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

FORM 10-Q

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

For the quarterly period ended June 30, 2022

☐ 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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at August 2, 2022:
Common Stock, $.01 par value	29,053,520 Shares
Nonvoting Common Stock, $.01 par value	0 Nonvoting shares

PATHWARD FINANCIAL, INC.
FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition

(Dollars in thousands, except per share data)	June 30, 2022	September 30, 2021
ASSETS	(Unaudited)	(Audited)
Cash and cash equivalents	$ 157,260	$ 314,019
Securities available for sale, at fair value	1,956,523	1,864,899
Securities held to maturity, at amortized cost (fair value $41,963 and $56,391, respectively)	43,877	56,669
Federal Reserve Bank and Federal Home Loan Bank Stock, at cost	28,812	28,400
Loans held for sale	67,571	56,194
Loans and leases	3,688,566	3,609,563
Allowance for credit losses	(75,206)	(68,281)
Accrued interest receivable	16,818	16,254
Premises, furniture, and equipment, net	42,076	44,888
Rental equipment, net	222,023	213,116
Foreclosed real estate and repossessed assets, net	13	2,077
Goodwill and intangible assets	336,593	342,653
Prepaid assets	11,408	10,513
Other assets	231,844	199,686
Total assets	$ 6,728,178	$ 6,690,650
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	$ 5,710,799	$ 5,514,971
Long-term borrowings	16,616	92,834
Accrued expenses and other liabilities	275,989	210,961
Total liabilities	6,003,404	5,818,766
STOCKHOLDERS' EQUITY		
Preferred stock, 3,000,000 shares authorized, no shares issued and no shares outstanding at June 30, 2022 and September 30, 2021, respectively	—	—
Common stock, $0.01 par value; 90,000,000 shares authorized, 29,440,396 and 31,686,483 shares issued, 29,356,707 and 31,669,952 shares outstanding at June 30, 2022 and September 30, 2021, respectively	294	317
Common stock, Nonvoting, $0.01 par value; 3,000,000 shares authorized, no shares issued, none outstanding at June 30, 2022 and September 30, 2021, respectively	—	—
Additional paid-in capital	615,159	604,484
Retained earnings	244,686	259,189
Accumulated other comprehensive income (loss)	(131,407)	7,599
Treasury stock, at cost, 83,689 and 16,531 common shares at June 30, 2022 and September 30, 2021, respectively	(4,623)	(860)
Total equity attributable to parent	724,109	870,729
Noncontrolling interest	665	1,155
Total stockholders' equity	724,774	871,884
Total liabilities and stockholders' equity	$ 6,728,178	$ 6,690,650

See Notes to Condensed Consolidated Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
Interest and dividend income:				
Loans and leases, including fees	$ 62,541	$ 62,287	$ 203,115	$ 192,415
Mortgage-backed securities	7,381	3,446	16,690	8,176
Other investments	3,984	4,250	12,169	13,207
	73,906	69,983	231,974	213,798
Interest expense:				
Deposits	94	188	400	1,429
FHLB advances and other borrowings	1,661	1,320	4,010	4,045
	1,755	1,508	4,410	5,474
Net interest income	72,151	68,475	227,564	208,324
Provision (reversal of) for credit losses	(1,302)	4,612	31,186	40,991
Net interest income after provision for credit losses	73,453	63,863	196,378	167,333
Noninterest income:				
Refund transfer product fees	10,289	12,073	38,674	35,400
Tax advance product fees	(20)	891	40,513	47,413
Payments card and deposit fees	24,673	29,203	76,075	81,641
Other bank and deposit fees	262	338	750	709
Rental income	12,082	9,976	34,534	29,707
Gain on sale of securities	198	—	595	6
Gain on sale of trademarks	—	—	50,000	—
Gain (loss) on sale of other	1,239	5,955	(1,601)	10,935
Other income	5,271	4,017	10,811	15,550
Total noninterest income	53,994	62,453	250,351	221,361
Noninterest expense:				
Compensation and benefits	45,091	38,604	128,364	114,867
Refund transfer product expense	2,457	2,435	8,855	8,642
Tax advance product expense	(29)	(25)	2,156	2,534
Card processing	8,438	6,809	23,067	20,138
Occupancy and equipment expense	8,996	7,381	25,845	21,017
Operating lease equipment depreciation	9,145	8,122	26,331	23,122
Legal and consulting	11,724	5,680	27,279	16,972
Intangible amortization	1,532	2,013	5,188	6,784
Impairment expense	670	505	670	2,217
Other expense	8,626	9,999	34,491	33,775
Total noninterest expense	96,650	81,523	282,246	250,068
Income before income tax expense	30,797	44,793	164,483	138,626
Income tax expense	6,958	4,934	29,236	9,600
Net income before noncontrolling interest	23,839	39,859	135,247	129,026
Net income attributable to noncontrolling interest	1,448	1,158	2,281	3,221
Net income attributable to parent	$ 22,391	$ 38,701	$ 132,966	$ 125,805
Earnings per common share:				
Basic	$ 0.76	$ 1.21	$ 4.44	$ 3.87
Diluted	$ 0.76	$ 1.21	$ 4.44	$ 3.87

See Notes to Condensed Consolidated Financial Statements.

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

(Dollars in thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
Net income before noncontrolling interest	$ 23,839	$ 39,859	$ 135,247	$ 129,026
Other comprehensive income (loss):				
Change in net unrealized gain (loss) on debt securities	(81,841)	3,081	(184,614)	(3,996)
Net (gain) realized on investment securities	(198)	—	(595)	(6)
	(82,039)	3,081	(185,209)	(4,002)
Unrealized gain on currency translation	(520)	121	(311)	692
Deferred income tax effect	(20,526)	789	(46,514)	(990)
Total other comprehensive (loss)	(62,033)	2,413	(139,006)	(2,320)
Total comprehensive income (loss)	(38,194)	42,272	(3,759)	126,706
Total comprehensive income attributable to noncontrolling interest	1,448	1,158	2,281	3,221
Comprehensive income (loss) attributable to parent	$ (39,642)	$ 41,114	$ (6,040)	$ 123,485

See Notes to Condensed Consolidated Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(Dollars in thousands, except per share data)	Pathward Financial, Inc.							
Three Months Ended June 30, 2022	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Pathward Stockholders' Equity**	**Noncontrolling interest**	**Total Stockholders' Equity**
Balance, March 31, 2022	$ 294	$ 612,917	$ 223,760	$ (69,374)	$ (4,513)	$ 763,084	$ 322	$ 763,406
Cash dividends declared on common stock ($0.05 per share)	—	—	(1,465)	—	—	(1,465)	—	(1,465)
Repurchases of common stock	—	—	—	—	(110)	(110)	—	(110)
Stock compensation	—	2,242	—	—	—	2,242	—	2,242
Total other comprehensive (loss)	—	—	—	(62,033)	—	(62,033)	—	(62,033)
Net income	—	—	22,391	—	—	22,391	1,448	23,839
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(1,105)	(1,105)
Balance, June 30, 2022	$ 294	$ 615,159	$ 244,686	$ (131,407)	$ (4,623)	$ 724,109	$ 665	$ 724,774
Three Months Ended June 30, 2021								
Balance, March 31, 2021	$ 319	$ 601,222	$ 225,471	$ 12,809	$ (5,655)	$ 834,166	$ 1,092	$ 835,258
Cash dividends declared on common stock ($0.05 per share)	—	—	(1,594)	—	—	(1,594)	—	(1,594)
Repurchases of common stock	—	—	—	—	(41)	(41)	—	(41)
Stock compensation	—	1,498	—	—	—	1,498	—	1,498
Total other comprehensive (loss)	—	—	—	2,413	—	2,413	—	2,413
Net income	—	—	38,701	—	—	38,701	1,158	39,859
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(760)	(760)
Balance, June 30, 2021	$ 319	$ 602,720	$ 262,578	$ 15,222	$ (5,696)	$ 875,143	$ 1,490	$ 876,633

(Dollars in thousands, except per share data)	Pathward Financial, Inc.							
Nine Months Ended June 30, 2022	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Pathward 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 ($0.15 per share)	—	—	(4,469)	—	—	(4,469)	—	(4,469)
Issuance of common stock due to restricted stock	1	—	—	—	—	1	—	1
Issuance of common stock due to ESOP	1	2,885	—	—	—	2,886	—	2,886
Repurchases of common stock	(25)	25	(143,000)	—	(3,763)	(146,763)	—	(146,763)
Stock compensation	—	7,765	—	—	—	7,765	—	7,765
Total other comprehensive (loss)	—	—	—	(139,006)	—	(139,006)	—	(139,006)
Net income	—	—	132,966	—	—	132,966	2,281	135,247
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(2,771)	(2,771)
Balance, June 30, 2022	$ 294	$ 615,159	$ 244,686	$ (131,407)	$ (4,623)	$ 724,109	$ 665	$ 724,774
Nine Months Ended June 30, 2021								
Balance, September 30, 2020	$ 344	$ 594,569	$ 234,927	$ 17,542	$ (3,677)	$ 843,705	$ 3,603	$ 847,308
Adoption of Accounting Standards Update 2016-13, net of income taxes	—	—	(8,351)	—	—	(8,351)	(2,452)	(10,803)
Cash dividends declared on common stock ($0.15 per share)	—	—	(4,804)	—	—	(4,804)	—	(4,804)
Issuance of common stock due to ESOP	2	3,034	—	—	—	3,036	—	3,036
Repurchases of common stock	(27)	27	(84,999)	—	(2,019)	(87,018)	—	(87,018)
Stock compensation	—	5,090	—	—	—	5,090	—	5,090
Total other comprehensive (loss)	—	—	—	(2,320)	—	(2,320)	—	(2,320)
Net income	—	—	125,805	—	—	125,805	3,221	129,026
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(2,882)	(2,882)
Balance, June 30, 2021	$ 319	$ 602,720	$ 262,578	$ 15,222	$ (5,696)	$ 875,143	$ 1,490	$ 876,633

See Notes to Condensed Consolidated Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended June 30,	
(Dollars in thousands)	2022	2021
Cash flows from operating activities:		
Net income before noncontrolling interest	$ 135,247	$ 129,026
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion, net	47,193	43,561
Provision for credit losses	31,186	40,991
Provision (reversal of) for deferred taxes	18,517	(1,360)
Originations of loans held for sale	(769,672)	(472,935)
Proceeds from sales of loans held for sale	898,442	694,063
Net change in loans held for sale	12,568	2,495
Fair value adjustment of foreclosed real estate	250	481
Net realized (gain) on securities available for sale, net	(161)	(6)
Net realized (gain) loss on loans held for sale	3,933	(9,804)
Net realized loss on premise, furniture, and equipment	45	—
Net realized (gain) on lease receivables and equipment	(2,180)	(1,076)
Net realized (gain) on foreclosed real estate and repossessed assets	—	(4)
Net realized (gain) on trademarks	(50,000)	—
Net realized (gain) loss on other assets	(434)	28
Change in bank-owned life insurance value	(1,818)	(1,827)
Impairment of intangibles	670	—
Net change in accrued interest receivable	(564)	398
Net change in other assets	(7,391)	(3,742)
Net change in accrued expenses and other liabilities	(36,577)	25,332
Stock compensation	7,765	5,090
Net cash provided by operating activities	287,019	450,711
Cash flows from investing activities:		
Purchases of securities available for sale	(689,515)	(976,502)
Proceeds from sales of securities available for sale	244,305	50,468
Proceeds from maturities of and principal collected on securities available for sale	264,808	266,673
Proceeds from maturities of and principal collected on securities held to maturity	12,189	27,041
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	(134,293)	(1,295)
Redemption of Federal Reserve Bank and Federal Home Loan Bank stock	133,880	—
Purchases of loans and leases	(108,570)	(145,639)
Proceeds from sales of loans and leases	45,784	13,822
Net change in loans and leases	35,462	(177,944)
Purchases of premises, furniture, and equipment	(5,860)	(9,448)
Proceeds from sales of premises, furniture, and equipment	35	86
Purchases of rental equipment	(270,262)	(36,800)
Proceeds from sales of rental equipment	8,236	11,744
Net change in rental equipment	(1,879)	(2,303)
Proceeds from sales of foreclosed real estate and repossessed assets	1,814	8,285
Proceeds from sale of trademarks	50,000	—
Proceeds from sale of other assets	2,925	—
Net cash (used in) investing activities	(410,941)	(971,812)
Cash flows from financing activities:		
Net change in deposits	195,828	909,672
Redemption of long-term borrowings	(75,000)	—
Principal payments on capital lease obligations	(75)	(24)
Principal payments on other liabilities	(2,163)	(4,775)
Proceeds from other liabilities	—	80
Dividends paid on common stock	(4,469)	(4,804)
Issuance of common stock due to restricted stock	1	—
Issuance of common stock due to ESOP	2,886	3,036
Repurchases of common stock	(146,763)	(87,018)
Distributions to noncontrolling interest	(2,771)	(2,882)
Net cash (used in) financing activities	(32,526)	813,285
Effect of exchange rate changes on cash	(311)	692

Net change in cash and cash equivalents	(156,759)	292,876
Cash and cash equivalents at beginning of fiscal year	314,019	427,367
Cash and cash equivalents at end of fiscal period	$ 157,260	$ 720,243

	Nine Months Ended June 30,	
(Dollars in thousands)	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 4,779	$ 5,544
Income taxes	10,898	4,147
Franchise taxes	200	200
Other taxes	516	671
Supplemental schedule of non-cash investing activities:		
Purchases/sales of securities accrued, not settled		
Trade Date Purchases - AFS	101,993	—
Transfers		
Held for sale to loans and leases	14,731	—
Loans and leases to held for sale	169,045	118,037
Loans and leases to rental equipment	3,393	14,844
Loans and leases to foreclosed real estate and repossessed assets	—	9
Rental equipment to loan and leases	233,634	14,014
Recognition of operating lease ROU assets, net of measurements	389	12,954

See Notes to Condensed Consolidated Financial Statements.

NOTE 1. BASIS OF PRESENTATION

The interim unaudited Condensed Consolidated Financial Statements contained herein should be read in conjunction with the audited consolidated financial statements and accompanying notes to the consolidated financial statements for the fiscal year ended September 30, 2021 included in Pathward Financial, Inc.'s ("Pathward" or the "Company") Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on November 23, 2021. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the audited consolidated financial statements have been omitted.

The financial information of the Company included herein has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of the three and nine months ended June 30, 2022 are not necessarily indicative of the results expected for the fiscal year ending September 30, 2022.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ADOPTED ACCOUNTING STANDARDS UPDATES ("ASU")

Significant accounting policies in effect and disclosed within the Company's most recent audited consolidated financial statements as of September 30, 2021 remain substantially unchanged. The following ASUs became effective for the Company on October 1, 2021, none of which had a material impact on the Company's significant accounting policies or Condensed Consolidated Financial Statements:

- ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.*
- ASU 2020-08*, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs.*
- ASU 2020-10, *Codification Improvements.*

NOTE 3. SIGNIFICANT EVENTS

Rebranding

On December 7, 2021, the Company executed a Purchase Agreement (the "Agreement") with Beige Key, LLC (the "Assignee") for the sale of all of the Company's worldwide right, title and interest in and to company names and tradenames including Meta and other "Meta" formative names including MetaBank and Meta Financial Group, and the domain names, social media accounts and goodwill associated with the foregoing (collectively, the "Meta" tradenames) in exchange for $60.0 million in cash. Subject to the terms and conditions set forth in the Agreement, the Company has one year from the Agreement execution date to phase out and cease all use of the Meta tradenames. From the date of the Agreement until the date such phase out is completed (the "Phase Out Period"), Assignee has granted the Company a non-exclusive royalty free license in the United States and Canada to use the Meta tradenames in the manner in which they were used by the Company prior to the Agreement.

The Company received $50.0 million upon execution and delivery of the Agreement, at which time the Meta tradenames were assigned to the Assignee. The Company has recognized the $50.0 million as noninterest income during the period ended December 31, 2021. The remaining $10.0 million was paid by the Assignee and is being held in an escrow account by a third-party agent until the agreed upon activities within the Phase Out Period have been completed, at which time the funds will be released to the Company. The Company's receipt of the $10.0 million payment is contingent upon phase out activities that have not yet been completed and has not been recognized in the Company's consolidated financial statements for the fiscal quarter ended June 30, 2022.

On July 13, 2022, the Company announced it changed its name to Pathward Financial, Inc.™, and its bank subsidiary MetaBank®, N.A. changed to Pathward™, N.A. ("Pathward"). Certain changes will be made immediately, with a full transition to Pathward expected by the end of this calendar year, including the launch of a new brand identity and website.

The Company recognized $3.4 million and $6.2 million of noninterest expense related to rebranding efforts during the three and nine months ended June 30, 2022, respectively.

NOTE 4. SECURITIES

The amortized cost, gross unrealized gains and losses and estimated fair values of available for sale ("AFS") and held to maturity ("HTM") debt securities are presented below.

	Debt Securities AFS			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
At June 30, 2022				
Corporate securities	$ 25,000	$ —	$ (1,562)	$ 23,438
SBA securities	84,506	247	(3,404)	81,349
Obligations of states and political subdivisions	2,726	—	(85)	2,641
Non-bank qualified obligations of states and political subdivisions	260,069	29	(15,137)	244,961
Asset-backed securities	171,623	—	(12,291)	159,332
Mortgage-backed securities	1,587,992	655	(143,845)	1,444,802
Total debt securities AFS	$ 2,131,916	$ 931	$ (176,324)	$ 1,956,523
At September 30, 2021				
Corporate securities	$ 25,000	$ —	$ —	$ 25,000
SBA securities	151,958	5,251	—	157,209
Obligations of states and political subdivisions	2,497	10	—	2,507
Non-bank qualified obligations of states and political subdivisions	266,048	3,347	(1,100)	268,295
Asset-backed securities	393,103	3,003	(1,247)	394,859
Mortgage-backed securities	1,016,478	9,728	(9,177)	1,017,029
Total debt securities AFS	$ 1,855,084	$ 21,339	$ (11,524)	$ 1,864,899

	Debt Securities HTM			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
At June 30, 2022				
Non-bank qualified obligations of states and political subdivisions	$ 41,122	$ —	$ (1,765)	$ 39,357
Mortgage-backed securities	2,755	—	(149)	2,606
Total debt securities HTM	$ 43,877	$ —	$ (1,914)	$ 41,963
At September 30, 2021				
Non-bank qualified obligations of states and political subdivisions	$ 52,944	$ 103	$ (471)	$ 52,576
Mortgage-backed securities	3,725	90	—	3,815
Total debt securities HTM	$ 56,669	$ 193	$ (471)	$ 56,391

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 June 30, 2022						
Corporate securities	$ 23,438	$ (1,562)	$ —	$ —	$ 23,438	$ (1,562)
SBA securities	73,758	(3,404)	—	—	73,758	(3,404)
Obligations of state and political subdivisions	2,401	(85)	—	—	2,401	(85)
Non-bank qualified obligations of states and political subdivisions	237,769	(14,823)	3,414	(314)	241,183	(15,137)
Asset-backed securities	96,852	(6,435)	62,481	(5,856)	159,333	(12,291)
Mortgage-backed securities	1,033,772	(111,839)	227,715	(32,006)	1,261,487	(143,845)
Total debt securities AFS	$ 1,467,990	$ (138,148)	$ 293,610	$ (38,176)	$ 1,761,600	$ (176,324)
At September 30, 2021						
Non-bank qualified obligations of states and political subdivisions	$ 101,046	$ (1,100)	$ —	$ —	$ 101,046	$ (1,100)
Asset-backed securities	127,110	(283)	91,553	(964)	218,663	(1,247)
Mortgage-backed securities	759,035	(7,418)	60,792	(1,759)	819,827	(9,177)
Total debt securities AFS	$ 987,191	$ (8,801)	$ 152,345	$ (2,723)	$ 1,139,536	$ (11,524)
Debt Securities HTM						
At June 30, 2022						
Non-bank qualified obligations of states and political subdivisions	$ 35,121	$ (1,530)	$ 4,236	$ (235)	$ 39,357	$ (1,765)
Mortgage-backed securities	2,607	(149)	—	—	2,607	(149)
Total debt securities HTM	$ 37,728	$ (1,679)	$ 4,236	$ (235)	$ 41,964	$ (1,914)
At September 30, 2021						
Non-bank qualified obligations of states and political subdivisions	$ 26,096	$ (471)	$ —	$ —	$ 26,096	$ (471)
Total debt securities HTM	$ 26,096	$ (471)	$ —	$ —	$ 26,096	$ (471)

At June 30, 2022, there were 166 securities AFS in an unrealized loss position. Management assessed each investment security with unrealized losses for credit loss and determined substantially all unrealized losses on these securities were due to credit spreads and 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 June 30, 2022, 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 that allow the issuer to call the security prior to maturity. Expected maturities may differ from contractual maturities in mortgage-backed securities ("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.

(Dollars in thousands)	At June 30, 2022		At September 30, 2021	
Securities AFS at Fair Value	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 950	$ 955	$ 810	$ 822
Due after one year through five years	10,797	10,489	13,026	13,378
Due after five years through ten years	68,339	63,705	50,785	52,357
Due after ten years	463,838	436,572	773,985	781,313
	543,924	511,721	838,606	847,870
Mortgage-backed securities	1,587,992	1,444,802	1,016,478	1,017,029
Total securities AFS, at fair value	$ 2,131,916	$ 1,956,523	$ 1,855,084	$ 1,864,899

(Dollars in thousands)	At June 30, 2022		At September 30, 2021	
Securities HTM at Fair Value	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due after ten years	$ 41,122	$ 39,357	$ 52,944	$ 52,576
	41,122	39,357	52,944	52,576
Mortgage-backed securities	2,755	2,606	3,725	3,815
Total securities HTM, at cost	$ 43,877	$ 41,963	$ 56,669	$ 56,391

Equity Securities

The Company held $3.1 million at June 30, 2022 and $12.7 million at September 30, 2021 in marketable equity securities. The Company recognized $3.8 million and none in unrealized loss on marketable equity securities during the nine months ended June 30, 2022 and 2021, respectively, which is attributable to an investee becoming publicly traded during fiscal year 2021. All other marketable equity securities and related activity were insignificant for the nine months ended June 30, 2022 and 2021. There was one marketable security sold during the nine months ended June 30, 2022 for a $0.3 million gain.

Non-marketable equity securities with a readily determinable fair value totaled $6.5 million at June 30, 2022 and $4.6 million at September 30, 2021. The Company recognized $0.6 million in unrealized gains and $0.4 million in unrealized gains during the nine months ended June 30, 2022 and 2021, respectively. No such securities were sold during the nine months ended June 30, 2022.

Non-marketable equity securities without readily determinable fair value totaled $20.7 million at June 30, 2022 and $16.0 million at September 30, 2021. There were three securities sold during the nine months ended June 30, 2022 for a $0.2 million gain.

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 June 30, 2022 and September 30, 2021. These equity securities are 'restricted' in that they can only be owned by member banks.

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 $9.1 million at June 30, 2022 and $8.7 million at September 30, 2021.

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 fair value approximates cost.

Equity Security 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 no impairment for such investments for the nine months ended June 30, 2022.

NOTE 5. LOANS AND LEASES, NET

Loans and leases consist of the following:

(Dollars in thousands)	June 30, 2022	September 30, 2021
Term lending	$ 1,047,764	$ 961,019
Asset based lending	402,506	300,225
Factoring	408,777	363,670
Lease financing	218,789	266,050
Insurance premium finance	481,219	428,867
SBA/USDA	215,510	247,756
Other commercial finance	173,338	157,908
Commercial finance	2,947,903	2,725,495
Consumer credit products	152,106	129,251
Other consumer finance	107,135	123,606
Consumer finance	259,241	252,857
Tax services	41,627	10,405
Warehouse finance	434,748	419,926
Community banking	—	199,132
Total loans and leases	3,683,519	3,607,815
Net deferred loan origination costs	5,047	1,748
Total gross loans and leases	3,688,566	3,609,563
Allowance for credit losses	(75,206)	(68,281)
Total loans and leases, net	$ 3,613,360	$ 3,541,282

During the nine months ended June 30, 2022, the Company transferred $169.0 million of Community Banking loans to held for sale. During the nine months ended June 30, 2021, the Company transferred $118.0 million of Community Banking loans to held for sale.

During the nine months ended June 30, 2022 and 2021, the Company originated $769.7 million and $472.9 million of consumer finance and SBA/USDA as held for sale, respectively.

The Company sold held for sale loans resulting in proceeds of $898.4 million and loss on sale of $3.9 million during the nine months ended June 30, 2022. The Company sold held for sale loans resulting in proceeds of $694.1 million and gains on sale of $9.8 million during the nine months ended June 30, 2021.

In connection with the Company's sale of the Bank's Community Bank division to Central Bank, the Company entered into a servicing agreement with Central Bank for the retained Community Bank loan portfolio that became effective on February 29, 2020 (the "Closing Date"). The Company recognized $0.2 million and $2.2 million in servicing fee expense during the nine months ended June 30, 2022 and 2021, respectively, and $3.3 million for the fiscal year ended September 30, 2021.

Since the Closing Date, the Company has entered into subsequent loan portfolio sale agreements with Central Bank and other third parties. The Company sold additional loans from the retained Community Bank portfolio in the amount of $192.5 million and $233.0 million in the nine months ended June 30, 2022 and 2021, respectively, and $308.1 million for the fiscal year ended September 30, 2021. All loans from the retained Community Bank portfolio have been sold as of December 31, 2021.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Loans Purchased				
Loans held for investment:				
Commercial finance	$ —	$ —	$ 3,098	$ —
Warehouse finance	19,657	46,153	105,472	142,389
Community banking	—	403	—	3,250
Total purchases	$ 19,657	$ 46,556	$ 108,570	$ 145,639
Loans Sold				
Loans held for sale:				
Commercial finance	$ 1,216	$ 45,695	$ 48,329	$ 81,996
Consumer finance	173,284	72,437	696,891	382,382
Community banking	—	—	153,222	232,979
Loans held for investment:				
Commercial finance	—	—	15,549	—
Community banking	—	1,816	30,235	13,822
Total sales	$ 174,500	$ 119,948	$ 944,226	$ 711,179

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

(Dollars in thousands)	June 30, 2022	September 30, 2021
Carrying amount	$ 226,347	$ 278,341
Unguaranteed residual assets	11,862	14,393
Unamortized initial direct costs	348	490
Unearned income	(19,420)	(26,684)
Total net investment in direct financing and sales-type leases	$ 219,137	$ 266,540

Undiscounted future minimum lease payments receivable for direct financing and sales-type leases, and a reconciliation to the carrying amount recorded at June 30, 2022 were as follows:

(Dollars in thousands)	
Remaining in 2022	$ 24,394
2023	93,511
2024	62,678
2025	30,942
2026	10,471
Thereafter	4,351
Total undiscounted future minimum lease payments receivable for direct financing and sales-type leases	226,347
Third-party residual value guarantees	—
Total carrying amount of direct financing and sales-type leases	$ 226,347

The Company did not record any contingent rental income from direct financing and sales-type leases in the nine months ended June 30, 2022.

The COVID-19 pandemic began impacting the U.S. and global economies in the first calendar quarter of 2020, with significant deterioration of macroeconomic conditions and markets into 2021. Although macroeconomic conditions and markets have improved since the beginning of 2021, other factors have been affecting the economic environment in 2022 including geopolitical conflict, supply chain disruptions, inflation, and rising interest rates. While the ultimate impact of the pandemic and these other 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 COVID-19 and other factors impacting the economy and will refine its estimate as developments occur and more information becomes available.

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

	Three Months Ended June 30, 2022				
(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:					
Term lending	$ 27,568	$ 9	$ (3,086)	$ 1,316	$ 25,807
Asset based lending	2,583	(1,553)	—	295	1,325
Factoring	6,526	533	(194)	268	7,133
Lease financing	6,471	(429)	—	107	6,149
Insurance premium finance	1,057	583	(230)	41	1,451
SBA/USDA	2,943	338	(408)	25	2,898
Other commercial finance	1,197	(79)	—	—	1,118
Commercial finance	48,345	(598)	(3,918)	2,052	45,881
Consumer credit products	1,621	(170)	—	—	1,451
Other consumer finance	7,388	(205)	(2,428)	88	4,843
Consumer finance	9,009	(375)	(2,428)	88	6,294
Tax services	30,757	(166)	(7,998)	6	22,599
Warehouse finance	441	(9)	—	—	432
Total loans and leases	88,552	(1,148)	(14,344)	2,146	75,206
Unfunded commitments[1]	551	(154)	—	—	397
Total	$ 89,103	$ (1,302)	$ (14,344)	$ 2,146	$ 75,603

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

(Dollars in thousands)	Three Months Ended June 30, 2021 Beginning Balance	Provision (Reversal)[2]	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:					
Term lending	$ 27,315	$ 1,199	$ (1,998)	$ 515	$ 27,031
Asset based lending	1,749	21	—	212	1,982
Factoring	3,210	33	1	17	3,261
Lease financing	6,863	842	(916)	130	6,919
Insurance premium finance	1,326	(1,200)	(120)	1,583	1,589
SBA/USDA	3,300	(171)	—	—	3,129
Other commercial finance	541	183	—	—	724
Commercial finance	44,304	907	(3,033)	2,457	44,635
Consumer credit products	990	21	—	—	1,011
Other consumer finance	10,093	(180)	(2,327)	57	7,643
Consumer finance	11,083	(159)	(2,327)	57	8,654
Tax services	29,146	4,685	(9,505)	17	24,343
Warehouse finance	332	—	—	—	332
Community banking	14,027	(783)	—	—	13,244
Total loans and leases	98,892	4,650	(14,865)	2,531	91,208
Unfunded commitments[1]	779	(38)	—	—	741
Total	$ 99,671	$ 4,612	$ (14,865)	$ 2,531	$ 91,949

[1] Reserve for unfunded commitments is recognized within other liabilities on the Condensed Consolidated Statements of Financial Condition.
[2] As a result of the adoption of CECL, effective October 1, 2020, the provision for credit losses includes the provision for unfunded commitments that was previously included within other noninterest expense.

(Dollars in thousands)	Nine Months Ended June 30, 2022 Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:					
Term lending	$ 29,351	$ 1,104	$ (6,993)	$ 2,345	$ 25,807
Asset based lending	1,726	(817)	(16)	432	1,325
Factoring	3,997	13,857	(11,057)	336	7,133
Lease financing	7,629	(1,647)	(112)	279	6,149
Insurance premium finance	1,394	374	(514)	197	1,451
SBA/USDA	2,978	517	(624)	27	2,898
Other commercial finance	1,168	(50)	—	—	1,118
Commercial finance	48,243	13,338	(19,316)	3,616	45,881
Consumer credit products	1,242	209	—	—	1,451
Other consumer finance	6,112	2,513	(4,049)	267	4,843
Consumer finance	7,354	2,722	(4,049)	267	6,294
Tax services	2	28,093	(8,253)	2,757	22,599
Warehouse finance	420	12	—	—	432
Community banking	12,262	(12,686)	—	424	—
Total loans and leases	68,281	31,479	(31,618)	7,064	75,206
Unfunded commitments[1]	690	(293)	—	—	397
Total	$ 68,971	$ 31,186	$ (31,618)	$ 7,064	$ 75,603

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

(Dollars in thousands)	Nine Months Ended June 30, 2021 Beginning Balance	Impact of CECL Adoption	Provision (Reversal)[2]	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:						
Term lending	$ 15,211	$ 9,999	$ 8,621	$ (7,787)	$ 987	$ 27,031
Asset based lending	1,406	164	1,399	(1,199)	212	1,982
Factoring	3,027	987	(1,928)	—	1,175	3,261
Lease financing	7,023	(556)	2,375	(2,264)	341	6,919
Insurance premium finance	2,129	(965)	(609)	(925)	1,959	1,589
SBA/USDA	940	2,720	(532)	—	1	3,129
Other commercial finance	182	364	178	—	—	724
Commercial finance	29,918	12,713	9,504	(12,175)	4,675	44,635
Consumer credit products	845	—	166	—	—	1,011
Other consumer finance	2,821	5,998	1,568	(2,964)	220	7,643
Consumer finance	3,666	5,998	1,734	(2,964)	220	8,654
Tax services	2	—	32,819	(9,505)	1,027	24,343
Warehouse finance	294	(1)	39	—	—	332
Community banking	22,308	(5,937)	(2,983)	(144)	—	13,244
Total loans and leases	56,188	12,773	41,113	(24,788)	5,922	91,208
Unfunded commitments[1]	32	831	(122)	—	—	741
Total	$ 56,220	$ 13,604	$ 40,991	$ (24,788)	$ 5,922	$ 91,949

[1] Reserve for unfunded commitments is recognized within other liabilities on the Consolidated Statements of Financial Condition.
[2] As a result of the adoption of CECL, effective October 1, 2020, the provision for credit losses includes the provision for unfunded commitments that was previously included within other noninterest expense.

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 June 30, 2022	At September 30, 2021
Term lending	$ 65,998	$ 20,965
Asset based lending	5,992	—
Factoring	27,333	1,268
Lease financing	11,684	3,882
SBA/USDA	1,249	—
Commercial finance[1]	112,256	26,115
Community banking	—	14,915
Total	$ 112,256	$ 41,030

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

In response to the ongoing COVID-19 pandemic, the Company allowed modifications, such as payment deferrals and temporary forbearances, to credit-worthy borrowers who are experiencing temporary hardship due to the effects of COVID-19. Up to January 1, 2022, when this relief ended, if all payments were less than 30 days past due prior to the onset of the pandemic effects, the loan or lease will not be reported as past due during the deferral or forbearance period. As of June 30, 2022, $0.1 million of loan and lease balances that were granted deferral payments by the Company were still in their deferment period. These modifications consisted solely of payment deferrals ranging from 30 days to six months. These modifications are in line with applicable regulatory guidelines and, therefore, they are not reported as troubled debt restructurings. Other than the loan modifications that are on nonaccrual status, the Company is accruing and recognizing interest income on these modifications during the payment deferral period.

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 Office of the Comptroller of the Currency (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, 180 days or more for the purchased student loan portfolios, 120 days or more for consumer credit products and leases, and 90 days or more for community banking loans and commercial finance loans. Action is taken to charge off electronic return originator ("ERO") loans if such loans have not been collected by the end of June and taxpayer advance loans if such loans have not been collected by the end of the calendar year. Nonaccrual loans and troubled debt restructurings are generally individually evaluated for expected credit losses.

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 their evaluation of the appropriateness of the allowance for credit losses 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 $259.2 million and $41.6 million at June 30, 2022, respectively, and $252.9 million and $10.4 million at September 30, 2021, respectively. The amortized cost basis of loans and leases by asset classification and year of origination was as follows:

(Dollars in thousands) At June 30, 2022	Amortized Cost Basis — Term Loans and Leases by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans and Leases	Total
Term lending								
Pass	$ 315,012	$ 233,436	$ 130,225	$ 39,691	$ 28,753	$ 6,710	$ —	$ 753,827
Watch	27,886	92,431	27,741	6,965	2,302	3,968	—	161,293
Special Mention	4,244	14,978	23,514	4,281	1,154	2,972	—	51,143
Substandard	18,744	19,436	25,688	13,185	2,565	97	—	79,715
Doubtful	346	404	465	538	33	—	—	1,786
Total	366,232	360,685	207,633	64,660	34,807	13,747	—	1,047,764
Asset based lending								
Pass	—	—	—	—	—	—	223,126	223,126
Watch	—	—	—	—	—	—	136,315	136,315
Special Mention	—	—	—	—	—	—	36,909	36,909
Substandard	—	—	—	—	—	—	6,156	6,156
Total	—	—	—	—	—	—	402,506	402,506
Factoring								
Pass	—	—	—	—	—	—	287,281	287,281
Watch	—	—	—	—	—	—	76,517	76,517
Special Mention	—	—	—	—	—	—	13,858	13,858
Substandard	—	—	—	—	—	—	31,101	31,101
Doubtful	—	—	—	—	—	—	20	20
Total	—	—	—	—	—	—	408,777	408,777
Lease financing								
Pass	30,491	50,142	53,187	8,696	5,702	29	—	148,247
Watch	308	7,534	10,514	6,113	645	17	—	25,131
Special Mention	708	13,303	4,775	1,917	236	21	—	20,960
Substandard	—	5,948	11,126	4,409	320	11	—	21,814
Doubtful	—	165	1,207	1,147	118	—	—	2,637
Total	31,507	77,092	80,809	22,282	7,021	78	—	218,789
Insurance premium finance								
Pass	473,925	6,683	23	2	—	—	—	480,633
Watch	64	71	—	—	—	—	—	135
Special Mention	138	192	—	—	—	—	—	330
Substandard	19	28	—	—	—	—	—	47
Doubtful	43	31	—	—	—	—	—	74
Total	474,189	7,005	23	2	—	—	—	481,219
SBA/USDA								
Pass	65,066	47,690	15,532	10,724	13,748	7,807	—	160,567
Watch	3,077	—	19,513	3,154	1,092	2,883	—	29,719
Special Mention	—	—	1,551	212	—	286	—	2,049
Substandard	—	—	2,705	8,520	9,695	1,918	—	22,838
Doubtful	—	23	314	—	—	—	—	337
Total	68,143	47,713	39,615	22,610	24,535	12,894	—	215,510
Other commercial finance								
Pass	20,261	29,369	865	8,914	2,374	67,248	—	129,031
Watch	—	20,000	13,282	—	—	—	—	33,282
Substandard	164	9,789	—	—	265	807	—	11,025

Total	20,425	59,158	14,147	8,914	2,639	68,055	—	173,338
Warehouse finance								
Pass	—	—	—	—	—	—	434,748	434,748
Total	—	—	—	—	—	—	434,748	434,748
Total loans and leases								
Pass	904,755	367,320	199,832	68,027	50,577	81,794	945,155	2,617,460
Watch	31,335	120,036	71,050	16,232	4,039	6,868	212,832	462,392
Special Mention	5,090	28,473	29,840	6,410	1,390	3,279	50,767	125,249
Substandard	18,927	35,201	39,519	26,114	12,845	2,833	37,257	172,696
Doubtful	389	623	1,986	1,685	151	—	20	4,854
Total	$ 960,496	$ 551,653	$ 342,227	$ 118,468	$ 69,002	$ 94,774	$ 1,246,031	$ 3,382,651

	Amortized Cost Basis							
(Dollars in thousands)	Term Loans and Leases by Origination Year						Revolving Loans and Leases	
At September 30, 2021	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**		**Total**
Term lending								
Pass	$ 362,443	$ 192,305	$ 63,708	$ 34,381	$ 3,195	$ 1,236	$ —	$ 657,268
Watch	63,046	71,701	32,941	21,419	76	3,628	—	192,811
Special Mention	6,422	26,673	4,821	932	70	633	—	39,551
Substandard	18,569	16,810	26,920	3,529	928	641	—	67,397
Doubtful	252	1,673	1,756	311	—	—	—	3,992
Total	450,732	309,162	130,146	60,572	4,269	6,138	—	961,019
Asset based lending								
Pass	—	—	—	—	—	—	185,432	185,432
Watch	—	—	—	—	—	—	52,072	52,072
Special Mention	—	—	—	—	—	—	43,135	43,135
Substandard	—	—	—	—	—	—	19,586	19,586
Total	—	—	—	—	—	—	300,225	300,225
Factoring								
Pass	—	—	—	—	—	—	294,124	294,124
Watch	—	—	—	—	—	—	17,984	17,984
Special Mention	—	—	—	—	—	—	33,035	33,035
Substandard	—	—	—	—	—	—	18,527	18,527
Total	—	—	—	—	—	—	363,670	363,670
Lease financing								
Pass	54,434	73,629	17,153	7,511	1,857	203	—	154,787
Watch	22,061	20,455	9,274	2,739	1,454	—	—	55,983
Special Mention	15,402	20,595	4,148	1,546	61	—	—	41,752
Substandard	479	4,765	4,981	831	25	—	—	11,081
Doubtful	—	6	2,402	38	1	—	—	2,447
Total	92,376	119,450	37,958	12,665	3,398	203	—	266,050
Insurance premium finance								
Pass	428,131	144	9	—	—	—	—	428,284
Watch	262	5	—	—	—	—	—	267
Special Mention	58	5	—	—	—	—	—	63
Substandard	68	107	—	—	—	—	—	175
Doubtful	58	20	—	—	—	—	—	78
Total	428,577	281	9	—	—	—	—	428,867
SBA/USDA								
Pass	110,122	37,006	14,461	12,760	6,525	3,779	—	184,653

Watch	—	20,431	1,996	1,670	1,394	298	—	25,789
Special Mention	—	8,333	214	3,348	177	919	—	12,991
Substandard	—	3,812	9,550	8,079	2,169	713	—	24,323
Total	110,122	69,582	26,221	25,857	10,265	5,709	—	247,756
Other commercial finance								
Pass	56,957	642	5,786	6,075	3,345	60,965	—	133,770
Watch	—	17,404	3,409	451	—	—	—	21,264
Substandard	466	—	—	273	837	1,299	—	2,875
Total	57,423	18,046	9,195	6,799	4,182	62,264	—	157,909
Warehouse finance								
Pass	—	—	—	—	—	—	419,926	419,926
Total	—	—	—	—	—	—	419,926	419,926
Community banking								
Pass	—	—	4,159	—	5,683	472	—	10,314
Watch	—	10,134	—	10,854	6,133	—	—	27,121
Special Mention	—	—	35,916	—	—	—	—	35,916
Substandard	—	119	49,449	50,626	13,933	6,110	—	120,237
Doubtful	—	122	—	5,422	—	—	—	5,544
Total	—	10,375	89,524	66,902	25,749	6,582	—	199,132
Total loans and leases								
Pass	1,012,088	303,727	105,274	60,727	20,605	66,655	899,481	2,468,557
Watch	85,369	140,131	47,620	37,132	9,057	3,926	70,056	393,291
Special Mention	21,882	55,606	45,099	5,826	307	1,552	76,171	206,443
Substandard	19,584	25,613	90,900	63,338	17,891	8,762	38,113	264,201
Doubtful	310	1,822	4,158	5,770	1	—	—	12,061
Total	$ 1,139,233	$ 526,899	$ 293,051	$ 172,793	$ 47,861	$ 80,895	$ 1,083,821	$ 3,344,553

Past due loans and leases were as follows:

	At June 30, 2022								
	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	$ —	$ —	$ —	$ —	$ 67,571	$ 67,571	$ —	$ —	$ —
Term lending	4,882	1,960	3,483	10,325	1,037,439	1,047,764	613	8,965	9,578
Asset based lending	—	—	—	—	402,506	402,506	—	4,508	4,508
Factoring	—	—	—	—	408,777	408,777	—	743	743
Lease financing	8,708	1,584	3,345	13,637	205,152	218,789	1,788	3,844	5,632
Insurance premium finance	1,565	611	803	2,979	478,240	481,219	803	—	803
SBA/USDA	271	—	1,564	1,835	213,675	215,510	315	1,543	1,858
Other commercial finance	—	—	—	—	173,338	173,338	—	—	—
Commercial finance	15,426	4,155	9,195	28,776	2,919,127	2,947,903	3,519	19,603	23,122
Consumer credit products	3,298	3,039	2,886	9,223	142,883	152,106	2,886	—	2,886
Other consumer finance	510	437	615	1,562	105,573	107,135	615	—	615
Consumer finance	3,808	3,476	3,501	10,785	248,456	259,241	3,501	—	3,501
Tax services	—	41,627	—	41,627	—	41,627	—	—	—
Warehouse finance	—	—	—	—	434,748	434,748	—	—	—
Total loans and leases held for investment	19,234	49,258	12,696	81,188	3,602,331	3,683,519	7,020	19,603	26,623
Total loans and leases	$ 19,234	$ 49,258	$ 12,696	$ 81,188	$ 3,669,902	$ 3,751,090	$ 7,020	$ 19,603	$ 26,623

(Dollars in thousands)	At September 30, 2021 Accruing and Nonaccruing Loans and Leases 30-59 Days Past Due	60-89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans and Leases Receivable	Nonperforming Loans and Leases > 89 Days Past Due and Accruing	Nonaccrual Balance	Total
Loans held for sale	$ —	$ —	$ —	$ —	$ 56,194	$ 56,194	$ —	$ —	$ —
Term lending	11,879	2,703	5,452	20,034	940,985	961,019	2,558	14,904	17,462
Asset based lending	—	—	—	—	300,225	300,225	—	—	—
Factoring	—	—	—	—	363,670	363,670	—	1,268	1,268
Lease financing	4,909	3,336	8,401	16,646	249,404	266,050	8,345	3,158	11,503
Insurance premium finance	1,415	375	599	2,389	426,478	428,867	599	—	599
SBA/USDA	66	974	987	2,027	245,729	247,756	987	—	987
Other commercial finance	—	—	—	—	157,908	157,908	—	—	—
Commercial finance	18,269	7,388	15,439	41,096	2,684,399	2,725,495	12,489	19,330	31,819
Consumer credit products	713	527	511	1,751	127,500	129,251	511	—	511
Other consumer finance	963	285	725	1,973	121,633	123,606	725	—	725
Consumer finance	1,676	812	1,236	3,724	249,133	252,857	1,236	—	1,236
Tax services	—	—	7,962	7,962	2,443	10,405	7,962	—	7,962
Warehouse finance	—	—	—	—	419,926	419,926	—	—	—
Community banking	—	—	—	—	199,132	199,132	—	14,915	14,915
Total loans and leases held for investment	19,945	8,200	24,637	52,782	3,555,033	3,607,815	21,687	34,245	55,932
Total loans and leases	$ 19,945	$ 8,200	$ 24,637	$ 52,782	$ 3,611,227	$ 3,664,009	$ 21,687	$ 34,245	$ 55,932

Nonaccrual loans and leases by year of origination at June 30, 2022 were as follows:

(Dollars in thousands)	Amortized Cost Basis Term Loans and Leases by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans and Leases	Total	Nonaccrual with No ACL
Term lending	$ 540	$ 937	$ 1,291	$ 5,800	$ 300	$ 97	$ —	$ 8,965	$ 2,922
Asset based lending	—	—	—	—	—	—	4,508	4,508	4,508
Factoring	—	—	—	—	—	—	743	743	743
Lease financing	—	—	1,286	2,083	464	11	—	3,844	—
SBA/USDA	—	23	1,249	—	—	271	—	1,543	—
Commercial finance	540	960	3,826	7,883	764	379	5,251	19,603	8,173
Total nonaccrual loans and leases	$ 540	$ 960	$ 3,826	$ 7,883	$ 764	$ 379	$ 5,251	$ 19,603	$ 8,173

Loans and leases that are 90 days or more delinquent and accruing by year of origination at June 30, 2022 were as follows:

	Amortized Cost Basis							
	Term Loans and Leases by Origination Year							
(Dollars in thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans and Leases	Total
Term lending	$ 285	$ 203	$ 85	$ 1	$ —	$ 39	$ —	$ 613
Lease financing	601	573	282	128	204	—	—	1,788
Insurance premium finance	407	391	5	—	—	—	—	803
SBA/USDA	—	—	315	—	—	—	—	315
Commercial finance	1,293	1,167	687	129	204	39	—	3,519
Consumer credit products	258	2,504	63	57	4	—	—	2,886
Other consumer finance	—	83	—	—	—	532	—	615
Consumer finance	258	2,587	63	57	4	532	—	3,501
Total 90 days or more delinquent and accruing	$ 1,551	$ 3,754	$ 750	$ 186	$ 208	$ 571	$ —	$ 7,020

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 nonaccrual until later delinquency, usually 120 days past due.

When analysis of borrower or lessee operating results and financial condition indicates that underlying cash flows of the borrower's business are not adequate to meet its debt service requirements, the loan or lease is evaluated for impairment. Often, this is associated with a delay or shortfall in scheduled payments, as described above.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Term lending	$ 11,114	$ 14,964	$ 11,908	$ 14,190
Asset based lending	3,500	127	4,502	591
Factoring	1,903	33	7,980	337
Lease financing	3,529	2,435	3,194	2,994
SBA/USDA	1,776	600	1,152	600
Commercial finance	21,822	18,159	28,736	18,712
Community banking	—	19,801	—	16,144
Total loans and leases	$ 21,822	$ 37,960	$ 28,736	$ 34,856

The recognized interest income on the Company's nonaccrual loans and leases for the three and nine months ended June 30, 2022 and 2021 was not significant.

The Company's troubled debt restructurings ("TDRs") typically involve forgiving a portion of interest or principal on existing loans, making loans at a rate materially less than current market rates, or extending the term of the loan. There were $0.2 million of commercial finance loans and $0.5 million of consumer finance loans that were modified in a TDR during the three months ended June 30, 2022, all of which were modified to extend the term of the loan. There were $3.7 million of commercial finance loans and $0.1 million of consumer finance loans that were modified in a TDR during the three months ended June 30, 2021, all of which were modified to extend the term of the loan, and no community banking loans.

During the nine months ended June 30, 2022, there were $10.4 million of commercial finance loans and $0.7 million of consumer finance loans that were modified in a TDR, all of which were modified to extend the term of the loan. There were $5.9 million of commercial finance loans and $0.2 million of consumer finance loans that were modified in a TDR during the nine months ended June 30, 2021 and no community banking loans.

During the nine months ended June 30, 2022, the Company had $1.4 million of commercial finance loans and $0.3 million of consumer finance loans that were modified in a TDR within the previous 12 months and for which there was a payment default. During the nine months ended June 30, 2021, the Company had $0.4 million of commercial finance loans and $0.1 million of consumer finance loans, and no community banking loans that were modified in a TDR within the previous 12 months and for which there was a payment default. TDR net charge-offs and the impact of TDRs on the Company's allowance for credit losses were insignificant during the nine months ended June 30, 2022 and June 30, 2021.

NOTE 6. 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 treasury stock method or the two-class 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 of the Company's stock options, performance share units, and nonvested restricted stock, where applicable. Diluted EPS under the two-class method also considers 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.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Dollars in thousands, except per share data)	2022	2021	2022	2021
Basic income per common share:				
Net income attributable to Pathward Financial, Inc.	$ 22,391	$ 38,701	$ 132,966	$ 125,805
Dividends and undistributed earnings allocated to participating securities	(377)	(729)	(2,166)	(2,411)
Basic net earnings available to common stockholders	22,014	37,972	130,800	123,394
Undistributed earnings allocated to nonvested restricted stockholders	352	699	2,093	2,318
Reallocation of undistributed earnings to nonvested restricted stockholders	(352)	(699)	(2,092)	(2,316)
Diluted net earnings available to common stockholders	$ 22,014	$ 37,972	$ 130,801	$ 123,396
Total weighted-average basic common shares outstanding	28,868,136	31,320,893	29,444,979	31,880,653
Effect of dilutive securities(1)				
Performance share units	—	18,054	9,607	19,944
Total effect of dilutive securities	—	18,054	9,607	19,944
Total weighted-average diluted common shares outstanding	28,868,136	31,338,947	29,454,586	31,900,597
Net earnings per common share:				
Basic earnings per common share	$ 0.76	$ 1.21	$ 4.44	$ 3.87
Diluted earnings per common share(2)	$ 0.76	$ 1.21	$ 4.44	$ 3.87

(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 three months ended June 30, 2022 and 2021, respectively, were 493,800 and 601,693 weighted average shares of nonvested restricted stock because their inclusion would be anti-dilutive. Excluded from the computation of diluted earnings per share for the nine months ended June 30, 2022 and 2021, respectively, were 487,538 and 622,954 weighted average shares of nonvested restricted stock because their inclusion would be anti-dilutive.

NOTE 7. RENTAL EQUIPMENT, NET

Rental equipment consists of the following:

(Dollars in thousands)	June 30, 2022	September 30, 2021
Computers and IT networking equipment	$ 21,512	$ 17,683
Motor vehicles and other	98,684	87,396
Office furniture and equipment	57,228	48,828
Solar panels and equipment	129,479	125,457
Total	306,903	279,364
Accumulated depreciation	(86,266)	(67,825)
Unamortized initial direct costs	1,386	1,577
Net book value	$ 222,023	$ 213,116

Undiscounted future minimum lease payments expected to be received for operating leases at June 30, 2022 were as follows:

(Dollars in thousands)	
Remaining in 2022	$ 9,524
2023	36,218
2024	28,143
2025	20,536
2026	12,132
Thereafter	15,684
Total undiscounted future minimum lease payments receivable for operating leases	$ 122,237

NOTE 8. GOODWILL AND INTANGIBLE ASSETS

The Company held a total of $309.5 million of goodwill at June 30, 2022. The recorded goodwill is a result of multiple business combinations that have been consummated since fiscal year 2015, with the most recent pursuant to the Crestmark Acquisition that closed on August 1, 2018. Goodwill is assessed for impairment at least annually or more often if conditions indicate a possible impairment. The assessment is done at a reporting unit level, which is one level below the operating segments. See Note 14. Segment Reporting for additional information on the Company's segment reporting. There have been no changes to the carrying amount of goodwill during the nine months ended June 30, 2022.

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

(Dollars in thousands)	Trademark[(1)]	Non-Compete[(2)]	Customer Relationships[(3)]	All Others[(4)]	Total
Intangible Assets					
At September 30, 2021	$ 9,823	$ 40	$ 17,868	$ 5,417	$ 33,148
Acquisitions during the period	—	—	—	1	1
Amortization during the period	(871)	(40)	(3,884)	(393)	(5,188)
Write-offs during the period	—	—	(670)	(203)	(873)
At June 30, 2022	$ 8,952	$ —	$ 13,314	$ 4,822	$ 27,088
Gross carrying amount	$ 14,624	$ 2,481	$ 82,088	$ 9,940	$ 109,133
Accumulated amortization	(5,672)	(2,481)	(57,856)	(4,900)	(70,909)
Accumulated impairment	—	—	(10,918)	(218)	(11,136)
At June 30, 2022	$ 8,952	$ —	$ 13,314	$ 4,822	$ 27,088
At September 30, 2020	$ 10,901	$ 422	$ 24,333	$ 6,036	$ 41,692
Acquisitions during the period	—	—	—	14	14
Amortization during the period	(816)	(286)	(5,202)	(480)	(6,784)
Write-offs during the period	—	—	—	(24)	(24)
At June 30, 2021	$ 10,085	$ 136	$ 19,131	$ 5,546	$ 34,898
Gross carrying amount	$ 14,624	$ 2,481	$ 82,088	$ 10,131	$ 109,324
Accumulated amortization	(4,539)	(2,345)	(52,709)	(4,367)	(63,960)
Accumulated impairment	—	—	(10,248)	(218)	(10,466)
At June 30, 2021	$ 10,085	$ 136	$ 19,131	$ 5,546	$ 34,898

(1) Book amortization period of 5-15 years. Amortized using the straight line and accelerated methods.
(2) Book amortization period of 3-5 years. Amortized using the straight line method.
(3) Book amortization period of 10-30 years. Amortized using the accelerated method.
(4) 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 remaining three months of fiscal 2022 and subsequent fiscal years was as follows:

(Dollars in thousands)	
Remaining in 2022	$ 1,397
2023	4,938
2024	4,124
2025	3,562
2026	3,216
Thereafter	9,851
Total anticipated intangible amortization	$ 27,088

The Company tests intangible assets for impairment at least annually or more often if conditions indicate a possible impairment. There were no impairments to intangible assets during the nine months ended June 30, 2022 and 2021. Intangible expense is recorded within the impairment expense line of the Condensed Consolidated Statements of Operations.

NOTE 9. OPERATING LEASE RIGHT-OF-USE ASSETS AND LIABILITIES

Operating lease ROU assets, included in other assets, were $31.0 million and $35.4 million at June 30, 2022 and 2021, respectively.

Operating lease liabilities, included in accrued expenses and other liabilities, were $32.9 million and $37.6 million at June 30, 2022 and 2021, respectively.

Undiscounted future minimum operating lease payments and a reconciliation to the amount recorded as operating lease liabilities at June 30, 2022 were as follows:

(Dollars in thousands)		
Remaining in 2022	$	1,102
2023		3,946
2024		3,913
2025		3,718
2026		3,195
Thereafter		21,732
Total undiscounted future minimum lease payments		37,606
Discount		(4,750)
Total operating lease liabilities	$	32,856

The weighted-average discount rate and remaining lease term for operating leases at June 30, 2022 were as follows:

Weighted-average discount rate	2.34 %
Weighted-average remaining lease term (years)	10.57

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Lease expense	$ 1,119	$ 1,191	$ 3,375	$ 3,136
Short-term and variable lease cost	58	35	133	167
ROU asset impairment	670	—	670	224
Sublease income	(375)	(126)	(906)	(411)
Total lease cost for operating leases	$ 1,472	$ 1,100	$ 3,272	$ 3,116

NOTE 10. STOCKHOLDERS' EQUITY

Repurchase of Common Stock

The Company's Board of Directors authorized the November 20, 2019 share repurchase program to repurchase up to 7,500,000 shares of the Company's outstanding common stock. All remaining shares available for repurchase under this program were repurchased during the fiscal 2022 first quarter. This authorization is effective from November 21, 2019 through December 31, 2022. On September 7, 2021, the Company's Board of Directors announced a new share repurchase program to repurchase up to an additional 6,000,000 shares of the Company's outstanding common stock. This authorization is effective from September 3, 2021 through September 30, 2024. During the nine months ended June 30, 2022, and 2021, the Company repurchased 2,447,699 and 2,599,458 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 June 30, 2022, 4,868,177 shares of common stock remained available for repurchase.

For the nine months ended June 30, 2022, and 2021, the Company also repurchased 67,158 and 84,950 shares, or $3.8 million and $2.0 million of common stock, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock.

NOTE 11. STOCK COMPENSATION

The Company maintains the Meta Financial Group, Inc. 2002 Omnibus Incentive Plan, as amended and restated (the "2002 Omnibus Incentive Plan"), which, among other things, provides for the awarding of stock options, nonvested (restricted) shares, and performance share units ("PSUs") to certain officers and directors of the Company. Awards are granted by the Compensation Committee of the Board of Directors based on the performance of the award recipients or other relevant factors.

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 options or fair value of nonvested (restricted) shares and performance share units granted under the Company's 2002 Omnibus Incentive Plan is equal to the fair market value of the underlying stock at the grant date, adjusted for dividends where applicable. The Company has elected, with the adoption of ASU 2016-09, to record forfeitures as they occur.

The following tables show the activity of nonvested (restricted) shares and PSUs granted, vested, or forfeited under the 2002 Omnibus Incentive Plan for the nine months ended June 30, 2022. There were no options granted, exercised, or forfeited under this plan during the nine months ended June 30, 2022.

(Dollars in thousands, except per share data)	Number of Shares	Weighted Average Fair Value at Grant
Nonvested shares outstanding, September 30, 2021	547,063	$ 30.22
Granted	166,389	57.14
Vested	(208,156)	34.68
Forfeited or expired	(19,762)	42.98
Nonvested shares outstanding, June 30, 2022	485,534	$ 37.02

(Dollars in thousands, except per share data)	Number of Units	Weighted Average Fair Value at Grant
Performance share units outstanding, September 30, 2021	60,984	$ 34.03
Granted(1)	35,705	57.20
Vested	—	—
Forfeited or expired	—	—
Performance share units outstanding, June 30, 2022	96,689	$ 42.59

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

At June 30, 2022, stock-based compensation expense not yet recognized in income totaled $8.4 million, which is expected to be recognized over a weighted average remaining period of 1.51 years.

NOTE 12. INCOME TAXES

The Company recorded an income tax expense of $29.2 million for the nine months ended June 30, 2022, resulting in an effective tax rate of 17.77%, compared to an income tax expense of $9.6 million, or an effective tax rate of 6.92%, for the nine months ended June 30, 2021. The Company's effective tax rate was lower than the U.S. statutory rate of 21% primarily because of the anticipated effect of investment tax credits during fiscal year 2022. The Company's effective tax rate in the future will depend in part on actual investment tax credits earned as part of its financing of solar energy projects.

The table below compares the income tax expense components for the periods presented.

(Dollars in thousands)	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
Provision at statutory rate	$ 34,063	$ 28,435
Tax-exempt income	(541)	(674)
State income taxes	6,728	6,120
Interim period effective rate adjustment	(2,849)	(5,181)
Tax credit investments, net - federal	(6,994)	(18,854)
Research tax credit	(355)	(323)
IRC 162(m) nondeductible compensation	801	677
Other, net	(1,617)	(600)
Income tax expense	$ 29,236	$ 9,600
Effective tax rate	17.77 %	6.92 %

NOTE 13. 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 14. Segment Reporting to the Condensed Consolidated Financial Statements.

(Dollars in thousands)	Consumer		Commercial		Corporate Services/Other		Consolidated Company	
Three Months Ended June 30,	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Net interest income[1]	$ 23,213	$ 23,132	$ 46,802	$ 44,850	$ 2,136	$ 493	$ 72,151	$ 68,475
Noninterest income:								
Refund transfer product fees	10,289	12,073	—	—	—	—	10,289	12,073
Tax advance product fees[1]	(20)	891	—	—	—	—	(20)	891
Payment card and deposit fees	24,673	29,203	—	—	—	—	24,673	29,203
Other bank and deposit fees	—	—	252	334	10	4	262	338
Rental income[1]	—	6	11,890	9,970	192	—	12,082	9,976
Net gain realized on investment securities[1]	—	—	—	—	198	—	198	—
Gain (loss) on sale of other[1]	—	—	1,239	5,982	—	(27)	1,239	5,955
Other income[1]	1,284	1,056	2,479	1,702	1,508	1,259	5,271	4,017
Total noninterest income	36,226	43,229	15,860	17,988	1,908	1,236	53,994	62,453
Revenue	$ 59,439	$ 66,361	$ 62,662	$ 62,838	$ 4,044	$ 1,729	$ 126,145	$ 130,928
Nine Months Ended June 30,								
Net interest income[1]	$ 79,323	$ 70,205	$ 136,923	$ 129,461	$ 11,318	$ 8,658	$ 227,564	$ 208,324
Noninterest income:								
Refund transfer product fees	38,674	35,400	—	—	—	—	38,674	35,400
Tax advance product fees[1]	40,513	47,413	—	—	—	—	40,513	47,413
Payment card and deposit fees	76,075	81,641	—	—	—	—	76,075	81,641
Other bank and deposit fees	—	—	728	694	22	15	750	709
Rental income[1]	—	16	34,192	29,691	342	—	34,534	29,707
Net gain realized on investment securities[1]	—	—	—	—	595	6	595	6
Gain on sale of trademarks	—	—	—	—	50,000	—	50,000	—
Gain (loss) on sale of other[1]	—	—	7,331	10,198	(8,932)	737	(1,601)	10,935
Other income[1]	3,434	2,135	8,103	6,511	(726)	6,904	10,811	15,550
Total noninterest income	158,696	166,605	50,354	47,094	41,301	7,662	250,351	221,361
Revenue	$ 238,019	$ 236,810	$ 187,277	$ 176,555	$ 52,619	$ 16,320	$ 477,915	$ 429,685

[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.

Refund Transfer Product Fees. Refund transfer fees are specific to the tax products offered by Refund Advantage and EPS. These fees are for products, services such as payment processing, and product referral commissions. Software partner fees paid and/or incurred are recorded on a net basis. The Company's obligation for product fees and commissions is satisfied at the time of the product delivery and obligation for payment processing is satisfied at the time of processing. The transaction price for such activity is based upon stand-alone fees within the terms and conditions. At June 30, 2022 and September 30, 2021, there were no receivables related to refund transfer fees, which reflect earned revenue with unconditional rights to payment for product fee income. All refund transfer fees are recorded within the Consumer reporting segment.

Card Fees. Card fees relate to Banking-as-a-Service. These fees are for products and services such as card activation, product support, processing, and servicing. The Company earns these fees based upon the underlying terms and conditions with each cardholder over the contract term. Agreements with the Company’s cardholders are considered daily service contracts as they are not fixed in duration. The Company’s obligation for card activation and product support fees is satisfied at the time of product delivery, while the obligation for processing and servicing is satisfied over the course of each month. The transaction price for such activity is based upon the stand-alone fees within the terms and conditions of the cardholder agreements. Card fee revenue also includes income from sponsorships, associations and networks, and interchange income. Sponsorship income relates to fees charged to the Company’s ATM sponsorship partners, where the obligation is satisfied over the course of each month. Association and network income reflect incentives, performance bonuses and rebates with MasterCard and Visa. The obligation for such income is satisfied at the time when certain thresholds of transaction volume have been met. Interchange income is generated by cardholder activity, and therefore the Company’s obligations are satisfied as activity occurs. The transaction price for such activity is based on underlying rates and activity thresholds within the terms and conditions of the applicable agreements. Card fee revenue also includes breakage revenue. Breakage represents the estimated amount that will not be redeemed by the holder of unregistered, unused prepaid cards for goods or services. Breakage revenue is recognized ratably over the expected customer usage period and is an estimate based on cardholder behavior and breakage rates. Breakage is also impacted by escheatment laws. Card fees are recorded within both the Consumer and Commercial reporting segments, the substantial majority of which is derived from the Company's payments divisions and reported in payments card and deposit fees. Card fees not related to the Company's payments divisions are reported within other bank and deposit fees.

Bank and Deposit Fees. Fees are earned on depository accounts for consumer and commercial customers and include fees for account services, overdraft services, and event-driven services (i.e. returned checks, ATM surcharge, card replacement, and wire transfers). The Company’s obligation for event-driven services is satisfied at the time of the event when the service is delivered, while its obligation for account services is satisfied over the course of each month. The Company’s obligation for overdraft services is satisfied at the time of overdraft. The transaction price for such activity is based upon stand-alone fees within the terms and conditions of the deposit agreements. Bank and deposit fees are recorded within both the Consumer and Commercial reporting segments, the majority of which are derived from the Company's payments divisions.

Principal vs Agent. The Consumer reporting segment includes principal/agent relationships. Within this segment, Pathward Payments division relationships are recorded on a gross basis within the Condensed Consolidated Statements of Operations, as Pathward is the principal in the contract, with the exception of association/network contracts and partner/processor contracts for prepaid cards, which are recorded on a net basis within the Condensed Consolidated Statements of Operations as Pathward is the agent in these contracts. Also within this segment, Tax Service relationships are recorded on a gross basis within the Condensed Consolidated Statements of Operations, as Pathward is the principal in the contract, with the exception of contracts with software providers and merchants, which are recorded on a net basis within the Condensed Consolidated Statements of Operations as Pathward is the agent in these contracts.

NOTE 14. 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 Payments and Tax Services divisions, as well as the Consumer Credit Products business line, are reported in the Consumer segment. The commercial finance, insurance premium finance and ClearBalance divisions are reported in the Commercial segment. The Community Bank division and Student Loan lending portfolio are included in the Corporate Services/Other segment. The Corporate Services/Other segment also includes certain shared services as well as treasury related functions such as the investment portfolio, warehouse finance, wholesale deposits and borrowings. The Company does not report indirect general and administrative expenses in the Consumer and Commercial segments.

The following tables present segment data for the Company:

(Dollars in thousands)	Consumer		Commercial		Corporate Services/Other		Total	
Three Months Ended June 30,	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Net interest income	$ 23,213	$ 23,132	$ 46,802	$ 44,850	$ 2,136	$ 493	$ 72,151	$ 68,475
Provision for credit losses	(279)	4,507	(752)	870	(271)	(765)	(1,302)	4,612
Noninterest income	36,226	43,229	15,860	17,988	1,908	1,236	53,994	62,453
Noninterest expense	23,960	20,561	31,336	28,605	41,354	32,358	96,650	81,523
Income (loss) before income tax expense	35,758	41,294	32,078	33,363	(37,039)	(29,864)	30,797	44,793
Total assets	373,019	319,911	3,457,004	3,104,083	2,898,155	3,627,818	6,728,178	7,051,812
Total goodwill	87,145	87,145	222,360	222,360	—	—	309,505	309,505
Total deposits	5,573,768	5,713,309	11,177	10,829	125,854	164,733	5,710,799	5,888,871
Nine Months Ended June 30,								
Net interest income	$ 79,323	$ 70,205	$ 136,923	$ 129,461	$ 11,318	$ 8,658	$ 227,564	$ 208,324
Provision (reversal of) for credit losses	30,667	34,893	13,045	9,540	(12,526)	(3,442)	31,186	40,991
Noninterest income	158,696	166,605	50,354	47,094	41,301	7,662	250,351	221,361
Noninterest expense	73,509	68,906	95,845	83,606	112,892	97,555	282,246	250,068
Income (loss) before income tax expense	133,843	133,010	78,387	83,409	(47,747)	(77,793)	164,483	138,626
Total assets	373,019	319,911	3,457,004	3,104,083	2,898,155	3,627,818	6,728,178	7,051,812
Total goodwill	87,145	87,145	222,360	222,360	—	—	309,505	309,505
Total deposits	5,573,768	5,713,309	11,177	10,829	125,854	164,733	5,710,799	5,888,871

NOTE 15. 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.

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 value of debt securities available for sale, categorized primarily as Level 2, is 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:

	Fair Value At June 30, 2022			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Debt securities AFS				
Corporate securities	$ 23,438	$ —	$ 23,438	$ —
SBA securities	81,349	—	81,349	—
Obligations of states and political subdivisions	2,641	—	2,641	—
Non-bank qualified obligations of states and political subdivisions	244,961	—	244,961	—
Asset-backed securities	159,332	—	159,332	—
Mortgage-backed securities	1,444,802	—	1,444,802	—
Total debt securities AFS	$ 1,956,523	$ —	$ 1,956,523	$ —
Common equities and mutual funds[1]	$ 3,065	$ 3,065	$ —	$ —
Non-marketable equity securities[2]	$ 6,494	$ —	$ —	$ —

[1] Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at June 30, 2022 and September 30, 2021.
[2] Consists of certain non-marketable equity securities that are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

	Fair Value At September 30, 2021			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Debt securities AFS				
Corporate securities	$ 25,000	$ —	$ 25,000	$ —
SBA securities	157,209	—	157,209	—
Obligations of states and political subdivisions	2,507	—	2,507	—
Non-bank qualified obligations of states and political subdivisions	268,295	—	268,295	—
Asset-backed securities	394,859	—	394,859	—
Mortgage-backed securities	1,017,029	—	1,017,029	—
Total debt securities AFS	$ 1,864,899	$ —	$ 1,864,899	$ —
Common equities and mutual funds[1]	$ 12,668	$ 12,668	$ —	$ —
Non-marketable equity securities[2]	$ 4,560	$ —	$ —	$ —

[1] Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at June 30, 2022 and September 30, 2021.
[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.

Foreclosed Real Estate and Repossessed Assets. Real estate properties and repossessed assets are initially recorded at the fair value less selling costs at the date of foreclosure, establishing a new cost basis. The carrying amount represents the lower of the new cost basis or the fair value less selling costs of foreclosed assets that were measured at fair value subsequent to their initial classification as foreclosed assets.

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 internal estimates and/or assessments provided by third-party appraisers and the valuation relies on discount rates ranging from 4% to 42%.

The following table summarizes the assets of the Company that are measured at fair value in the Condensed Consolidated Statements of Financial Condition on a non-recurring basis:

	Fair Value At June 30, 2022			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Loans and leases, net individually evaluated for credit loss				
Commercial finance	$ 2,172	$ —	$ —	$ 2,172
Total loans and leases, net individually evaluated for credit loss	2,172	—	—	2,172
Foreclosed assets, net	13	—	—	13
Total	$ 2,185	$ —	$ —	$ 2,185

	Fair Value At September 30, 2021			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Loans and leases, net individually evaluated for credit loss				
Commercial finance	$ 3,404	$ —	$ —	$ 3,404
Community banking	9,371	—	—	9,371
Total loans and leases, net individually evaluated for credit loss	12,775	—	—	12,775
Foreclosed assets, net	2,077	—	—	2,077
Total	$ 14,852	$ —	$ —	$ 14,852

	Quantitative Information About Level 3 Fair Value Measurements				
(Dollars in thousands)	Fair Value at June 30, 2022	Fair Value at September 30, 2021	Valuation Technique	Unobservable Input	Range of Inputs
Loans and leases, net individually evaluated for credit loss	$ 2,172	12,775	Market approach	Appraised values[1]	4% - 42%
Foreclosed assets, net	$ 13	2,077	Market approach	Appraised values[1]	9% - 20%

[1] The Company generally relies on external appraisers to develop this information. Management reduced the appraised value by estimating selling costs and other inputs in a range of 4% to 42%.

Management discloses the estimated fair value of financial instruments, including assets and liabilities on and off the Condensed Consolidated Statements of Financial Condition, for which it is practicable to estimate fair value. These fair value estimates were made at June 30, 2022 and September 30, 2021 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 June 30, 2022				
(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 157,260	$ 157,260	$ 157,260	$ —	$ —
Debt securities available for sale	1,956,523	1,956,523	—	1,956,523	—
Debt securities held to maturity	43,877	41,963	—	41,963	—
Common equities and mutual funds[1]	3,065	3,065	3,065	—	—
Non-marketable equity securities[1][2]	24,308	24,308	—	17,814	—
Loans held for sale	67,571	67,571	—	67,571	—
Loans and leases	3,683,519	3,614,486	—	—	3,614,486
Federal Reserve Bank and Federal Home Loan Bank stocks	28,812	28,812	—	28,812	—
Accrued interest receivable	16,818	16,818	16,818	—	—
Financial liabilities					
Deposits	5,710,799	5,710,626	5,701,329	9,297	—
Other short- and long-term borrowings	16,616	16,420	—	16,420	—
Accrued interest payable	210	210	210	—	—

[1] Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at June 30, 2022.
[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.

	At September 30, 2021				
(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 314,019	$ 314,019	$ 314,019	$ —	$ —
Debt securities available for sale	1,864,899	1,864,899	—	1,864,899	—
Debt securities held to maturity	56,669	56,391	—	56,391	—
Common equities and mutual funds[1]	12,668	12,668	12,668	—	—
Non-marketable equity securities[1][2]	17,509	17,509	—	12,949	—
Loans held for sale	56,194	56,194	—	56,194	—
Loans and leases	3,607,815	3,616,646	—	—	3,616,646
Federal Reserve Bank and Federal Home Loan Bank stocks	28,400	28,400	—	28,400	—
Accrued interest receivable	16,254	16,254	16,254	—	—
Financial liabilities					
Deposits	5,514,971	5,515,035	5,482,471	32,564	—
Other short- and long-term borrowings	92,834	93,938	—	93,938	—
Accrued interest payable	579	579	579	—	—

[1] Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at September 30, 2021.
[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.

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after June 30, 2022. During this period, up to the filing date of this Quarterly Report on Form 10-Q, management identified the following subsequent event:

- A majority of the Company's student loan portfolio is considered to be held for sale after becoming subject to a sale agreement that is expected to close in August. The Company's student loan portfolio was $83.3 million at June 30, 2022 and is included in the Other Consumer Finance loan category within Note 5. Loans and Leases, Net. The transaction is not expected to result in a material impact to net income.

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

PATHWARD FINANCIAL, INC.®
AND SUBSIDIARIES

FORWARD-LOOKING STATEMENTS

PATHWARD FINANCIAL, INC.™ ("Pathward" or the "Company" or "us") and its wholly-owned subsidiary, Pathward™, National Association ("the Bank") may from time to time make written or oral “forward-looking statements,” including statements contained in this Quarterly Report on Form 10-Q, 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, National Association, 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,” 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; our ability to remediate the material weakness in our internal controls over financial reporting and otherwise maintain effective internal controls over financial reporting; the expected impact of the ongoing COVID-19 pandemic and related governmental actions on our business, industry, and the capital markets; customer retention; expectations regarding the Company's and the Bank's ability to meet minimum capital ratios and capital conservation buffers; loan and other product demand; expectations concerning acquisitions and divestitures; new products and services; credit quality; the level of net charge-offs and the adequacy of the allowance for credit losses; technology; and management and other employees. 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: successfully transitioning and 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 the ongoing COVID-19 pandemic and any governmental or societal responses thereto, or other unusual and infrequently occurring events, including the impact on financial markets from geopolitical conflicts such as the military conflict between Russia and Ukraine; successfully completing our announced rebranding and our ability to achieve brand recognition equal to or greater than we currently enjoy; changes in tax laws; the strength of the United States' economy, and the local economies in which the Company operates; changes in trade, monetary, and fiscal policies and laws, including actual changes in interest rates and the Fed funds rate; inflation, market, and monetary fluctuations; 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; the Bank's ability to maintain its Durbin Amendment exemption; the risks of dealing with or utilizing third parties, including, in connection with the Company’s tax refund advance business; 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 and recent and potential changes in response to the ongoing COVID-19 pandemic; technological changes, including, but not limited to, the security 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, National Association of its status as a well-capitalized institution; changes in consumer 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 Quarterly Report on Form 10-Q speak only as of the date hereof, and the Company does not undertake any obligation to update, revise, or clarify these forward-looking statements whether as a result of new information, future events or otherwise. 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 other sections of the Company’s Annual Report on Form 10-K for the Company’s fiscal year ended September 30, 2021, and in other filings made with the SEC. The Company expressly disclaims any intent or obligation to update 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.

GENERAL

The Company, a registered bank holding company, is a Delaware corporation, the principal assets of which are all the issued and outstanding shares of the Bank, a national bank. Unless the context otherwise requires, references herein to the Company include Pathward and the Bank, and all direct or indirect subsidiaries of Pathward on a consolidated basis.

The Company’s common stock trades on the NASDAQ Global Select Market under the symbol “CASH.”

The following discussion focuses on the consolidated financial condition of the Company at June 30, 2022, compared to September 30, 2021, and the consolidated results of operations for the three and nine months ended June 30, 2022 and 2021. This discussion should be read in conjunction with the Company’s consolidated financial statements, and notes thereto, for the year ended September 30, 2021 and the related management's discussion and analysis of financial condition and results of operations contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

EXECUTIVE SUMMARY

Business Development Highlights for the 2022 Fiscal Third Quarter

- On July 13, 2022, the Company announced it changed its name to Pathward Financial, Inc.™, and its bank subsidiary, MetaBank®, N.A., changed its name to Pathward™, N.A. ("Pathward" or the "Bank"). Certain changes were made immediately, with a full transition to Pathward expected by the end of this calendar year, including the launch of a new brand identity and website. The Company recognized $3.4 million of pre-tax expenses related to rebranding efforts during the third quarter of fiscal 2022. The Company continues to estimate total rebranding expenses will range between $15 million to $20 million.
- As part of the Company's priority to work with partners that use a broader suite of the capabilities and multi-product solutions that it provides, the Company will not be renewing its agreements with Liberty Tax and Jackson Hewitt. This change is expected to boost operational efficiencies over time. Taxpayer advance volumes are expected to be reduced by approximately 30% next year. No significant impact is anticipated to refund transfer volumes. During the quarter, the Company recognized $1.2 million of pre-tax one-time partner termination related expenses.

Financial Highlights for the 2022 Fiscal Third Quarter

- Total revenue for the third quarter was $126.1 million, a decrease of $4.8 million, or 4%, compared to the same quarter in fiscal 2021, primarily driven by a decrease in noninterest income, partially offset by an increase in interest income.

- Net interest income for the third quarter was $72.2 million, an increase of $3.7 million compared to $68.5 million in the third quarter last year.

- Net interest margin ("NIM") increased to 4.76% for the third quarter from 3.75% during the same period of last year. The prior year period was impacted by excess cash associated with the Company's participation in the U.S. Treasury Department's Economic Impact Program ("EIP").

- Total gross loans and leases at June 30, 2022 increased $188.3 million, to $3.68 billion, or 5%, compared to June 30, 2021 and decreased $42.6 million, or 1%, when compared to March 31, 2022. The increase compared to the prior year quarter was driven by growth across our commercial finance portfolio, partially offset by the sale of all remaining community banking loans during the fiscal 2022 first quarter. The primary driver for the decrease on a linked quarter basis was the seasonal decline in tax services loans.

- The Company originated $4.4 million in aggregate principal of renewable energy loan financing for the third quarter of fiscal 2022, resulting in $1.0 million in total net investment tax credits. During the third quarter of fiscal 2021. the Company originated $13.5 million in aggregate principle of renewable energy loan financing resulting in $3.4 million in total net investment tax credits.

- On May 15, 2022, the Company retired the outstanding $75.0 million subordinated debt, which was due August 15, 2026. As a result of the retirement, the company will save more than $4 million of interest expense per year.

- The Company resumed share repurchases on July 1, 2022, and through August 2, 2022, the Company repurchased 305,700 shares of common stock at an average share price of $40.74. There are 4,562,477 shares available for repurchase under the common stock share repurchase program announced during the fourth quarter of fiscal year 2021.

Tax Season Recap

During the third quarter of fiscal 2022, total tax services product revenue was $10.3 million, compared to $13.6 million in the prior year quarter. Total tax services product income, net of losses and direct product expenses, increased 9% to $43.5 million from $40.0 million, when comparing the first nine months of fiscal 2022 to the same period of the prior fiscal year.

While taxpayer advances came in below the Company's expectations, overall refund transfer revenues grew 9% year-over-year. Looking ahead to next year, the Company continues to expect strong refund transfer volumes and greater efficiency in its tax line of business as a result of the non-renewal of the Company's two aforementioned tax partner relationships.

FINANCIAL CONDITION

At June 30, 2022, the Company’s total assets increased by $37.5 million to $6.73 billion compared to September 30, 2021, primarily due to an increase of $91.6 million in securities available for sale and an increase of $79.0 million in total loans and leases, partially offset by a decrease in cash and cash equivalents of $156.8 million.

Total cash and cash equivalents was $157.3 million at June 30, 2022, decreasing from $314.0 million at September 30, 2021, primarily resulting from a decrease in excess cash associated with the Company's participation in the EIP in the prior year. Otherwise, the Company maintains its cash investments primarily in interest-bearing overnight deposits with the FHLB of Des Moines and the FRB. At June 30, 2022, the Company did not have any federal funds sold.

The total investment portfolio increased $78.8 million, or 4%, to $2.00 billion at June 30, 2022, compared to $1.92 billion at September 30, 2021, as purchases exceeded maturities and principal pay downs. 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. All MBS held by the Company at June 30, 2022 were issued by a U.S. Government agency or instrumentality. During the nine months ended June 30, 2022, the Company purchased $689.5 million of investment securities.

Loans held for sale at June 30, 2022 totaled $67.6 million, increasing from $56.2 million at September 30, 2021. This increase was primarily driven by the balance of SBA/USDA loans held for sale as of June 30, 2022 as compared to September 30, 2021.

The Company’s total loans and leases increased $75.7 million, or 2%, to $3.68 billion at June 30, 2022, from $3.61 billion at September 30, 2021. The increase was primarily driven by growth in the commercial finance, warehouse finance, and consumer finance portfolios, partially offset by the sales of all remaining community banking loans. See Note 5 to the “Notes to Condensed Consolidated Financial Statements” of this Quarterly Report on Form 10-Q.

Commercial finance loans increased $222.4 million, tax services loans increased $31.2 million, warehouse finance increased $14.8 million, and consumer finance increased $6.4 million at June 30, 2022 compared to September 30, 2021. The increase in commercial finance loan balances was largely driven by the asset-based lending, term lending, and insurance premium finance categories. The seasonality of the Company's tax services business led to the increase in tax services loans at June 30, 2022 compared to September 30, 2021.

Community banking loans decreased $199.1 million, or 100%, at June 30, 2022 compared to September 30, 2021, as all remaining community banking loans were sold during the fiscal 2022 first quarter.

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 Federal Reserve Bank. The FHLB requires a level of stock investment based on a pre-determined formula. The Company's investment in these stocks increased $0.4 million, or 1% to $28.8 million at June 30, 2022 from $28.4 million at September 30, 2021, resulting from the purchase of FHLB membership stock.

Total end-of-period deposits increased 4% to $5.71 billion at June 30, 2022, compared to September 30, 2021, primarily driven by an increase in noninterest-bearing deposits of $502.1 million partially offset by a decrease in interest-bearing checking of $254.4 million and a decrease in wholesale deposits of $72.7 million. As of June 30, 2022, the Company placed $1.22 billion of customer deposits at other banks in its capacity as custodian, as compared to $1.85 billion at March 31, 2022 and $1.27 billion at June 30, 2021. In placing those excess deposits at other banks, the Company can earn record keeping service fee income that has a contractual rate index that is consistent with the federal funds effective rate ("EFFR"), which is recognized as part of payments card and deposit fee income.

The Company's total borrowings decreased $76.2 million, or 82%, from $92.8 million at September 30, 2021 to $16.6 million at June 30, 2022. During the third quarter of fiscal 2022, the Company retired the outstanding $75.0 million subordinated debt, which was due August 15, 2026.

At June 30, 2022, the Company's stockholders' equity totaled $724.8 million, a decrease of $147.1 million, from $871.9 million at September 30, 2021. The decrease was primarily attributable to a reduction in accumulated other comprehensive income ("AOCI") and a reduction in retained earnings related to activity from the Company's share repurchase programs. The Company and Bank remained above the federal regulatory minimum capital requirements at June 30, 2022, continued to be classified as well-capitalized, and in good standing with the regulatory agencies. See "Liquidity and Capital Resources" for further information.

Payments Noninterest-bearing Checking Deposits

The Company may hold negative balances associated with cardholder programs in the payments division that are included within noninterest-bearing deposits on the Company's Condensed 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 an amount that is estimated to be less than final breakage values on card programs. 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 one partner.
- 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 payments division:

(Dollars in thousands)	June 30, 2022	September 30, 2021
Noninterest-bearing deposits	$ 5,952,197	$ 5,492,646
Prefunding	(423,057)	(436,111)
Discount funding	1,407	(26,440)
DDA overdrafts	(10,251)	(11,862)
Noninterest-bearing checking, net	$ 5,520,296	$ 5,018,233

Custodial Deposit Transference

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.

In return for record keeping services at Program Banks, the Bank receives a servicing fee ("Servicing Fee"). In prior periods, the Servicing Fee was not significant. As of July 31, 2022, the Servicing Fee has been typically reflective of the EFFR upon a renegotiation of the contracts with Program Banks.

RESULTS OF OPERATIONS

General

The Company recorded net income of $22.4 million, or $0.76 per diluted share, for the three months ended June 30, 2022, compared to net income of $38.7 million, or $1.21 per diluted share, for the three months ended June 30, 2021. Total revenue for the fiscal 2022 third quarter was $126.1 million, compared to $130.9 million for the same quarter in fiscal 2021. The decrease in net income was primarily driven by an increase in noninterest expense, a decrease in noninterest income, and an increase in income tax expense, partially offset by an increase in net interest income.

The Company recorded net income of $133.0 million, or $4.44 per diluted share, for the nine months ended June 30, 2022, compared to $125.8 million, or $3.87 per diluted share, for the same period in the prior year. Total revenue for the nine months ended June 30, 2022 was $477.9 million, compared to $429.7 million for the same period of the prior year. The increase in net income was primarily driven by an increase in net interest income and noninterest income, partially offset by increases in both noninterest expense and income tax expense.

Net Interest Income

Net interest income for the fiscal 2022 third quarter was $72.2 million, an increase of 5%, from the same quarter in fiscal 2021. The increase was mainly attributable to investment interest income, an improved earning asset mix, and increased loan balances. For the nine months ended June 30, 2022, net interest income was $227.6 million, an increase of 9%, from $208.3 million compared to the same period in the prior year.

The third quarter average outstanding balance of loans and leases increased $128.9 million compared to the same quarter of the prior year, primarily due to increases in core loan and lease portfolios, partially offset by the sale of the remaining community bank portfolio. The Company's average interest-earning assets for the third quarter decreased by $1.23 billion to $6.08 billion compared with the same quarter in fiscal 2021, primarily due to a reduction in cash balances as a result of high cash levels during the prior year period related to the Company's participation in government stimulus programs. The decrease in interest-earnings assets was partially offset by growth in total investments and total loans and leases.

Fiscal 2022 third quarter NIM increased to 4.76% from 3.75% in the third quarter of last year. The overall reported tax equivalent yield ("TEY") on average earning assets increased by 104 basis points to 4.89% compared to the prior year quarter, primarily driven by a decrease in lower-yielding cash balances. Growth in loan and lease and investment securities balances also contributed to the year-over-year TEY increase. The yield on the loan and lease portfolio was 6.69% compared to 6.90% for the comparable period last year and the TEY on the securities portfolio was 2.14% compared to 1.62% for that same period.

The commercial finance portfolio volumes and yields are impacted by market conditions, competitive landscape, product demand, spread between short- and long-term interest rates, and structures, which include floor interest rates and varied loan maturity terms. At June 30, 2022, $93.7 million of the portfolio had structures where the interest rate charged was at a floor level as compared to $370.0 million as of March 31, 2022 and $268.6 million as of June 30, 2021. Once the interest rate on a loan goes above the floor level, yields on those loans will begin to increase.

For the nine months ended June 30, 2022, NIM was 4.72%, an increase of 104 basis points from 3.68% compared to the same period in the prior year. NIM, tax-equivalent for the nine months ended June 30, 2022 increased to 4.73% from 3.70% in the same period of the prior year.

The Company's cost of funds for all deposits and borrowings averaged 0.12% during the fiscal 2022 third quarter, as compared to 0.09% during the prior year quarter. The increase in cost of funds was primarily related to accelerated interest expense of $0.9 million during the fiscal 2022 third quarter associated with the retirement of the subordinated debt. The Company's overall cost of deposits was 0.01% in the fiscal 2022 third quarter, the same as the prior year quarter.

The following tables present, for the periods indicated, the Company's 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. Tax-equivalent adjustments have been made in yield on interest-bearing assets and net interest margin. Nonaccruing loans and leases have been included in the table as loans carrying a zero yield.

	Three Months Ended June 30,					
	2022			2021		
(Dollars in thousands)	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	$ 309,324	$ 787	1.02 %	$ 1,867,988	$ 528	0.11 %
Mortgage-backed securities	1,395,149	7,381	2.12 %	882,042	3,446	1.57 %
Tax exempt investment securities	173,192	851	2.50 %	263,401	884	1.70 %
Asset-backed securities	210,815	750	1.43 %	438,163	1,651	1.51 %
Other investment securities	246,218	1,596	2.60 %	246,493	1,187	1.93 %
Total investments	2,025,374	10,578	2.14 %	1,830,099	7,168	1.62 %
Commercial finance	2,949,813	50,785	6.91 %	2,616,942	48,641	7.46 %
Consumer finance	300,352	4,964	6.63 %	241,813	3,916	6.50 %
Tax services	62,934	53	0.34 %	91,804	604	2.64 %
Warehouse finance	434,532	6,739	6.22 %	332,759	5,151	6.21 %
Community banking	—	—	— %	335,415	3,975	4.75 %
Total loans and leases	3,747,631	62,541	6.69 %	3,618,733	62,287	6.90 %
Total interest-earning assets	**6,082,329**	**$ 73,906**	**4.89 %**	**7,316,820**	**$ 69,983**	**3.85 %**
Noninterest-earning assets	695,468			841,738		
Total assets	**$ 6,777,797**			**$ 8,158,558**		
Interest-bearing liabilities:						
Interest-bearing checking[2]	$ 292	$ —	0.33 %	$ 336,576	$ —	— %
Savings	82,989	7	0.03 %	107,803	5	0.02 %
Money markets	101,943	53	0.21 %	58,517	66	0.45 %
Time deposits	8,709	9	0.40 %	11,877	27	0.91 %
Wholesale deposits	8,554	25	1.19 %	86,295	90	0.42 %
Total interest-bearing deposits	202,487	94	0.19 %	601,068	188	0.13 %
Overnight fed funds purchased	19,353	72	1.50 %	11	—	0.25 %
Subordinated debentures	36,480	1,444	15.87 %	73,907	1,148	6.23 %
Other borrowings	17,056	145	3.40 %	20,657	172	3.35 %
Total borrowings	72,889	1,661	9.14 %	94,575	1,320	5.60 %
Total interest-bearing liabilities	**275,376**	**1,755**	**2.56 %**	**695,643**	**1,508**	**0.87 %**
Noninterest-bearing deposits	5,538,585	—	— %	6,380,371	—	— %
Total deposits and interest-bearing liabilities	**5,813,961**	**$ 1,755**	**0.12 %**	**7,076,014**	**$ 1,508**	**0.09 %**
Other noninterest-bearing liabilities	213,293			225,862		
Total liabilities	**6,027,254**			**7,301,876**		
Shareholders' equity	750,543			856,682		
Total liabilities and shareholders' equity	**$ 6,777,797**			**$ 8,158,558**		
Net interest income and net interest rate spread including noninterest-bearing deposits		**$ 72,151**	**4.77 %**		**$ 68,475**	**3.76 %**
Net interest margin			**4.76 %**			**3.75 %**
Tax-equivalent effect			**0.01 %**			**0.02 %**
Net interest margin, tax-equivalent[3]			**4.77 %**			**3.77 %**

[1] Tax rate used to arrive at the TEY for the three months ended June 30, 2022 and 2021 was 21%.
[2] At June 30, 2021, $336.2 million of the total balance were interest-bearing deposits where interest expense was paid by a third party and not by the Company. On October 1, 2021, the Company reclassified the balances related to that program to noninterest bearing checking due to the product moving to noninterest bearing.
[3] 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. 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, believes the presentation of this non-GAAP financial measure may be useful for peer comparison purposes.

(Dollars in thousands)	Nine Months Ended June 30, 2022 Average Outstanding Balance	2022 Interest Earned / Paid	2022 Yield / Rate[1]	2021 Average Outstanding Balance	2021 Interest Earned / Paid	2021 Yield / Rate[1]
Interest-earning assets:						
Cash and fed funds sold	$ 570,806	$ 2,067	0.48 %	$ 2,279,550	$ 2,461	0.14 %
Mortgage-backed securities	1,194,869	16,690	1.87 %	620,919	8,176	1.76 %
Tax exempt investment securities	190,076	2,575	2.29 %	298,276	3,232	1.83 %
Asset-backed securities	323,080	3,045	1.26 %	384,397	4,141	1.44 %
Other investment securities	269,561	4,482	2.22 %	232,852	3,373	1.94 %
Total investments	1,977,586	26,792	1.86 %	1,536,444	18,922	1.72 %
Commercial finance	2,858,837	148,678	6.95 %	2,501,911	140,570	7.51 %
Consumer finance	315,933	18,970	8.03 %	245,627	15,632	8.51 %
Tax services	228,181	13,126	7.69 %	274,706	7,156	3.48 %
Warehouse finance	448,358	20,816	6.21 %	310,593	14,930	6.43 %
Community banking	46,471	1,525	4.39 %	409,869	14,127	4.61 %
Total loans and leases	3,897,780	203,115	6.97 %	3,742,706	192,415	6.87 %
Total interest-earning assets	**6,446,172**	**$ 231,974**	**4.83 %**	**7,558,700**	**$ 213,798**	**3.80 %**
Noninterest-earning assets	783,251			858,088		
Total assets	**$ 7,229,423**			**$ 8,416,788**		
Interest-bearing liabilities:						
Interest-bearing checking[2]	$ 324	$ 1	0.32 %	$ 258,020	$ 1	— %
Savings	82,211	18	0.03 %	79,095	11	0.02 %
Money markets	93,262	157	0.23 %	55,816	146	0.35 %
Time deposits	8,670	34	0.52 %	14,046	118	1.12 %
Wholesale deposits	82,754	190	0.23 %	174,715	1,153	0.88 %
Total interest-bearing deposits	267,221	400	0.20 %	581,692	1,429	0.33 %
Overnight fed funds purchased	38,111	135	0.47 %	7	—	0.25 %
Subordinated debentures	61,505	3,432	7.46 %	73,864	3,442	6.23 %
Other borrowings	17,857	443	3.32 %	22,307	603	3.61 %
Total borrowings	117,473	4,010	4.56 %	96,178	4,045	5.62 %
Total interest-bearing liabilities	**384,694**	**4,410**	**1.53 %**	**677,870**	**5,474**	**1.08 %**
Noninterest-bearing deposits	5,843,962	—	— %	6,727,627	—	— %
Total deposits and interest-bearing liabilities	**6,228,656**	**$ 4,410**	**0.10 %**	**7,405,497**	**$ 5,474**	**0.10 %**
Other noninterest-bearing liabilities	203,283			184,825		
Total liabilities	**6,431,939**			**7,590,322**		
Shareholders' equity	797,484			826,466		
Total liabilities and shareholders' equity	**$ 7,229,423**			**$ 8,416,788**		
Net interest income and net interest rate spread including noninterest-bearing deposits		**$ 227,564**	**4.73 %**		**$ 208,324**	**3.70 %**
Net interest margin			**4.72 %**			**3.68 %**
Tax-equivalent effect			**0.01 %**			**0.02 %**
Net interest margin, tax-equivalent[3]			**4.73 %**			**3.70 %**

[1] Tax rate used to arrive at the TEY for the nine months ended June 30, 2022 and 2021 was 21%.
[2] At June 30, 2021, $218.5 million of the total balance were interest-bearing deposits where interest expense was paid by a third party and not by the Company. On October 1, 2021, the Company reclassified the balances related to that program to noninterest bearing checking due to the product moving to noninterest bearing.
[3] 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. 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, believes the presentation of this non-GAAP financial measure may be useful for peer comparison purposes.

Provision for Credit Losses

The Company recognized a reversal of provision for credit losses of $1.3 million for the quarter ended June 30, 2022, compared to a provision for credit losses of $4.6 million for the same quarter last year. The Company recognized a provision for credit losses of $31.2 million for the nine months ended June 30, 2022, and $41.0 million for the comparable period in the prior fiscal year. Net charge-offs were $12.2 million for the quarter ended June 30, 2022, compared to $12.3 million for the quarter ended June 30, 2021. Net charge-offs attributable to the tax services, consumer finance, and commercial finance portfolios for the quarter were $8.0 million, $2.3 million, and $1.9 million, respectively.

Noninterest Income

Fiscal 2022 third quarter noninterest income decreased to $54.0 million from $62.5 million for the same period of the prior year. The decrease was driven by a reduction in gain on sale of loan and leases by $4.8 million, a decrease in payments fee income of $4.5 million, and a decrease in tax services product fee income of $2.7 million. These decreases were partially offset by an increase in rental income of $2.1 million and an increase in other income of $1.3 million. The prior year’s quarter benefited from greater card fee income associated with stimulus activity as well as a delayed tax season. Furthermore, the company recorded fewer gains on loan sales in the current fiscal year as the SBA and USDA sale volumes have been impacted by supply chain constraints within the solar construction market.

Noninterest income for the nine months ended June 30, 2022 increased to $250.4 million from $221.4 million for the same period of the prior year, primarily driven by the gain on sale of Meta names and trademarks during the first quarter of fiscal 2022.

Noninterest Expense

Noninterest expense increased 19% to $96.7 million for the fiscal 2022 third quarter, from $81.5 million for the same quarter last year. The increase in expense was primarily driven by an increase in compensation expense, legal and consulting expense, card processing, occupancy and equipment expense, and operating lease equipment depreciation. These increases were partially offset by a decrease in other expense. Compensation expense for the third quarter of fiscal 2022 includes $3.1 million of separation-related expenses stemming from expense reduction initiatives. In addition, the Company recognized $3.4 million in rebranding expenses and $1.2 million in expenses related to the non-renewal of the aforementioned tax partner agreements. Certain card processing expenses are derived from the terms of contractual agreements with some BaaS partners. The amount of expense paid under those agreements is based on an agreed upon rate index which varies depending on the deposit levels, floor rates, market conditions, and other performance conditions. Generally this rate index averages between 50% to 85% of the EFFR. Approximately 42% of the deposit portfolio may be subject to these higher card processing expenses. For the fiscal quarter ended June 30, 2022, card processing expenses related to these structured agreements were $2.2 million, as compared to $0.2 million for the fiscal quarter ended March 31, 2022 and $0.1 million for the fiscal quarter ended June 30, 2021.

Noninterest expense for the nine months ended June 30, 2022 increased to $282.2 million from $250.1 million for the same period of the prior year.

Income Tax Expense

The Company recorded an income tax expense of $7.0 million, representing an effective tax rate of 22.6%, for the fiscal 2022 third quarter, compared to $4.9 million, representing an effective tax rate of 11.0%, for the third quarter last year. The current quarter increase in income tax expense was primarily due to a reduction in renewable energy investment tax credit lending volume compared to the prior year period.

The Company originated $4.4 million in solar leases during the fiscal 2022 third quarter, compared to $13.5 million in last year's third quarter. Investment tax credits related to solar leases are recognized ratably based on income throughout each fiscal year. For the nine months ended June 30, 2022, the Company originated $26.9 million in solar leases, compared to $72.0 million for the comparable prior year period. The timing and impact of future solar tax credits are expected to vary from period to period, and the Company intends to undertake only those tax credit opportunities that meet the Company's underwriting and return criteria.

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 charged-off when collection of principal becomes doubtful. Generally, this is associated with a delay or shortfall in payments of greater than 210 days for insurance premium finance, 180 days for tax and other specialty lending loans, 120 days for consumer credit products and 90 days for other loans. Action is taken to charge off ERO loans if such loans have not been collected by the end of June and taxpayer advance loans if such loans have not been collected by the end of the calendar year. Nonaccrual loans and troubled debt restructurings are generally considered impaired.

The Company believes that the level of allowance for credit losses at June 30, 2022 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)	June 30, 2022	September 30, 2021
Nonperforming Loans and Leases		
Nonaccruing loans and leases:		
Commercial finance	$ 19,603	$ 19,330
Community banking	—	14,915
Total nonaccruing loans and leases	19,603	34,245
Accruing loans and leases delinquent 90 days or more:		
Commercial finance	3,519	12,489
Consumer finance	3,501	1,236
Tax services[1]	—	7,962
Total accruing loans and leases delinquent 90 days or more	7,020	21,687
Total nonperforming loans and leases	26,623	55,932
Other Assets		
Nonperforming operating leases	132	3,824
Foreclosed and repossessed assets:		
Commercial finance	13	2,077
Total foreclosed and repossessed assets	13	2,077
Total other assets	145	5,901
Total nonperforming assets	$ 26,768	$ 61,833
Total as a percentage of total assets	0.40 %	0.92 %

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

At June 30, 2022, nonperforming loans and leases totaled $26.6 million, representing 0.71% of total loans and leases, compared to $55.9 million, or 1.16% of total loans and leases at September 30, 2021.

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 June 30, 2022, the Company had classified loans and leases of $172.7 million as substandard, $4.9 million as doubtful and none as loss. At September 30, 2021, the Company classified loans and leases of $264.2 million as substandard, $12.1 million as doubtful and none as loss.

Allowance for Credit Losses. Effective October 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* and subsequent related ASUs (collectively “Topic 326”), which measures credit loss for most financial assets, including trade and other receivables, debt securities held to maturity, loans, net investments in leases, purchased financial assets with credit deterioration, and off-balance sheet credit exposures. ASU 2016-13 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.

The ACL represents management’s estimate of expected credit losses 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 for credit loss, generally this means loans and leases identified as troubled debt restructurings 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 Condensed 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 $75.2 million at June 30, 2022, an increase compared to $68.3 million at September 30, 2021. The increase in the ACL at June 30, 2022 was driven primarily by the seasonal allowance build in the tax services loan portfolio. This increase was partially offset by the disposition of the community bank portfolio along with decreases in the commercial and consumer finance loan portfolios.

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

	As of the Period Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Commercial finance	1.56 %	1.66 %	2.04 %	1.77 %	1.73 %
Consumer finance	2.44 %	3.18 %	2.70 %	2.91 %	3.80 %
Tax services	54.29 %	35.76 %	1.60 %	0.02 %	58.99 %
Warehouse finance	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %
Community banking	— %	— %	— %	6.16 %	4.36 %
Total loans and leases	2.04 %	2.38 %	1.84 %	1.89 %	2.61 %
Total loans and leases excluding tax services	1.44 %	1.59 %	1.84 %	1.90 %	1.94 %

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 2.04% at June 30, 2022 from 2.38% at March 31, 2022 and increased from 1.89% at September 30, 2021. The decrease in the total loans and leases coverage ratio was primarily driven by a decrease in the seasonal tax services loan portfolio, along with a decrease in the coverage ratio for both the commercial and consumer finance portfolios. 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 June 30, 2022 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 credit losses will not be required in future periods.

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 that, in management's view, are most important in the portrayal of our financial condition and results of operations, and include those for the ACL, goodwill and identifiable intangible assets. 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. A discussion of the Company’s critical accounting policies and estimates can be found in the Company's Annual Report on Form 10-K for the year ended September 30, 2021. There were no significant changes to these critical accounting policies and estimates during the first nine months of fiscal 2022.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s primary sources of funds are deposits, derived principally through its payments division, 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 deposits and loan commitments, to maintain liquidity, and to meet operating expenses.

At June 30, 2022, the Company had unfunded loan and lease commitments of $1.28 billion. Management believes that loan repayment and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

As U.S. banking organizations, the Company and the Bank are required to comply with the regulatory capital rules adopted by the Federal Reserve and the OCC (the "Capital Rules") that became effective on January 1, 2015, subject to phase-in periods for certain requirements and other provisions of 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 June 30, 2022, both 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 tables below include 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 corresponding reconciliation to total equity. The decrease in Tier 1 leverage capital ratio for the period is the result of higher quarterly average assets related to its seasonal tax business. Regulatory Capital is not affected by the unrealized loss on AOCI. The securities portfolio is made up of nearly all amortizing securities that should provide consistent cash flow and is not expected to require sales to realize the losses to fund future loan growth.

At June 30, 2022	Company	Bank	Minimum to be Adequately Capitalized Under Prompt Corrective Action Provisions	Minimum to be Well Capitalized Under Prompt Corrective Action Provisions
Tier 1 leverage capital ratio	8.23 %	8.22 %	4.00 %	5.00 %
Common equity Tier 1 capital ratio	11.87	12.17	4.50	6.50
Tier 1 capital ratio	12.19	12.18	6.00	8.00
Total capital ratio	13.44	13.43	8.00	10.00

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

(Dollars in thousands)		Standardized Approach[1] June 30, 2022
Total stockholders' equity	$	724,774
Adjustments:		
LESS: Goodwill, net of associated deferred tax liabilities		299,616
LESS: Certain other intangible assets		27,809
LESS: Net deferred tax assets from operating loss and tax credit carry-forwards		11,978
LESS: Net unrealized gains (losses) on available for sale securities		(131,352)
LESS: Noncontrolling interest		665
ADD: Adoption of Accounting Standards Update 2016-13		10,011
Common Equity Tier 1[1]		526,069
Long-term borrowings and other instruments qualifying as Tier 1		13,661
Tier 1 minority interest not included in common equity Tier 1 capital		377
Total Tier 1 capital		540,107
Allowance for credit losses		55,506
Subordinated debentures (net of issuance costs)		—
Total capital	$	595,613

[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 following table provides a reconciliation of tangible common equity and tangible common equity excluding AOCI, each of which is used in calculating tangible book value data, to total stockholders' equity. Each of tangible common equity and tangible common equity excluding AOCI is a non-GAAP financial measure that is commonly used within the banking industry.

(Dollars in thousands)		At June 30, 2022
Total stockholders' equity	$	724,774
LESS: Goodwill		309,505
LESS: Intangible assets		27,088
Tangible common equity		388,181
LESS: AOCI		(131,407)
Tangible common equity excluding AOCI	$	519,588

Since January 1, 2016, the Company and the Bank have been 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.

CONTRACTUAL OBLIGATIONS

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations" in the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 2021 for a summary of our contractual obligations as of September 30, 2021. There were no material changes outside the ordinary course of our business in contractual obligations from September 30, 2021 through June 30, 2022.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

See Note 19. Commitments and Contingencies in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 2021 for discussion of the Company’s off-balance sheet financing arrangements as of September 30, 2021. There were no material changes from September 30, 2021 through June 30, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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 risk associated with changes in interest rates and the Company’s ability to adapt to these changes is known as interest rate risk and is the Company’s only significant “market” risk.

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 and likelihood of prepayment.

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 growing portfolio of longer duration, low-cost deposits generated from its payments division provides a stable and profitable funding vehicle, but also subjects the Company to greater risk in a falling interest rate environment than it would otherwise have without this portfolio. This risk is due to the fact that, while asset yields may decrease in a falling interest rate environment, the Company cannot significantly reduce interest costs associated with these deposits, which thereby compress the Company’s net interest margin.

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 interest rate risk 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. The Company does not currently engage in trading activities to control interest rate risk although it may do so in the future, if deemed necessary, to help manage interest rate risk.

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 interest rate risk, the Board of Directors 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 interest rate risk: 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. EAR analysis measures the sensitivity of interest-sensitive earnings 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 June 30, 2022:

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**	**-100**	**Base**	**+100**	**+200**	**+300**	**+400**
Total interest-sensitive income	5,903,406	298,311	320,853	343,783	366,880	389,752	412,820
Total interest-sensitive expense	193,458	279	1,055	1,844	2,657	3,487	4,349
Net interest-sensitive income		298,032	319,798	341,939	364,223	386,265	408,471
Percentage change from base		-6.8 %	— %	6.9 %	13.9 %	20.8 %	27.7 %

The EAR analysis reported at June 30, 2022, shows that total interest-sensitive income will change more rapidly than total interest-sensitive 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 scenarios as June 30, 2022:

Economic Value Sensitivity

	Standard (Parallel Shift)				
	Economic Value of Equity at Risk %				
	-100	**+100**	**+200**	**+300**	**+400**
Percentage change from base	-5.2 %	3.6 %	6.6 %	8.9 %	11.8 %

The EVE at risk reported at June 30, 2022 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 4. 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 Quarterly Report on Form 10-Q, 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 June 30, 2022, 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, at June 30, 2022, the Company’s disclosure controls and procedures were not designed effectively to ensure timely alerting of material information relating to the Company required to be included in the Company's periodic SEC filings.

In the fiscal fourth quarter of 2021 and the fiscal third quarter of 2022, the Company identified control deficiencies related to access permissions in two loan systems which resulted in a lack of segregation of duties over disbursements in which select individuals had the ability to both initiate and approve disbursements indicating that the user access provisioning and user entitlement review monitoring controls did not function to a precise level to ensure segregation of duties was maintained. Management determined that the combination of user access provisioning and user entitlement review deficiencies represent a material weakness in internal controls over financial reporting on the basis that the deficiencies could result in a misstatement potentially impacting the Company's financial statement accounts and disclosures that would not be prevented or detected on a timely basis.

REMEDIATION PLAN FOR REPORTED MATERIAL WEAKNESS

Annual entitlement review for the loan system identified in the fourth quarter of 2021 was performed in March 2022 and no inappropriate access was identified.

For the loan system identified with inappropriate system access in fiscal third quarter of 2022, management removed access for the individuals that had inappropriate access and performed testing of disbursements during the impacted period and did not identify any instances where the segregation of the disbursement over initiation and approval was not maintained. In May, management also implemented an IT application control to identify instances where the initiator and approver are the same to prevent disbursement from occurring.

The Company is also undergoing a broader risk assessment across all material applications to ensure preventative controls are in place to identify and strengthen sensitive user functions including but not limited to loan disbursements regarding the user access and entitlement provisioning controls.

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 June 30, 2022 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 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 third quarter to which this report relates that could have materially affected the Company's internal controls over financial reporting, as described above.

PATHWARD FINANCIAL, INC.
PART II - OTHER INFORMATION

FORM 10-Q

Item 1. 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. 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 1A. Risk Factors

A description of our risk factors can be found in "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. There were no material changes to those risk factors during the nine months ended June 30, 2022, except that the following risk factors are hereby added:

Our rebranding strategy may not produce the benefits expected, may involve substantial costs and may not be favorably received by our customers.

To reflect the evolution and growth of our business, including our corporate mission of financial inclusion for all®, we rebranding, with the Company changing its name to Pathward Financial, Inc. and the Bank changing to Pathward, N.A. as of July 13, 2022. As previously announced, in connection with the sale of our rights to our current trade names and marks including METABANK and META FINANCIAL GROUP for $60 million, we have agreed to phase out and cease all use of the META marks and names, and change our corporate names by December 7, 2022. Accordingly, the full transition to Pathward is expected by the end of this calendar year, including the launch of a new brand identity and website.

Developing and maintaining awareness and integrity of our brand are important to achieving widespread acceptance of our existing and future product and service offerings and attracting new customers. Successful promotion of our rebranding will depend on the effectiveness of our marketing efforts and on our ability to provide reliable and useful banking solutions. We plan to invest resources to promote our new brand, but we cannot predict how such marketing efforts will be received and there is no guarantee that we will be able to achieve or maintain brand recognition or status under our new names and marks that is comparable to the recognition and status we previously enjoyed. If our rebranding strategy does not produce the benefits expected, it could adversely affect our ability to retain and attract customers, and may have a negative impact on our operations, business, financial results and financial condition.

Our actual operating results may differ significantly from our guidance.

From time to time, we issue guidance in our quarterly earnings releases and conference calls, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. Guidance is necessarily speculative in nature, and is only an estimate of what management believes is realizable as of the date of release, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will prove to be incorrect or will vary significantly from actual results. Actual results will vary from our guidance and the variations may be material, especially in times of economic uncertainty.

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

(a) None.

(b) None.

(c) Issuer Purchases of Equity Securities.

The Company's Board of Directors authorized a 7,500,000 share repurchase program on November 20, 2019 that was publicly announced on November 20, 2019 and is scheduled to expire on December 31, 2022. All remaining shares available for repurchase under this program were repurchased during the fiscal 2022 first quarter. On September 3, 2021, the Company's Board of Directors authorized an additional 6,000,000 share repurchase program that was publicly announced on September 7, 2021 and is scheduled to expire on September 30, 2024. The table below sets forth information regarding repurchases of our common stock during the fiscal 2022 third 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
April 1 to 30	—	$ —	—	4,868,177
May 1 to 31	2,622	42.35	—	4,868,177
June 1 to 30	—	—	—	4,868,177
Total	2,622		—	

[1] All shares not purchased as part of the Company's publicly announced repurchase program 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.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Section 302 certification of Chief Executive Officer.
31.2	Section 302 certification of Chief Financial Officer.
32.1	Section 906 certification of Chief Executive Officer.
32.2	Section 906 certification of Chief Financial Officer.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 formatted in Inline Extensible Business Reporting Language (iXBRL) includes: (i) Cover Page, (ii) Condensed Consolidated Statements of Financial Condition, (iii) Condensed Consolidated Statements of Operations, (iv) Condensed Consolidated Statements of Comprehensive Income, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, (vi) Condensed Consolidated Statements of Cash Flows, and (vii) Notes to Condensed Consolidated Financial Statements, tagged in summary and in detail.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Management contract or compensatory plan or agreement.

PATHWARD FINANCIAL, INC.

SIGNATURES

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

PATHWARD FINANCIAL, INC.

Date: August 9, 2022	By: /s/ Brett L. Pharr Brett L. Pharr, Chief Executive Officer and Director
Date: August 9, 2022	By: /s/ Glen W. Herrick Glen W. Herrick, Executive Vice President and Chief Financial Officer

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 Quarterly Report on Form 10-Q 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: August 9, 2022

/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, Glen W. Herrick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 9, 2022

/s/ Glen W. Herrick
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 Quarterly Report on Form 10-Q of Pathward Financial, Inc. (the “Company”) for the quarterly period ended June 30, 2022 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
August 9, 2022

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Pathward Financial, Inc. (the “Company”) for the quarterly period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Glen W. Herrick, 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/ Glen W. Herrick
Name: Glen W. Herrick
Executive Vice President and Chief Financial Officer
August 9, 2022