

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 26, 2023



PATHWARD FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

0-22140

(Commission File Number)

42-1406262

(IRS Employer Identification No.)

Delaware

(State or other jurisdiction of incorporation)

5501 South Broadband Lane, Sioux Falls, South Dakota 57108

(Address of principal executive offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

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

Title of each class  
Common Stock, \$.01 par value

Trading Symbol(s)  
CASH

Name of each exchange on which registered  
The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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. ☐

Item 2.02 Results of Operations and Financial Condition.

On April 26, 2023, the Registrant issued a press release announcing its results of operations and financial condition as of and for the three and six months ended March 31, 2023. A copy of the press release is attached as Exhibit 99.1 to this report and is incorporated into this Item 2.02 by reference.

The information in this Item 2.02, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities thereof, nor shall it be deemed to be incorporated by reference in any filing under the Exchange Act or under the Securities Act of 1933, as amended (the "Securities Act"), except to the extent specifically provided in any such filing.

Item 7.01 Regulation FD Disclosure.

Information is being furnished herein in Exhibit 99.2 with respect to the Investor Update slide presentation prepared for use with the press release. While most of the selected financial information furnished herein is derived from the Company's consolidated financial statements and related notes prepared in accordance with generally accepted accounting principles ("GAAP") and management's discussion and analysis of financial condition and results of operations included, or to be included, in the Company's reports on Forms 10-K and 10-Q, this information includes selected financial and operational information through the second quarter of fiscal year 2023 and does not represent a complete set of financial statement and related notes prepared in conformity with GAAP. The Company's annual financial statements are subject to independent audit. The Investor Update slide presentation is dated April 26, 2023 and the Company does not undertake to update the materials after that date.

The information in this Item 7.01, including Exhibit 99.2, shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities thereof, nor shall it be deemed to be incorporated by reference in any filing under the Exchange Act or under the Securities Act, except to the extent specifically provided in any such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number

[99.1](#)

[99.2](#)

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Description of Exhibit

Press Release of Pathward Financial, Inc., dated April 26, 2023 regarding the results of operations and financial condition.

Investor Update slide presentation for the Second Quarter of Fiscal Year 2023, dated April 26, 2023, prepared for use with the Press Release.

Cover Page Interactive Data File (embedded within the Inline XBRL document).

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**SIGNATURE**

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 hereunto duly authorized.

PATHWARD FINANCIAL, INC.

Date: April 26, 2023

By: /s/ Glen W. Herrick

Glen W. Herrick

Executive Vice President and Chief Financial Officer



## PATHWARD FINANCIAL, INC. ANNOUNCES RESULTS FOR 2023 FISCAL SECOND QUARTER

**- Net Income of \$54.8 million, or \$1.99 Per Diluted Share -**

**- Reaffirms Fiscal Year 2023 EPS Guidance -**

Sioux Falls, S.D., April 26, 2023 - Pathward Financial, Inc. ("Pathward Financial" or the "Company") (Nasdaq: CASH) reported net income of \$54.8 million, or \$1.99 per share, for the three months ended March 31, 2023, compared to net income of \$49.3 million, or \$1.66 per share, for the three months ended March 31, 2022.

During the quarter, when adjusting for the adverse financial impacts related to legacy mobile solar transactions and a venture capital investment impairment expense, the Company recognized adjusted net income of \$60.3 million, or \$2.18 per share. For the same period of the prior year, the Company recognized adjusted net income of \$52.0 million, or \$1.75 per share when excluding the impact of rebranding and separation expenses. See non-GAAP reconciliation table below.

CEO Brett Pharr said, "Pathward generated solid results during the second quarter driven by the continued expansion of our net interest margin and higher non-interest income. We continue to benefit from servicing fee income on our off-balance deposits and see increases in the average yield on our interest-earnings assets as they reprice. We are very pleased that this year's tax season has performed above our initial expectations through the end of March. Based on these results, we are reaffirming our fiscal year 2023 GAAP earnings per diluted share guidance of \$5.55 to \$5.95, despite the \$7.3 million adverse pre-tax impacts during the quarter."

### Company Highlights

- On April 5, 2023, Pathward®, N.A. announced it became Certified™ by Great Place to Work® for the first time. Great Place to Work holds itself out as the global authority on workplace culture, employee experience, and the leadership behaviors proven to deliver market-leading revenue, employee retention and increased innovation.
- On February 28, 2023, the Board of Directors (the "Board") of Pathward Financial appointed Christopher Perretta as a member of the Board.

### Financial Highlights for the 2023 Fiscal Second Quarter

- Total revenue for the second quarter was \$228.4 million, an increase of \$34.9 million, or 18%, compared to the same quarter in fiscal 2022, driven by an increase in both noninterest income and net interest income.
- Net interest margin ("NIM") increased 132 basis points to 6.12% for the second quarter from 4.80% during the same period of last year primarily driven by an increase in loan and lease and investment securities yields.
- Total gross loans and leases at March 31, 2023 decreased \$4.6 million to \$3.73 billion, compared to March 31, 2022 and increased \$215.9 million, or 6%, when compared to December 31, 2022. The decrease compared to the prior year quarter was primarily due to a reduction in consumer finance loans driven by the sale of the \$81.5 million student loan portfolio during the fiscal 2022 fourth quarter and a reduction in warehouse finance loans, partially offset by growth in the commercial finance portfolio. The primary drivers for the increase on a linked quarter basis was growth in commercial finance and warehouse finance loans.

- During the 2023 fiscal second quarter, the Company recognized a total of \$6.8 million in pre-tax adverse financial impacts attributable to the disposal or change in depreciable life of several mobile solar generators related to a single relationship. In fiscal year 2019, the business incurred a large impairment expense associated with one company with which it had legacy transactions that turned out to be fraudulent. At that time, the assets were written down to their market value and redeployed under an equipment lease agreement to new participants. Upon the return of the leased assets, the Company performed a due diligence assessment, which led to the determination to dispose certain generators based on their condition and adjust the depreciable life for the remaining generators to better reflect the service period based on market conditions and advancements in technology. This was an isolated event limited to this equipment and is not indicative of the remaining Rental Equipment portfolio. The remaining value of the generators on the balance sheet is \$1.3 million.
- During the 2023 fiscal second quarter, the Company repurchased 1,172,700 shares of common stock at an average share price of \$46.60. As of April 21, 2023, there are 2,468,283 shares available for repurchase under the common stock share repurchase program announced during the fourth quarter of fiscal year 2021.
- The Company reaffirms fiscal year 2023 GAAP earnings per share guidance and continues to expect it to be in the range of \$5.55 to \$5.95. See Outlook section and non-GAAP reconciliation table below.

#### **Tax Season**

For the six months ended March 31, 2023, total tax services product revenue was \$72.4 million, an increase of 2% compared to the same period of the prior year. Total tax services product fee income, total tax services product expense, and net interest income on tax services loans all increased slightly compared to the prior year period.

Total tax services product income, net of losses and direct product expenses, decreased 14% to \$29.7 million from \$34.4 million, when comparing the first six months of fiscal 2023 to the same period of the prior fiscal year.

For the 2023 tax season, Pathward originated \$1.46 billion in refund advance loans compared to \$1.83 billion during the 2022 tax season. When excluding the two partners the Company did not renew after the 2022 tax season, loan originations increased \$116.2 million this tax season compared to the previous year.

#### **Net Interest Income**

Net interest income for the second quarter of fiscal 2023 was \$101.4 million, an increase of 21% from the same quarter in fiscal 2022. The increase was mainly attributable to increased yields and an improved earning asset mix.

The second quarter average outstanding balance of loans and leases decreased \$230.5 million compared to the same quarter of the prior fiscal year, primarily due to a reduction in tax services loans, warehouse finance loans, and consumer finance loans, partially offset by an increase in commercial finance loans. The Company's average interest-earning assets for the second fiscal quarter decreased by \$364.5 million to \$6.72 billion compared with the same quarter in fiscal 2022, primarily due to a reduction in cash balances as a result of elevated cash levels during the prior year period related to the Company's participation in government stimulus programs and a decrease in total investment balances. The decrease in cash and investment balances was partially offset by growth in commercial finance loans and leases.

Fiscal 2023 second quarter NIM increased to 6.12% from 4.80% in the second fiscal quarter of last year. The overall reported tax-equivalent yield ("TEY") on average earning asset yields increased 145 basis points to 6.34% compared to the prior year quarter, primarily driven by an increase in loan and lease and investment securities yields, along with a decrease in cash balances. The yield on the loan and lease portfolio was 8.47% compared to 7.22% for the comparable period last year and the TEY on the securities portfolio was 2.89% compared to 1.83% over that same period.

The Company's cost of funds for all deposits and borrowings averaged 0.21% during the fiscal 2023 second quarter, as compared to 0.08% during the prior year quarter. The Company's overall cost of deposits was 0.13% in the fiscal second quarter of 2023, as compared to 0.01% during the prior year quarter.

#### **Noninterest Income**

Fiscal 2023 second quarter noninterest income increased to \$127.0 million, compared to \$109.8 million for the same period of the prior year. The increase was primarily attributable to increases in card and deposit fees, rental income, tax product fee income, and other income. The period-over-period increase was partially offset by reductions in gain (loss) on sale of other and gain on sale of investments.

Included in gain (loss) on sale of other during the quarter, was a \$2.0 million loss on the disposal of mobile solar generators in connection with the aforementioned legacy solar transactions.

The increase in card and deposit fee income was primarily from servicing fee income on off-balance sheet deposits, which totaled \$18.2 million during the 2023 fiscal second quarter, as compared to \$12.9 million for the fiscal quarter ended December 31, 2022 and an insignificant amount for the fiscal quarter ended March 31, 2022.

#### **Noninterest Expense**

Noninterest expense increased 23% to \$127.1 million for the fiscal 2023 second quarter, from \$103.2 million for the same quarter last year. The increase was primarily attributable to increases in card processing expense, operating lease equipment depreciation, compensation expense, total tax services expense, and impairment expense. The period over period increase was partially offset by decreases in legal and consulting expense, amortization expense, and other expense. The increase in operating lease equipment depreciation was due to \$4.8 million of accelerated depreciation on mobile solar generators in connection with the aforementioned legacy mobile solar transactions. During the second quarter of fiscal year 2023, the Company recognized \$0.5 million of impairment expense related to an investment in its Pathward Venture Capital business.

The card processing expense increase was due to structured agreements with banking as a service ("BaaS") partners. The amount of expense paid under those agreements is based on an agreed upon rate index that varies depending on the deposit levels, floor rates, market conditions, and other performance conditions. Generally this rate index averages between 50% to 85% of the Effective Federal Funds Rate ("EFFR") and reprices immediately upon a change in the EFFR. Approximately 47% of the deposit portfolio was subject to these higher card processing expenses. For the fiscal quarter ended March 31, 2023, card processing expenses related to these structured agreements were \$20.4 million, as compared to \$14.0 million for the fiscal quarter ended December 31, 2022 and \$0.2 million for the fiscal quarter ended March 31, 2022.

#### **Income Tax Expense**

The Company recorded an income tax expense of \$9.2 million, representing an effective tax rate of 14.2%, for the fiscal 2023 second quarter, compared to income tax expense of \$8.0 million, representing an effective tax rate of 13.8%, for the second quarter last fiscal year. The current quarter increase in income tax expense was primarily due to increased earnings.

The Company originated \$18.1 million in solar leases during the fiscal 2023 second quarter, resulting in \$4.9 million in total net investment tax credits. During the second quarter of fiscal 2022, the Company originated \$1.3 million in solar leases resulting in \$0.3 million in total net investment tax credits. Investment tax credits related to solar leases are recognized ratably based on income throughout each fiscal year. For the six months ended March 31, 2023, the Company originated \$29.5 million in solar leases, compared to \$22.5 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.

## Outlook

The following forward-looking statements reflect the Company's expectations as of the date of this release and are subject to substantial uncertainty. The Company's results may be materially affected by many factors, such as changes in economic conditions and customer demand, changes in interest rates, adverse developments in the financial services industry generally, inflation, uncertainty regarding the COVID-19 pandemic, and other factors detailed below under "Forward-looking Statements." Because the Company's reported GAAP results include certain income and expense items that are not expected to continue indefinitely and may include additional elements that the Company cannot currently predict, the Company is also providing guidance on a non-GAAP or "adjusted" basis.

The Company reaffirms fiscal year 2023 GAAP earnings per share guidance and continues to expect it to be in the range of \$5.55 to \$5.95. When adjusting for gain on sale of trademarks and rebrand related expenses, the Company expects fiscal year 2023 adjusted earnings per share to be in the range of \$5.40 to \$5.80. See non-GAAP reconciliation table below.

## Investments, Loans and Leases

(Dollars in thousands)	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
<b>Total investments</b>	<b>\$ 1,864,276</b>	<b>\$ 1,888,343</b>	<b>\$ 1,924,551</b>	<b>\$ 2,000,400</b>	<b>\$ 2,090,765</b>
<b>Loans held for sale</b>					
Consumer credit products	24,780	17,148	21,071	23,710	23,670
SBA/USDA	—	—	—	43,861	7,740
<b>Total loans held for sale</b>	<b>24,780</b>	<b>17,148</b>	<b>21,071</b>	<b>67,571</b>	<b>31,410</b>
Term lending	1,235,453	1,160,100	1,090,289	1,047,764	1,111,076
Asset based lending	377,965	359,516	351,696	402,506	382,355
Factoring	338,884	338,594	372,595	408,777	394,865
Lease financing	170,645	189,868	210,692	218,789	235,397
Insurance premium finance	437,700	436,977	479,754	481,219	403,681
SBA/USDA	405,612	357,084	359,238	215,510	214,195
Other commercial finance	166,402	164,734	159,409	173,338	173,260
<b>Commercial finance</b>	<b>3,132,661</b>	<b>3,006,873</b>	<b>3,023,673</b>	<b>2,947,903</b>	<b>2,914,829</b>
Consumer credit products	120,739	130,750	144,353	152,106	171,847
Other consumer finance	27,909	56,180	25,306	107,135	111,922
<b>Consumer finance</b>	<b>148,648</b>	<b>186,930</b>	<b>169,659</b>	<b>259,241</b>	<b>283,769</b>
<b>Tax services</b>	<b>61,553</b>	<b>30,364</b>	<b>9,098</b>	<b>41,627</b>	<b>85,999</b>
<b>Warehouse finance</b>	<b>377,036</b>	<b>279,899</b>	<b>326,850</b>	<b>434,748</b>	<b>441,496</b>
<b>Total loans and leases</b>	<b>3,719,898</b>	<b>3,504,066</b>	<b>3,529,280</b>	<b>3,683,519</b>	<b>3,726,093</b>
Net deferred loan origination costs	5,718	5,664	7,025	5,047	4,097
<b>Total gross loans and leases</b>	<b>3,725,616</b>	<b>3,509,730</b>	<b>3,536,305</b>	<b>3,688,566</b>	<b>3,730,190</b>
Allowance for credit losses	(84,304)	(52,592)	(45,947)	(75,206)	(88,552)
<b>Total loans and leases, net</b>	<b>\$ 3,641,312</b>	<b>\$ 3,457,138</b>	<b>\$ 3,490,358</b>	<b>\$ 3,613,360</b>	<b>\$ 3,641,638</b>

The Company's investment security balances at March 31, 2023 totaled \$1.86 billion, as compared to \$1.89 billion at December 31, 2022 and \$2.09 billion at March 31, 2022.

Total gross loans and leases totaled \$3.73 billion at March 31, 2023, as compared to \$3.51 billion at December 31, 2022 and \$3.73 billion at March 31, 2022. The primary driver for the increase on a linked quarter basis was due to increases in commercial finance, warehouse finance, and the seasonal tax services portfolio, partially offset by a decrease in the consumer finance portfolio. The year-over-year decrease was primarily due a reduction in consumer finance loans driven by the sale of the student loan portfolio during the fiscal 2022 fourth quarter, a reduction in warehouse finance loans, and a reduction in seasonal tax services loans, partially offset by growth in our commercial finance portfolio.

Commercial finance loans, which comprised 84% of the Company's gross loan and lease portfolio, totaled \$3.13 billion at March 31, 2023, reflecting an increase of \$125.8 million, or 4%, from December 31, 2022 and an increase of \$217.8 million, or 7%, from March 31, 2022.

#### Asset Quality

The Company's allowance for credit losses ("ACL") totaled \$84.3 million at March 31, 2023, an increase compared to \$52.6 million at December 31, 2022 and a decrease from \$88.6 million at March 31, 2022. The increase in the ACL at March 31, 2023, when compared to December 31, 2022, was primarily due to a \$32.5 million increase in the allowance related to the seasonal tax services portfolio, partially offset by a \$0.9 million decrease in the allowance related to the commercial finance portfolio.

The \$4.2 million year-over-year decrease in the ACL was primarily driven by a \$6.0 million decrease in the allowance related to the consumer finance portfolio and a \$0.5 million decrease in the allowance related to the commercial finance portfolio, partially offset by a \$2.3 million increase in the allowance related to the seasonal tax services portfolio. The year-over-year decrease in the allowance related to the consumer finance portfolio was primarily attributable to the sale of the student loan portfolio during the fourth quarter of fiscal 2022.

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

(Unaudited)	As of the Period Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Commercial finance	1.53 %	1.62 %	1.46 %	1.56 %	1.66 %
Consumer finance	1.99 %	1.54 %	0.86 %	2.44 %	3.18 %
Tax services	53.77 %	2.01 %	0.05 %	54.29 %	35.76 %
Warehouse finance	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %
<b>Total loans and leases</b>	<b>2.27 %</b>	<b>1.50 %</b>	<b>1.30 %</b>	<b>2.04 %</b>	<b>2.38 %</b>
<b>Total loans and leases excluding tax services</b>	<b>1.40 %</b>	<b>1.50 %</b>	<b>1.30 %</b>	<b>1.44 %</b>	<b>1.59 %</b>

The Company's ACL as a percentage of total loans and leases increased to 2.27% at March 31, 2023 from 1.50% at December 31, 2022. The increase in the total loans and leases coverage ratio was primarily driven by the seasonal tax services portfolio, and to a lesser extent the consumer finance portfolio. The increase in the consumer finance was related to seasonal activity. The Company expects to continue to diligently monitor the ACL and adjust as necessary in future periods to maintain an appropriate and supportable level.

Activity in the allowance for credit losses for the periods presented was as follows.

(Unaudited)	Three Months Ended			Six Months Ended	
	March 31, 2023	December 31, 2022	March 31, 2022	March 31, 2023	March 31, 2022
(Dollars in thousands)					
<b>Beginning balance</b>	\$ 52,592	\$ 45,947	\$ 67,623	\$ 45,947	\$ 68,281
Provision (reversal of) - tax services loans	31,422	1,637	28,972	33,059	28,259
Provision (reversal of) - all other loans and leases	5,264	8,226	3,183	13,490	4,368
Charge-offs - tax services loans	—	(1,731)	—	(1,731)	(254)
Charge-offs - all other loans and leases	(6,625)	(2,708)	(12,415)	(9,334)	(17,021)
Recoveries - tax services loans	1,063	698	184	1,761	2,750
Recoveries - all other loans and leases	588	523	1,005	1,112	2,169
<b>Ending balance</b>	<u>\$ 84,304</u>	<u>\$ 52,592</u>	<u>\$ 88,552</u>	<u>\$ 84,304</u>	<u>\$ 88,552</u>

The Company recognized a provision for credit losses of \$36.8 million for the quarter ended March 31, 2023, compared to \$32.3 million of provision for credit losses expense for the comparable period in the prior fiscal year. The increase in provision for credit losses during the current quarter compared to the prior year period was primarily driven by increases in the commercial finance portfolio and the seasonal tax services portfolio. Net charge-offs were \$5.0 million for the quarter ended March 31, 2023, compared to \$11.2 million for the quarter ended March 31, 2022. Net charge-offs attributable to the commercial finance and consumer finance portfolios for the current quarter were \$5.9 million and \$0.2 million, respectively, while a recovery of \$1.1 million was recognized in the tax services portfolio.

The Company's past due loans and leases were as follows for the periods presented.

As of March 31, 2023	Accruing and Nonaccruing Loans and Leases						Nonperforming 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	> 89 Days Past Due and Accruing	Nonaccrual Balance	Total
(Dollars in thousands)									
Loans held for sale	\$ —	\$ —	\$ —	\$ —	\$ 24,780	\$ 24,780	\$ —	\$ —	\$ —
<b>Commercial finance</b>	34,065	4,159	11,125	49,349	3,083,312	3,132,661	5,724	19,585	25,309
<b>Consumer finance</b>	3,261	3,857	3,217	10,335	138,313	148,648	3,217	—	3,217
<b>Tax services</b>	639	—	—	639	60,914	61,553	—	—	—
<b>Warehouse finance</b>	—	—	—	—	377,036	377,036	—	—	—
<b>Total loans and leases held for investment</b>	<u>37,965</u>	<u>8,016</u>	<u>14,342</u>	<u>60,323</u>	<u>3,659,575</u>	<u>3,719,898</u>	<u>8,941</u>	<u>19,585</u>	<u>28,526</u>
<b>Total loans and leases</b>	<u>\$ 37,965</u>	<u>\$ 8,016</u>	<u>\$ 14,342</u>	<u>\$ 60,323</u>	<u>\$ 3,684,355</u>	<u>\$ 3,744,678</u>	<u>\$ 8,941</u>	<u>\$ 19,585</u>	<u>\$ 28,526</u>

As of December 31, 2022

(Dollars in thousands)	Accruing and Nonaccruing Loans and Leases						Nonperforming 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	> 89 Days Past Due and Accruing	Nonaccrual Balance	Total
Loans held for sale	\$ —	\$ —	\$ —	\$ —	\$ 17,148	\$ 17,148	\$ —	\$ —	\$ —
Commercial finance	19,974	11,729	17,280	48,983	2,957,890	3,006,873	13,281	25,077	38,358
Consumer finance	2,757	2,533	2,493	7,783	179,147	186,930	2,493	—	2,493
Tax services	—	—	—	—	30,364	30,364	—	—	—
Warehouse finance	—	—	—	—	279,899	279,899	—	—	—
Total loans and leases held for investment	22,731	14,262	19,773	56,766	3,447,300	3,504,066	15,774	25,077	40,851
Total loans and leases	\$ 22,731	\$ 14,262	\$ 19,773	\$ 56,766	\$ 3,464,448	\$ 3,521,214	\$ 15,774	\$ 25,077	\$ 40,851

The Company's nonperforming assets at March 31, 2023 were \$30.1 million, representing 0.44% of total assets, compared to \$45.0 million, or 0.68% of total assets at December 31, 2022 and \$38.3 million, or 0.56% of total assets at March 31, 2022.

The Company's nonperforming loans and leases at March 31, 2023, were \$28.5 million, representing 0.76% of total gross loans and leases, compared to \$40.9 million, or 1.16% of total gross loans and leases at December 31, 2022 and \$35.8 million, or 0.95% of total gross loans and leases at March 31, 2022.

The decrease in the nonperforming assets as a percentage of total assets at March 31, 2023 compared to December 31, 2022, was driven by a decrease in nonperforming loans in the commercial finance portfolio, primarily due to one sizable relationship becoming current and a partial charge-off and pay down of another lending relationship during the period. The decrease was partially offset by an increase in nonperforming loans in the consumer finance portfolio. When comparing the current period to the same period of the prior year, the decrease in nonperforming assets was due to a decrease in nonperforming loans in the commercial finance and consumer finance portfolios.

The Company has various portfolios of consumer lending 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 Company's loans and leases held for investment by asset classification were as follows for the periods presented.

(Dollars in thousands)	Asset Classification					
	Pass	Watch	Special Mention	Substandard	Doubtful	Total
As of March 31, 2023						
Commercial finance	\$ 2,405,837	\$ 426,543	\$ 64,560	\$ 230,029	\$ 5,692	\$ 3,132,661
Warehouse finance	377,036	—	—	—	—	377,036
Total loans and leases	\$ 2,782,873	\$ 426,543	\$ 64,560	\$ 230,029	\$ 5,692	\$ 3,509,697
(Dollars in thousands)	Asset Classification					
	Pass	Watch	Special Mention	Substandard	Doubtful	Total
As of December 31, 2022						
Commercial finance	\$ 2,277,687	\$ 441,453	\$ 84,445	\$ 199,401	\$ 3,887	\$ 3,006,873
Warehouse finance	279,899	—	—	—	—	279,899
Total loans and leases	\$ 2,557,586	\$ 441,453	\$ 84,445	\$ 199,401	\$ 3,887	\$ 3,286,772

### Deposits, Borrowings and Other Liabilities

Total average deposits for the fiscal 2023 second quarter decreased by \$292.8 million to \$6.39 billion compared to the same period in fiscal 2022. The decrease in average deposits was primarily due to decreases in noninterest bearing deposits and savings deposits, partially offset by an increase in money market deposits and wholesale deposits. Prior period deposit balances were elevated due to the Company's participation in government stimulus programs.

The average balance of total deposits and interest-bearing liabilities was \$6.47 billion for the three-month period ended March 31, 2023, compared to \$6.87 billion for the same period in the prior fiscal year, representing a decrease of 6%.

Total end-of-period deposits increased 1% to \$5.90 billion at March 31, 2023, compared to \$5.83 billion at March 31, 2022. The increase in end-of-period deposits was primarily driven by increases in noninterest-bearing deposits of \$72.3 million and money market deposits of \$25.0 million, partially offset by decreases in savings deposits of \$18.4 million, wholesale deposits of \$3.5 million, and savings deposits of \$2.6 million.

As of March 31, 2023, the Company had \$1.0 billion in deposits related to government stimulus programs. Of the total amount of government stimulus program deposits, \$359.2 million are on activated cards while \$645.1 million are on inactivated cards. These card balances are expected to decrease by approximately \$500 million over the next 18 months as recipients continue to spend them and the Company begins to return unclaimed balances to the U.S. Treasury.

As of March 31, 2023, the Company managed \$1.96 billion of customer deposits at other banks in its capacity as custodian. These deposits provide the Company with excess deposits that can earn record keeping service fee income, typically reflective of the EFFR.

Approximately 47% of the deposit balances at March 31, 2023 are subject to variable card processing expenses that are derived from the terms of contractual agreements with certain BaaS partners. These agreements are tied to a portion of a rate index, typically the EFFR.

### Regulatory Capital

The Company and its subsidiary Pathward®, N.A. (the "Bank") remained above the federal regulatory minimum capital requirements at March 31, 2023, and continued to be classified as well-capitalized, and in good standing with the regulatory agencies. Regulatory capital ratios of the Company and the Bank are stated in the table below. 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. The Bank Tier 1 leverage capital ratio using end of period assets of 8.32% better reflects the expected capital position post tax season. See non-GAAP reconciliation table below. Regulatory Capital is not affected by the unrealized loss on accumulated other comprehensive income ("AOCI"). The securities portfolio is primarily comprised of amortizing securities that should provide consistent cash flow. The Company does not intend to sell these securities, or recognize the unrealized losses on its income statement, to fund future loan growth.

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 analysis.

As of the Periods Indicated	March 31, 2023 <sup>(1)</sup>	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
<b>Company</b>					
Tier 1 leverage capital ratio	7.53 %	8.37 %	8.10 %	8.23 %	6.80 %
Common equity Tier 1 capital ratio	12.05 %	12.31 %	12.07 %	11.87 %	11.26 %
Tier 1 capital ratio	12.35 %	12.63 %	12.39 %	12.19 %	11.58 %
Total capital ratio	14.06 %	14.29 %	13.88 %	13.44 %	14.16 %
<b>Bank</b>					
Tier 1 leverage ratio	7.79 %	8.68 %	8.19 %	8.22 %	7.79 %
Common equity Tier 1 capital ratio	12.77 %	13.09 %	12.55 %	12.17 %	13.26 %
Tier 1 capital ratio	12.77 %	13.09 %	12.55 %	12.18 %	13.26 %
Total capital ratio	14.03 %	14.29 %	13.57 %	13.43 %	14.52 %

<sup>(1)</sup> March 31, 2023 percentages are preliminary pending completion and filing of the Company's regulatory reports. Regulatory capital ratios for periods presented reflect the Company's election of the five-year CECL transition for regulatory capital purposes.

The following table provides the non-GAAP financial measures used to compute certain of the ratios included in the table above, as well as a reconciliation of such non-GAAP financial measures to the most directly comparable financial measure in accordance with GAAP:

	Standardized Approach <sup>(1)</sup>				
(Dollars in thousands)	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Total stockholders' equity	\$ 673,244	\$ 659,133	\$ 645,140	\$ 724,774	\$ 763,406
Adjustments:					
LESS: Goodwill, net of associated deferred tax liabilities	298,390	298,788	299,186	299,616	299,983
LESS: Certain other intangible assets	23,553	25,053	26,406	27,809	30,007
LESS: Net deferred tax assets from operating loss and tax credit carry-forwards	13,219	16,641	17,968	11,978	13,404
LESS: Net unrealized gains (losses) on available for sale securities	(186,796)	(200,597)	(211,600)	(131,352)	(69,838)
LESS: Noncontrolling interest	(551)	(207)	(30)	665	322
ADD: Adoption of Accounting Standards Update 2016-13	2,017	2,017	2,689	10,011	13,387
Common Equity Tier 1 <sup>(1)</sup>	527,446	521,472	515,899	526,069	502,915
Long-term borrowings and other instruments qualifying as Tier 1	13,661	13,661	13,661	13,661	13,661
Tier 1 minority interest not included in common equity Tier 1 capital	(404)	(138)	(20)	377	208
Total Tier 1 capital	540,703	534,995	529,540	540,107	516,784
Allowance for credit losses	55,058	50,853	43,623	55,506	56,051
Subordinated debentures, net of issuance costs	19,540	19,521	20,000	—	59,256
Total capital	\$ 615,301	\$ 650,369	\$ 593,163	\$ 595,613	\$ 632,091

<sup>(1)</sup> 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 CET1 ratio; those changes were fully phased in through the end of calendar year 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.

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Total stockholders' equity	\$ 673,244	\$ 659,133	\$ 645,140	\$ 724,774	\$ 763,406
Less: Goodwill	309,505	309,505	309,505	309,505	309,505
Less: Intangible assets	22,998	24,433	25,691	27,088	29,290
Tangible common equity	340,741	325,195	309,944	388,181	424,611
Less: AOCI	(187,829)	(201,690)	(213,080)	(131,407)	(69,374)
Tangible common equity excluding AOCI	\$ 528,570	\$ 526,885	\$ 523,024	\$ 519,588	\$ 493,985

**Conference Call**

The Company will host a conference call and earnings webcast at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) on Wednesday, April 26, 2023. The live webcast of the call can be accessed from Pathward's Investor Relations website at [www.pathwardfinancial.com](http://www.pathwardfinancial.com). Telephone participants may access the conference call by dialing 1-833-470-1428 (International: +1-929-526-1599) approximately 10 minutes prior to start time and reference access code 909186. A webcast replay will also be archived at [www.pathwardfinancial.com](http://www.pathwardfinancial.com) for one year.

**About Pathward Financial, Inc.**

Pathward Financial, Inc.(Nasdaq: CASH) is a U.S.-based financial holding company driven by its purpose to power financial inclusion for all. Through our subsidiary, Pathward®, N.A., we strive to increase financial availability, choice, and opportunity across our Banking as a Service and Commercial Finance business lines. These strategic business lines provide end-to-end support to individuals and businesses. Learn more at [www.pathwardfinancial.com](http://www.pathwardfinancial.com).

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## Forward-Looking Statements

The Company and the Bank may from time to time make written or oral “forward-looking statements,” including statements contained in this press release, the Company’s filings with the SEC, the Company’s reports to stockholders, and in other communications by the Company and the Bank, 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 including our earnings per share guidance and related performance expectations; the impact of measures expected to increase efficiencies or reduce expenses; customer retention; 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 the Company’s 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: 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; 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; 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 the recent bank failures; 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 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 prepaid card and tax refund advance businesses, the risk of reduced volume of refund advance loans as a result of reduced customer demand for or usage of the Bank’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 the Bank 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 press release speak only as of the date hereof. 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, 2022, 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.

**Condensed Consolidated Statements of Financial Condition (Unaudited)**

(Dollars in Thousands, Except Share Data)

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
<b>ASSETS</b>					
Cash and cash equivalents	\$ 432,598	\$ 369,169	\$ 388,038	\$ 157,260	\$ 237,680
Securities available for sale, at fair value	1,825,563	1,847,778	1,882,869	1,956,523	2,043,478
Securities held to maturity, at amortized cost	38,713	40,565	41,682	43,877	47,287
Federal Reserve Bank and Federal Home Loan Bank Stock, at cost	29,387	28,812	28,812	28,812	28,812
Loans held for sale	24,780	17,148	21,071	67,571	31,410
Loans and leases	3,725,616	3,509,730	3,536,305	3,688,566	3,730,190
Allowance for credit losses	(84,304)	(52,592)	(45,947)	(75,206)	(88,552)
Accrued interest receivable	22,434	20,170	17,979	16,818	19,115
Premises, furniture, and equipment, net	39,735	41,029	41,710	42,076	43,167
Rental equipment, net	210,844	231,129	204,371	222,023	213,033
Goodwill and intangible assets	332,503	333,938	335,196	336,593	338,795
Other assets	270,387	272,349	295,324	243,265	242,824
<b>Total assets</b>	<b>\$ 6,868,256</b>	<b>\$ 6,659,225</b>	<b>\$ 6,747,410</b>	<b>\$ 6,728,178</b>	<b>\$ 6,887,239</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Deposits	5,902,696	5,789,132	5,866,037	5,710,799	5,829,886
Short-term borrowings	43,000	—	—	—	—
Long-term borrowings	34,543	34,977	36,028	16,616	91,386
Accrued expenses and other liabilities	214,773	175,983	200,205	275,989	202,561
<b>Total liabilities</b>	<b>6,195,012</b>	<b>6,000,092</b>	<b>6,102,270</b>	<b>6,003,404</b>	<b>6,123,833</b>
<b>STOCKHOLDERS' EQUITY</b>					
Preferred stock	—	—	—	—	—
Common stock, \$.01 par value	271	282	288	294	294
Common stock, Nonvoting, \$.01 par value	—	—	—	—	—
Additional paid-in capital	623,250	620,681	617,403	615,159	612,917
Retained earnings	245,046	246,891	245,394	244,686	223,760
Accumulated other comprehensive loss	(187,829)	(201,690)	(213,080)	(131,407)	(69,374)
Treasury stock, at cost	(6,943)	(6,824)	(4,835)	(4,623)	(4,513)
<b>Total equity attributable to parent</b>	<b>673,795</b>	<b>659,340</b>	<b>645,170</b>	<b>724,109</b>	<b>763,084</b>
Noncontrolling interest	(551)	(207)	(30)	665	322
<b>Total stockholders' equity</b>	<b>673,244</b>	<b>659,133</b>	<b>645,140</b>	<b>724,774</b>	<b>763,406</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 6,868,256</b>	<b>\$ 6,659,225</b>	<b>\$ 6,747,410</b>	<b>\$ 6,728,178</b>	<b>\$ 6,887,239</b>

**Condensed Consolidated Statements of Operations (Unaudited)**

(Dollars in Thousands, Except Share and Per Share Data)

	Three Months Ended			Six Months Ended	
	March 31, 2023	December 31, 2022	March 31, 2022	March 31, 2023	March 31, 2022
Interest and dividend income:					
Loans and leases, including fees	\$ 83,879	\$ 68,396	\$ 75,540	\$ 152,275	\$ 140,575
Mortgage-backed securities	10,326	10,412	5,446	20,738	9,310
Other investments	10,482	6,252	4,191	16,734	8,183
	<u>104,687</u>	<u>85,060</u>	<u>85,177</u>	<u>189,747</u>	<u>158,068</u>
Interest expense:					
Deposits	2,096	142	165	2,238	306
FHLB advances and other borrowings	1,186	861	1,212	2,047	2,349
	<u>3,282</u>	<u>1,003</u>	<u>1,377</u>	<u>4,285</u>	<u>2,655</u>
<b>Net interest income</b>	<b>101,405</b>	<b>84,057</b>	<b>83,800</b>	<b>185,462</b>	<b>155,413</b>
Provision for credit losses	<u>36,763</u>	<u>9,776</u>	<u>32,302</u>	<u>46,539</u>	<u>32,488</u>
<b>Net interest income after provision for credit losses</b>	<b>64,642</b>	<b>74,281</b>	<b>51,498</b>	<b>138,923</b>	<b>122,925</b>
Noninterest income:					
Refund transfer product fees	30,205	677	27,805	30,882	28,384
Refund advance fee income	37,995	617	39,299	38,612	40,532
Card and deposit fees	42,087	37,718	26,520	79,805	51,889
Rental income	12,940	12,708	11,375	25,648	22,452
Gain (loss) on sale of securities	82	—	260	82	397
Gain on sale of trademarks	—	10,000	—	10,000	50,000
Gain (loss) on sale of other	(748)	502	626	(246)	(2,839)
Other income	<u>4,477</u>	<u>3,555</u>	<u>3,881</u>	<u>8,032</u>	<u>5,542</u>
<b>Total noninterest income</b>	<b>127,038</b>	<b>65,777</b>	<b>109,766</b>	<b>192,815</b>	<b>196,357</b>
Noninterest expense:					
Compensation and benefits	47,547	43,017	45,047	90,564	83,272
Refund transfer product expense	7,863	105	6,260	7,968	6,398
Refund advance expense	1,603	27	2,002	1,630	2,185
Card processing	26,924	22,683	7,457	49,607	14,629
Occupancy and equipment expense	8,510	8,312	8,500	16,822	16,849
Operating lease equipment depreciation	14,719	9,628	8,737	24,347	17,185
Legal and consulting	4,921	9,459	9,347	14,380	15,555
Intangible amortization	1,435	1,258	2,169	2,693	3,657
Impairment expense	500	24	—	524	—
Other expense	<u>13,114</u>	<u>10,546</u>	<u>13,641</u>	<u>23,660</u>	<u>25,866</u>
<b>Total noninterest expense</b>	<b>127,136</b>	<b>105,059</b>	<b>103,160</b>	<b>232,195</b>	<b>185,596</b>
<b>Income before income tax expense</b>	<b>64,544</b>	<b>34,999</b>	<b>58,104</b>	<b>99,543</b>	<b>133,686</b>
Income tax expense (benefit)	<u>9,176</u>	<u>6,577</u>	<u>8,002</u>	<u>15,753</u>	<u>22,278</u>
<b>Net income before noncontrolling interest</b>	<b>55,368</b>	<b>28,422</b>	<b>50,102</b>	<b>83,790</b>	<b>111,408</b>
Net income (loss) attributable to noncontrolling interest	597	580	851	1,177	833
<b>Net income attributable to parent</b>	<b>\$ 54,771</b>	<b>\$ 27,842</b>	<b>\$ 49,251</b>	<b>\$ 82,613</b>	<b>\$ 110,575</b>
<b>Less: Allocation of Earnings to participating securities<sup>(1)</sup></b>	<b>839</b>	<b>402</b>	<b>815</b>	<b>1,228</b>	<b>1,773</b>
<b>Net income attributable to common shareholders<sup>(1)</sup></b>	<b>53,932</b>	<b>27,440</b>	<b>48,436</b>	<b>81,382</b>	<b>108,802</b>
<b>Earnings per common share:</b>					
Basic	\$ 1.99	\$ 0.98	\$ 1.66	\$ 2.95	\$ 3.66
Diluted	\$ 1.99	\$ 0.98	\$ 1.66	\$ 2.95	\$ 3.66
<b>Shares used in computing earnings per common share:</b>					
Basic	27,078,048	28,024,541	29,212,301	27,555,197	29,731,797
Diluted	27,169,569	28,086,823	29,224,362	27,632,737	29,748,832

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

### Average Balances, Interest Rates and Yields

The following table presents, for the periods indicated, the total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and in rates. Only the yield/rate reflects tax-equivalent adjustments. Nonaccruing loans and leases have been included in the table as loans carrying a zero yield.

Three Months Ended March 31,

	2023			2022		
	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>
(Dollars in thousands)						
<b>Interest-earning assets:</b>						
Cash and fed funds sold	\$ 564,656	\$ 5,843	4.20 %	\$ 810,857	\$ 721	0.36 %
Mortgage-backed securities	1,549,240	10,326	2.70 %	1,184,377	5,446	1.86 %
Tax exempt investment securities	149,912	990	3.39 %	189,213	903	2.45 %
Asset-backed securities	141,968	1,273	3.64 %	370,671	1,142	1.25 %
Other investment securities	298,030	2,376	3.23 %	282,655	1,425	2.05 %
Total investments	2,139,150	14,965	2.89 %	2,026,916	8,916	1.83 %
Commercial finance	3,056,293	60,765	8.06 %	2,852,147	48,872	6.95 %
Consumer finance	187,826	6,301	13.60 %	331,033	7,892	9.67 %
Tax services	448,659	10,555	9.54 %	594,166	11,599	7.92 %
Warehouse finance	321,334	6,258	7.90 %	467,298	7,177	6.23 %
Total loans and leases	4,014,112	83,879	8.47 %	4,244,644	75,540	7.22 %
<b>Total interest-earning assets</b>	<b>\$ 6,717,918</b>	<b>\$ 104,687</b>	<b>6.34 %</b>	<b>\$ 7,082,417</b>	<b>\$ 85,177</b>	<b>4.89 %</b>
Noninterest-earning assets	612,020			814,151		
<b>Total assets</b>	<b>\$ 7,329,938</b>			<b>\$ 7,896,568</b>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing checking	\$ 267	\$ —	0.33 %	\$ 289	\$ —	0.32 %
Savings	70,024	6	0.03 %	82,902	6	0.03 %
Money markets	125,193	71	0.23 %	102,473	53	0.21 %
Time deposits	6,948	2	0.11 %	8,682	10	0.49 %
Wholesale deposits	186,421	2,017	4.39 %	173,493	96	0.22 %
Total interest-bearing deposits	388,853	2,096	2.19 %	367,839	165	0.18 %
Overnight fed funds purchased	46,735	543	4.71 %	95,700	62	0.26 %
Subordinated debentures	19,523	354	7.34 %	74,940	1,002	5.49 %
Other borrowings	15,263	289	7.68 %	17,874	148	3.35 %
Total borrowings	81,541	1,196	5.90 %	187,614	1,212	2.62 %
<b>Total interest-bearing liabilities</b>	<b>470,394</b>	<b>3,282</b>	<b>2.83 %</b>	<b>555,453</b>	<b>1,377</b>	<b>1.01 %</b>
Noninterest-bearing deposits	5,997,739	—	— %	6,311,563	—	— %
<b>Total deposits and interest-bearing liabilities</b>	<b>\$ 6,468,133</b>	<b>\$ 3,282</b>	<b>0.21 %</b>	<b>\$ 6,867,036</b>	<b>\$ 1,377</b>	<b>0.08 %</b>
Other noninterest-bearing liabilities	191,360			213,962		
<b>Total liabilities</b>	<b>6,659,493</b>			<b>7,081,018</b>		
Shareholders' equity	670,445			815,550		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,329,938</b>			<b>\$ 7,896,568</b>		
Net interest income and net interest rate spread including noninterest-bearing deposits		\$ 101,405	6.13 %		\$ 83,800	4.81 %
<b>Net interest margin</b>			<b>6.12 %</b>			<b>4.80 %</b>
<b>Tax-equivalent effect</b>			<b>0.02 %</b>			<b>0.01 %</b>
<b>Net interest margin, tax-equivalent<sup>(2)</sup></b>			<b>6.14 %</b>			<b>4.81 %</b>

<sup>(1)</sup> Tax rate used to arrive at the TEY for the three months ended March 31, 2023 and 2022 was 21%.

<sup>(2)</sup> 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.

### Selected Financial Information

As of and For the Three Months Ended	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Equity to total assets	9.80 %	9.90 %	9.56 %	10.77 %	11.08 %
Book value per common share outstanding	\$ 24.88	\$ 23.36	\$ 22.41	\$ 24.69	\$ 26.00
Tangible book value per common share outstanding	\$ 12.59	\$ 11.53	\$ 10.77	\$ 13.22	\$ 14.46
Tangible book value per common share outstanding excluding AOCI	\$ 19.54	\$ 18.68	\$ 18.17	\$ 17.70	\$ 16.82
Common shares outstanding	27,055,727	28,211,239	28,788,124	29,356,707	29,362,844
Nonperforming assets to total assets	0.44 %	0.68 %	0.46 %	0.40 %	0.56 %
Nonperforming loans and leases to total loans and leases	0.76 %	1.16 %	0.82 %	0.71 %	0.95 %
Net interest margin	6.12 %	5.62 %	5.21 %	4.76 %	4.80 %
Net interest margin, tax-equivalent	6.14 %	5.64 %	5.23 %	4.77 %	4.81 %
Return on average assets	2.99 %	1.71 %	1.39 %	1.32 %	2.49 %
Return on average equity	32.68 %	17.18 %	12.82 %	11.93 %	24.16 %
Full-time equivalent employees	1,164	1,150	1,141	1,178	1,167

### Non-GAAP Reconciliations

#### Adjusted Net Income and Adjusted Earnings Per Share

	At and For the Three Months Ended			At and For the Six Months Ended	
	March 31, 2023	December 31, 2022	March 31, 2022	March 31, 2023	March 31, 2022
(Dollars in Thousands, Except Share and Per Share Data)					
Net Income - GAAP	\$ 54,771	\$ 27,842	\$ 49,251	\$ 82,613	\$ 110,575
Less: Gain on sale of trademarks	—	10,000	—	10,000	50,000
Less: Loss on disposal of certain mobile solar generators	(1,993)	—	—	(1,993)	—
Add: Accelerated depreciation on certain mobile solar generators	4,822	—	—	4,822	—
Add: Rebranding expenses	—	3,737	2,819	3,737	2,822
Add: Separation related expenses	—	11	878	11	965
Add: Impairment on Venture Capital investments	500	—	—	500	—
Add: Income tax effect resulting from the above listed items	(1,829)	1,575	(930)	(253)	11,641
Adjusted net income	\$ 60,257	\$ 23,165	\$ 52,018	\$ 83,423	\$ 76,002
Less: Adjusted allocation of earnings to participating securities	923	335	861	1,241	1,218
Adjusted Net Income attributable to common shareholders	59,334	22,830	51,157	82,182	74,784
Weighted average diluted common shares outstanding	27,169,569	28,086,823	29,224,362	27,632,737	29,748,632
Adjusted earnings per common share - diluted	\$ 2.18	\$ 0.81	\$ 1.75	\$ 2.97	\$ 2.51

#### Adjusted Diluted Earnings Per Share Guidance

(Earnings per share amounts)		
Diluted earnings per share - GAAP		Fiscal Year Ended 2023 (Guidance)
Less: Net extraordinary items, net of tax <sup>(1)</sup>		\$5.55 - \$5.95
Diluted earnings per share - Adjusted		\$0.15
		\$5.40 - \$5.80

<sup>(1)</sup> Includes gain on sale of trademarks and rebranding-related expenses.

**Pathward, N.A. Period-end Tier 1 Leverage**

(Dollars in thousands)

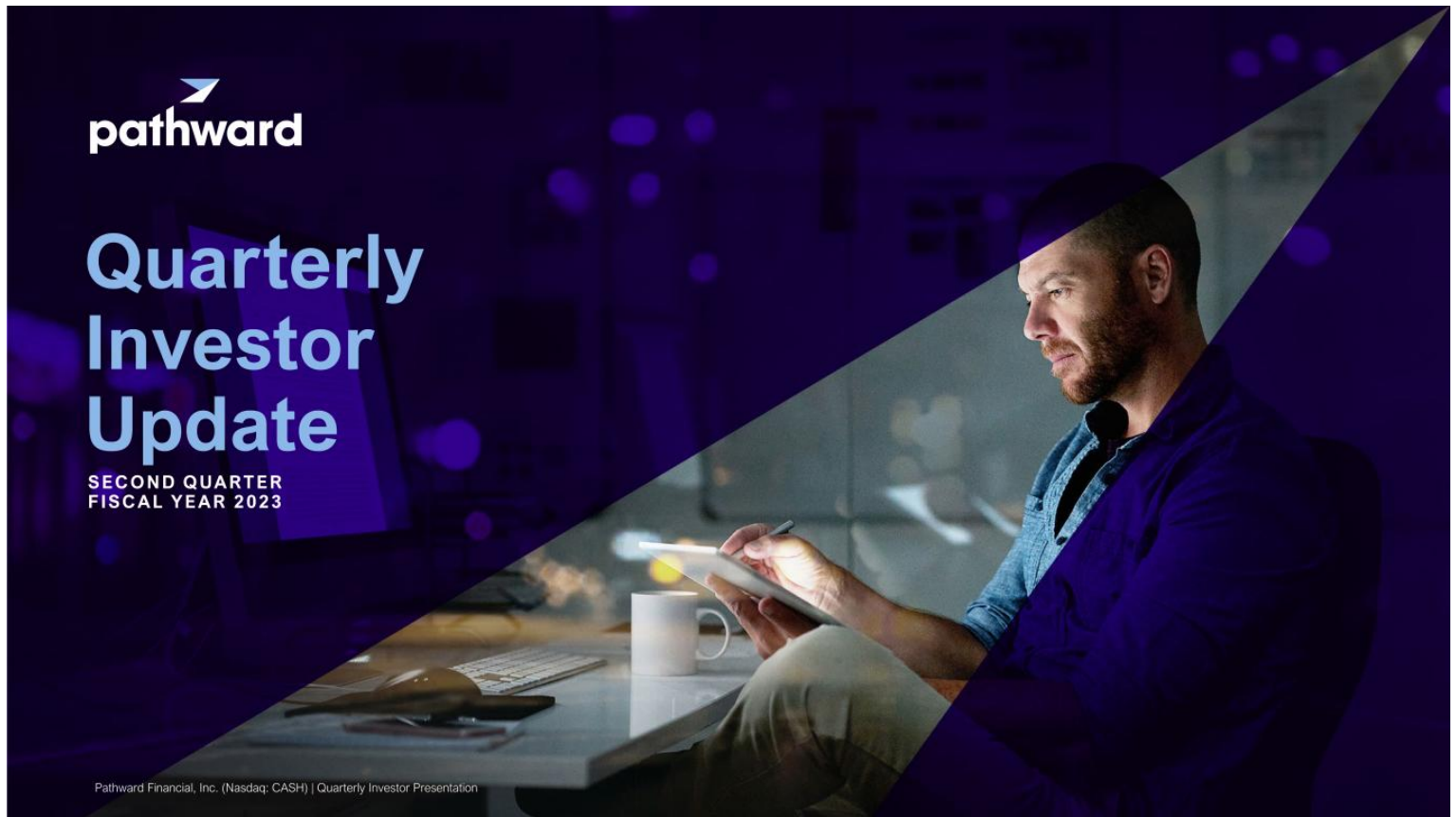
	March 31, 2023	
Total stockholders' equity	\$	705,060
Adjustments:		
LESS: Goodwill, net of associated deferred tax liabilities		298,390
LESS: Certain other intangible assets		23,553
LESS: Net deferred tax assets from operating loss and tax credit carry-forwards		13,219
LESS: Net unrealized gains (losses) on available for sale securities		(186,796)
LESS: Noncontrolling interest		(551)
ADD: Adoption of Accounting Standards Update 2016-13		2,017
Common Equity Tier 1		559,262
Tier 1 minority interest not included in common equity Tier 1 capital		—
Total Tier 1 capital	\$	559,262
Total Assets (Quarter Average)	\$	7,331,497
ADD: Available for sale securities amortized cost		244,799
ADD: Deferred tax		(61,665)
ADD: Adoption of Accounting Standards Updated 2016-13		2,017
LESS: Deductions from CET1		335,162
Adjusted total assets	\$	7,181,486
<b>Pathward, N.A. Regulatory Tier 1 Leverage</b>		<b>7.79 %</b>
Total Assets (Period End)	\$	6,869,121
ADD: Available for sale securities amortized cost		249,694
ADD: Deferred tax		(62,898)
ADD: Adoption of Accounting Standards Updated 2016-13		2,017
LESS: Deductions from CET1		335,162
Adjusted total assets	\$	6,722,772
<b>Pathward, N.A. Period-end Tier 1 Leverage</b>		<b>8.32 %</b>



# Quarterly Investor Update

SECOND QUARTER  
FISCAL YEAR 2023

Pathward Financial, Inc. (Nasdaq: CASH) | Quarterly Investor Presentation



# FORWARD LOOKING STATEMENTS

This investor update contains "forward-looking statements" which are made in good faith by Pathward Financial, Inc.<sup>TM</sup> (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.

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 and related performance expectations; the impact of measures expected to increase efficiencies or reduce expenses; customer retention; 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 loan and lease losses; technology; and the Company's 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: 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; 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; 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; 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<sup>TM</sup>, 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.

# Pathward is at the Hub of the Financial Ecosystem



<sup>1</sup> See slide 22 (Low-cost Deposits) for additional detail on deposit costs.

# BaaS Operates Through a Diverse Network of Partners and Four Solutions

- Issuing - one of the leading debit and prepaid card issuers in the country
- Tax - offer refund transfers and refund advances
- Payment - offer merchant acquiring and money movement, acting as the sponsor bank
- Credit - give partners the ability to offer lending solutions to a diverse credit pool



# Recent Banking Industry Events May Provide Opportunities for Pathward

Deposits, on and off-balance sheet, totaled almost \$8 billion at quarter end

Companies are seeking a stable, established partner like Pathward

Ensure deals fit with Pathward's purpose, risk profile and return aspirations

# Commercial Finance Offers Financing Primarily to Small- and Medium-Sized Businesses



- Operate in a unique position between traditional banks and finance companies
- Portfolio is diversified and structured to provide opportunity regardless of the economic cycle
- Higher yields are primarily due to human capital and due diligence in underwriting process and throughout the life of the loan

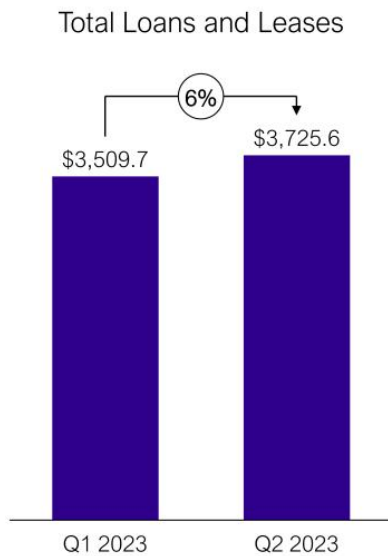
# Annual Net Charge-Off Rates Remain Stable Over Time

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

Pathward Acquires  
Crestmark

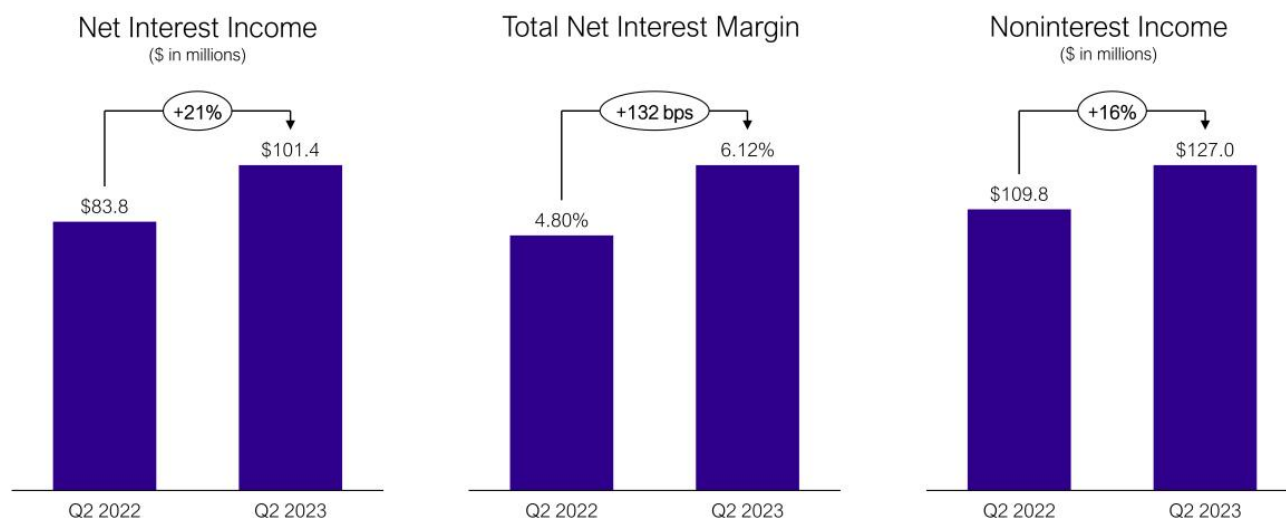


# Total Loans and Leases Increased from Q1 2023



- Linked quarter increase driven by growth in Commercial Finance and Warehouse Finance
- Roughly flat to Q2 2022
- Credit quality remains strong
- Nonperforming loans and leases of 0.76% are lower than Q1 2023 by 40 basis points

# Second Quarter Results Driven by NIM Expansion and Growth in Noninterest Income



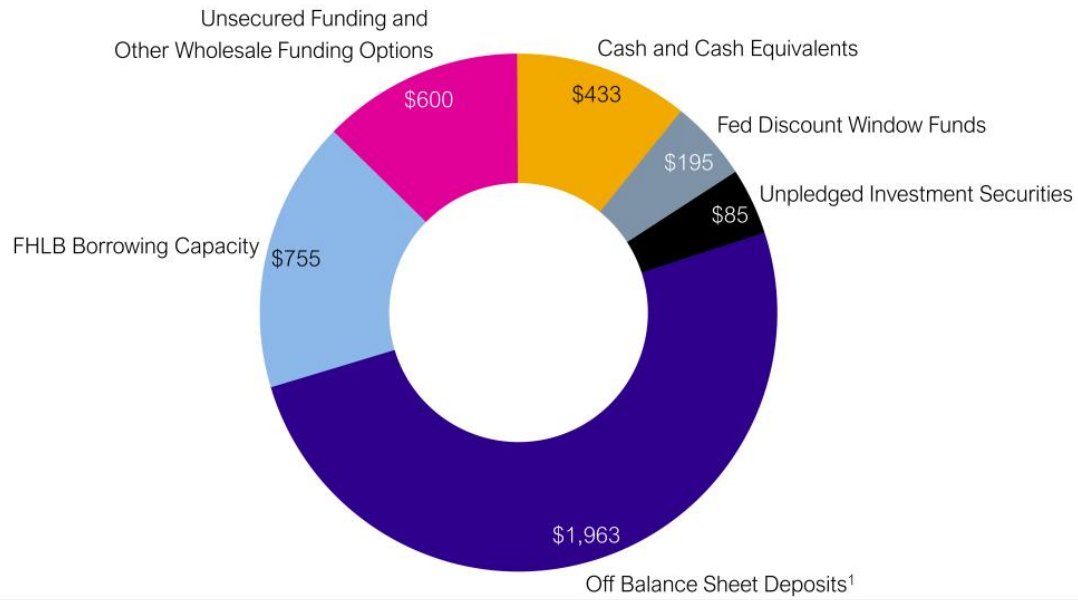
# Total Deposit Base Remains Strong

\$7.9B in Total Deposits<sup>1</sup>



# Pathward's Balance Sheet is Strong With Over \$4 Billion in Available Liquidity

(\$ in millions)



# Reaffirming Fiscal Year 2023 Earnings Guidance

(Earnings per share amounts)	Guidance
<b>Diluted earnings per share - GAAP</b>	<b>\$5.55 - \$5.95</b>
Less: Net FY2023 Q1 extraordinary items, net of tax <sup>1</sup>	\$0.15
<b>Diluted earnings per share - Adjusted</b>	<b>\$5.40 - \$5.80</b>

<sup>1</sup> Includes gain on sale of trademarks and rebranding-related expenses.

## *Guidance includes the following assumptions:*

- Impact from EIP deposit balance decline in Fiscal Year 2023
- Federal Funds Target Rate remains at 5% in second half of Fiscal Year 2023
- Tax rate in the range of 12-15% for Fiscal Year 2023



# Q&A

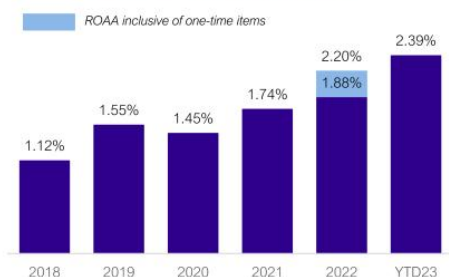


# Investment Highlights

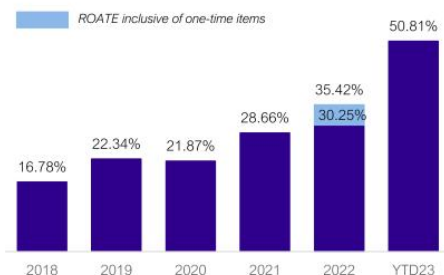
- 1 Record of strong earnings growth and **profitability** above banking industry averages
- 2 Excess capital generating business enables ongoing return of **value** to shareholders
- 3 Experienced **leader** in fast-growing Banking as a Service (BaaS) sector, with diversified portfolio of high-quality 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 and Profitability<sup>1</sup>

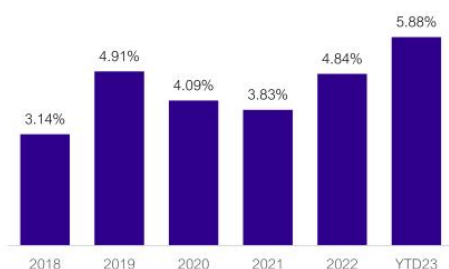
Return on Average Assets<sup>2</sup>



Return on Average Tangible Equity<sup>2</sup>



Net Interest Margin



Earnings Per Common Share



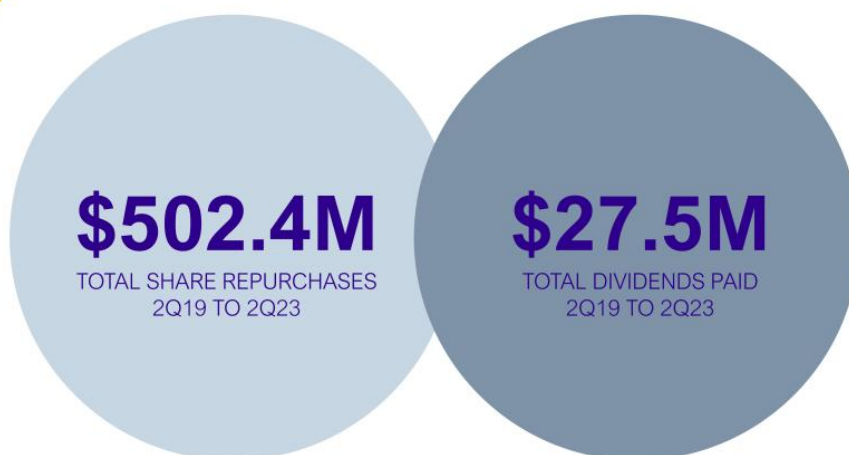
# Return of Capital to Shareholders

## HIGHLIGHTS

- Pathward's track record of profitability, combined with its commitment to maintaining the size of its balance sheet, enables the return of the majority of earnings through repurchases and dividends.
- Targeting regulatory capital leverage ratio above 8% and total risk weighted capital ratio above 12%.
- Paid dividend every quarter dating back to 1994.
- Executed \$54.7 million of share repurchases in 2Q23.

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

### Capital Returned to Shareholders



Note: Repurchased common shares include shares withheld to cover income taxes owed by participants related to share-based incentive plans.

# Continued Progress on Key Strategic Initiatives



## OPTIMIZE INTEREST-EARNING PORTFOLIO, TO EMPHASIZE HIGHER-RETURN ASSETS

- Improved yield on earning assets to 6.34% for 2Q23 as compared to 4.89% for 2Q22.
- Grew commercial finance loans by \$218 million, or 7%, from March 31, 2022.
- \$1.9 billion securities portfolio provides cash flow for future commercial finance loan growth.



## OPTIMIZE DEPOSIT MIX, TO MAINTAIN A STABLE, LOW-COST DEPOSIT BASE

- Low-cost of deposits<sup>2</sup> driven by high levels of noninterest deposits (96% of total deposits).
- Achieved 0.21% cost of funds from all deposits and borrowings and total cost of deposits of 0.13% for 2Q23<sup>2</sup>.
- \$1.96 billion of off-balance sheet customer deposits in custody of program banks.
- Prioritizing stable BaaS deposits, which can generate higher levels of fee income.



## TARGET OF 2X OPERATING LEVERAGE

- Efficiency ratio of 68.81% compared to 59.83% as of March 31, 2022.<sup>1</sup>
- Ongoing initiatives to drive long-term simplification and optimize existing business platforms through the establishment of a business transformation office.

<sup>1</sup> Adjusted efficiency ratio (excluding the gain on sale of trademarks and rebranding expenses) for the twelve months ended March 31, 2023 was 67.65%. See appendix for Non-GAAP financial measures reconciliations.

<sup>2</sup> See slide 22 (Low-cost Deposits) for additional detail on deposit costs.

# Summary Financial Results

Second Quarter Ended March 31, 2023

## INCOME STATEMENT

(\$ in thousands, except per share data)

	2Q22	1Q23	2Q23
Net interest income	83,800	84,057	101,406
Provision for credit losses	32,302	9,776	36,763
Total noninterest income	109,766	65,777	127,038
Total noninterest expense	103,160	105,059	127,136
Net income before taxes	58,104	34,999	64,544
Income tax expense (benefit)	8,002	6,577	9,176
Net income before non-controlling interest	50,102	28,422	55,368
Net income (loss) attributable to non-controlling interest	851	580	597
<b>Net income attributable to parent</b>	<b>49,251</b>	<b>27,842</b>	<b>54,771</b>
Less: Allocation of earnings to participating securities <sup>1</sup>	815	402	839
Net income attributable to common shareholders <sup>1</sup>	48,436	27,440	53,932
<b>Earnings per share, diluted</b>	<b>\$1.66</b>	<b>\$0.98</b>	<b>\$1.99</b>
Average diluted shares	29,224,362	28,086,823	27,169,569

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

**Revenue of \$228.4 million, an 18% increase compared to \$193.6 million for the same quarter in fiscal 2022.**

- Second quarter 2023 includes a \$2.0 million loss on the disposal of solar mobile generators.
- Net interest income increased \$17.6 million compared to the prior year due to increased yields and an improved earning asset mix.
- Card and deposit fee income increased \$15.6 million, which included \$18.2 million from servicing fee income on off-balance sheet deposits.
- Total tax product fee income increased \$1.1 million year-over-year.

**Noninterest expense of \$127.1 million, an increase of 23% compared to \$103.2 million for the fiscal 2022 second quarter.**

- The increase in expense was primarily driven by contractual card processing expenses and operating lease equipment depreciation.
- Card processing expenses related to structured agreements with BaaS partners were \$20.4 million for the quarter, as compared to \$0.2 million in the prior year.
- Second quarter 2023 expenses included \$4.8 million of accelerated depreciation associated with one company with which had three legacy solar transactions that turned out to be fraudulent as well as a \$0.5 million venture capital impairment.

# Balance Sheet Highlights

Second Quarter Ended March 31, 2023

## BALANCE SHEET

(\$ in thousands)

	PERIOD ENDING		
	2Q22	1Q23	2Q23
Cash and cash equivalents	237,680	369,169	432,598
Investments	2,090,765	1,888,343	1,864,276
Loans held for sale	31,410	17,148	24,780
Loans and leases (HFI)	3,730,190	3,509,730	3,725,616
Allowance for credit losses	(88,552)	(52,592)	(84,304)
Other assets	885,746	927,427	905,290
<b>Total assets</b>	<b>6,887,239</b>	<b>6,659,225</b>	<b>6,868,256</b>
Total deposits	5,829,886	5,789,132	5,902,696
Total borrowings	91,386	34,977	77,543
Other liabilities	202,561	175,983	214,773
<b>Total liabilities</b>	<b>6,123,833</b>	<b>6,000,092</b>	<b>6,195,012</b>
Total stockholders' equity	763,406	659,133	673,244
<b>Total liabilities and stockholders' equity</b>	<b>6,887,239</b>	<b>6,659,225</b>	<b>6,868,256</b>
Loans (HFI) / Deposits	64%	61%	63%
Net Interest Margin	4.80%	5.62%	6.12%
Return on Average Assets	2.49%	1.71%	2.99%
Return on Average Equity	24.16%	17.18%	32.68%

# 2023 Tax Season Update

Refund advances ("RAs") and refund transfers ("RTs") leverage Banking as a Service ("BaaS") infrastructure and are core to Pathward's purpose, allowing consumers quicker access to their money.

- Total tax product revenue is up slightly through the six months ended March 31, 2023.
- RA originations of \$1.46 billion compared to \$1.83 billion in the 2022 tax season.
  - Customer appetite for refund advances returned in 2023 after having been tempered in the 2022 tax season by remaining government stimulus funds.
  - Approximate average loan size of \$1,382 compared to \$1,263 in 2022.
- Provision for tax services products increased from the prior year's tax season primarily due to a shift in mix in Refund Advances from partnership channels to independent tax providers.

TAX SERVICES ECONOMICS (\$ in millions)	Three Months Ended			Six Months Ended		
	March 31, 2023	March 31, 2022	% Change	March 31, 2023	March 31, 2022	% Change
Net interest income (expense)	2.81	1.22	131%	2.86	2.36	21%
RA product income	37.99	39.30	(3)%	38.61	40.53	(5)%
RT product income	30.21	27.80	9%	30.88	28.38	9%
<b>Total revenue</b>	<b>71.01</b>	<b>68.32</b>	<b>4%</b>	<b>72.35</b>	<b>71.27</b>	<b>2%</b>
Total expense	9.47	8.26	15%	9.60	8.58	12%
Provision for credit losses	31.42	28.97	8%	33.06	28.26	17%
<b>Net income, pre-tax</b>	<b>30.12</b>	<b>31.08</b>	<b>(3)%</b>	<b>29.69</b>	<b>34.43</b>	<b>(14)%</b>
Total refund advance originations				\$ 1,459	\$ 1,834	(20)%
Approximate loss rate <sup>1</sup> (6 months)				2.27%	1.68%	35%

<sup>1</sup> Approximate loss rate calculated by taking provision for loan & lease losses divided by total refund advance originations. It also includes recoveries from prior tax season, except for an exclusion of a large recovery in FY22 from the FY21 season.

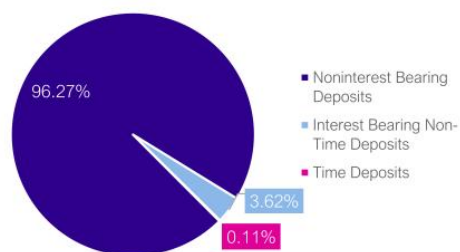
Tax season at Pathward ramps up during the first fiscal quarter, peaks during the second fiscal quarter, and wraps up during the third fiscal quarter. As a result, performance for the six months ended March 31 is a better reflection on the overall performance for tax season as it alleviates timing differences between quarters.

# Low-cost Deposits

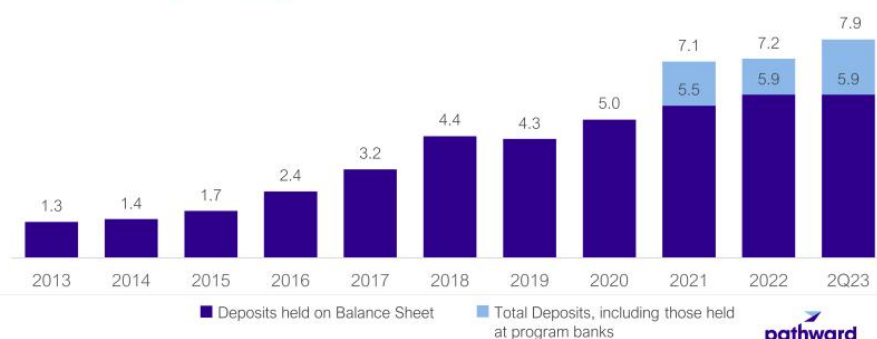
## HIGHLIGHTS

- Pathward's BaaS business generates fee income and low-cost deposits leading to high levels of noninterest-bearing deposits (96% of total deposits).
- The BaaS business' ability to attract and maintain these low-cost deposits provides a powerful competitive advantage.
- Noninterest-bearing deposits as a percentage of total deposits has increased every year since 2018, from 54% in 4Q18 to 96% as of 2Q23.
- \$1.96 billion of off-balance sheet customer deposits currently held in custody at program banks. These off-balance sheet deposits earn recordkeeping service fee income, typically reflective of the Effective Fed Funds Rate.
- 2Q23 deposits elevated due to seasonal tax activity.

Deposit Breakdown



End of Period Deposits (\$B)

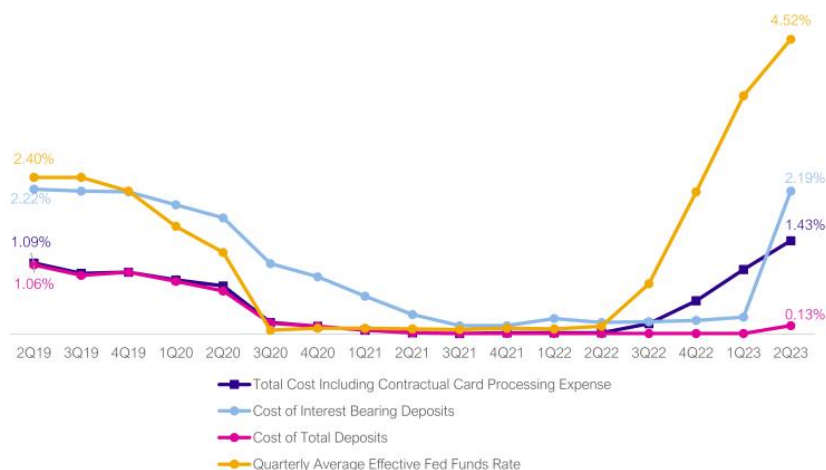


# Low-cost Deposits

## HIGHLIGHTS

- Pathward is benefitting from the deposit optimization strategy that included transitioning away from higher cost interest-bearing wholesale deposits in favor of growing BaaS deposits.
- As of March 31, 2023, approximately 47% of the deposit balances were subject to variable card processing expenses, derived from contractual agreements with certain BaaS partners tied to a rate index, typically the Effective Fed Funds Rate.
- These costs reprice immediately upon a change in the applicable rate index, leading to an instant cost increase as compared to the earning-asset yields that will generally experience more of a lag in repricing.
- As of March 31, 2023, Pathward also managed \$1.96 billion in off-balance sheet deposits that earned \$18.2 million of fee income during the fiscal second quarter. That income is also reflective of the Effective Fed Funds Rate.

## Cost of Deposits

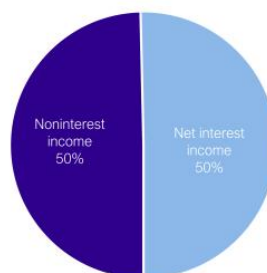


# Diversified Noninterest Income Streams

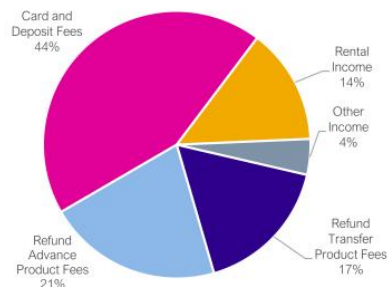
## HIGHLIGHTS

- Noninterest income represents 50% of fiscal year-to-date total revenue.
- Majority of noninterest income fees are generated by the Company's BaaS business line. Other major items include leasing rental income and other loan & lease fees.
- Pathward's large fee income base provides stability through interest rate and credit cycles, while propelling continued revenue growth.
- In the first quarter of Fiscal Year 2023, the Company recognized \$10 million of fee income associated with the sale of the Meta trademarks.
- The majority of Pathward's tax season revenue comes during the second quarter of each fiscal year.

FYTD 2023 Revenue Breakdown<sup>1</sup>



FYTD 2023 Noninterest Income Breakdown<sup>1</sup>



<sup>1</sup> Excludes gain on sale of trademarks.

# Overview of Loan Portfolio

(\$ in millions)		Business Line	Balance Sheet Category	2Q22	1Q23	2Q23	MRQ Yield	% of Total
Commercial Finance	<b>Structured Finance</b>							
		Guaranteed portion of US govt SBA/USDA loans	SBA/USDA	61.7	196.0	243.6		
		Unguaranteed portion of US govt SBA/USDA loans	SBA/USDA	109.5	152.3	157.3		
		Paycheck Protection Program (PPP) loans	SBA/USDA	43.0	8.8	4.7		
		Renewable energy debt financing <sup>1</sup> (term lending only)	Term lending	273.7	114.7	132.4		
		Other	Term lending	310.0	365.5	378.1		
		<b>TOTAL</b>		<b>797.9</b>	<b>837.3</b>	<b>916.1</b>	<b>5.82%</b>	<b>25%</b>
	<b>Equipment Finance</b>							
		Large ticket	Lease financing	205.8	170.1	153.6		
			Term lending	261.4	444.4	501.9		
		Small ticket	Lease financing	18.6	12.0	10.1		
			Term lending	265.9	235.5	223.1		
		Other	Lease financing	11.0	7.7	7.0		
		<b>TOTAL</b>		<b>762.7</b>	<b>869.7</b>	<b>895.7</b>	<b>6.73%</b>	<b>24%</b>
	<b>Working Capital</b>							
			Asset-based lending	382.4	359.5	378.0		
			Factoring	394.9	338.6	338.9		
		<b>TOTAL</b>		<b>777.3</b>	<b>698.1</b>	<b>716.9</b>	<b>13.32%</b>	<b>19%</b>
	<b>Specialty Finance</b>							
			Insurance premium finance	403.7	437.0	437.7		
			Other commercial finance	173.3	164.7	166.4		
		<b>TOTAL</b>		<b>577.0</b>	<b>601.7</b>	<b>604.1</b>	<b>7.32%</b>	<b>16%</b>
Consumer Lending		Consumer credit programs	Consumer credit programs	171.8	130.8	120.7		
		Private student loans	Other consumer finance	87.1	-	-		
		Other consumer lending	Other consumer finance	24.8	56.2	27.9		
		<b>TOTAL</b>		<b>283.7</b>	<b>187.0</b>	<b>148.6</b>	<b>13.60%</b>	<b>4%</b>
Tax Services		Tax preparer loans	Tax services	5.9	30.4	0.6		
		Refund advance loans	Tax services	80.1	-	60.9		
		<b>TOTAL</b>		<b>86.0</b>	<b>30.4</b>	<b>61.5</b>	<b>9.54%</b>	<b>2%</b>
Corporate			Warehouse finance	441.5	279.9	377.0		
		<b>TOTAL</b>		<b>441.5</b>	<b>279.9</b>	<b>377.0</b>	<b>7.90%</b>	<b>10%</b>
<b>Total Lending Portfolio (HFI)</b>				<b>3,726.1</b>	<b>3,504.1</b>	<b>3,719.9</b>	<b>8.47%</b>	<b>100%</b>

# Commercial Finance Attributes by Asset Class



## 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

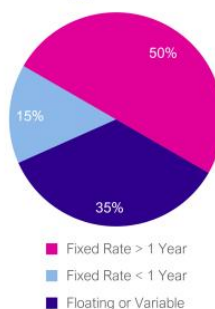
- Short-term financing to facilitate the purchase of property, casualty, and liability insurance premiums
- Average term of 10 months
- Fixed rate loans
- Collateralized by insurance premiums
- Very low historical loss rate

# Loan Portfolio Interest Rate Sensitivity

## HIGHLIGHTS

- As of March 31, 2023, \$1.3B, or 35% of loans and leases contained floating or variable interest rates. Of these, \$0.8B are tied to Fed Funds or Prime, with the remaining tied to either LIBOR, SOFR or the CMT.
- As of March 31, 2023, all variable loans with floors were at or above their floors.
- Due to the recent sharp rise in interest rates, asset mix changes and overall market conditions, a continued lag is expected before new and existing loans fully reprice.

## Total Loan and Lease Portfolio Pricing Attributes<sup>1</sup>



<sup>1</sup> Fixed rate loans and leases are shown for contractual periods.

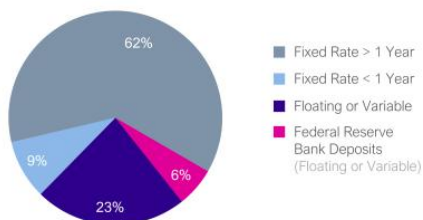
## Net Interest Margin and Loan Yields



<sup>1</sup> Declines in NIM in FY20 and FY21 associated with elevated cash balances from government stimulus programs  
<sup>2</sup> Non-GAAP NIM includes contractual card processing expenses associated with higher interest rates

# Interest Rate Risk Management March 31, 2023

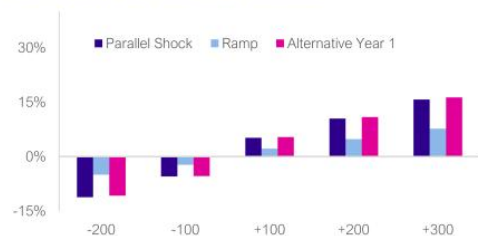
## Earning Asset Pricing Attributes<sup>1</sup>



<sup>1</sup> Fixed rate securities, loans and leases are shown for contractual periods.

- Data presented on this page is reflective of the company's asset mix at a point in time and calculated for regulatory purposes. Future rate changes would impact a multitude of variables beyond the company's control, and as a result, the data presented is not intended to be used for forward-looking modeling purposes.
- Management's focus is on selectively adding duration to improve yield and protect margin against falling rates.
- Interest rate risk modeling shows asset sensitive balance sheet; net interest income graph shows impact of an instantaneous, parallel rate shock, a gradual parallel ramp, and an alternative view.
- Management employs rigorous modeling techniques under a variety of yield curve shapes, twists and ramps.

## 12-Month Interest Rate Sensitivity from Base Net Interest Income



Parallel Shock is a statutorily required calculation of the impact of an immediate rise in rates, assuming other variables remain unchanged. Ramp reflects additional modeling of more gradual increases in interest rates. Alternative Year 1 mirrors the Parallel Shock scenario with the additional incorporation of the company's card fee income and card processing expenses impacted by interest rates.

## Asset/Liability Gap Analysis



# Asset Quality

## Nonperforming Assets ("NPAs")

(\$ in millions)



## Nonperforming Loans ("NPLs")

(\$ in millions)



## Adjusted Net Charge-Offs ("NCOs")<sup>1</sup>

Excludes Tax Services NCOs and Related Seasonal Average Loans  
(\$ in millions)



### KEY CREDIT METRICS

- Annualized adjusted net charge-offs<sup>1</sup>:
  - 0.68% of average loans in 2Q23
  - 0.46% of average loans over last 12 months
- Allowance for credit loss of \$84.3 million, or 2.27% of total loans and leases, an 11bps decrease from the prior year.
- The decrease in NPAs / NPLs was driven by a reduction in nonperforming commercial finance loans. Consumer finance increased slightly 2Q23 as compared to 1Q23.

# Capital and Sources of Liquidity

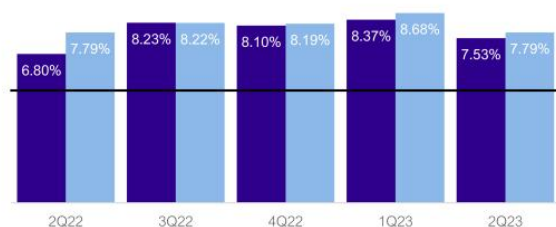
Regulatory Capital as of March 31, 2023

At March 31, 2023 <sup>1</sup>	Pathward Financial, Inc.	Pathward, N.A.
Tier 1 Leverage	7.53%	7.79%
Common Equity Tier 1	12.05%	12.77%
Tier 1 Capital	12.35%	12.77%
Total Capital	14.06%	14.03%

Primary & Secondary Liquidity Sources (\$ in millions)	
Cash and Cash Equivalents	\$433
Unpledged Investment Securities	\$85
FHLB Borrowing Capacity	\$755
Funds Available through Fed Discount Window	\$195
Unsecured Funding Providers	\$600
Deposit Balances Held at Other Banks	\$1,963
<b>Total Liquidity</b>	<b>\$4,031</b>

<sup>1</sup> Regulatory capital reflects the Company's election of the five-year CECL transition for regulatory capital purposes. Amounts are preliminary pending completion and filing of the Company's regulatory reports.

Tier 1 Leverage Ratio



Total Capital Ratio



Minimum Requirement to be Well-Capitalized under Prompt Corrective Action Provisions

# APPENDIX

# Non-GAAP Reconciliation

## Adjusted Net Income and Adjusted Earnings Per Share

	For the quarter ended		
	2 Q 22	1 Q 23	2 Q 23
(\$ in thousands, except per share data)			
<b>Net income - GAAP</b>	<b>49,251</b>	<b>27,842</b>	<b>54,771</b>
Less: Gain on sale of trademarks	-	10,000	-
Less: Loss on disposal of certain solar mobile generators	-	-	(1,993)
Add: Accelerated depreciation on certain solar mobile generators	-	-	4,822
Add: Rebranding expenses	2,819	3,737	-
Add: Separation related expenses	878	11	-
Add: Impairment on Venture Capital investments	-	-	500
Add: Income tax effect	(930)	1,575	(1,829)
Adjusted net income	52,018	23,165	60,257
Less: Allocation of earnings to participating securities <sup>1</sup>	861	335	923
<b>Adjusted net income attributable to common shareholders</b>	<b>51,157</b>	<b>22,830</b>	<b>59,334</b>
<b>Adjusted earnings per common share, diluted</b>	<b>\$1.75</b>	<b>\$0.81</b>	<b>\$2.18</b>
Average diluted shares	29,224,362	28,086,823	27,169,569

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

# Non-GAAP Reconciliation

## Adjusted Annualized NCOs and Adjusted Loans and Leases

(\$ in thousands)	For the quarter ended				
	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	March 31, 2023
Net charge-offs	11,226	12,198	26,664	3,217	4,975
Less: Tax services net charge-offs (recoveries)	(183)	7,992	22,594	1,033	(1,064)
Adjusted net charge-offs	11,409	4,206	4,050	2,184	6,039
Quarterly average loans and leases	4,244,644	3,747,631	3,618,678	3,524,924	4,014,112
Less: Quarterly average tax services loans	594,166	62,934	35,484	25,231	448,659
Adjusted Quarterly average loans and leases	3,650,478	3,684,697	3,583,194	3,499,693	3,565,453
Annualized NCOs/average loans and leases	1.06%	1.30%	2.95%	0.37%	0.50%
Adjusted annualized NCOs/adjusted average loans and leases <sup>1</sup>	1.25%	0.46%	0.45%	0.25%	0.68%

<sup>1</sup> Tax services NCOs and average loans are excluded to adjust for the cyclical activity related to the overall economics of the Company's tax services business line.

# Non-GAAP Reconciliation

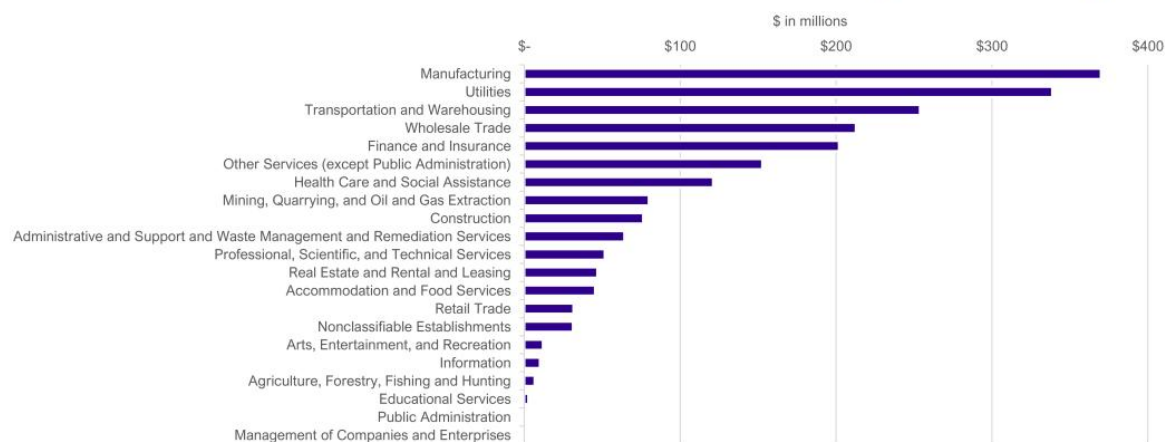
## Efficiency Ratio

(\$ in thousands)	For the last twelve months ended				
	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023
Noninterest expense – GAAP	360,733	375,860	385,275	407,899	431,875
Net interest income	294,555	298,231	307,324	319,768	337,373
Noninterest income	308,352	299,893	293,807	272,993	290,265
<b>Total Revenue: GAAP</b>	<b>602,907</b>	<b>598,124</b>	<b>601,131</b>	<b>592,761</b>	<b>627,638</b>
Efficiency ratio, LTM	59.83%	62.84%	64.09%	68.81%	68.81%

## Adjusted Efficiency Ratio

(\$ in thousands)	For the last twelve months ended				
	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023
Noninterest expense – GAAP	360,733	375,860	385,275	407,899	431,875
Less: Rebranding expenses	2,822	6,249	13,148	16,883	14,063
Adjusted noninterest expense	357,911	369,611	372,127	391,016	417,812
Net interest income	294,555	298,231	307,324	319,768	337,373
Noninterest income	308,352	299,893	293,807	272,993	290,265
Less: Gain on sale of trademarks	50,000	50,000	50,000	10,000	10,000
<b>Total Adjusted Revenue:</b>	<b>552,907</b>	<b>548,124</b>	<b>551,131</b>	<b>582,761</b>	<b>617,638</b>
Efficiency ratio, LTM	64.73%	67.43%	67.52%	67.10%	67.65%

# Commercial Finance Concentrations by Industry<sup>1</sup>



## MANUFACTURING

51%	Asset-based lending
15%	Factoring
13%	Term lending
11%	Lease financing
10%	Other

## TRANSPORTATION & WAREHOUSING

56%	Factoring
20%	Insurance premium finance
15%	Term Lending
9%	Other

## UTILITIES

54%	SBA/USDA
39%	Term lending
5%	Rental equipment, net
2%	Other

<sup>1</sup> Distribution by NAICS codes; excludes certain joint ventures; calculated based on aggregate principal amount of commercial finance loans and leases; includes operating lease rental equipment of \$210.8M

