settled following each such Vesting Date in accordance with Section 5 below. "**Retirement**" means the Participant's Separation from Service, other than by reason of death or the Participant becoming

Disabled or by action of the Company for Cause, where either: (i) the Participant has reached the age of 65; or (ii) the sum of the Participant's age and length of Service is greater than or equal to 70.

(b) If the Participant dies or becomes Disabled, the Participant shall become fully vested in the Award which shall be immediately settled under Section 5 below. For this purpose, "**Disabled**" means the Participant is unable to perform his or her duties, with or without reasonable accommodation, due to illness, accident or physical or mental incapacity or disability for a consecutive period of 180 days or for an aggregate of 270 days in any 365-day period. Notwithstanding the foregoing, Disabled shall have the meaning set forth in Section 409A for any Award which constitutes nonqualified deferred compensation under Section 409A, to the extent necessary to comply with Section 409A.

(c) "**Cause**" means the Participant's Separation from Service which occurs in conjunction with a determination that the Participant has (i) committed an act of fraud or dishonesty in the course of the Participant's employment; (ii) been convicted of (or plead no contest with respect to) a crime constituting a felony or a crime of comparable magnitude under applicable law; (iii) committed an act or omission which causes the Participant or the Company to be in violation of federal or state securities laws, rules or regulations, and/or the rules of any exchange or association of which the Company is a member, including statutory disqualification; (iv) failed to perform the Participant's job duties where such failure is injurious to the business interests or reputation of the Company; (v) materially breached any written policy applicable to the Participant's employment with the Company; or (vi) made an unauthorized disclosure of any confidential or proprietary information of the Company.

4. **<u>Change in Control</u>**. In the event of a Change in Control, the Award shall be subject to the provisions of Section 15.3 of the Plan.

5. **<u>Settlement of Award</u>**. On each Settlement Date, the Company will, in full satisfaction of the applicable portion of the Award, issue to the Participant one (1) Share for each RSU which has become earned and vested hereunder. Any issuance of Shares shall be in whole Shares, rounded down to the nearest whole Share, as applicable.

(a) Notwithstanding anything herein to the contrary, no issuance of Shares shall occur until the Company has determined that such issuance is in compliance with all applicable laws, regulations, and requirements of any securities exchange on which Shares may be traded.

(b) The Committee may, as a condition to the issuance of Shares, require the Participant to make covenants and representations and/or enter into agreements with the Company to reflect the Participant's rights and obligations as a stockholder of the Company and any limitations and restrictions on such Shares.

(c) Any issuance of Shares pursuant to this Award Agreement may be effectuated by an appropriate entry on the books of the Company, the issuance of certificates representing such Shares (bearing such legends as the Committee deems necessary or desirable), the transfer of Shares to a brokerage account in the name of the Participant, and/or any other appropriate means as determined by the Committee in its sole discretion.

(d) The Award shall not confer to the Participant any rights or privileges as a stockholder of the Company unless and until Shares are issued to the Participant in settlement of RSUs which have become earned and vested under the Award. However, if a cash dividend is declared and paid on Shares before the Settlement Date with respect to any outstanding portion of the Award (whether vested or unvested at the time the cash dividend is paid), the Participant shall receive a cash payment of dividend equivalents (less applicable taxes) on the Settlement Date equal to the amount of the cash dividends the Participant would have received had the RSUs then being settled been issued Shares.

6. **Tax Withholding**.

(a) Regardless of any action the Company takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Participant's participation in the Plan (*"***Tax-Related Items***"*), the Participant acknowledges that the ultimate liability for all Tax-Related Items owed by the Participant is and remains the Participant's responsibility and that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Award, including the grant or vesting of this Award or the subsequent sale of Shares acquired pursuant to this Award; and (ii) does not commit to structure the terms of the grant or any aspect of this Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve a particular tax result.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Participant agrees to make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company, or its agents, at their discretion, to satisfy any applicable withholding obligations with regard to Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company; (ii) withholding from the proceeds of the sale of Shares acquired upon vesting of this Award either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization) without further consent; (iii) withholding Shares to be issued upon vesting of this Award; or (iv) any other method determined by the Committee and permitted by applicable laws. Notwithstanding the foregoing, if the Participant is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Company will withhold in Shares issuable at vesting of the Award upon the relevant withholding event, unless otherwise determined by the Committee.

7. **No Assignment or Transfer**. The Award granted hereunder may not be sold, pledged, assigned, transferred, or otherwise encumbered or disposed of in any manner other than by will or by the laws of descent and distribution. No transfer of the Award by will or the laws of descent and distribution shall be effective unless the Committee has been provided with (i) written notice thereof along with such evidence as the Committee may deem necessary to establish the validity of the transfer and (ii) an agreement by the transferee to comply with all applicable terms and conditions of the Award and any acknowledgements made by the Participant in connection therewith.

8. **Participant Representations**. By accepting the Award, the Participant represents and acknowledges the following:

(a) The Participant has received a copy of the Plan, reviewed each of the Plan and this Award Agreement in their entirety, and has had an opportunity to obtain the advice of independent legal counsel prior to accepting the Award.

(b) The Participant has had the opportunity to consult with a personal tax advisor concerning the tax consequences of accepting the Award and understands that the Company makes no representation and shall have no liability related to the tax treatment of the Award, including as it may relate to the grant, vesting, settlement, or conversion of the Award.

(c) The Participant understands that neither the grant of this Award nor the Participant's participation in the Plan confer any right to continue in the service of the Company nor to be granted or receive any other award or amount of compensation under the Plan or otherwise. Further, the payment to the Participant of any amount under the Plan will not be taken into account in determining benefits under any pension, retirement, profit sharing, group insurance, or other benefit plan of the Company or any Affiliate, except as specifically provided therein.

(d) The Participant consents to the collection, use, and transfer, in electronic or other form, of the Participant's personal data by the Company, any Affiliate, the Committee, and any third party retained to administer the Plan, for the purpose of administering the Award and the Plan. The Participant agrees to promptly notify the Company of any changes in the Participant's name, address, or contact information while the Participant remains a participant in the Plan.

9. **Electronic Delivery and Notice**.

(a) The Company may, in its sole discretion, decide to deliver any documents related to this Award or future Awards that may be granted under the Plan by electronic means or request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.

(b) Any notice which either party hereto may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Participant from time to time; and to the Participant at the Participant's electronic mail or postal address as shown on the records of the Company from time to time or as otherwise determined appropriate by the Company, in its sole discretion, or at such other electronic mail or postal address as the Participant, by notice to the Company, may designate in writing from time to time.

10. **Administration; Interpretation**. In accordance with the Plan and this Award Agreement, the Committee shall have full discretionary authority to administer the Award, including discretionary authority to interpret and construe any and all provisions relating to the Award. Decisions of the Committee shall be final, binding, and conclusive on all parties.

11. **Company Policies; Clawback.** The Award granted hereunder is subject to the compensation policies of the Company, as in effect from time to time, including but not limited to any clawback policy adopted in compliance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, to the extent applicable to the Participant, and any other clawback policy of the Company. Such policies may result in the cancellation, forfeiture, and/or repayment of the Award, in full or in part, as well as any gain related thereto.

12. **Section 409A**. It is intended that this Award will be exempt from Internal Revenue Code Section 409A and the interpretive guidance thereunder ("**Section 409A**"), and this Award Agreement shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. To the extent that any provision of this Award Agreement would fail to comply with applicable requirements of Section 409A, the Committee may, in its sole and absolute discretion and without requiring the Participant's consent, make such modifications to this Award Agreement and/or payments to be made hereunder to the extent it determines necessary or advisable to comply with the requirements of Section 409A. Nothing in this Award Agreement shall be construed as a guarantee of any particular tax effect for the Award, and the Company does not guarantee that any compensation or benefits provided under this Award Agreement will satisfy the provisions of Section 409A. Neither the Company nor the

Committee will have any liability to any Participant for the assessment of any excise tax or penalty on any Participant under Section 409A. If (i) the Participant's right to payment is subject to Section 409A, and (ii) the Participant is a specified employee (within the meaning of Section 409A) at the time of the Participant's Separation from Service, then, to the extent necessary to comply with Treasury Regulation section 1.409A-3(i)(2), settlement of the Award shall be delayed until the earlier of (A) the first payroll date which is six months after the Participant's Separation from Service, or (B) the date of the Participant's death.

13. **Successors**. The terms of this Award Agreement shall be binding upon and inure to the benefit of the heirs of the Participant or distributees of the Participant's estate and any successor to the Company.

14. **Governing Law; Severability**.

(a) **Governing Law**. This Award Agreement shall be construed and administered in accordance with the laws of the State of Delaware without regard to its conflict of law principles, and applicable federal law.

(b) **Severability**. Any determination by a court of competent jurisdiction or relevant governmental authority that any provision or part of a provision in this Award Agreement is unlawful or invalid shall not serve to invalidate any portion of this Award Agreement not found to be unlawful or invalid, and any provision or part of a provision found to be unlawful or invalid shall be construed in a manner that will give effect to the terms of such provision or part of a provision to the fullest extent possible while remaining lawful and valid.

15. **Acknowledgment of Receipt and Acceptance**. By signing below (or executing the Award Agreement by other means approved by the Committee, including electronic signature), the undersigned acknowledges receipt and acceptance of the Award, agrees to the representations made in the Award, and indicates the undersigned's intention to be bound by this Award Agreement and the terms of the Plan.

PATHWARD FINANCIAL, INC.	**PARTICIPANT**
By: ______________________________	By: ______________________________
Name: ___________________________	Participant's Name: ________________
Title: ____________________________	Date: _____________________________
Date: ____________________________	

Insider Trading Policy

1. Overview

Pathward Financial, Inc. (together with its subsidiaries, unless context requires otherwise, the "**Company**" or "**Pathward**") is a publicly traded company with common stock registered under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and traded on the NASDAQ Global Market (ticker = CASH). Although the Company respects the right of each director and employee of the Company and its subsidiaries, including Pathward, National Association, to engage in investment activities and encourages directors and employees to become and remain stockholders of the Company, it is important that such practices avoid any appearance of impropriety, as well as remain in full compliance with the law. The Insider Trading Policy (this "**Policy**") is designed to ensure and promote compliance with applicable securities laws that prohibit certain persons who are aware of material nonpublic information about the Company from trading in securities of the Company or providing material nonpublic information to other persons who may trade on the basis of that information.

Insider trading is the buying or selling of a security by someone who has access to material nonpublic information about the issuing company. It is illegal to trade while having knowledge of material information that has not been made available to the public.

The United States Securities and Exchange Commission ("**SEC**") takes insider trading very seriously and devotes significant resources to uncovering illegal transaction activity and to prosecuting offenders. Liability, including criminal liability, may extend not only to the individuals who trade on inside information, but also to their tippers, who are the people who provide such inside information. The Company and controlling persons of the Company may also be liable for violations by Company directors and employees.

This Policy assists in the education of Company personnel, sets forth guidelines for courses of action, helps preserve the reputation of the Company and its personnel for integrity and ethical conduct and protects the Company and its personnel against legal liability. Through this Policy, the Company seeks to promote compliance with applicable statutes and regulations and to avoid even the appearance of improper conduct by anyone employed by or associated with, either inside or outside, the Company.

2. Applicability

This Policy applies to all directors and employees, whether full-time, part-time or temporary, of the Company. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to

Related Persons. For purposes of this Policy, a "**Related Person**" with respect to any director or employee, consists of the family members of the director or employee who reside with him or her, anyone else who lives in the director or employee's household, and any family members who do not live in the director or employee's household but whose transactions in Company securities are directed by him or her or subject to his or her influence or control (e.g., parents or children who consult with the director or employee before engaging in any transaction in Company securities) and any entities controlled by the director or employee or for which the director or employee controls investment decisions (e.g., corporations, partnerships, trusts of which the director or employee is a grantor or trustee).
All Company directors and employees are accountable to understand, apply, define, and address the responsibilities and general working processes applicable to this Policy.

Any director, employee, or third-party contractor who knowingly or negligently violates this Policy is subject to disciplinary action up to and including termination of employment or termination of a contractual agreement. See Section 3.5 for more information on violation consequences.

3. Policy

The purpose of this Policy is to provide effective oversight and risk management of insider trading risks that could prevent the Company from achieving its goals and objectives. This Policy provides guidance to directors and employees for securities transactions involving Company stock. For purposes of this Policy, the terms "transaction" and "trade" include any transaction in Company stock, including gifts.

3.1 Company Assistance and Administration

The Company's EVP, Chief Legal and Administrative Officer ("**CLAO**"), or the successor to such position for Legal matters, will serve as the Insider Trading Compliance Officer to ensure all directors and employees transact in accordance with this Policy. In the CLAO's absence, the Company's EVP, Chief Financial Officer ("**CFO**"), SVP, Chief Accounting Officer, or SVP, Deputy General Counsel and Corporate Secretary will serve as the Insider Trading Compliance Officer. A director or employee who has a question about this Policy or who is unsure whether certain information is "material" or "nonpublic" should seek additional guidance from the Insider Trading Compliance Officer.

In general, all directors and employees should avoid taking personal advantage of any material nonpublic information that they may acquire, no matter how they might have acquired it. Compliance with this Policy is the personal obligation of each director and employee.

3.2 General Policy

No director or employee, whether full time, part-time or temporary, of the Company shall engage in transactions in any securities, whether of the Company or of any other public company, while in possession of material nonpublic information regarding such securities. In addition, no director, employee or any Related Person (or any other person designated as subject to this Policy) who, in the course of working for the Company, learns of material nonpublic information about another company, such as a customer, supplier, vendor, or a potential party to a transaction with the Company, may engage in transactions in any securities of another publicly traded company the price of which may be affected by such information, while in possession of such material nonpublic information. No director or employee shall communicate such material nonpublic information to any person who might use such information to purchase or sell securities, so-called "tipping."

Material Information. Generally speaking, information is deemed "**material**" where there is a substantial likelihood that a reasonable investor could consider the information important in deciding whether to buy or sell the securities in question, or where the information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available. Where the nonpublic information relates to a possible or contingent event, materiality depends upon a balancing of both the probability that the event will occur and the anticipated magnitude of the event in light of the totality of a company's activities. Common, but by no means exclusive, examples of "material" information include information concerning:

- An important notification from a regulatory authority;
- Projections of future earnings or losses;
- News of a pending or proposed merger, acquisition or tender offer;
- News of a pending or proposed acquisition or disposition of significant assets;
- Actions of regulatory agencies;
- News of a pending or proposed acquisition of a subsidiary;
- Impending bankruptcy or financial liquidity problems;
- Gain or loss of a significant customer or supplier;
- Significant energy generation or supply problems;
- Significant pricing changes;
- Stock splits, stock repurchase programs or changes in dividend policy;
- New equity or debt offers;
- Significant litigation, either actual or threatened; and
- A significant cybersecurity threat, attack or incident.

Either positive or negative information may be material. Because materiality determinations are often challenged with the benefit of hindsight, if a director or employee has any doubt whether certain information is "material," such doubt should be resolved in favor of not trading until such information has become public or no longer is material.

Nonpublic Information. Information is "**nonpublic**" until it has been made available to investors generally. In this respect, one must be able to point to some fact or event to show that the information is generally public, such as inclusion in reports filed with the SEC or press releases issued by a company, or reference to such information in publications of general circulation. In general, information may be presumed to have been made available to investors after two business days from the formal release of such information.

3.3 Prohibited Transactions

3.3.1 Trading of Company Securities

In the handling of information obtained as a result of their employment with or service to the Company, directors and employees must not:

- Disclose material nonpublic, or other confidential information to anyone, inside or outside of the Company, including Related Persons and third parties, except on a strict need-to-know basis and under circumstances that make it reasonable to believe that the information will not be misused or improperly disclosed by the recipient.
- Recommend or suggest that any person or entity engage in transactions in securities, whether of the Company or any other companies, while in possession of material nonpublic information about those securities.
- Engage in any transactions in securities, whether of the Company or any other company, and whether directly or indirectly through Related Persons, while in possession of material nonpublic information regarding those securities.
- Engage in any transactions in securities of another publicly traded company the price of which may be affected by material nonpublic information in the director's or employee's possession.
- Trade in options, warrants, puts, calls, swaps, collars, or similar instruments on Company securities.
- Information that is not material to the Company may nevertheless be material to one of those other firms with whom the Company is conducting business. Under no circumstances should you disclose information to third parties for a consulting or advisory fee.

These prohibitions apply regardless of how the prohibited communication occurs, whether orally, in writing, or through social media channels (e.g., Facebook, Twitter or LinkedIn).

If securities transactions are ever scrutinized, they will likely be viewed retrospectively. Accordingly, before engaging in any transaction, you should carefully consider how the transaction may be construed with the benefit of 20/20 hindsight.

3.3.2 Speculative Transactions

Because the Company believes it is generally improper and inappropriate for Company personnel to engage in speculative transactions involving Company securities, it is the Company's policy that its personnel should not engage in any of the following activities with respect to Company securities:

- Trading in Company securities on a short-term basis
  - Any shares of Company common stock purchased in the open market must be held for a minimum of six (6) months, and preferably longer
- Hedging
  - No director or employee may enter into any transaction designed to hedge or offset decreases in the market value of the Company's securities or any speculative transaction involving the Company's

securities, such as short sales, puts, calls, forward sales or purchase contracts, swaps, or other derivative transactions

- Margin Accounts; Pledging
  - Under a margin arrangement, a broker may sell Company securities in a margin account at any time without the director's or employee's consent if the value falls below the margin requirements. If the sale is made when the director or employee is aware of material nonpublic information, the director or employee may become subject to insider trading liability, even though he or she did not request the sale
  - Similar risks arise when a director or employee pledges Company securities as collateral to secure a bank loan or other obligation
  - Directors and employees may not enter into any transaction by which Company securities may be held in a margin brokerage account or pledged as collateral to secure an obligation

3.3.3 Tipping Information to Others

Directors and employees may not a) pass on material nonpublic information to anyone, including Related Persons, or b) engage in any other action to take advantage of material nonpublic information for the benefit of any such person.

Directors and employees may face insider trading liability under applicable securities laws for communicating or tipping material nonpublic information to anyone, including Related Persons, friends, or any other third party (also called a "**tippee**"). Tippees can obtain material nonpublic information by receiving overt tips from others or through conversations at social, business, or other gatherings.

Persons who are not insiders, which include tippees who trade on material nonpublic information tipped to them, may also face liability for insider trading. Tippees inherit an insider's duties and are liable for trading on material nonpublic information tipped to them by an insider. Similar to insiders, tippers may be liable for the insider trading of others who receive information from tippees.

3.3.4 Termination of Service

If a director or employee's service to the Company terminates during a blackout period applicable to them (as described below) or otherwise while they are aware of material nonpublic information regarding the Company, such person will continue to be subject to this Policy, and specifically to the ongoing prohibition against trading, until such blackout period ends or otherwise until the information has become public or is no longer material.

3.3.5 Transactions Under Company Plans

These restrictions do not apply in the case of purchases of Company securities from the Company or sales of Company securities to the Company, including the following transactions, except as specifically noted:

- The purchase of common stock upon the exercise of stock options granted by the Company where no broker is involved and no stock is sold in the market to fund the option exercise; however, the restrictions do apply to (1) the sale of Company stock as part of a broker-assisted cashless exercise of stock; (2) any other market sale for the purpose of generating the cash needed to pay the exercise price of a stock option; and (3) the subsequent sale of any Company stock obtained as a result of the exercise of a stock option.
- The purchase of common stock pursuant to the Company's stock purchase plan; however, the restrictions do apply to the election to participate or change the level of participation in such plan; (2) voluntary purchases from additional contributions to such plan; and (3) the sale of any common stock purchased through any such plan.
- The exercise of a tax withholding right pursuant to which a recipient of an option, stock grant, or other award under one of the Company's option plans elects to have the Company withhold shares of the Company's common stock to satisfy tax withholding requirements.

3.4 Additional Restrictions

This section applies to Restricted Persons who, because of the nature of their employment or position, are most likely to have access to material nonpublic information regarding the Company.

"**Restricted Persons**" include (a) all directors and certain executive officers, plus the SVP, Chief Accounting Officer, of the Company and any other person who performs a significant policy-making function for the Company, as determined by the Board, all of whom are required to file Section 16 reports with respect to their transactions in Company securities ("**Section 16 Officers**") and (b) all employees designated by the Insider Trading Compliance Officer from time to time as having regular access to material nonpublic information. A list of Restricted Persons will be maintained by the Insider Trading Compliance Officer.

3.4.1 Quarterly Blackout Periods

All Restricted Persons are prohibited from trading in Company securities during the following blackout periods:

- The period from fifteen (15) calendar days prior to the close of each fiscal quarter until two (2) full trading days after the release of the Company's financial results for the quarterly reporting period.

The following types of transactions are exempted from this prohibition:

- The purchase of common stock upon the exercise of stock options granted by the Company where no broker is involved and no stock is sold in the market to fund the option exercise; however, the restrictions do apply to (1) the sale of Company stock as part of a broker-assisted cashless exercise of stock; (2) any other market sale for the purpose of generating the cash needed to pay the exercise price of a stock option; and (3) the subsequent sale of any Company stock obtained as a result of the exercise of a stock option.

- The purchase of common stock pursuant to the Company's stock purchase plan; however, the restrictions do apply to the election to participate or change the level of participation in such plan; (2) voluntary purchases from additional contributions to such plan; and (3) the sale of any common stock purchased through any such plan.
- The exercise of a tax withholding right pursuant to which a recipient of an option, stock grant, or other award under one of the Company's option plans elects to have the Company withhold shares of the Company's common stock to satisfy tax withholding requirements.

3.4.2 Event-Specific Blackout Periods

The Company may from time to time require selected directors and employees with access to material nonpublic information to refrain from trading during other specified periods when significant developments or announcements are anticipated (such as negotiation of a merger or acquisition).

The Insider Trading Compliance Officer will notify these select directors and employees when additional event-specific blackout periods are in effect.

3.4.3 Trading Pre-Clearance

Before a Restricted Person or any of their Related Persons trades in Company securities that includes, but is not limited to, any sales in connection with a cashless exercise of options on Company securities, gifts, contributions to a trust or any other transfers, the relevant Restricted Person must provide notice to the Insider Trading Compliance Officer, CFO and Stock Reporting in writing to confirm that a trading window is in effect and to obtain pre-clearance of the proposed trade. The written notice must be in the form provided by the Insider Trading Compliance Officer from time to time and include without limitation the requestor's name, number of shares, proposed trade date range, and whether pre-clearance is requested for a purchase or a sale. Each written notice must be submitted at least two (2) full business days in advance of the proposed trade. The Insider Trading Compliance Officer and CFO will notify the requestor in writing if the proposed trade is cleared. The pre-clearance of a transaction will be valid for the shorter of the dates included in the approved pre-clearance notice or the close of the trading window. The Insider Trading Compliance Officer and CFO may delegate the SVP, Deputy General Counsel and Corporate Secretary and/or the SVP, Chief Accounting Officer to clear proposed trades pursuant to this section in their stead.

Each proposed trade will be evaluated to determine if it raises insider trading concerns or other concerns under the federal or state securities laws and regulations. Although the Insider Trading Compliance Officer, CFO or their delegate(s) may offer advice regarding the legal and regulatory aspects of a transaction, the Company's failure to raise an objection to a transaction will not constitute a recommendation that any person engage in such transaction, and the Company or the Insider Trading Compliance Officer, CFO or their delegate(s) will not be liable in any manner regarding such advice.

Members of senior management are required to take steps to prevent persons under their supervision and/or control from using information for trading purposes. If a member of the Company's senior management becomes aware of an employee who has access to material nonpublic information, he or she will recommend to the Insider Trading Compliance Officer and CFO that such employee be designated as a Restricted Person. Restricted Persons will be notified of their status by the Insider Trading Compliance Officer, CFO or their delegate(s). Once such employee no longer has access to material nonpublic information, the Insider Trading Compliance Officer, CFO or their delegate(s) will notify such employee that their Restricted Person status has been removed.

3.4.4 Short-Swing Profits

Section 16 of the Exchange Act requires Section 16 Officers to return any profits made from the purchase and sale of Company securities if both transactions occur within a six (6) month period, regardless of whether there is a violation of law or this Policy. The rule was implemented to prevent insiders, who have greater access to material company information, from taking advantage of information for the purpose of making short-term profits.

Section 16 compliance is the responsibility of each Section 16 Reporting Person. However, the pre-clearance procedure may assist Section 16 Reporting Persons in preventing violations of the short-swing profits rule under Section 16(b).

Section 16 Reporting Persons will face liability under Section 16(a) for any short-swing profits resulting from a) a non-exempt purchase and sale or b) sale and purchase of Company securities, occurring within a period of less than six (6) months. Such persons may be required to disgorge such profits to the Company.

For Section 16 purposes, neither the grant to, nor the exercise of, a stock option to a Section 16 Reporting Person is considered to be a purchase if the grant was approved by the Board or by a properly constituted compensation committee. However, the sale of the common stock will be matched with any purchase occurring within a period of less than six (6) months prior to or following the sale.

3.4.5 SEC Rule 10b5-1

3.4.5.1 Trading Plans

Rule 10b5-1 of the Exchange Act was established by the SEC to allow insiders of publicly traded companies to set up a trading plan for buying and selling stock of the company in which they are insiders. Rule 10b5-1 allows insiders to buy or sell a predetermined number of shares at a predetermined time to avoid potential insider trading accusations.

Restricted Persons may consider entering into a Rule 10b5-1 Plan for trading in the Company's stock (a "**Trading Plan**"). A Trading Plan provides an affirmative defense against insider trading liability if the Trading Plan was adopted in good faith and when the Restricted Person was not in possession of material nonpublic information and otherwise complies with the requirements of Rule 10b5-1, including that the Restricted Person has acted in good faith with respect to the Trading Plan from the time of adoption through the duration of the Trading Plan.

3.4.5.2 Guidelines

Restricted Persons must submit a proposed Trading Plan to the Insider Trading Compliance Officer, CFO and Stock Reporting for pre-clearance. This pre-clearance requirement applies to a proposed new Trading Plan and proposed modifications to an existing Trading Plan.

If the Trading Plan meets the requirements of Rule 10b5-1 and this Policy, it may be considered for pre-clearance by the Insider Trading Compliance Officer and CFO. Each Trading Plan should be submitted at least five (5) full business days in advance of the proposed entry into, or modification of, the Trading Plan.

Once a Trading Plan is pre-cleared, Company securities may be purchased or sold pursuant to such Trading Plan and trades made pursuant to the Trading Plan will not require additional pre-clearance; however, Section 16 Reporting Persons or Additional Restricted Employees are required to advise the Insider Trading Compliance Officer, CFO and Stock Reporting upon the execution of a transaction so that appropriate SEC filings can be made timely.

Additionally, Restricted Persons are required to advise the Insider Trading Compliance Officer, CFO and Stock Reporting of the termination of a Trading Plan.

3.4.5.3 Pre-Clearance Requirements

Prior to entering into a Trading Plan, a Restricted Person must contact the Insider Trading Compliance Officer and CFO for review of the proposed Trading Plan. A Trading Plan will not be approved if it does not meet the requirements of Rule 10b5-1, which include a) specifying the dates, prices, and amounts of the contemplated trades, or b) establishing a written formula or algorithm, or computer program, for determining dates, prices, and amounts. For directors and Section 16 Officers, the Trading Plan must provide that purchases or sales under the Trading Plan will not commence until the later of a) ninety (90) days following the date of the adoption of the Trading Plan, or b) two (2) business days following the disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the completed fiscal quarter in which the Trading Plan was adopted; provided that, this cooling-off period is subject to a maximum of one hundred twenty (120) days after adoption of the Trading Plan. For all other Restricted Persons, the Trading Plan must provide that purchases or sales under the Trading Plan will not commence until thirty (30) days following the date of the adoption of the Trading Plan. The cooling-off periods described in the previous sentences also apply to any modification of a Trading Plan, unless the modification does not change the prices, amounts of the contemplated trades or the timing of the contemplated trades, including due to changes in the formula, algorithm or computer program used to determine such prices, amounts, and dates.

The Trading Plan must also provide details regarding the broker administering the Trading Plan.

A Restricted Person can only enter into or modify a Trading Plan during a trading window. At the time of entering into or modifying a Trading Plan, a Restricted Person will be required to certify to the Company, and the Company will need to reasonably believe, that such Restricted Person is entering into the Trading Plan in good faith and not as part of a plan or scheme to evade the requirements of Rule 10b5-1 and is not aware of any material nonpublic information.

The Company will publicly disclose the adoption, modification or termination of a Trading Plan during a fiscal quarter, as well as the material terms of the Trading Plan (including your name and title, date of adoption, modification or termination of the Trading Plan, duration of the Trading Plan, the aggregate number of securities to be sold or purchased under the Trading Plan, and a description of any modification of the Trading Plan) on an individualized basis in accordance with applicable securities laws. The Company is also required to disclose certain written trading arrangements that are not designed to satisfy Rule 10b5-1.

3.5 Violation Consequences

The consequences of insider trading violations can be severe from both a legal and an employment perspective.

3.5.1 Legal Consequences – Individual

Legal consequences for any Company employee who trades inside information or provides tip information to others, regardless of position, include:

- Civil money penalties
- Criminal fines
- Incarceration

3.5.2 Consequences – Officers, Directors, and Employees

If the Company determines that an employee or director has violated this Policy, Company-imposed sanctions, including dismissal or removal for cause, could result.

The Company believes it is important that its officers, directors, and its employees understand that any of the above consequences -- even an SEC investigation that does not result in prosecution -- can tarnish reputations and irreparably damage personal careers.

4. Policy Governance

The CLAO is responsible for this Policy. The Board of Directors must review and approve material changes to this Policy.

4.1 Exceptions to Policy

Exceptions to this Policy require Insider Trading Compliance Officer approval and executive management approval.

5. Communication

The CLAO is responsible for communicating requirements in this Policy and any changes to impacted Personnel following approval.

6. Definitions

All capitalized terms used and not defined in this Policy are defined in the Policy on Policies. The following terms are defined for the purpose of this Policy:

Term	Definition
CFO	EVP, Chief Financial Officer
CLAO	EVP, Chief Legal and Administrative Officer
Company	Pathward Financial, Inc.
Exchange Act	Securities Exchange Act of 1934, as amended
Material	As defined in Section 3.2 hereof
Nonpublic	As defined in Section 3.2 hereof
Pathward	As defined in Section 1 hereof
Policy	As used herein, refers to this Insider Trading Policy
Related Person	As defined in Section 2 hereof
Restricted Person	As defined in Section 3.4 hereof
SEC	As defined in Section 1 hereof
Section 16 Officer	As defined in Section 3.4 hereof
Tippee	As defined in Section 3.3.4 hereof
Trading Plan	As defined in Section 3.4.5 hereof

[Approved 02/28/2024 - External]

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Parent	Subsidiary	Percentage of Ownership	State of Incorporation or Organization
Pathward Financial, Inc.	Pathward, N.A.	100%	Federal

The financial statements of Pathward Financial, Inc. are consolidated with those of Pathward, N.A.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements on Forms S-8 (Nos. 333-22523, 333-110200, 333-141407, 333-151604, 333-222674, and 333-277457) and Form S-3 No. 333-282415 of Pathward Financial, Inc. of our report dated November 26, 2024 relating to the consolidated financial statements of Pathward Financial, Inc. and Subsidiaries, and our report dated the same date relative to the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

South Bend, Indiana
November 26, 2024

Exhibit 31.1

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

I, Brett L. Pharr, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 26, 2024

/s/ Brett L. Pharr
Chief Executive Officer and Director

Exhibit 31.2

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

I, Gregory A. Sigrist, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 26, 2024

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

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Pathward Financial, Inc. (the “Company”) for the year ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brett L. Pharr, the Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Brett L. Pharr
Name: Brett L. Pharr
Chief Executive Officer and Director
November 26, 2024

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Pathward Financial, Inc. (the “Company”) for the year ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory A. Sigrist, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Gregory A. Sigrist
Name: Gregory A. Sigrist
Executive Vice President and Chief Financial Officer
November 26, 2024