



# Investor Presentation

UPDATED NOVEMBER 7, 2023

# FORWARD LOOKING STATEMENTS

This investor update contains “forward-looking statements” which are made in good faith by Pathward Financial, Inc. (the “Company”) pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by words such as “may,” “hope,” “will,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” “could,” “future,” “target,” or the negative of those terms, or other words of similar meaning or similar expressions.

These forward-looking statements are based on information currently available to us and assumptions about future events, and include statements with respect to the Company’s beliefs, expectations, estimates, and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company’s control. Such risks, uncertainties and other factors may cause our actual growth, results of operations, financial condition, cash flows, performance and business prospects and opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Such statements address, among others, the following subjects: future operating results including our earnings per share guidance, future effective tax rate, and related performance expectations; progress on key initiatives, including the impact of measures expected to increase efficiencies or reduce expenses; customer retention; loan and other product demand; new products and services; credit quality; the level of net charge-offs and the adequacy of the allowance for credit losses; and technology. The following factors, among others, could cause the Company’s financial performance and results of operations to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: maintaining our executive management team; expected growth opportunities may not be realized or may take longer to realize than expected; the potential adverse effects of unusual and infrequently occurring events, including the impact on financial markets from geopolitical conflicts such as the military conflicts in Ukraine and the Middle East, weather-related disasters, or public health events, such as the COVID-19 pandemic and any governmental or societal responses thereto; our ability to achieve brand recognition for the Bank equal to or greater than we enjoyed for MetaBank; our ability to successfully implement measures designed to reduce expenses and increase efficiencies; changes in trade, monetary, and fiscal policies and laws, including actual changes in interest rates and the Fed Funds rate, and their related impacts on macroeconomic conditions, customer behavior, or funding costs and loan and securities portfolio; changes in tax laws; the strength of the United States’ economy, and the local economies in which the Company operates; adverse developments in the financial services industry generally such as recent bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer behavior; inflation, market, and monetary fluctuations; 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 of these products and services by users; the ability of the Company’s subsidiary Pathward®, N.A. (“Pathward”) to maintain its Durbin Amendment exemption; the risks of dealing with or utilizing third parties, including, in connection with the Company’s prepaid card and tax refund advance business, the risk of reduced volume of refund advance loans as a result of reduced customer demand for or usage of the Company’s strategic partners’ refund advance products; our relationship with, and any actions which may be initiated by, our regulators; changes in financial services laws and regulations, including laws and regulations relating to the tax refund industry and the insurance premium finance industry; technological changes, including, but not limited to, the protection of our electronic systems and information; the impact of acquisitions and divestitures; litigation risk; the growth of the Company’s business, as well as expenses related thereto; continued maintenance by Pathward of its status as a well-capitalized institution, changes in consumer spending and saving habits; losses from fraudulent or illegal activity, technological risks and developments and cyber threats, attacks or events; 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; and the other factors described 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, 2022 and in other filings made by the Company with the Securities and Exchange Commission (“SEC”).

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 herein speak only as of the date of this investor update. 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.



# AT PATHWARD®, LEADING THE WAY TO FINANCIAL ACCESS IS THE HEART OF OUR BUSINESS.

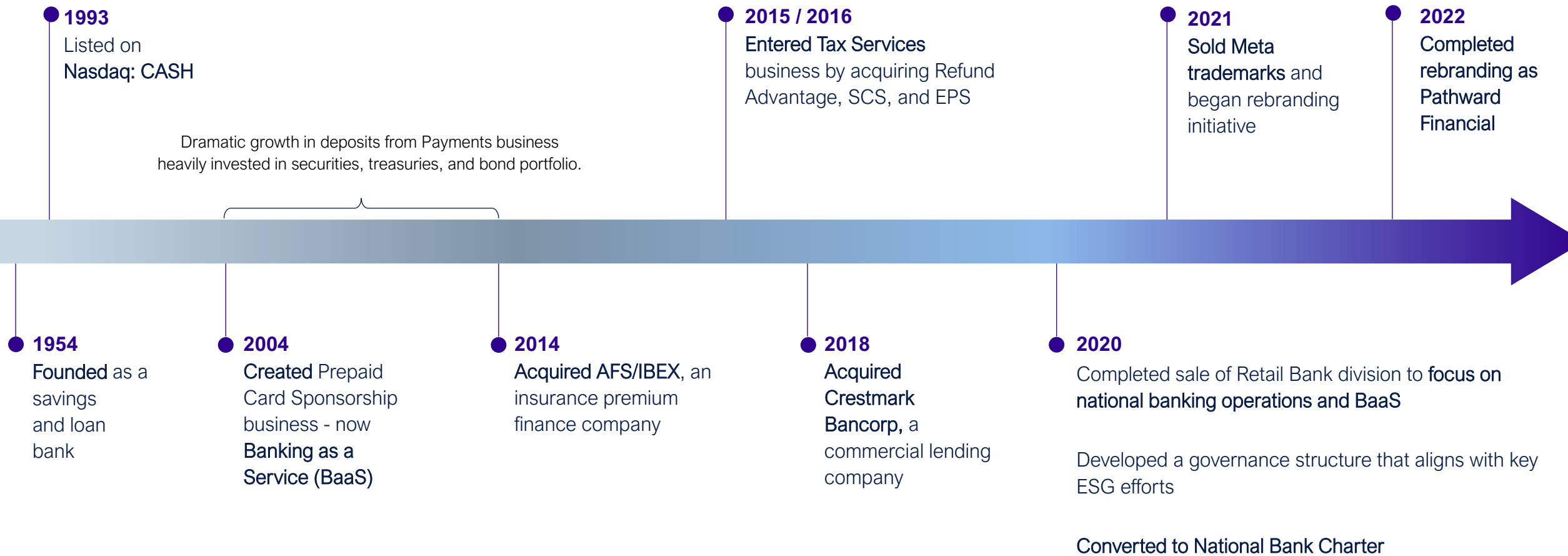
Since our founding, we have worked to advance financial inclusion. We seek out diverse partners, including fintechs, affinity groups, government agencies, and other banks and work with them to identify markets where people and businesses are underserved.

Our national bank charter, coordination with regulators, and deep understanding of risk mitigation and compliance allow us to guide our partners and deliver financial products, services and funding to the people and businesses who need them the most.

We are powering financial inclusion for all.

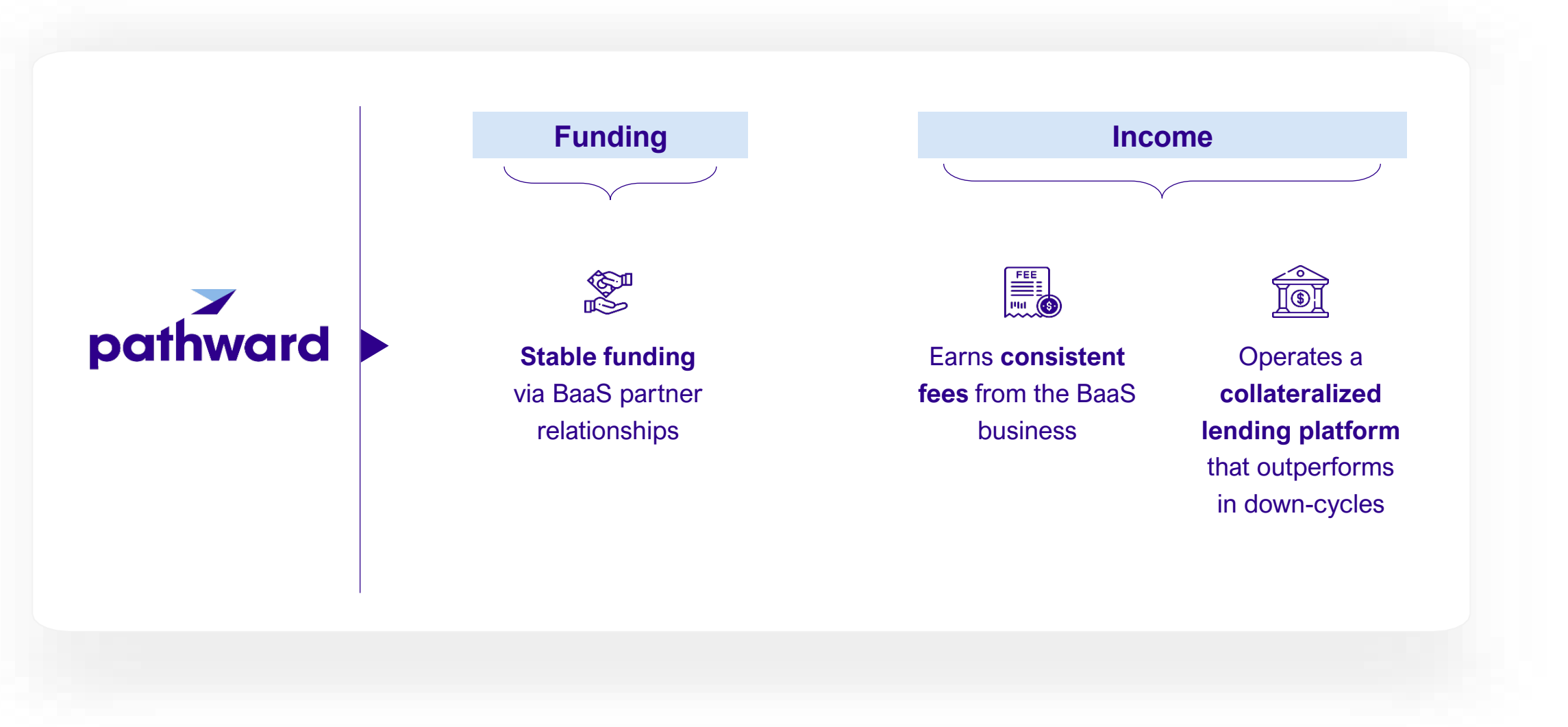


# Building a Diversified Franchise Dedicated to Financial Empowerment for Individuals and Businesses

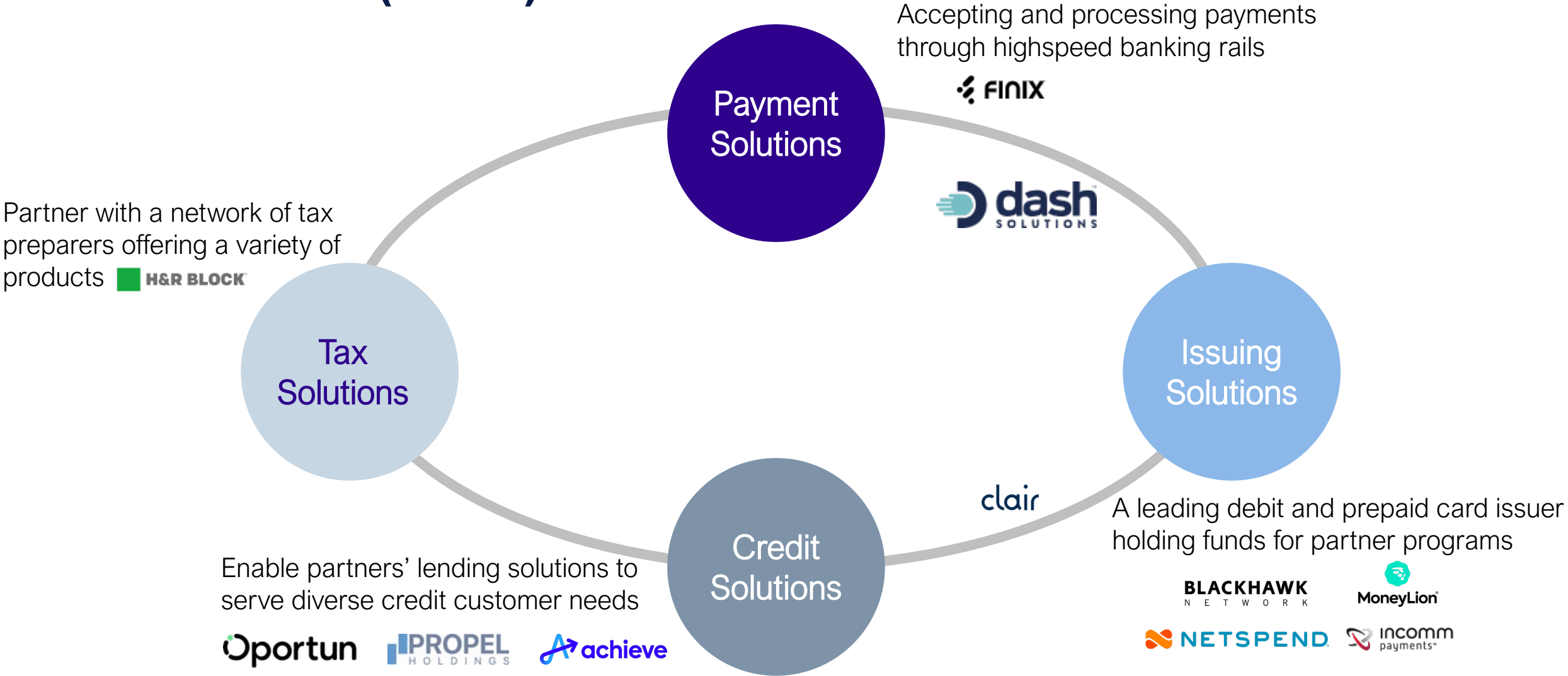




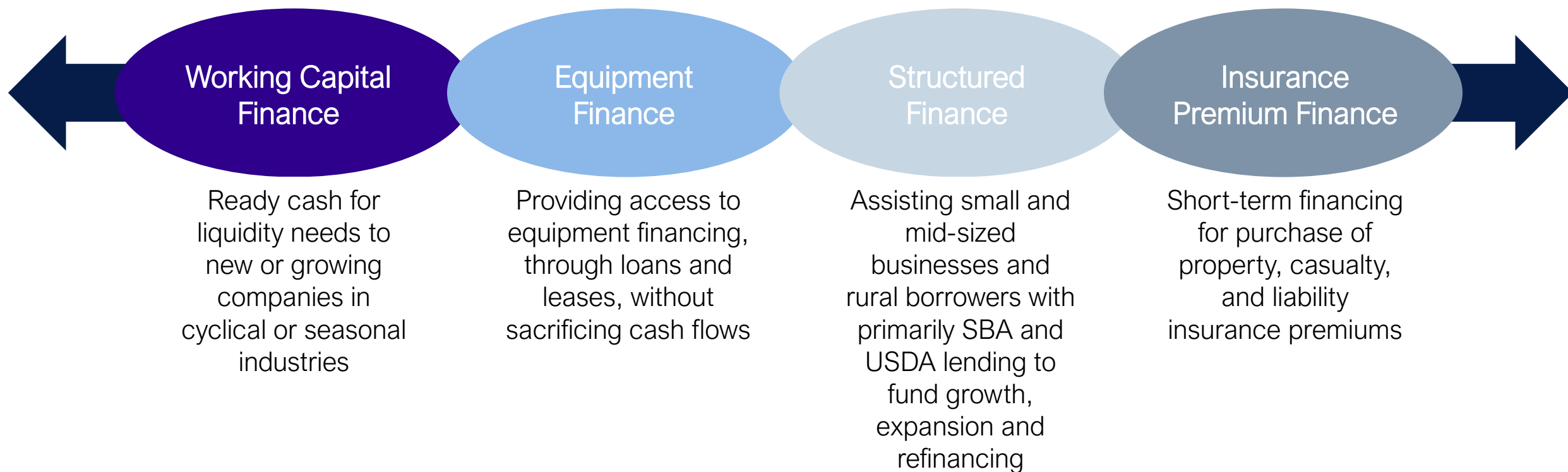
# Resilient Business Model in Economic Cycles



# Collaborate With Partners to Provide Innovative Banking as a Service (BaaS) Solutions



# Commercial Finance Helps Businesses Access Needed Funds Through Various Solutions



# Strong and Diverse Leadership Team and Board of Directors

## Executive Leadership Team



**Brett Pharr**

Chief Executive Officer and Director



**Anthony Sharett**

President



**Glen Herrick**

EVP, Chief Financial Officer



**Charles Ingram**

EVP, Chief Technology & Product Officer



**Nadia Dombrowski**

EVP, Chief Legal and Administrative Officer



**Greg Sigrist**

EVP, Chief Financial Officer - Designee

## Board of Directors



**Douglas Hajek**

Chair of the Board



**Becky Shulman**

Vice Chair of the Board



**Elizabeth Hoople**

Director



**Ronald McCray**

Director



**Frederick Moore**

Director



**Chris Perretta**

Director



**Kendall Stork**

Director



**Lizabeth Zlatkus**

Director



# Investment Highlights

1

Record of strong earnings growth and **profitability** above banking industry averages

2

Excess capital generating business enables ongoing return of **value** to shareholders

3

Experienced **leader** in fast-growing Banking as a Service (BaaS) sector, with diversified portfolio of high-quality financial partners

4

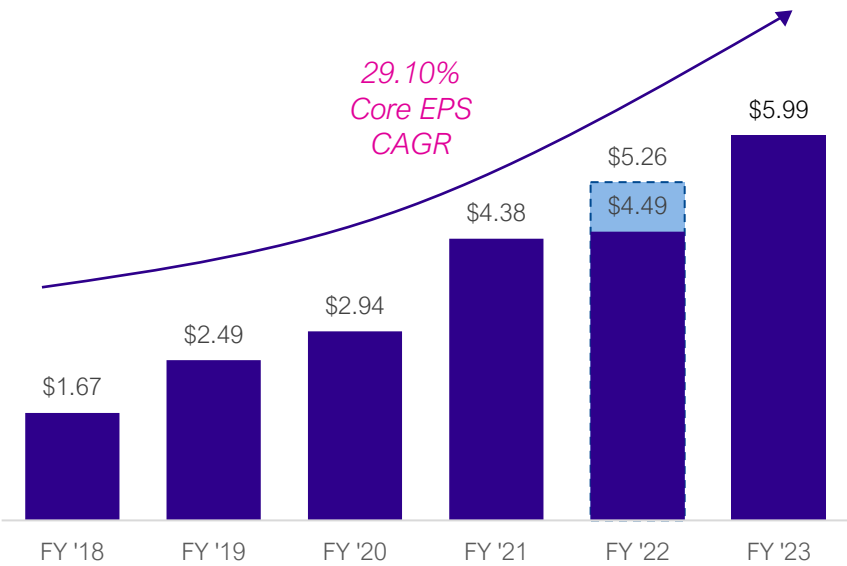
**Resilient** Commercial Finance loan portfolio produces attractive returns throughout economic cycles

5

Highly advantageous national bank charter, with well-developed **risk mitigation** and compliance capabilities

# Record of Strong Earnings Growth

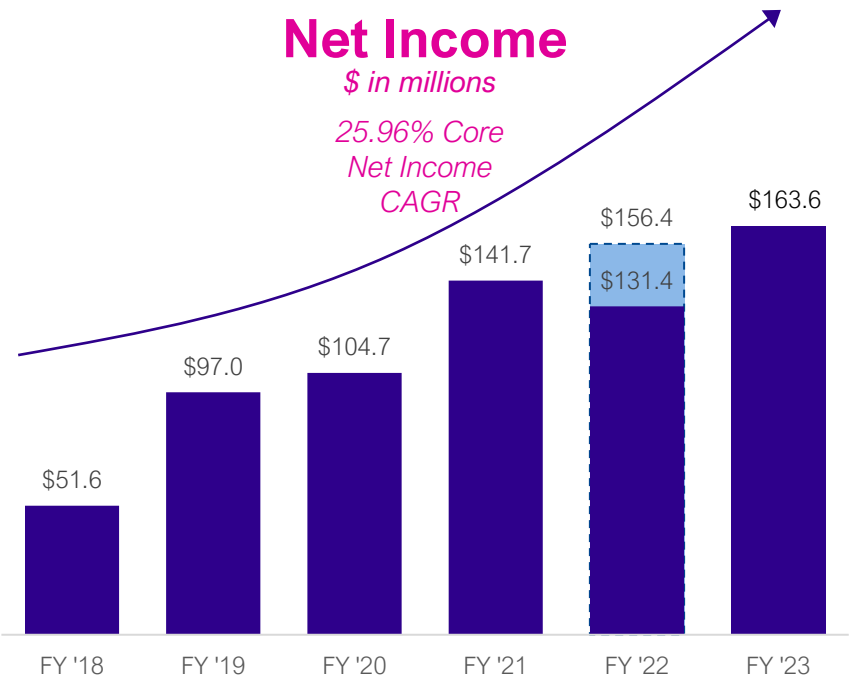
## Earnings Per Common Share



## Net Income

\$ in millions

25.96% Core Net Income CAGR

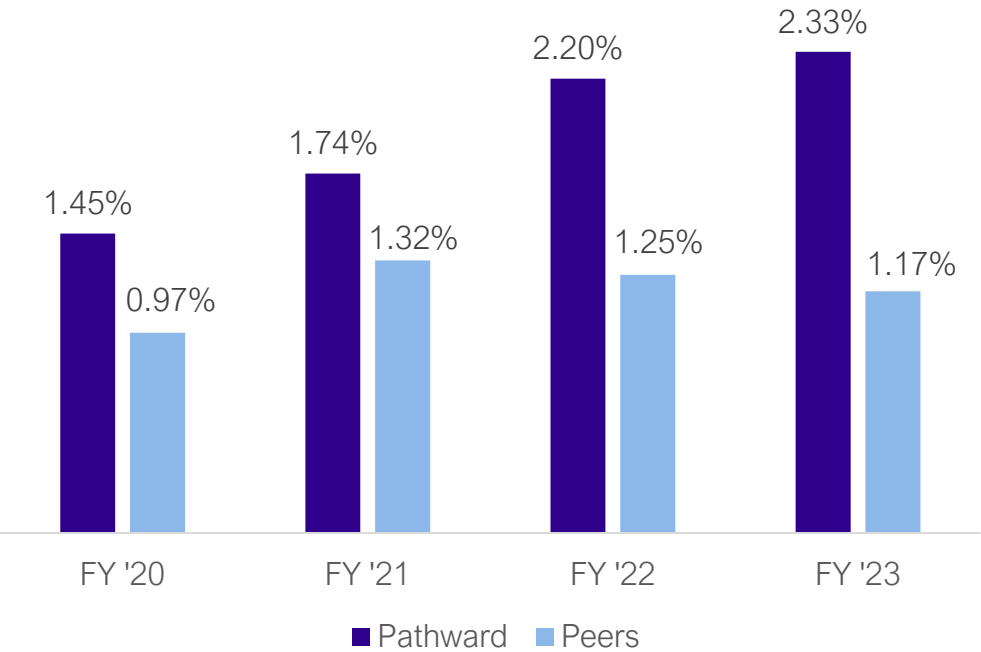


 Earnings inclusive of extraordinary items

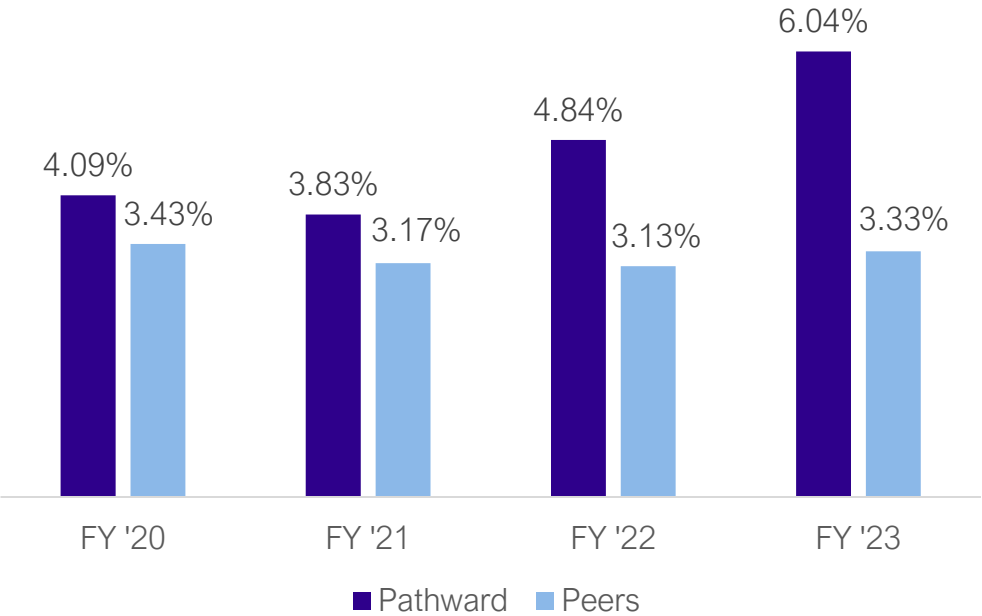
In fiscal year 2022, the company sold its Meta names and trademarks and completed a Company rebrand. Adjustments to earnings in fiscal year 2022 include the revenue from the sale, expenses associated with rebranding, and additional one-time compensation expenses stemming from organizational restructuring. Fiscal year 2023 displays GAAP earnings as the net adjustments for the period are insignificant. See appendix for non-GAAP reconciliation.

# Profitability Above Banking Industry Averages

Return on Average Assets



Net Interest Margin



- Peer data includes commercial insured banks with assets between \$3-10 billion. Return on average assets and net interest margin information gathered from the Federal Financial Institutions Examination Council database.
- Fiscal Year 2022 return on average assets reflects GAAP net income, which includes impacts associated with rebranding and one-time compensation expenses from organizational restructuring.

1

2

3

4

5

# Track Record of Strong Earnings Growth and Right-Sized Balance Sheet Enables Ongoing Return of Capital

**\$539.9**

TOTAL SHARE REPURCHASES  
2Q19 TO 4Q23

**\$30.7M**

TOTAL DIVIDENDS PAID  
2Q19 TO 4Q23

Targeting regulatory capital leverage  
ratio above 8% and total risk-weighted  
capital ratio above 12%

Paid dividend every quarter  
dating back to 1994



1

2

3

4

5

# Leader in Fast-Growing BaaS Sector



## Top 25

NACHA – Top 25 ACH Originator and Receiver (#17 and #23, April 2022)



## ~\$2.5 Billion

Moved daily in ACH and wire services



## >1 Billion

Cards Issued



## >\$10 Billion

Moved since start of MasterCard Send and Visa Direct programs in 2020



## >340,000

Points of distribution for debit and prepaid card issuing



## >260,000

ATMs Sponsored



## >11,000

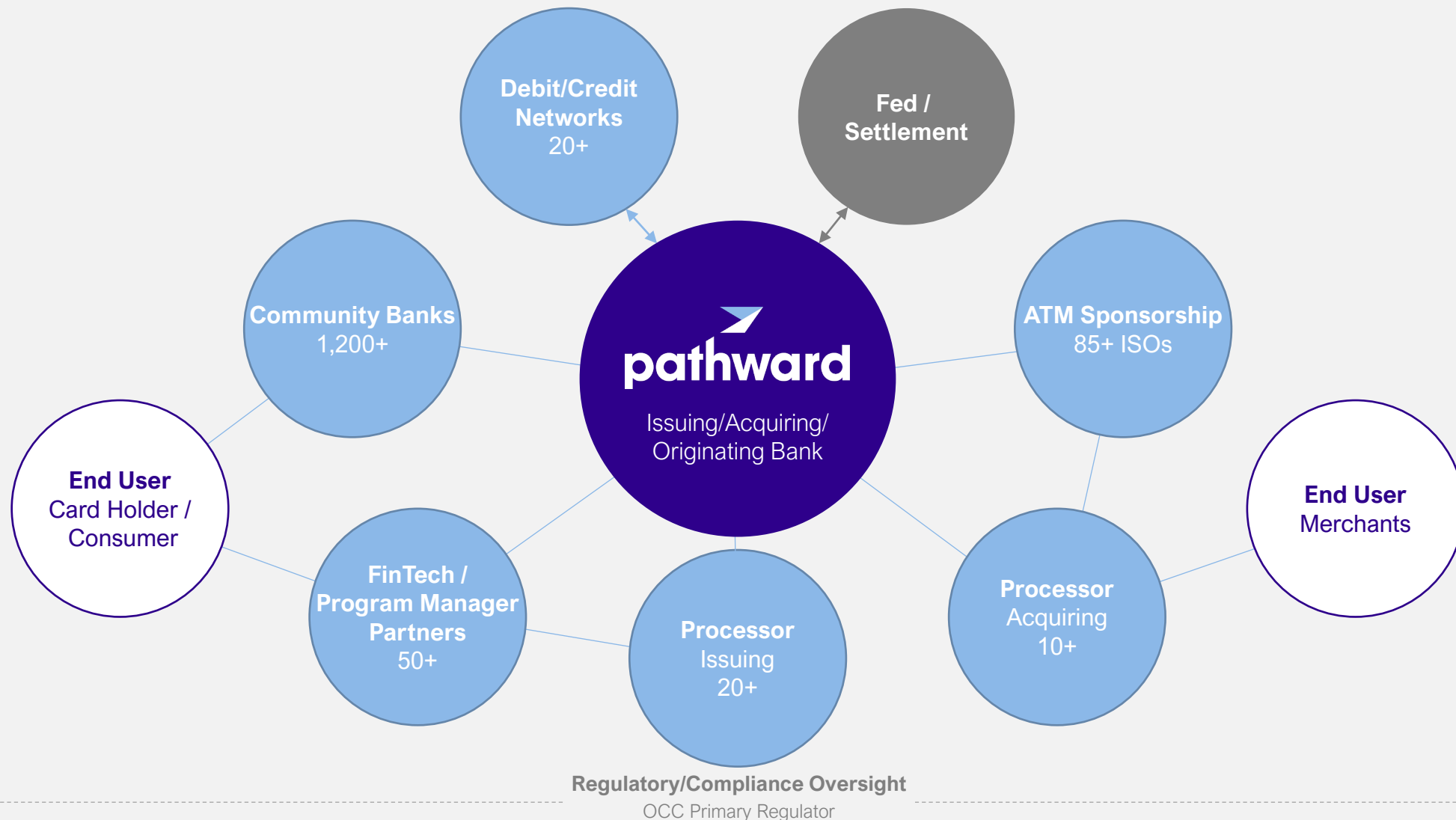
Branches – networks & distribution channels for Pathward's Agent Bank solutions



## >\$11 Billion

Tax refunds processed annually

# Pathward Serves as a Hub of the BaaS Ecosystem

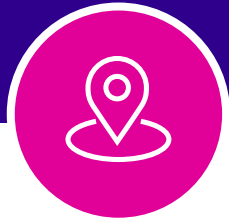


# Resilient Commercial Loan Portfolio...



## WORKING CAPITAL FINANCE

- Provides working capital for new or growing companies to meet short-term operational requirements
- Primarily variable rate loans with majority of floors at or above 6%
- Bank typically has dominion of funds
- Heavily collateral-managed
- Historically excels during economic downturns



## EQUIPMENT FINANCE

- Loan and lease financing to provide access to needed equipment
- Typically secured with mission-critical equipment
- Borrowers range from start-up companies to investment grade companies
- Primarily fixed rate loans and leases
- Flexibility to sell direct originations to secondary market



## STRUCTURED FINANCE

- Funding to small and midsize businesses and rural borrowers to fund growth, expansion, and restructuring
- SBA, USDA, and conventional loans with fixed or variable interest rates
- Debt refinance, leveraged acquisitions, and alternative energy project finance
- SBA and USDA guarantees can be sold on the secondary market

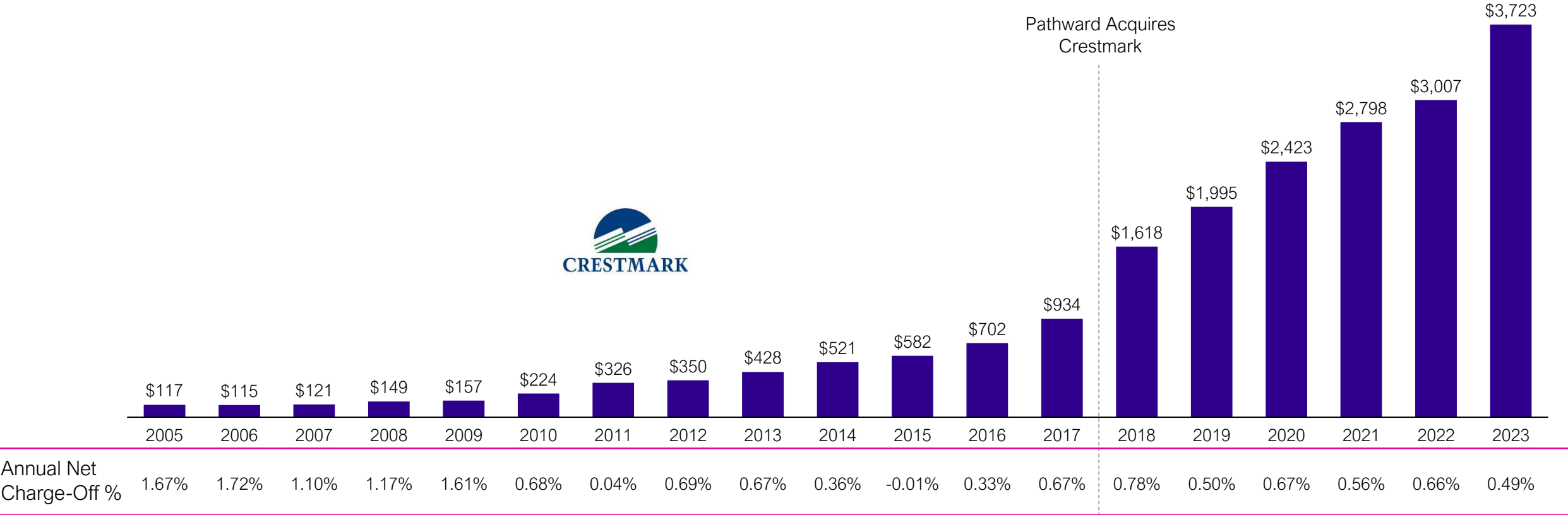


## INSURANCE PREMIUM FINANCE

- Short-term financing to facilitate the purchase of property, casualty, and liability insurance premiums
- Average term of 10 months
- Fixed rate loans
- Collateralized by insurance premiums
- Very low historical loss rate

# ...Produces Stable Annual Net Charge-Off Rates

December 31<sup>st</sup> Commercial Finance Loan Balances<sup>1</sup>  
 (\$ in millions)



<sup>1</sup>2023 data is as of September 30, 2023

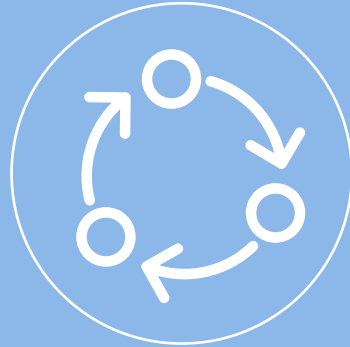


# Well-Developed Risk Mitigation and Compliance Capabilities



## Enterprise Risk Management

Our Enterprise Risk Management (ERM) program applies corporate governance to risk-taking activities. The ERM program sets strategy across the enterprise and works closely with the lines of business to ensure that risks are appropriately identified and managed.



## Third-Party Risk Management

Just as Pathward's ERM program oversees our own actions, our Third-Party Risk Management program ensures that our third-party relationships are controlled and mitigated. Our policy and strategy encourage us to protect our company from risk, monitor third-party activities, and report risk events.



## Business Continuity Management

Business Continuity Management (BCM) sets standards and testing to ensure our company remains resilient in case of disaster. Our standards comply with Federal Financial Institutions Examination Council (FFIEC) and Office of the Comptroller of the Currency (OCC) guidance.



## Bank Secrecy Act / Anti-Money Laundering

To protect our customers, partners and company from the risks of fraud, money laundering, terrorist financing and other illicit activity, Pathward's compliance programs are designed to keep us compliant with all federal programs and sanctions.



# Appendix

# Non-GAAP Reconciliation

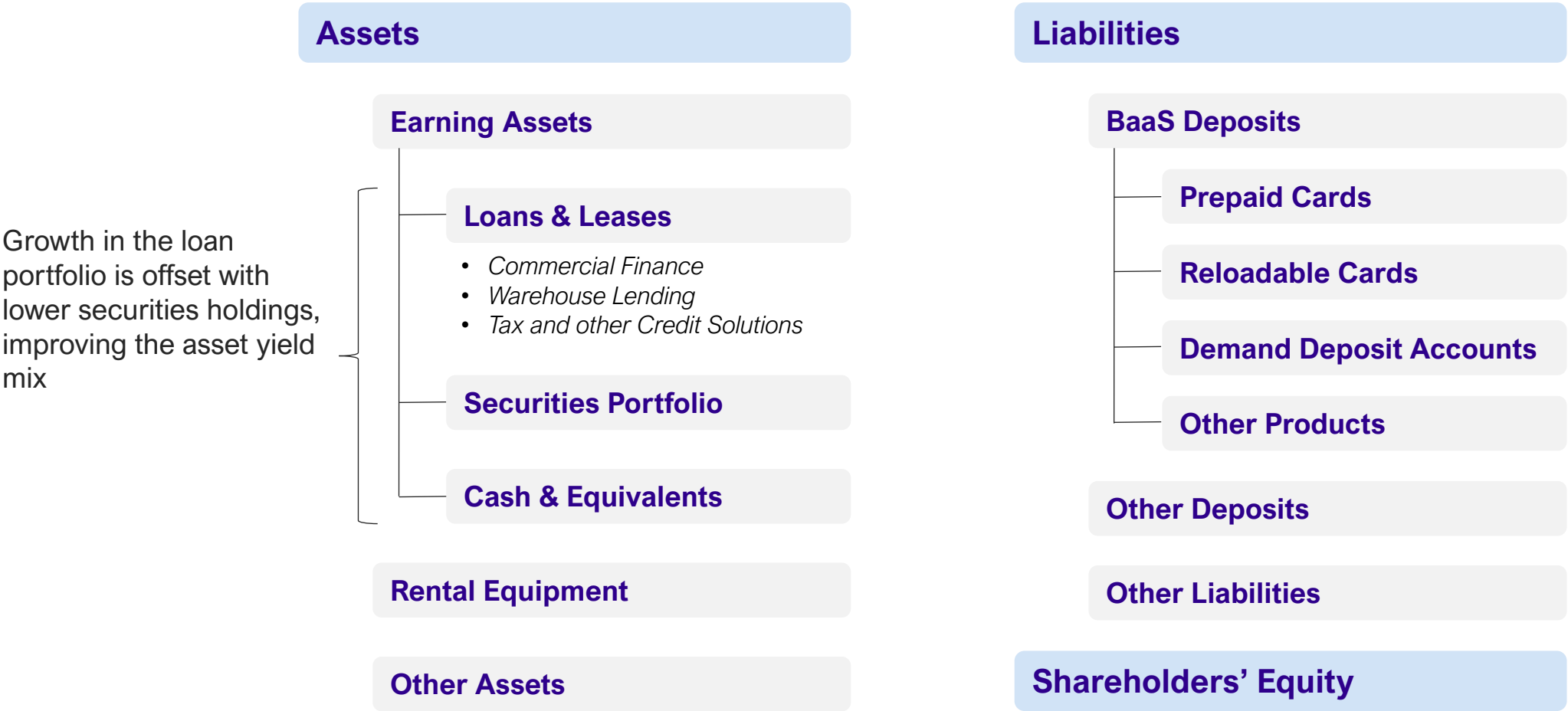
## Adjusted Net Income and Adjusted Earnings Per Share

	Fiscal Year	
	2022	2023
<i>(\$ in thousands, except per share data)</i>		
<b>Net income - GAAP</b>	<b>156,386</b>	<b>163,615</b>
Less: Gain on sale of trademarks	50,000	10,000
Less: Loss on disposal of certain mobile generators	-	(1,993)
Add: Accelerated depreciation on certain mobile generators	-	4,822
Add: Rebranding Expenses	13,148	3,737
Add: Separation related expenses	5,109	11
Add: Impairment on venture capital investments	-	3,249
Add: Income tax effect	8,936	(942)
Adjusted Net Income	133,579	166,485
Less: Allocation of earnings to participating securities <sup>1</sup>	2,191	2,488
<b>Adjusted net income attributable to common shareholders</b>	<b>131,388</b>	<b>163,997</b>
<b>Adjusted earnings per common share, diluted</b>	<b>\$4.49</b>	<b>\$6.09</b>
Average diluted shares	29,232,247	26,925,606

<sup>1</sup> Amounts presented are used in the two-class earnings per common share calculation.

# Pathward's Balance Sheet

- BaaS deposits fund Pathward's earning asset portfolio while delivering ample fee income
- Pathward's commitment to maintain the size of its balance sheet enables the return of capital to shareholders



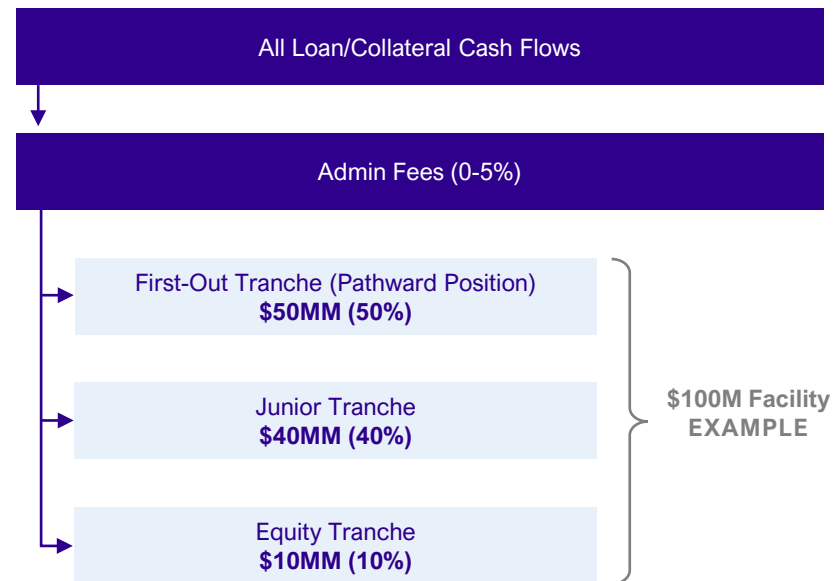


# Credit Controls Limit the Risk in Consumer and Warehouse Programs

## Warehouse Finance

Asset-backed warehouse lines of credit used to support strategic initiatives.

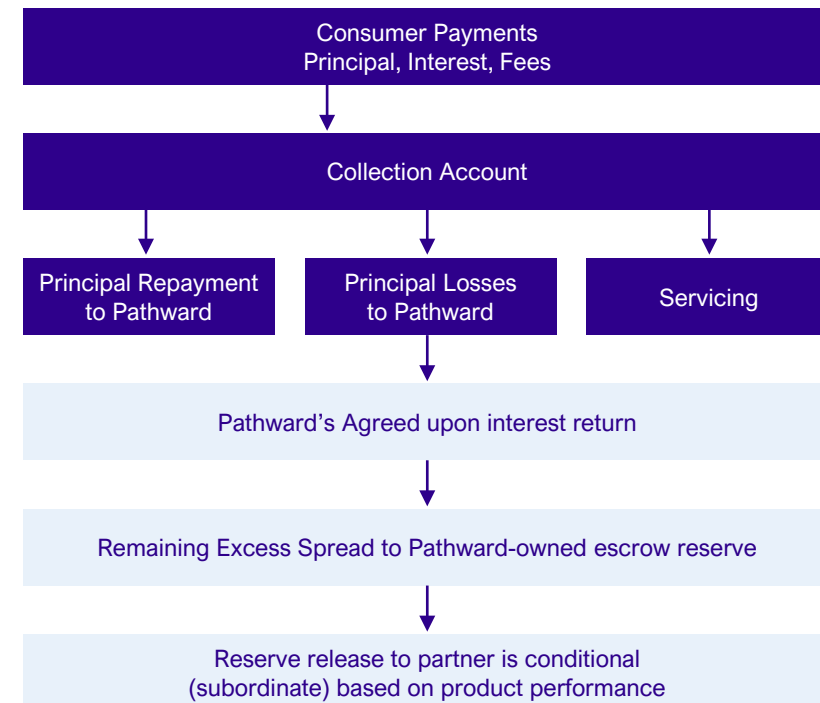
- Lines are primarily secured by consumer receivables, whereby Pathward is in a senior, secured position as the first out participant.
- Have never had a charge off or loss.
- Agreements trigger waterfall protection for the “First Out” participant.



## Consumer Credit Program

Consumer credit programs with marketplace lenders offer Pathward a risk adjusted return, protected by certain layers of credit support and balance sheet flexibility. Programs are offered to strategic partners with payments distribution potential.

- Agreements typically provide for “excess spread” build-up and protection through a priority of payment within a waterfall.



# Definitions

## Industry Terms

### **Banking-as-a-Service (BaaS):**

Providing financial services and solutions to third parties to offer through their distribution channels.

### **Push-to-debit:**

The ability to move money directly to an end user. At Pathward, our push-to-debit capabilities are called “Faster Payments”.

## Types of Payment Cards

### **Debit Card:**

A type of payment card typically tied to funds held in a deposit account.

### **Credit Card:**

A type of payment card typically attached to a line of credit that a user can make purchases against.

### **Prepaid Card:**

A type of payment card that holds a finite amount of funds and is not directly tied to a bank account or line of credit.

### **Virtual Card:**

A digital counterpart to a payment card, generated with a unique card number to settle a particular transaction by an authorized user. These are often used for one-time, business-to-business payments.

## Payment Players

### **Acquiring Bank:**

An acquiring bank provides merchant accounts that allow a business to accept card payments and works in conjunction with the acquirer processor. In some cases, the acquiring bank and acquirer processor are a single entity.

### **Acquiring Processors:**

Acquiring processors connect directly with merchants, the network and the acquiring bank, or via a payment gateway, to facilitate payment acceptance at the merchant. They provide the technical capabilities to create the system of record to communicate with authorization and settlement entities. In some cases, the acquiring bank and acquirer processor are a single entity.

### **Issuing Bank:**

The issuing bank enters a relationship with the cardholder, program manager, and enables cards on a given network. The issuing bank fills three primary roles in payment processing: it is a “network sponsor,” which means it can issue cards on a given payments network; it is a holder of funds (for example, for gift cards, deposit accounts and other non-credit cards); and it is a “settlement point,” managing a consumer’s account and paying out to the merchant’s account after a purchase.

### **Issuing Processor:**

Connects directly with the networks and issuing bank to provide the system of record, authorize transactions and communicate with settlement entities.

### **Fintech:**

Fintech refers to the integration of technology into offerings by financial services companies in order to improve use and delivery to consumers.

### **Merchant:**

A merchant simply refers to any business that accepts card-based payments either via a physical swipe (at the point-of-sale) or virtually online.

### **Program Manager:**

Businesses that manage various elements of a card program on behalf of the issuing bank. The Program Manager is responsible for defining the program, operating the program, and managing its profitability. The program manager typically is responsible for establishing relationships with processors, banks, payment networks, and distributors and for establishing account(s) at banks.

# Definitions, Continued

## Commercial Lending Terms

### **Asset-Based Lending:**

Asset-Based Lending (ABL) refers to business loans that are secured based on assets as collateral, generally accounts receivable, inventory, equipment or other balance sheet assets.

### **Accounts Receivable:**

Accounts Receivable (A/R) financing refers to financing based on the value of a company's accounts receivable (their invoices for goods or services) to another company. It is a subset of asset-based lending and is also known as factoring.

### **Equipment Financing:**

Equipment Financing refers to a loan used to purchase business equipment. The financing is provided through leases such as \$1 Buyout, Fair Market Value (FMV), or through term loans. Leases may appear in Loans & Leases or Rental Equipment.

### **Factoring:**

Factoring refers to financing based on the purchase of a company's accounts receivables, their invoices for goods or services. It is a subset of asset-based lending and is also known as accounts receivable financing.

### **Insurance Premium Finance:**

Insurance Premium Finance refers to short-term collateralized financing to facilitate the purchases of property, casualty, and liability insurance premiums for the commercial market.

### **Government Guaranteed Lending:**

A government guaranteed loan is a loan guaranteed by a government agency and financed through a lending financial entity. Government guaranteed loans include SBA loans and USDA loans.

### **SBA Loan:**

An SBA loan refers to financing that is guaranteed by the Small Business Administration (SBA) and provided by a lending financial institution. SBA loans, such as an SBA 7(a) loan, may be easier for a small business to obtain because of the reduced risk for the lender. Lenders must meet sufficient requirements to be eligible as a lending entity.

### **Term Loan:**

A Term loan is a loan for a specific amount that has a specified interest rate and regular payment schedule to be repaid over a set period of time.

### **USDA Loan:**

A USDA loan refers to financing guaranteed by the U.S. Department of Agriculture (USDA) as part of the Rural Development program and provided by a lending financial institution. USDA business loans, such as the USDA Business & Industry (B & I) loan, may be easier for a business to obtain because of the reduced risk for the lender. Lenders must meet sufficient requirements to be eligible as a lending entity.