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

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2023

OR

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

For the transition period from _____________ to _____________

Commission File Number: **1-34155**

FIRST SAVINGS FINANCIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Indiana	**37-1567871**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
702 North Shore Drive, Suite 300, Jeffersonville, Indiana	**47130**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(812) 283-0724**

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

Common Stock, par value $0.01 per share	**FSFG**	**NASDAQ Stock Market, LLC**
(Title of each class)	(Trading symbol(s))	(Name of each exchange on which registered)

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

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

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

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

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

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

Large Accelerated Filer ☐	Accelerated Filer ☒
Non-accelerated Filer ☐	Smaller Reporting Company ☒
Emerging Growth Company ☐	

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates was $87.2 million, based upon the closing price of $16.09 per share as quoted on the NASDAQ Stock Market as of the last business day of the registrant's most recently completed second fiscal quarter ended March 31, 2023.

The number of shares outstanding of the registrant's common stock as of December 4, 2023 was 6,883,960.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2024 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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This annual report contains forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of First Savings Financial Group, Inc. These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. First Savings Financial Group's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of First Savings Financial Group and its subsidiary include, but are not limited to, changes in interest rates, national and regional economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in First Savings Financial Group's market area, changes in real estate market values in First Savings Financial Group's market area, changes in relevant accounting principles and guidelines and inability of third party service providers to perform. Additional factors that may affect our results are discussed in Item 1A to this Annual Report on Form 10-K titled "Risk Factors" below.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Except as required by applicable law or regulation, First Savings Financial Group does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events, except as may be required by applicable law or regulation.

Unless the context indicates otherwise, all references in this annual report to "First Savings Financial Group," "Company," "we," "us" and "our" refer to First Savings Financial Group and its subsidiaries.

PART I

Item 1. BUSINESS

General

First Savings Financial Group, Inc., an Indiana corporation, was incorporated in May 2008 and serves as the holding company for First Savings Bank (the “Bank” or “First Savings Bank”). First Savings Financial Group’s principal business activity is the ownership of the outstanding common stock of First Savings Bank. First Savings Financial Group does not own or lease any property but instead uses the premises, equipment and other property of First Savings Bank with the payment of appropriate rental fees, as required by applicable law and regulations, under the terms of an expense allocation agreement. Accordingly, the information set forth in this annual report including the consolidated financial statements and related financial data contained herein, relates primarily to the Bank.

First Savings Bank converted from a federally-chartered savings bank to an Indiana-chartered commercial bank and became a member the Federal Reserve System effective December 19, 2014. As a result of the Bank’s charter conversion, First Savings Financial Group converted to a bank holding company and simultaneously elected financial holding company status effective December 19, 2014.

First Savings Bank operates as a community-oriented financial institution offering traditional financial services to consumers and businesses in its primary market area. We attract deposits from the general public and use those funds to originate primarily residential and commercial mortgage loans. We also originate commercial business loans, residential and commercial construction loans, multi-family loans, land and land development loans, and consumer loans. We conduct our lending and deposit activities primarily with individuals and small businesses in our primary market area, except as otherwise discussed herein.

Our website address is www.fsbbank.net. Information on our website is not, and should not be considered a part of, this annual report.

Market Area

We are located in South Central Indiana along the axis of Interstate 65 and Interstate 64, directly across the Ohio River from Louisville, Kentucky. We consider Clark, Floyd, Harrison, Crawford, Washington and Daviess counties, Indiana, in which all of our offices are located, and the surrounding areas to be our primary market area. The current top employment sectors in these counties are the private retail, service and manufacturing industries, which are likely to continue to be supported by the projected growth in population and median household income. These counties are well-served by barge transportation, rail service, and commercial and general aviation services, including the United Parcel Service’s major hub, which are located in our primary market area.

Competition

We face significant competition for the attraction of deposits and origination of loans. Our most direct competition for deposits has historically come from the several financial institutions operating in our primary market area and from other financial service companies such as securities and mortgage brokerage firms, credit unions and insurance companies. We also face competition for investors’ funds from money market funds, mutual funds and other corporate and government securities. At June 30, 2023, which is the most recent date for which data is available from the FDIC, we held approximately 33.27%, 19.64%, 2.66%, 23.38%, 100.00% and 25.52% of the FDIC-insured deposits in Clark, Daviess, Floyd, Harrison, Crawford and Washington Counties, Indiana, respectively. This data does not reflect deposits held by credit unions with which we also compete. In addition, banks owned by large national and regional holding companies and other community-based banks also operate in our primary market area. Some of these institutions are larger than us and, therefore, may have greater resources.

Our competition for loans comes primarily from financial institutions in our primary market area and from other financial service providers, such as mortgage companies, mortgage brokers and credit unions. Competition for loans also comes from non-depository financial service companies entering the mortgage market, such as insurance companies, securities companies, and specialty and captive finance companies.

We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Technological advances, for example, have lowered barriers to entry,

allowing banks to expand their geographic reach by providing services over the Internet, and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. Changes in federal law now permit affiliation among banks, securities firms and insurance companies, which promotes a competitive environment in the financial services industry. Competition for deposits and the origination of loans could limit our growth in the future.

Lending Activities

Consistent with the Bank's conversion to an Indiana-chartered commercial bank in December 2014, the Bank is continuing the process of transforming the composition of its balance sheet from that of a traditional thrift institution to that of a commercial bank. We intend to continue to emphasize residential lending, primarily secured by owner-occupied properties, but also to continue concentrating on ways to expand our consumer/retail banking capabilities and our commercial banking services with a focus on serving small businesses and emphasizing relationship banking in our primary market area.

The largest segments of our loan portfolio are single tenant net lease and residential real estate mortgage loans, which are primarily one- to four-family residential loans, and, to a lesser extent, commercial real estate and commercial business loans. We also originate residential and commercial construction loans, land and land development loans, and consumer loans. We generally originate loans for investment purposes, although, depending on the interest rate environment and our asset/liability management goals, we may sell into the secondary market the 25-year and 30-year fixed-rate residential mortgage loans that we originate, as well as the portion of loans guaranteed by the U.S. Small Business Administration ("SBA") that we originate under its 7(a) program. We do not offer, have not offered and have not purchased or acquired Alt-A, sub-prime or no-documentation loans.

One- to Four-Family Residential Loans. Our origination of residential mortgage loans enables borrowers to purchase or refinance existing homes located in Clark, Floyd, Harrison, Crawford, Washington and Daviess Counties, Indiana, and the surrounding areas.

Our residential lending policies and procedures conform to the secondary market guidelines. We generally offer a mix of adjustable-rate mortgage loans and fixed-rate mortgage loans with terms of 10 to 30 years. Borrower demand for adjustable-rate loans compared to fixed-rate loans is a function of the level of interest rates, the expectations of changes in the level of interest rates, and the difference between the interest rates and loan fees offered for fixed-rate mortgage loans as compared to an initially discounted interest rate and loan fees for multi-year adjustable-rate mortgages. The relative amount of fixed-rate mortgage loans and adjustable-rate mortgage loans that can be originated at any time is largely determined by the demand for each in a competitive environment. The loan fees, interest rates and other provisions of mortgage loans are determined by us based on our own pricing criteria and competitive market conditions.

Interest rates and payments on our adjustable-rate mortgage loans generally adjust annually after an initial fixed period that typically ranges from one to five years. Interest rates and payments on our adjustable-rate loans generally are adjusted to a rate typically equal to a margin above the one year U.S. Treasury index. The maximum amount by which the interest rate may be increased or decreased is generally one percentage point per adjustment period and the lifetime interest rate cap is generally six percentage points over the initial interest rate of the loan. However, a portion of the adjustable-rate mortgage loan portfolio has a maximum amount by which the interest rate may be increased or decreased of two percentage points per adjustment period and a lifetime interest rate cap generally of six percentage points over the initial interest rate of the loan.

While one- to four-family residential real estate loans are normally originated with up to 30-year terms, such loans typically remain outstanding for substantially shorter periods because borrowers often prepay their loans in full either upon sale of the property pledged as security or upon refinancing the original loan. Therefore, average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans on a regular basis. We do not offer loans with negative amortization and generally do not offer interest-only loans.

We generally do not originate conventional loans with loan-to-value ratios exceeding 80%, including that for non-owner occupied residential real estate loans whose loan-to-value ratios generally may not exceed 75%, or 65% where the borrower has more than five non-owner occupied loans outstanding. Loans with loan-to-value ratios in excess of 80% generally require private mortgage insurance. However, the total balance of residential mortgage loans secured by one-to-four family residential properties with loan-to-value ratios exceeding 90% amounted to $18.4 million, of which some do not have private mortgage insurance or government guaranty. We generally require all properties securing mortgage loans to be appraised by a board-approved independent appraiser. We also generally require title insurance on all first mortgage loans with principal balances of $250,000 or more. Borrowers must obtain hazard insurance, and flood insurance is required for all loans located in flood hazard areas.

Commercial Real Estate Loans. We offer fixed and adjustable-rate mortgage loans secured by commercial real estate. Our commercial real estate loans are generally secured by small to moderately-sized office, retail and industrial properties located in our primary market area and are typically made to small business owners and professionals such as attorneys and accountants.

We originate fixed-rate commercial real estate loans, generally with terms up to five years and payments based on an amortization schedule of 15 to 20 years, resulting in “balloon” balances at maturity. We also offer adjustable-rate commercial real estate loans, generally with terms up to five years and with interest rates typically equal to a margin above the prime lending rate or the Secured Overnight Financing Rate (SOFR). Loans are secured by first mortgages, generally are originated with a maximum loan-to-value ratio of 80% and often require specified debt service coverage ratios depending on the characteristics of the project. Rates and other terms on such loans generally depend on our assessment of credit risk after considering such factors as the borrower’s financial condition and credit history, loan-to-value ratio, debt service coverage ratio and other factors.

During 2013, we began a commercial real estate lending program that is focused on loans to high net worth individuals that are secured by low loan-to-value, single-tenant commercial properties that are generally leased to investment grade national-brand retailers, the borrowers and collateral properties for which are outside of our primary market area (“NNN Finance Program”). This program is designed to diversify the Company’s geographic and credit risk profile given the geographic dispersion of the loans and collateral, and the investment grade credit of the national-brand lessees. The terms of the loans are generally consistent with the aforementioned terms of in-market commercial real estate loans; however, these cannot exceed 70% loan-to-value and loan maturities cannot exceed the expiration of the underlying leases. In addition, the Company has established guidelines with respect to concentrations by state, lessee and industry of lessees as a percentage of regulatory capital. The average size of these loans originated was $1.8 million and the portfolio balance was $757.4 million at September 30, 2023.

Construction Loans. We originate construction loans for one to four family homes and commercial properties such as small industrial buildings, warehouses, retail shops and office units. Construction loans, including speculative construction loans to builders who have not identified a buyer or lessee for the completed property at the time of origination, are made to a limited group of well-established builders in our primary market area and we limit the number of projects with each builder. Construction loans are typically for a term of 12 months with monthly interest only payments and interest rates on these loans are generally tied to the prime lending rate. Except for speculative construction loans, repayment of construction loans typically comes from the proceeds of a permanent mortgage loan for which a commitment is typically in place when the construction loan is originated. Occasionally, a speculative construction loan may be converted to a permanent loan if the builder has not secured a buyer within a limited period of time after the completion of the home. We also offer construction loans for the financing of pre-sold homes, which convert into permanent loans at the end of the construction period. Such loans generally have a six month construction period with interest only payments due monthly, followed by an automatic conversion to a 15 year to 30 year permanent loan with monthly payments of principal and interest. Construction loans, other than land development loans, generally will not exceed the lesser of 80% of the appraised value or 90% of the direct costs, excluding items such as developer fees, operating deficits or other items that do not relate to the direct development of the project. We require a maximum loan-to-value ratio of 80% for speculative construction loans. Generally, commercial construction loans require the personal guarantee of the owners of the business. We generally disburse funds on a percentage-of-completion basis following an inspection by a third party inspector.

Land and Land Development Loans. On a limited basis, we originate loans to developers for the purpose of developing vacant land in our primary market area, typically for residential subdivisions. Land development loans are generally interest-only loans for a term of 18 to 24 months. We generally require a maximum loan-to-value ratio of 75% of the appraisal market value upon completion of the project. We generally do not require any cash equity from the borrower if there is sufficient indicated equity in the collateral property. Development plats and cost verification documents are required from borrowers before approving and closing the loan. Our loan officers are required to personally visit the proposed development site and the sites of competing developments. We also originate loans to individuals secured by undeveloped land held for investment purposes.

Multi-Family Real Estate Loans. We offer multi-family mortgage loans that are generally secured by properties in our primary market area. Multi-family loans are secured by first mortgages and generally are originated with a maximum loan-to-value ratio of 80% and generally require specified debt service coverage ratios depending on the characteristics of the project. Rates and other terms on such loans generally depend on our assessment of the credit risk after considering such factors as the borrower’s financial condition and credit history, loan-to-value ratio, debt service coverage ratio and other factors.

Consumer Loans. Although we offer a variety of consumer loans, our consumer loan portfolio consists primarily of home equity loans, both fixed rate amortizing term loans with terms up to 15 years and adjustable rate lines of credit with interest rates equal to a margin above the prime lending rate. We also offer auto and truck loans, personal loans and small boat loans. Consumer loans typically have shorter maturities and higher interest rates than traditional one-to four-family lending. We typically do not make home equity loans with loan-to-value ratios exceeding 90%, including any first mortgage loan balance. The procedures for underwriting consumer loans include an assessment of the applicant’s payment history on other debts and ability to meet existing obligations and payments on the proposed loan. Although the applicant’s creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

Commercial Business Loans. We typically offer commercial business loans to small businesses located in our primary market area. Commercial business loans are generally secured by equipment and general business assets. Key loan terms and covenants vary depending on the collateral, the borrower’s financial condition, credit history and other relevant factors, and personal guarantees are typically required as part of the loan commitment.

Loan Underwriting Risks

Adjustable Rate Loans. While we anticipate that adjustable rate loans will better offset the adverse effects of an increase in interest rates as compared to fixed rate mortgages, an increased monthly mortgage payment required of adjustable rate loan borrowers in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a high interest rate environment. In addition, although adjustable-rate mortgage loans make our asset base more responsive to changes in interest rates, the extent of this interest sensitivity is limited by the annual and lifetime interest rate adjustment limits.

Non-Owner Occupied Residential Real Estate Loans. Loans secured by rental properties represent a unique credit risk to us and, as a result, we adhere to special underwriting guidelines. Of primary concern in non-owner occupied real estate lending is the consistency of rental income of the property. Payments on loans secured by rental properties often depend on the maintenance of the property and the payment of rent by its tenants. Payments on loans secured by rental properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. To monitor cash flows on rental properties, we require borrowers and loan guarantors, if any, to provide annual financial statements and we consider and review a rental income cash flow analysis of the borrower and consider the net operating income of the property, the borrower’s expertise, credit history and profitability, and the value of the underlying property. We generally require collateral on these loans to be a first mortgage along with an assignment of rents and leases. If the borrower holds loans on more than four rental properties, a loan officer or collection officer is generally required to inspect these properties annually to determine if they are being properly maintained and rented. We have generally limited these loan relationships to an aggregate total of $500,000.

Multi-Family and Commercial Real Estate Loans. Loans secured by multi-family and commercial real estate generally have larger balances and involve a greater degree of risk than one to four family residential mortgage loans. Of primary concern in multi-family and commercial real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers and loan guarantors, if any, to provide annual financial statements on multi-family and commercial real estate loans. In addition, some loans may contain covenants regarding ongoing cash flow coverage requirements. In reaching a decision on whether to make a multi-family or commercial real estate loan, we consider and review a global cash flow analysis of the borrower and consider the net operating income of the property, the borrower's expertise, credit history and profitability, and the value of the underlying property. An environmental survey or environmental risk insurance is obtained when the possibility exists that hazardous materials may have existed on the site, or the site may have been impacted by adjoining properties that handled hazardous materials.

Construction and Land and Land Development Loans. Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction and the estimated cost of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the building. If the estimate of value proves to be inaccurate, we may be confronted, at or before the maturity of the loan, with a building having a value which is insufficient to assure full repayment if liquidation is required. If we are forced to foreclose on a building before or at completion due to a default, we may be unable to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, speculative construction loans, which are loans made to home builders who, at the time of loan origination, have not yet secured an end buyer for the home under construction, typically carry higher risks than those associated with traditional construction loans. These increased risks arise because of the risk that there will be inadequate demand to ensure the sale of the property within an acceptable time. As a result, in addition to the risks associated with traditional construction loans, speculative construction loans carry the added risk that the builder will have to pay the property taxes and other carrying costs of the property until an end buyer is found. Land and land development loans have substantially similar risks to speculative construction loans.

Consumer Loans. Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are secured by assets that depreciate rapidly, such as motor vehicles and boats. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and a small remaining deficiency often does not warrant further substantial collection efforts against the borrower. In the case of home equity loans, real estate values may be reduced to a level that is insufficient to cover the outstanding loan balance after accounting for the first mortgage loan balance. Consumer loan collections depend on the borrower's continuing financial stability, and therefore are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Commercial Business Loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment income or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial business loans may depend substantially on the success of the business itself. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Loan Originations, Sales and Purchases. Loan originations come from a number of sources. The primary sources of loan originations are existing customers, walk-in traffic, advertising, and referrals from customers and centers of influence, such as real estate agents, attorneys, accountants and other professionals.

We generally do not sell whole loans, other than long-term fixed rate residential mortgage loans that we originate, or participation interests in loans originated by us. We also generally do not purchase whole loans or participation interests in loans originated by other financial institutions. However, in order to manage certain risk factors or supplement our lending portfolio, we may sell or purchase whole loans or participation interests in loans from time to time depending on various factors. At September 30, 2023, $163.3 million of loans included sold participation interests of $111.2 million, for a net position of $52.0 million outstanding in our portfolio. At September 30, 2023, acquired participation interests of loans totaled $25.5 million.

Beginning in April 2015, the Bank hired a management team, business development officers (loan officers), underwriters and supporting staff that are seasoned and experienced in SBA lending in order to enhance the Company's proficiency in SBA 7(a) program loan originations and sales. The Bank continues to hire additional business development officers and appropriate supporting staff in order to grow this lending platform. The primary purpose of this lending platform is to originate SBA 7(a) program loans, the borrowers and collateral for which are outside of our primary market area, and sell the amounts guaranteed by the SBA in the secondary market. This lending platform is also designed to diversify the Company's geographic and interest rate risk profile with respect to the retained unguaranteed amounts given the geographic dispersion of the loans and collateral, and their floating rate structure. The Company originated SBA loans with a total commitment of $54.4 million during the year ended September 30, 2023. At September 30, 2023, $301.6 million of SBA loans included sold guaranteed portions of $209.6 million, for a net position of $92.0 million outstanding in our portfolio. All SBA loans held for sale were carried at the lower of cost or fair market value at September 30, 2023 and 2022.

Mortgage Banking. Beginning in April 2018, the Bank hired a management team, business development officers (loan officers), underwriters and supporting staff that are seasoned and experienced in the origination and sale of one- to four-family residential real estate loans on a nationwide basis. The primary purpose of this lending platform is to originate one- to four-family residential real estate loans, the borrowers and collateral for which are outside of our primary market area, and sell the whole loans in the secondary market. The Company originated $587.7 million and sold $603.6 million of one- to four-family residential real estate loans within this lending platform during the year ended September 30, 2023. The amount outstanding in the Bank's portfolio at September 30, 2023 included $24.7 million in loans held for sale, recorded at fair market value.

Beginning in 2019, the Bank began to augment its mortgage banking originations by purchasing whole loans from third party originators. The Bank's Third Party Origination ("TPO") program expanded significantly in 2020 and 2021 and accounted for the majority of the Bank's activity in the mortgage banking division in 2022 and 2023. Loans purchased from third party originators generally have a higher cost and result in a lower profit margin for the Bank upon the sale of loans. Our decision to sell or purchase loans is based on prevailing market interest rate conditions, interest rate risk management considerations, regulatory lending restrictions and liquidity needs.

The residential mortgage industry is highly competitive, and we compete with other community banks, regional banks, national banks, credit unions, financial service companies and online mortgage companies. Due to the highly competitive nature of the residential mortgage industry, we expect to continue to face competitive pressures related to changing market conditions that could reduce our margins and mortgage banking revenue. The mortgage volume industry-wide could decline, which could result in a significant decline in our mortgage banking revenue. Our mortgage banking office leases are generally short-term in nature and the compensation arrangements provide scalability to our business model. See Note 25, "Segment Reporting," and Note 27, "Mortgage Banking" of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for additional information regarding the financial performance of the mortgage banking segment.

In October 2023, the Company announced the Board of Directors' decision to exit the Bank's residential mortgage banking operations during the first fiscal quarter ending December 31, 2023. The Bank will continue to offer residential mortgage lending in its primary market areas, but will exit the national out-of-market business.

Loan Approval Procedures and Authority. Our conventional lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our Board of Directors and management. Certain of our employees have been granted individual lending limits, which vary depending on the individual, the type of loan and whether the loan is secured or unsecured. Generally, all loan requests for non-SBA 7(a) program lending relationships that exceed the individual officer lending limits, which is generally $300,000 secured or $25,000 unsecured, require committee or Board of Directors approval. Loans resulting in aggregated lending relationships in excess of individual officer lending limits but less than $10.0 million require approval by the Officer Loan Committee and loans resulting in aggregated lending relationships in excess of $10.0 million but less than $14.0 million require approval of the Board Credit Committee. The Board Credit Committee consists of the President and three independent Board members, and the Officer Loan Committee consists of members of senior management and certain other officers designated by the Board of Directors. Loans resulting in aggregated lending relationships in excess of $14.0 million require approval by the Board of Directors.

Our SBA 7(a) program lending activities also follow underwriting standards and loan origination procedures established by our Board of Directors and management. Certain of our employees have been granted individual lending limits, which is $2.0 million for the aggregate loan balance, of which 75% or greater is guaranteed by the SBA. Generally, all SBA 7(a) program loan requests for lending relationships that exceed the individual officer lending limits require approval by the SBA Officer Loan Committee. The SBA Officer Loan Committee consists of the President, Chief Financial Officer, Chief Lending Officer, Chief of Credit Administration, Chief of SBA Lending. The aggregated lending relationships for the SBA 7(a) program may not exceed $5.0 million according to SBA guidelines and therefore no loan requests require approval by the Board of Directors given that the portion of SBA 7(a) program loans that are not guaranteed by the SBA may not exceed $1.25 million.

Loans to One Borrower. The maximum amount that we may lend to one borrower and the borrower's related entities is limited, by regulation, to generally 15% of our stated capital and reserves. At September 30, 2023, our regulatory limit on loans to one borrower was $33.0 million. At that date, our largest lending relationship was for a commitment of $29.0 million, of which $20.0 million was outstanding, and was performing according to its original terms at that date.

Loan Commitments. We issue commitments for commercial loans conditioned upon the occurrence of certain events. Commitments to originate loans are legally binding agreements to lend to our customers. Generally, our loan commitments expire after 30 days. See Note 17, "Commitments and Contingencies" of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for additional information regarding our loan commitments at September 30, 2023.

Investment Activities

We have legal authority to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various U.S. government agencies and sponsored enterprises, securities of various state and municipal governments, mortgage-backed securities, collateralized mortgage obligations and certificates of deposit of federally insured institutions. Within certain regulatory limits, we also may invest a portion of our assets in other permissible securities. As a member of the Federal Reserve System and Federal Home Loan Bank System, in particular a member of the Federal Home Loan Bank of Indianapolis ("FHLB"), First Savings Bank is also required to acquire and hold shares of capital stock in the Federal Reserve Bank and FHLB.

At September 30, 2023, our investment portfolio consisted primarily of U.S. Treasury notes, government agency and sponsored enterprises securities, mortgage backed securities and collateralized mortgage obligations issued by U.S. government agencies and sponsored enterprises, municipal bonds, privately-issued collateralized mortgage obligations and asset-backed securities, and pass-through asset-backed securities guaranteed by the SBA.

Our investment objectives are to provide and maintain liquidity, to establish an acceptable level of interest rate and credit risk, and to provide an alternate source of low-risk investments at a favorable return when loan demand is weak. Our Board of Directors has the overall responsibility for the investment portfolio, including approval of the investment policy. Messrs. Myers, our President and Chief Executive Officer, and Schoen, our Chief Financial Officer, are responsible for implementation of the investment policy and monitoring our investment performance. Our Board of Directors reviews the status of our investment portfolio on a quarterly basis, or more frequently if warranted.

Deposit Activities and Other Sources of Funds

General. Deposits, borrowings, and loan and investment security repayments are the major sources of our funds for lending and other investment purposes. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows, loan prepayments and investment security calls are significantly influenced by general interest rates and money market conditions.

Deposit Accounts. Deposits are attracted from within our primary market area through the offering of a broad selection of deposit instruments, including non-interest-bearing demand deposits (such as checking accounts), interest-bearing demand accounts (such as NOW and money market accounts), regular savings accounts and time deposits. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, our liquidity needs, profitability to us, matching deposit and loan products and customer preferences and concerns. We generally review our deposit mix and pricing weekly. Our deposit pricing strategy has typically been to offer competitive rates on all types of deposit products, and to periodically offer special rates in order to attract deposits of a specific type or term.

Borrowings. We use advances from the FHLB to supplement our investable funds. First Savings Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System functions as a central reserve bank providing credit for member financial institutions. First Savings Bank, as a member of the FHLB, is required to acquire and hold shares of capital stock in the FHLB and is authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities which are obligations of the U.S., U.S. government agencies or U.S. government-sponsored enterprises), provided certain standards related to creditworthiness have been met. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's net worth or on the FHLB's assessment of the institution's creditworthiness. We have four federal funds purchased line of credit facilities with other financial institutions that are subject to continued borrower eligibility and are intended to support short-term liquidity needs. We also utilize brokered certificates of deposit and reciprocal time deposits as sources of borrowings and may use broker repurchase agreements and internet certificates of deposit from time to time, depending on our liquidity needs and pricing of these facilities versus other funding alternatives.

Employees and Human Capital Resources

We believe that the success of a business is largely due to the quality of its employees, the development of each employee's full potential, and the Company's ability to provide timely and satisfying rewards. We encourage and support the development of our employees and, whenever possible, strive to fill vacancies from within. We invest in learning and development including tuition reimbursement for courses, degree programs and fees paid for certifications. As of September 30, 2023, we had 370 full-time employees and 52 part-time employees, none of whom is represented by a collective bargaining unit.

Subsidiaries

The Company has two wholly-owned subsidiaries, First Savings Bank and First Savings Risk Management, Inc. (the "Captive"). The Bank has three subsidiaries, Q2 Business Capital, LLC, an Indiana limited liability company specializing in the origination and servicing of SBA loans, First Savings Investments, Inc., a Nevada corporation that manages a securities portfolio, and Southern Indiana Financial Corporation, an independent insurance agency, offering various types of annuities and life insurance policies. Southern Indiana Financial Corporation is currently inactive.

The Captive, which is a wholly-owned insurance subsidiary of the Company, is a Nevada corporation that provided property and casualty insurance to the Company, the Bank and the Bank's active subsidiaries. In addition, the Captive provided reinsurance to 11 other third-party insurance captives for which insurance may not be currently available or economically feasible in the insurance marketplace. Effective September 30, 2023, the Captive was dissolved and is no longer active.

REGULATION AND SUPERVISION

General

First Savings Bank, as an Indiana commercial bank, is subject to extensive regulation, examination and supervision by the Indiana Department of Financial Institutions ("INDFI"). As a member bank of the Federal Reserve System, First Savings Bank's primary federal regulator is the Federal Reserve Board ("FRB"). First Savings Bank is also a member of the Federal Home Loan Bank System and its deposit accounts are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. First Savings Bank must file reports with its regulatory agencies concerning its activities and financial condition in addition to obtaining regulatory approvals before entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. There are periodic examinations by the INDFI and FRB to evaluate First Savings Bank's safety and soundness and compliance with various regulatory requirements. This regulatory structure is intended primarily for the protection of the Deposit Insurance Fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of an adequate allowance for loan losses for regulatory purposes. Any change in such policies, whether by the INDFI, FRB, or Congress, could have a material adverse impact on First Savings Financial Group and First Savings Bank and their operations.

Certain of the regulatory requirements that are or will be applicable to First Savings Bank and First Savings Financial Group are described below. This description of statutes and regulations is not intended to be a complete explanation of such statutes and regulations and their effects on First Savings Bank and First Savings Financial Group.

Regulation of First Savings Bank

Business Activities. The activities of Indiana-chartered banks, such as First Savings Bank, are governed by Indiana and federal laws and regulations. Those laws and regulations delineate the nature and extent of the business activities in which banks may engage

Federal law generally limits the activities as principal and equity investments of FDIC insured state banks to those permitted for national banks. Activities as principal of state bank subsidiaries are also limited to those permitted for subsidiaries of national banks, absent regulatory approval for a particular subsidiary activity. In addition, federal law limits the authority of Federal Reserve System member banks, such as First Savings Bank, to purchase investment securities. Generally, such authority is limited to investment securities permissible for national banks, which includes investment grade, marketable debt obligations. Certain activities, such as the establishment of new branches and mergers and acquisitions, require the prior approval of both the INDFI and the FRB.

Loans to One Borrower. Indiana law establishes limits on a bank's loans to one borrower. Generally, subject to certain exceptions, an Indiana bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of its unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by specified readily-marketable collateral. These limits are similar to those applicable to First Savings Bank under its previous federal savings bank charter.

Capital Requirements. Federal regulations require FDIC insured depository institutions, including state chartered Federal Reserve System member banks, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8% and a 4% Tier 1 capital to total assets leverage ratio.

As noted, the capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively, and a leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity

securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four- family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions by the institution and certain discretionary bonus payments to management if an institution does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement was phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increased each year until fully implemented at 2.5% on January 1, 2019.

The FRB has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution’s capital level is or may become inadequate in light of the particular risks or circumstances.

As of September 30, 2023, First Savings Bank met all applicable capital adequacy requirements in effect at that date.

Prompt Corrective Regulatory Action. Federal law establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. The law requires that certain supervisory actions be taken against undercapitalized institutions, the severity of which depends on the degree of undercapitalization. The FRB has adopted regulations to implement the prompt corrective action legislation as to state member banks. The regulations were amended to incorporate the previously mentioned increased regulatory capital standards that were effective January 1, 2015. An institution is deemed to be “well capitalized” if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is “adequately capitalized” if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

Subject to a narrow exception, a receiver or conservator is required to be appointed for an institution that is “critically undercapitalized” within specified time frames. The regulations also provide that a capital restoration plan must be filed with the FRB within 45 days of the date an institution is deemed to have received notice that it is “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” Compliance with the plan must be guaranteed by any parent holding company up to the lesser of 5% of the institution’s total assets when it was deemed to be undercapitalized or the amount necessary to achieve compliance with applicable capital requirements. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The FRB could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Significantly and critically undercapitalized institutions are subject to additional mandatory and discretionary measures.

Insurance of Deposit Accounts. First Savings Bank’s deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. Currently, deposit insurance per account owner is $250,000. Under the FDIC’s existing risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors, with less risky institutions paying lower assessments. An institution’s assessment rate depends upon the category to which it is assigned and certain specified adjustments. The assessment rates (inclusive of adjustments) currently range from two and one half to 45 basis points of total capital less tangible assets, depending upon the particular institution’s risk category. The rate schedules will

automatically adjust in the future when the Deposit Insurance Fund reaches certain milestones. No institution may pay a dividend if in default of the federal deposit insurance assessment.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC adopted a plan to restore the fund to the 1.35% ratio by September 30, 2028.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of First Savings Bank. Management cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FRB or FDIC. The management of First Savings Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Limitation on Dividends. Indiana law authorizes a bank's board of directors to declare dividends out of profits as deemed expedient. However, application to and the prior approval of the INDFI and FRB is required before payment of a dividend if total dividends for the calendar year exceed net income for the year to date plus the amount of retained net income for the preceding two years. Federal law specifies that a bank may not pay a dividend if it fails to satisfy any applicable federal capital requirement after the dividend.

If First Savings Bank's capital ever fell below its regulatory requirements or the FRB notified it that it was in need of increased supervision, its ability to pay dividends or otherwise make capital distributions could be restricted. In addition, the INDFI and/or FRB could prohibit a proposed capital distribution, which would otherwise be permitted by the regulation, if the regulator determined that such distribution would constitute an unsafe or unsound practice.

Standards for Safety and Soundness. The federal banking agencies have adopted Interagency Guidelines prescribing Standards for Safety and Soundness in various areas such as internal controls and information systems, internal audit, loan documentation and credit underwriting, interest rate exposure, asset growth and quality, earnings and compensation, fees and benefits. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the FRB determines that a state member bank fails to meet any standard prescribed by the guidelines, the FRB may require the institution to submit an acceptable plan to achieve compliance with the standard.

Community Reinvestment Act. All federally-insured banks have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. An institution's failure to satisfactorily comply with the provisions of the Community Reinvestment Act could result in denials of regulatory applications. First Savings Bank received a "satisfactory" Community Reinvestment Act rating in its most recently completed examination.

Transactions with Related Parties. Federal law limits First Savings Bank's authority to engage in transactions with "affiliates" (*e.g*., any entity that controls or is under common control with First Savings Bank, including First Savings Financial Group and its other subsidiaries). The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of a bank. The aggregate amount of covered transactions with all affiliates is limited to 20% of a bank's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type specified by federal law. The purchase of low quality assets from affiliates is generally prohibited. Transactions with affiliates must generally be on terms and under circumstances that are at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies.

The Sarbanes-Oxley Act of 2002 generally prohibits loans by First Savings Financial Group to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws. Under such laws, First Savings Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such persons control, is limited. The laws limit both the individual and aggregate amount of loans that First Savings Bank may make to insiders based, in part, on First Savings Bank's capital level and requires that certain board approval procedures be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a

benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are subject to additional limitations based on the type of loan involved.

Enforcement. The INDFI maintains enforcement authority over First Savings Bank, including the power to issue cease and desist orders and civil money penalties and remove directors, officers or employees. The INDFI also has the power to appoint a conservator or receiver for a bank upon insolvency, imminent insolvency, unsafe or unsound condition or certain other situations. The FRB has primary federal enforcement responsibility over Federal Reserve System member state banks and has authority to bring actions against the institution and all institution-affiliated parties, including shareholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful actions likely to have an adverse effect on the bank. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. The FDIC, as deposit insurer, has the authority to recommend to the FRB that enforcement action be taken with respect to a member bank. If action is not taken by the FRB, the FDIC has authority to take such action under certain circumstances. In general, regulatory enforcement actions occur with respect to situations involving unsafe or unsound practices or conditions, violations of law or regulation or breaches of fiduciary duty. Federal and Indiana law also establish criminal penalties for certain violations.

Assessments. Indiana banks are required to pay assessments to the INDFI to fund the agency's operations. The assessments paid to the INDFI by First Savings Bank for the year ended September 30, 2023 totaled $96,000.

Federal Home Loan Bank System. First Savings Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions. First Savings Bank, as a member of the FHLB, is required to acquire and hold shares of capital stock in the FHLB. First Savings Bank was in compliance with this requirement with an investment in FHLB capital stock of $23.1 million at September 30, 2023.

Federal Reserve Board System. The FRB regulations require banks to maintain reserves against their transaction accounts (primarily Negotiable Order of Withdrawal (NOW) and regular checking accounts). On March 26, 2020, in response to the COVID-19 pandemic, the FRB reduced the reserve requirement to zero, and the requirement remained at zero at September 30, 2023 and 2022.

Other Regulations

First Savings Bank's operations are also subject to federal laws applicable to credit transactions, including the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of First Savings Bank also are subject to laws such as the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services; and

- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check.

Holding Company Regulation

General. As a bank holding company that has elected financial holding company status within the meaning of the Bank Holding Company Act of 1956, as amended, First Savings Financial Group is subject to FRB regulation, examination, supervision and reporting requirements. In addition, the FRB has enforcement authority over First Savings Financial Group and its non-savings institution subsidiaries. Among other things, this authority permits the FRB to restrict or prohibit activities that are determined to be a serious risk to First Savings Bank. The INDFI also has examination and enforcement authority since First Savings Financial Group controls an Indiana bank.

As a bank holding company, First Savings Financial Group is required to obtain the prior approval of the FRB to acquire all, or substantially all, of the assets of any other bank or bank holding company. Prior FRB approval is required for any bank holding company to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if, after such acquisition, the acquiring bank holding company would, directly or indirectly, own or control more than 5% of any class of voting shares of the bank or bank holding company. In addition to the approval of the FRB, prior approval may for such acquisitions also be necessary from other agencies including the INDFI and agencies that regulate the target.

A bank holding company is generally prohibited from engaging in nonbanking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the FRB to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the FRB has determined by regulation to be so closely related to banking are: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing discount brokerage services; (iv) acting as fiduciary, investment or financial advisor; (v) leasing personal or real property; (vi) making investments in corporations or projects designed primarily to promote community welfare; and (vii) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies.

The Gramm-Leach-Bliley Act of 1999 authorized a bank holding company that meets specified conditions, including being "well capitalized" and "well managed," to opt to become a "financial holding company" and thereby engage in a broader array of financial activities than previously permitted. First Savings Financial Group has elected to become a financial holding company because of the activities of the Captive.

Bank holding companies are generally subject to consolidated capital requirements established by the FRB. The Dodd-Frank Act required the FRB to amend its consolidated minimum capital requirements for bank holding companies to make them no less stringent than those applicable to insured depository institutions themselves.

The FRB's policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. The Dodd-Frank Act codified the source of strength doctrine.

A bank holding company is generally required to give the FRB prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or violate any law, regulation, FRB order or directive, or any condition imposed by, or written agreement with, the FRB. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The FRB has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to dividends in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a holding company to pay dividends may be limited if a subsidiary bank becomes undercapitalized. The guidance also provides for regulatory consultation prior to a bank holding company redeeming or repurchasing regulatory capital instruments when the holding company is experiencing financial weaknesses or where the redemption or repurchase of common or preferred stock cause a net reduction in the amount of such equity instruments outstanding at the end of a quarter compared to the beginning of the quarter in which the redemption or repurchase occurs. These regulatory policies could affect the ability of First Savings Financial Group to pay dividends, repurchase shares of its stock or otherwise engage in capital distributions.

The status of First Savings Financial Group as a registered bank holding company under the Bank Holding Company Act does not exempt it from certain federal and state laws and regulations applicable to corporations generally including, without limitation, certain provisions of the federal securities laws.

Acquisition of Control. Under the federal Change in Bank Control Act, no person may acquire control of a bank holding company such as First Savings Financial Group unless the FRB has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the company's directors, or a determination by the regulator that the acquirer has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of any class of a bank holding company's voting stock constitutes a rebuttable presumption of control under the regulations under certain circumstances including where, is the case with First Savings Financial Group, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934. Indiana law requires INDFI approval for changes in control of companies controlling Indiana banks, with "control" defined to mean power to direct the management or policies of the holding company or power to vote at least 25% of the company's voting securities.

Federal Securities Laws

First Savings Financial Group's common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. First Savings Financial Group is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934, as amended.

INCOME TAXATION

Federal Taxation

General. We report our income on a fiscal year basis using the accrual method of accounting. The federal income tax laws apply to us in the same manner as to other corporations with some exceptions, including particularly our reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to us.

First Savings Financial Group and First Savings Bank have entered into a tax allocation agreement. Because First Savings Financial Group owns 100% of the issued and outstanding capital stock of First Savings Bank, First Savings Financial Group and First Savings Bank are members of an affiliated group within the meaning of Section 1504(a) of the Internal Revenue Code, of which group First Savings Financial Group is the common parent corporation. As a result of this affiliation, First Savings Bank may be included in the filing of a consolidated federal income tax return with First Savings Financial Group and, if a decision to file a consolidated tax return is made, the parties agree to compensate each other for their individual share of the consolidated tax liability and/or any tax benefits provided by them in the filing of the consolidated federal income tax return.

Our Federal income tax returns have not been audited during the last five years.

Bad Debt Reserves. For fiscal years beginning before June 30, 1996, thrift institutions that qualified under certain definitional tests and other conditions of the Internal Revenue Code, as the Bank did prior to its conversion to a commercial bank in December 2014, were permitted to use certain favorable provisions to calculate their deductions from taxable income for annual additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans, generally secured by interests in real property improved or to be improved, under the percentage of taxable income method or the experience method. The reserve for nonqualifying loans was computed using the experience method. Federal legislation enacted in 1996 repealed the reserve method of accounting for bad debts and the percentage of taxable income method for tax years beginning after 1995 and required savings institutions to recapture or take into income certain portions of their accumulated bad debt reserves. Approximately $4.6 million of our accumulated bad debt reserves would not be recaptured into taxable income unless First Savings Bank makes a "non-dividend distribution" to First Savings Financial Group as described below.

Distributions. If First Savings Bank makes "non-dividend distributions" to First Savings Financial Group, the distributions will be considered to have been made from First Savings Bank's unrecaptured tax bad debt reserves, including the balance of its reserves as of September 30, 1988, to the extent of the "non-dividend distributions," and then from First Savings Bank's supplemental reserve for losses on loans, to the extent of those reserves, and an amount based on the amount distributed, but not more than the amount of those reserves, will be included in First Savings Bank's taxable income. Non-dividend distributions include distributions in excess of First Savings Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of First Savings Bank's current or accumulated earnings and profits will not be so included in First Savings Bank's taxable income.

The amount of additional taxable income triggered by a non-dividend distribution is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Therefore, if First Savings Bank makes a non-dividend distribution to First Savings Financial Group, approximately one and one-quarter times the amount of the distribution not in excess of the amount of the reserves would be includable in income for federal income tax purposes, assuming a 21% federal corporate income tax rate. First Savings Bank does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

State Taxation

Indiana. Effective July 1, 2013, Indiana amended its tax code to provide for reductions in the franchise tax rate. For the Company's tax year ended September 30, 2023, Indiana imposed a 5.00% franchise tax based on a financial institution's adjusted gross income as defined by statute. The Indiana franchise tax rate will be reduced to 4.90% for the Company's tax years ending September 30, 2024 and years thereafter, respectively. In computing Indiana taxable income, deductions for municipal interest, state and local income taxes and certain accelerated depreciation permitted for federal tax purposes are disallowed.

The Company and its subsidiaries also file income and franchise tax returns in various other states where they are deemed to have tax nexus.

The Company's Indiana tax returns for the fiscal years ended September 30, 2020 and 2021 were audited by the Indiana Department of Revenue. These audits were closed during the fiscal year ended September 30, 2023. Our other state income tax returns have not been audited during the last five years.

Item 1A. RISK FACTORS

Risks Related to Our Lending Activities

Our emphasis on commercial real estate lending and commercial business lending may expose us to increased lending risks.

At September 30, 2023, $1.13 billion, or 63.1%, of our loan portfolio consisted of commercial real estate loans and commercial business loans. Subject to market conditions, we intend to increase our origination of these loans. Commercial real estate loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the borrowers. Commercial real estate loans also typically involve larger loan balances to single borrowers or groups of related borrowers both at origination and at maturity because many of our commercial real estate loans are not fully-amortizing, but result in "balloon" balances at maturity. Commercial business loans expose us to additional risks since they typically are made on the basis of the borrower's ability to make repayments from the cash flow of the borrower's business and are secured by non-real estate collateral that may depreciate over time. In addition, some of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship may expose us to a greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. At September 30, 2023, nonperforming commercial real estate loans totaled $7.9 million. At September 30, 2023 nonperforming commercial business loans totaled $3.0 million. For more information about the credit risk we face, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management."*

Our construction loan and land and land development loan portfolios may expose us to increased credit risk.

At September 30, 2023, $56.7 million, or 3.18% of our loan portfolio consisted of construction loans, and land and land development loans, and $3.3 million, or 8.34% of the construction loan portfolio (excluding undisbursed commitments and portions participated to other financial institutions), consisted of speculative construction loans at that date. Speculative construction loans are loans made to builders who have not identified a buyer for the completed property at the time of loan origination. Subject to market conditions, we intend to continue to emphasize the origination of construction loans and land and land development loans. These loan types generally expose a lender to greater risk of nonpayment and loss than residential mortgage loans because the repayment of such loans often depends on the successful operation or sale of the property and the income stream of the borrowers and such loans typically involve larger balances to a single borrower or groups of related borrowers. In addition, many borrowers of these types of loans have more than one loan outstanding with us so an adverse development with respect to one loan or credit relationship can expose us to significantly greater risk of non-payment and loss. Furthermore, we may need to increase our allowance for loan losses through future charges to income as the portfolio of these types of loans grows, which would adversely affect our earnings. For more information about the credit risk we face, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management."*

Our concentration in non-owner occupied residential real estate loans may expose us to increased credit risk.

At September 30, 2023, $23.7 million, or 4.5% of our residential mortgage loan portfolio and 1.3% of our total loan portfolio, consisted of loans secured by non-owner occupied residential properties. Loans secured by non-owner occupied properties generally expose a lender to greater risk of non-payment and loss than loans secured by owner occupied properties because repayment of such loans depend primarily on the tenant's continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner's ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non-owner occupied properties is often below that of owner occupied properties due to lax property maintenance standards, which has a negative impact on the value of the collateral properties. Furthermore, some of our non-owner occupied residential loan borrowers have more than one loan outstanding with us. At September 30, 2023, we had five non-owner occupied residential loan relationships, each having an outstanding balance over $500,000, with aggregate outstanding balances of $5.3 million. Consequently, an adverse development with respect to one credit relationship may expose us to a greater risk of loss compared to an adverse development with respect to an owner occupied residential mortgage loan. At September 30, 2023, the Bank had one nonperforming non-owner occupied residential loan totaling $15,000. At September 30, 2023, the Bank did not have any non-owner occupied residential properties held as real estate owned. For more information about the credit risk we face, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management."*

We may suffer losses in our loan portfolio despite our underwriting practices.

Our results of operations are significantly affected by the ability of borrowers to repay their loans. Lending money is an essential part of the banking business. However, borrowers do not always repay their loans. The risk of non-payment is historically small, but if nonpayment levels are greater than anticipated, our earnings and overall financial condition, as well as the value of our common stock, could be adversely affected. No assurance can be given that our underwriting practices or monitoring procedures and policies will reduce certain lending risks. Loan losses can cause insolvency and failure of a financial institution and, in such an event, our stockholders could lose their entire investment. In addition, future provisions for loan losses could materially and adversely affect our earnings and financial condition. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. For more information about the credit risk we face, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management."*

Our allowance for loan losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for loan losses to provide for probable incurred losses due to loan defaults, non-performance, and other qualitative factors. Our allowance for loan losses is based on our historical loss experience as well as an evaluation of the risks associated with our loan portfolio, including the size and composition of the loan portfolio, loan portfolio performance, fair value of collateral securing the loans, current economic conditions and geographic concentrations within the portfolio. Our allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect our earnings and financial condition. For more information about our analysis and determination of allowance for loan losses, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management."*

Our SBA lending program is dependent upon the federal government and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the federal government. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender's Preferred Lender status. If we lose our status as a Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders. Also, any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, could adversely affect our business and earnings.

We generally sell the guaranteed portion of our SBA 7(a) program loans in the secondary market. These sales have resulted in premium income for us at the time of sale and created a stream of future servicing income. We may not be able to continue originating these loans or selling them in the secondary market. Furthermore, even if we are able to continue originating and selling SBA 7(a) program loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans. When we sell the guaranteed portion of our SBA 7(a) program loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on the non-guaranteed portion of a loan, we share any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us, which could adversely affect our business and earnings.

The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our business and earnings.

Decreased residential mortgage origination volume and pricing decisions of competitors may adversely affect our profitability.

Our mortgage banking operation originates and sells residential mortgage loans. Changes in interest rates, housing prices, applicable government regulations and pricing decisions by our loan competitors may adversely affect demand for our residential mortgage loan products and the revenue realized on the sale of loans and, ultimately, reduce our net income. New regulations, increased regulatory reviews, and/or changes in the structure of the secondary mortgage markets which we utilize to sell mortgage loans may increase costs and make it more difficult to operate a residential mortgage origination business. Our revenue from the mortgage banking business was $14.2 million in the year ended September 30, 2023. This revenue could significantly decline in future periods if interest rates continue to rise and the other risks highlighted in this paragraph were realized, which may adversely affect our profitability. As is noted above under Loan Underwriting Risks, in October 2023, the Company announced the Board of Directors' decision to exit the Bank's residential mortgage banking operations during the first fiscal quarter ending December 31, 2023.

We may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances.

When residential mortgage loans are sold, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to purchasers, guarantors and insurers about the mortgage loans and the manner in which they were originated. We may be required to repurchase or substitute mortgage loans, or indemnify buyers against losses, in the event we breach certain representations or warranties in connection with the sale of such loans. If repurchase and indemnity demands increase, are valid claims and are in excess of our provision for potential losses, our liquidity, results of operations or financial condition may be materially and adversely affected.

Recessionary conditions could result in increases in our level of nonperforming loans and/or reduce demand for our products and services, which would lead to lower revenue, higher loan losses and lower earnings.

Recessionary conditions and/or continued negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our loans and investments, and our ongoing operations, costs and profitability. Declines in real estate values and sales volumes and increased unemployment levels may result in higher than expected loan delinquencies, increases in our levels of nonperforming and classified assets and a decline in demand for our products and services. These negative events may cause us to incur losses and may adversely affect our capital, liquidity, and financial condition.

The value of our residential mortgage loan servicing rights and SBA loan servicing rights is subjective by nature and may be vulnerable to inaccuracies or other events outside our control.

The value of our loan servicing rights can fluctuate. The assets could decrease if prepayment speeds or delinquency rates of the underlying loans increase, or if the costs to service the loans increase. The value of the assets could also decline if there is a lack of liquidity in the loan servicing rights market. Similarly, the value may decrease if interest rates decrease or change in a non-parallel manner or are otherwise volatile. All of these factors are largely out of our control. Estimates must be developed and assumptions and judgments must be made when valuing these assets. An inaccurate valuation, or changes to the valuation due to factors outside of our control, could negatively impact our ability to realize the full value of these assets. As a result, our balance sheet may not precisely represent the fair market value of these and other financial assets.

Risks Related to Competition

Strong competition within our primary market area could hurt our profits and slow growth.

We face intense competition both in making loans and attracting deposits. This competition has made it more difficult for us to make new loans and attract deposits. Price competition for loans and deposits might result in us earning less on our loans and paying more on our deposits, which would reduce net interest income. Competition also makes it more difficult to grow loans and deposits. At June 30, 2023, which is the most recent date for which data is available from the FDIC, we held approximately 33.27%, 19.64%, 2.66%, 23.38%, 100.00% and 25.52% of the FDIC-insured deposits in Clark, Daviess, Floyd, Harrison, Crawford and Washington Counties, Indiana, respectively. Some of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability depends upon

our continued ability to compete successfully in our primary market area. See “Item 1. Business — Market Area” and “Item 1. Business — Competition” for more information about our primary market area and the competition we face.

Risks Related to Changes in Market Interest Rates

Changing interest rates may hurt our earnings and asset value.

Our net interest income is the interest we earn on loans and investments less the interest we pay on our deposits and borrowings. Our net interest margin is the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding. Changes in interest rates—up or down—could adversely affect our net interest margin and, as a result, our net interest income. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. As a result, when interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the yield catches up. Changes in the slope of the “yield curve”—or the spread between short-term and long-term interest rates—could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens or even inverts, as it has in recent quarters, we could experience pressure on our net interest margin as our cost of funds increases relative to the yield we can earn on our assets. Also, interest rate decreases can lead to increased prepayments of loans and mortgage-backed securities as borrowers refinance their loans to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk as we may have to redeploy such repayment proceeds into lower yielding loans or investments, which would likely hurt our income. At September 30, 2023, approximately $770.2 million, or 43.1% of the total loan portfolio, consisted of fixed-rate loans with maturity dates after September 30, 2024. This investment in fixed-rate loans exposes the Company to increased levels of interest rate risk.

Changes in interest rates also affect the value of our interest-earning assets, and in particular our securities portfolio. Generally, the value of fixed-rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale are reported as a separate component of equity, net of tax. Decreases in the fair value of securities available for sale resulting from increases in interest rates could have an adverse effect on stockholders’ equity. Conversely, the value of MSRs generally increases when market interest rates increase. For further discussion of how changes in interest rates could impact us, see *“Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations —Risk Management — Interest Rate Risk Management.”*

Inflation can have an adverse impact on our business and on our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently, there have been market indicators of a pronounced rise in inflation and the Federal Reserve Board has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us.

Risks Related to Our Liquidity Position

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us. Our ability to acquire deposits or borrow could also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole.

Risks Related to Mergers and Acquisitions and Other Expansionary Activities

Market expansion and acquisitions may not produce revenue enhancements or cost savings at levels or within timeframes originally anticipated and may result in unforeseen integration difficulties and dilution to existing shareholder value.

We have acquired, and expect to continue to acquire, other financial institutions or parts of those institutions in the future, and we may engage in de novo branch expansion. We may also consider and enter into new lines of business or offer new products or services. We may incur substantial costs to expand, and we can give no assurance such expansion will result in the levels of profits we seek. There can be no assurance that integration efforts for any mergers or acquisitions will be successful. Also, we may issue equity securities in connection with acquisitions, which could cause ownership and economic dilution to our current shareholders. There is no assurance that, following any mergers or acquisitions, our integration efforts will be successful or that, after giving effect to the acquisition, we will achieve profits comparable to, or better than, our historical experience.

Market expansion and acquisitions involve a number of expenses and risks, including:

- the time and costs of associated with identifying and evaluating potential new markets, hiring experienced local management and opening new offices, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- the time and costs associated with identifying potential acquisition and merger targets;
- the accuracy of the estimates and judgments used to evaluate credit, operations, management and market risks with respect to a target institution;
- the diversion of our management's attention to the negotiation of a transaction, and the integration of the operations and personnel of the combined businesses;
- our ability to finance an acquisition and possible dilution to our existing shareholders;
- closing delays and expenses related to the resolution of lawsuits filed by shareholders of targets;
- entry into new markets where we lack experience;
- introduction of new products and services into our business;
- the risk of loss of key employees and customers; and
- incurrence and possible impairment of goodwill associated with an acquisition and possible adverse short-term effects on our results of operations.

Future acquisitions could be material to the Company and it may issue additional shares of stock to pay for those acquisitions, which would dilute current shareholder's ownership interests.

If the goodwill that we recorded in connection with a business acquisition becomes impaired, it could have a significant negative impact on our profitability.

Goodwill represents the amount of consideration exchanged over the fair value of net assets we acquired in the purchase of another financial institution. We review goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate the carrying value of the asset might be impaired. At September 30, 2023, our goodwill totaled $9.8 million. While we have recorded no such impairment charges since we initially recorded the goodwill, there can be no assurance that our future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on our financial condition and results of operations.

Risks Related to Our Investment Portfolio

If an other-than-temporary-impairment is recorded in connection with our investment portfolio it could have a significant negative impact on our profitability.

Our investment portfolio consists primarily of U.S. government agency and sponsored enterprises securities, mortgage backed securities and collateralized mortgage obligations issued by U.S. government agencies and sponsored enterprises, municipal bonds, and privately-issued collateralized mortgage obligations and asset-backed securities. We must evaluate these securities for other-than-temporary impairment loss ("OTTI") on a periodic basis. The privately-issued collateralized mortgage obligations and asset-backed securities exhibit signs of weakness, which may necessitate an OTTI charge in the future should the financial condition of the pools deteriorate further. Any future OTTI charges could have a significant adverse effect our earnings.

Risks Related to Our Operations

Because the nature of the financial services business involves a high volume of transactions, we face significant operational risks.

Operational risk is the risk of loss resulting from our operations, including, but not limited to, the risk of fraud by employees or persons outside of the Company and Bank, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements and business continuation and disaster recovery. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. In the event of a breakdown in the internal control system, improper operation of systems or improper employee actions, we could suffer financial loss, face regulatory action and suffer damage to our reputation.

A disruption, failure in or breach, including cyber-attacks, of our operational, communications, information or security systems, or those of our third party vendors and other service providers, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

We rely heavily on communications and information systems to conduct our business and face the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate our business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Any failure or interruption of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure or interruption of these information systems, there can be no assurance that any such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions of these information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We rely on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Although we take numerous protective measures to maintain the confidentiality, integrity and availability of our and our clients' information across all geographic and product lines, and endeavor to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, our computer systems, software and networks and those of our customers may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber-attacks and other events that could have an adverse security impact and result in significant losses by us and/or our customers. Despite the defensive measures we take to manage our internal technological and operational infrastructure, these threats may originate externally from third parties, such as foreign governments, organized crime and other hackers, and outsource or infrastructure-support providers and application developers, or the threats may originate from within our organization. Given the increasingly high volume of our transactions, certain errors may be repeated or compounded before they can be discovered and rectified.

We are inherently exposed to risks caused by the use of computer, internet and telecommunications systems, and susceptible to fraudulent activity that may be committed against us or our clients, which may result in financial losses to us or our clients, privacy breaches against our clients or damage to our reputation. These risks include fraud by employees, customers and other outside entities targeting us and/or our customers, and such fraudulent activity may take many forms, including internet fraud, check fraud, electronic fraud, wire fraud, phishing, and other dishonest acts. In recent periods, there has been a rise in electronic fraudulent activity within the financial services industry, especially in the commercial banking sector, due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity in recent periods. Given such increase in electronic fraudulent activity and the growing level of use of electronic, internet-based and networked systems to conduct business directly or indirectly with our clients, certain fraud losses may not be avoidable regardless of the preventative and detection systems in place.

Although, to date, we have not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the outsourcing of some of our business operations and the continued uncertain global economic environment. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

We maintain an insurance policy which we believe provides sufficient coverage at a manageable expense for an institution of our size and scope with similar technological systems. However, we cannot assure that this policy will afford coverage for all possible losses or would be sufficient to cover all financial losses, damages, penalties, including lost revenues, should we experience any one or more of our or a third party's systems failing or experiencing attack.

We operate in a highly regulated environment and we may be adversely affected by changes in laws and regulations.

The Bank is subject to extensive regulation, supervision and examination by the INDFI, its chartering authority, the FRB, its primary federal regulator, and the FDIC, as insurer of its deposits. The Company is also subject to regulation and supervision by the Federal Reserve Bank of St. Louis. Such regulation and supervision governs the activities in which an institution and its holding company may engage, and are intended primarily for the protection of the insurance fund and the depositors and borrowers of the Bank rather than for holders of the Company's common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. If our regulators require us to charge-off loans or increase our allowance for loan losses, our earnings would suffer. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations.

The Dodd-Frank Act has created a new federal agency to administer consumer protection and fair lending laws, a function that was formerly performed by the depository institution regulators. The Dodd-Frank Act contains various other provisions designed to enhance the regulation of depository institutions including the implementation of more stringent capital adequacy rules. The full impact of the Dodd-Frank Act on our business and operations will not be known for years until regulations implementing the statute are written and adopted. The Dodd-Frank Act may have a material impact on our operations, particularly through increased regulatory burden and compliance costs. Any future legislative changes could have a material impact on our profitability, the value of assets held for investment or collateral for loans. Future legislative changes could require changes to business practices or force us to discontinue businesses and potentially expose us to additional costs, liabilities, enforcement action and reputational risk.

In addition to the enactment of the Dodd-Frank Act, the federal regulatory agencies have taken stronger supervisory actions against financial institutions that have experienced increased loan losses and other weaknesses as a result of the recent economic crisis. The actions include entering into written agreements and cease and desist orders that place certain limitations on operations. Federal bank regulators have also been using with more frequency their ability to impose individual minimum capital requirements on banks, which requirements may be higher than those required under the Dodd-Frank Act or that would otherwise qualify a bank as being "well capitalized" under applicable prompt corrective action regulations. If we were to become subject to a regulatory agreement or higher individual minimum capital requirements, such action may have a negative impact on our ability to execute our business plan, as well as our ability to grow, pay dividends or engage in mergers and acquisitions and may result in restrictions in our operations. For a further discussion, see *"Item 1. Business – Regulation and Supervision."*

We rely heavily on our management team and the unexpected loss of any of those personnel could adversely affect our operations, and we depend on our ability to attract and retain key personnel.

We are a customer-focused and relationship-driven organization. We expect our future growth to be driven in a large part by the relationships maintained with our customers by our executive and other senior officers. Although we are party to non-compete and non-solicitation agreements with certain executive, senior and other officers, the unexpected loss of any of our key employees could have an adverse effect on our business, results of operations and financial condition.

The implementation of our business strategy will also require us to continue to attract, hire, motivate and retain skilled personnel to develop new customer relationships as well as new financial products and services. The market for qualified employees in the businesses in which we operate is competitive and we may not be successful in attracting, hiring or retaining key personnel. Our inability to attract, hire or retain key personnel could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to an Investment in Our Common Stock

Our ability to pay dividends is subject to certain limitations and restrictions, and there is no guarantee that we will be able to continue paying the same level of dividends in the future that we paid in 2023 or that we will be able to pay future dividends at all.

Our ability to declare and pay dividends is subject to the guidelines of the FRB regarding capital adequacy and dividends, other regulatory restrictions, and the need to maintain sufficient consolidated capital. The ability of the Bank to pay dividends to the Company is subject to regulation by the INDFI, applicable Indiana law and the FRB, and is limited by the Bank's obligations to maintain sufficient capital and liquidity. In addition, banking regulators may propose guidelines seeking greater liquidity and regulations requiring greater capital requirements. If such new regulatory requirements were not met, the Bank would not be able to pay dividends to the Company, and consequently we may be unable to pay dividends on our common stock.

The trading volume of our stock varies and you may not be able to resell your shares at or above the price you paid for them.

The price of the common stock purchased may decrease significantly. Although our common stock is quoted on the NASDAQ Capital Market under the symbol "FSFG", trading activity in the stock historically has been sporadic. A public trading market having the desired characteristics of liquidity and order depends on the presence in the market of willing buyers and sellers at any given time. The presence of willing buyers and sellers depends on the individual decisions of investors and general economic conditions, all of which are beyond our control.

Insiders have substantial control over us, and this control may limit our shareholders' ability to influence corporate matters and may delay or prevent a third party from acquiring control over us.

As of December 4, 2023, our directors, executive officers, and their related entities and persons currently beneficially own, in the aggregate, approximately 15.44% of our outstanding common stock. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise. In addition, these shareholders will be able to exercise influence over all matters requiring shareholder approval, including the election of directors and approval of corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit our other shareholders. For information regarding the ownership of our outstanding stock by our directors, executive officers, and their related entities and persons, see "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters".

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. Cybersecurity

Not applicable

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Item 2. PROPERTIES

We conduct our business through our main office and branch offices. The following table sets forth certain information relating to these facilities as of September 30, 2023.

Location	Year Opened	Owned/ Leased
Main Office:		
Jeffersonville Main Office 702 North Shore Drive, Suite 300 Jeffersonville, Indiana	2019	Owned
Branch Offices:		
Clarksville Office 501 East Lewis & Clark Parkway Clarksville, Indiana	1968	Owned
Jeffersonville – 10th Street Office 3538 E 10th Street Jeffersonville, Indiana	2020	Owned
Charlestown Office 1100 Market Street Charlestown, Indiana	1993	Owned
Georgetown Office 1000 Copperfield Drive Georgetown, Indiana	2003	Owned
Jeffersonville - Court Avenue Office 202 East Court Avenue Jeffersonville, Indiana	1986	Owned
Sellersburg Office 125 Hunter Station Way Sellersburg, Indiana	1995	Owned
Corydon Office 900 Hwy 62 NW Corydon, Indiana	1996	Owned
Salem Office 1336 S Jackson Street Salem, Indiana	1995	Owned
English Office 200 Indiana Avenue English, Indiana	1925	Owned
Marengo Office 165 E State Rd 64 Marengo, Indiana	1984	Owned
Lanesville Office 7340 Main Street NE Lanesville, Indiana	1948	Owned
Elizabeth Office 8160 Beech Street SE Elizabeth, Indiana	1975	Owned
New Albany Office 2218 State Street New Albany, Indiana	2013	Leased
Odon Office 501 West Main Street Odon, Indiana	1982	Owned
Montgomery Office 478 West Meyers Street Montgomery, Indiana	1992	Owned

The Company purchased an 8.097 acre parcel of land in Jeffersonville, Indiana, in July 2013 upon which it intended to construct an office building, relocate its corporate headquarters, and subsequently divest of additional unused acreage in future years. However, in October 2018, the Company acquired an office building for $7.5 million in Jeffersonville, Indiana, to which it has relocated its corporate headquarters. In September 2022, the Company sold an 4.19 acre parcel of the land previously purchased in Jeffersonville, Indiana. As of September 30, 2023, the 3.907 acre parcel of land, which has a carrying value of approximately $203,000, is listed for sale and is included in other real estate owned, held for sale on the balance sheet of the Consolidated Financial Statements.

The Company acquired commercial property in Jeffersonville, Indiana, in October 2019 upon which we renovated the existing building for the purpose of housing the Company's operations offices.

The Company purchased a 21.94 acre parcel of land in Floyds Knobs, Indiana, in July 2021 upon which it intends to construct a branch office.

The Company also rents additional office space and equipment under operating lease agreements that expire at different dates through August 2028. See Note 16 of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for additional information regarding the Company's operating leases.

Item 3. LEGAL PROCEEDINGS

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

The Bank received notice of a class action lawsuit on March 23, 2021 regarding its policy and practice of assessing customer fees related to items presented on accounts with insufficient funds (NSF items). The Company has reached a verbal settlement agreement with the claimant, and the Company has accrued a loss contingency for this pending settlement at September 30, 2023, the amount of which had an immaterial effect on the consolidated financial statements.

The Bank is in discussions with the Federal Reserve Board regarding an alleged violation of law or regulation occurring during 2019. These discussions with the Federal Reserve Board regarding the allegation began in March 2023. The Bank is cooperating with the Federal Reserve Board and continues to review this matter internally and with external legal counsel. The foregoing could result in enforcement action against the Bank including civil money penalties and remedial measures. The Company has accrued a loss contingency for this pending litigation at September 30, 2023, the amount of which had an immaterial effect on the Consolidated financial statements.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Equity and Related Stockholder Matters

The Company's common stock is listed on the NASDAQ Capital Market ("NASDAQ") under the trading symbol "FSFG." All share and per share amounts have been adjusted to reflect the three-for-one stock split effective September 15, 2021. As of December 7, 2022, the Company had approximately 225 holders of record and 6,883,960 shares of common stock outstanding. The figure of shareholders of record does not reflect the number of persons whose shares are in nominee or "street" name accounts through brokers. See Item 1, *"Business—Regulation and Supervision—Limitation on Capital Distributions"* and Note 21 of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for information regarding dividend restrictions applicable to the Company. The Company currently intends to maintain a policy of paying regular quarterly cash dividends; however, the Company cannot guarantee that it will pay dividends or that if paid, it will not reduce or eliminate dividends in the future.

Purchases of Equity Securities

On August 16, 2021, the Company announced that its Board of Directors authorized a stock repurchase program to acquire up to 356,220 shares, or 5.0% of the Company's outstanding common stock. This replaces the previously existing stock repurchase program announced by the Company on November 16, 2012, which had 346,776 shares (split-adjusted) remaining for repurchase. There were no shares repurchased under either stock repurchase plan during the quarter ended September 30, 2023.

The following table presents information regarding the Company's stock repurchase activity during the quarter ended September 30, 2023:

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs (1)	(d) Maximum number (or appropriate dollar value) of shares (or units) that may yet be purchased under the plans or programs
July 1, 2023 through July 31, 2023	—	$ —	—	27,548
August 1, 2023 through August 31, 2023	—	$ —	—	27,548
September 1, 2023 through September 30, 2023	—	$ —	—	27,548
Total	—	$ —	—	27,548

Equity Compensation Plan Information

The following table sets forth information as of September 30, 2023 about Company common stock that may be issued under the Company's equity compensation plans. All plans were approved by the Company's stockholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	408,669	$ 20.79	99,118
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	408,669	$ 20.79	99,118

In December 2009 the Company adopted the 2010 Equity Incentive Plan ("2010 Plan"), which the Company's shareholders approved in February 2010. The 2010 Plan provided for the award of stock options and restricted stock. The aggregate number of shares of the Company's common stock available for issuance under the Plan may not exceed 1.1 million shares, consisting of 762,612 stock options and 305,043 shares of restricted stock. As of September 30, 2023, grants outstanding under the 2010 Plan included 305,043 restricted shares, 559,521 incentive stock options and 203,091 non-statutory stock options to directors, officers and key employees. The restricted shares and stock options granted vest ratably over five years and, once vested, the stock options are exercisable in whole or in part for a period up to ten years from the date of the award.

In December 2015 the Company adopted the 2016 Equity Incentive Plan ("2016 Plan"), which the Company's shareholders approved in February 2016. The 2016 Plan provides for the award of stock options and restricted stock. The aggregate number of shares of the Company's common stock available for issuance under the Plan may not exceed 264,000 shares, consisting of 198,000 stock options and 66,000 shares of restricted stock. As of September 30, 2023, grants outstanding under the 2016 Plan included 64,500 restricted shares, 167,019 incentive stock options and 45,900 non-statutory stock options to directors, officers and key employees. The restricted shares and stock options granted vest ratably over five years and, once vested, the stock options are exercisable in whole or in part for a period up to ten years from the date of the award.

In December 2020, the Company adopted the 2021 Equity Incentive Plan ("2021 Plan"), which the Company's shareholders approved in February 2021. The 2021 Plan provides for the award of stock options and restricted stock. The aggregate number of shares of the Company's common stock available for issuance under the Plan may not exceed 356,058 shares, consisting of 267,043 stock options and 89,015 shares of restricted stock. As of September 30, 2023, grants outstanding under the 2021 Plan included 65,750 shares of restricted stock, 171,000 incentive stock options and 24,750 non-statutory stock options to directors, officers and key employees. The restricted shares and stock options granted vest ratably over one year or five years and, once vested, the stock options are exercisable in whole or in part for a period up to ten years from the date of the award.

Item 6. [RESERVED]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

Income. Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Other significant sources of pre-tax income are service charges (mostly from service charges on deposit accounts and loan servicing fees), ATM and interchange fees on debit and credit cards, increases in the cash surrender value of life insurance, income from sales of residential mortgage and SBA loans originated for sale in the secondary market, commissions on sales of securities and insurance products, and real estate lease income. We also recognize income from the sale of investment securities.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable incurred losses in the loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Expenses. The noninterest expenses we incur in operating our business consist of salaries and employee benefits expenses, occupancy expenses, data processing expenses, professional service fees, federal deposit insurance premiums, advertising, net losses on foreclosed real estate and other miscellaneous expenses. Salaries and employee benefits consist primarily of: salaries, wages and incentive compensation paid to our employees; payroll taxes; and expenses for health insurance, retirement plans and other employee benefits. We also recognize annual employee compensation expenses related to our equity incentive plans as the equity incentive awards vest. Occupancy expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of depreciation charges, furniture and equipment expenses, maintenance, real estate taxes, office lease expense and costs of utilities. Depreciation of premises and equipment is computed using the straight-line method based on the useful lives of the related assets, which range from three to 40 years. Data processing expenses are the fees we pay to third parties for processing customer information, deposits and loans. Professional fees expense represents the fees we pay to third parties for legal, accounting, investment advisory and other consulting services. Federal deposit insurance premiums are payments we make to the FDIC to insure of our deposit accounts. Other expenses include expenses for office supplies, postage, telephone, insurance, regulatory assessments and other miscellaneous operating expenses.

Critical Accounting Policies and Critical Accounting Estimates

The accounting and reporting policies of the Company comply with accounting principles generally accepted in the United States of America ("U.S. GAAP") and conform to general practices within the banking industry. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. The Company's consolidated financial position and results of operations can be affected by these estimates and assumptions, which are integral to understanding reported results. Critical accounting policies are those policies that require management to make assumptions about matters that are highly uncertain at the time an accounting estimate is made; and different estimates that the Company reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on the Company's financial condition, changes in financial condition or results of operations. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under generally accepted accounting principles. Significant accounting policies, including the impact of recent accounting pronouncements, are discussed in Note 1 of the Notes to Consolidated Financial Statements. The policies considered to be the critical accounting policies are described below.

Allowance for Loan Losses. The allowance for loan losses is the amount estimated by management as necessary to cover probable incurred losses in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged to income. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Among the material estimates required to establish the allowance are: loss exposure at default; the amount and timing of future cash flows on impacted loans; value of collateral; and determination of loss factors to be applied to the various elements of the portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance at least quarterly and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions and other factors related to the collectability of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic or other conditions differ substantially from the assumptions used in making the evaluation. In addition, the banking regulators, as an integral part of their examination process, periodically review our allowance for loan losses and may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect earnings. See Note 1 of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for additional information regarding the methodology used to determine the allowance for loan losses.

Valuation Methodologies. In the ordinary course of business, management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when active markets do not exist for the items being valued. Generally, in evaluating various assets for potential impairment, management compares the fair value to the carrying value. Quoted market prices are referred to when estimating fair values for certain assets, such as investment securities. However, for those items for which market-based prices do not exist, management utilizes significant estimates and assumptions to value such items. Examples of these items include loans held for sale, loan servicing rights, derivative financial instruments, goodwill and other intangible assets, foreclosed and other repossessed assets, estimated present value of impaired loans, value ascribed to stock-based compensation and certain other financial investments. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Company's results of operations. See Note 19 of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for additional information.

Deferred Tax Assets. Income tax expense involves estimates related to the valuation allowance on deferred tax assets. A valuation allowance reduces deferred tax assets to the amount management believes is more likely than not to be realized. In evaluating the realization of deferred tax assets, management considers the likelihood that sufficient taxable income of appropriate character will be generated within carryback and carryforward periods, including consideration of available tax planning strategies. See Note 15 of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for additional information.

SELECTED FINANCIAL DATA

The following tables contain certain information concerning our consolidated financial position and results of operations, which is derived in part from our audited consolidated financial statements. The following is only a summary and should be read in conjunction with the audited consolidated financial statements and notes thereto beginning on page F-1 of this annual report.

	At September 30,				
(In thousands)	2023	2022	2021	2020	2019
Financial Condition Data:					
Total assets	$ 2,288,854	$ 2,093,725	$ 1,721,394	$ 1,764,625	$ 1,222,579
Cash and cash equivalents	30,845	41,665	33,428	33,726	41,432
Securities available-for-sale	227,739	316,517	206,681	201,965	177,302
Securities held-to-maturity	1,300	1,558	1,837	2,102	2,336
Loans held for sale	45,855	60,462	214,940	285,525	96,070
Loans, net	1,770,243	1,474,544	1,075,936	1,090,063	810,658
Deposits	1,688,316	1,515,834	1,227,580	1,048,076	834,384
Borrowings from FHLB	363,183	307,303	250,000	310,858	222,544
Other borrowings	48,444	88,206	19,865	194,631	23,729
Stockholders' equity	150,981	151,565	180,377	157,272	121,053

	For the Year Ended September 30,				
(In thousands)	2023	2022	2021	2020	2019
Operating Data:					
Interest income	$ 103,229	$ 71,194	$ 65,259	$ 57,699	$ 50,995
Interest expense	41,655	10,542	8,087	10,538	10,906
Net interest income	61,574	60,652	57,172	47,161	40,089
Provision (credit) for loan losses	2,612	1,908	(1,767)	7,962	1,463
Net interest income after provision (credit) for loan losses	58,962	58,744	58,939	39,199	38,626
Noninterest income	25,342	51,227	120,436	133,351	43,854
Noninterest expense	76,122	92,662	139,409	125,808	62,390
Income before income taxes	8,182	17,309	39,966	46,742	20,090
Income tax expense	10	1,923	9,997	12,661	3,095
Net income	8,172	15,386	29,969	34,081	16,995
Less: net income attributable to noncontrolling interests	—	—	402	727	818
Net income attributable to First Savings Financial Group	8,172	15,386	29,567	33,354	16,177

	For the Year Ended September 30,				
	2023	2022	2021	2020	2019
Per Share Data (1):					
Net income per common share, basic	$ 1.19	$ 2.18	$ 4.16	$ 4.72	$ 2.33
Net income per common share, diluted	1.19	2.15	4.12	4.68	2.27
Dividends per common share	0.55	0.51	0.36	0.22	0.21

(1) Per share amounts have been adjusted to reflect the three-for-one stock split effective September 15, 2021.

	At or For the Year Ended September 30,				
	2023	2022	2021	2020	2019
Performance Ratios:					
Return on average assets	0.37 %	0.83 %	1.69 %	2.27 %	1.42 %
Return on average equity	5.04	8.65	17.59	26.06	15.65
Return on average common stockholders' equity	5.04	8.65	17.37	25.46	15.00
Interest rate spread (1)	2.69	3.55	3.54	3.37	3.63
Net interest margin (2)	3.10	3.72	3.67	3.55	3.88
Other expenses to average assets	3.43	5.01	7.95	8.58	5.48
Efficiency ratio (3)	87.58	82.82	78.49	69.70	74.32
Efficiency ratio (excluding nonrecurring items) (4)	80.61	81.03	78.51	69.86	74.51
Average interest-earning assets to average interest-bearing liabilities	120.17	126.40	125.92	123.65	124.96
Dividend payout ratio	46.41	23.68	8.59	4.77	9.10
Average equity to average assets	7.31	9.61	9.71	8.92	9.54
Capital Ratios:					
Total capital (to risk-weighted assets):					
Consolidated	11.47 %	12.33 %	14.28 %	13.37 %	13.85 %
Bank	11.27	11.44	13.60	12.75	12.88
Tier 1 capital (to risk-weighted assets):					
Consolidated	8.22	8.73	11.76	10.58	10.70
Bank	10.42	10.59	12.54	11.53	11.81
Common equity Tier 1 capital (to risk-weighted assets):					
Consolidated	8.22	8.73	11.76	10.58	10.70
Bank	10.42	10.59	12.54	11.53	11.81
Tier 1 capital (to average adjusted total assets):					
Consolidated	7.24	7.96	9.73	8.53	8.39
Bank	9.17	9.58	10.07	9.37	9.34

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost on average interest-bearing liabilities. Tax exempt income is reported on a tax equivalent basis using a federal marginal tax rate of 21% for 2023, 2022, 2021, 2020 and 2019.

(2) Represents net interest income as a percent of average interest-earning assets. Tax exempt income is reported on a tax equivalent basis using a federal marginal tax rate of 21% for 2023, 2022, 2021, 2020 and 2019.

(3) Represents other expenses divided by the sum of net interest income and other income.

(4) Represents other expenses, excluding nonrecurring items as discussed below, divided by the sum of net interest income and other income, excluding income (loss) from tax credit investments discussed below. The efficiency ratio for 2023 excludes expenses of $1.4 million related to the core processing system conversion, $769,000 related to MSR valuation allowance for intended sale, $1.5 million related to SBA guaranteed loan contingency, $1.1 million related to mortgage banking loss contingencies and $1.2 million of professional fees related to the mortgage banking loss contingencies. The efficiency ratio for 2022 excludes the income from tax credit investments of $12,000 and expenses of $2.0 million related to consulting fees paid in connection with the evaluation and negotiation of a new core processing contract. The efficiency ratio for 2021, 2020 and

2019 excludes the income from tax credit investments of $32,000, $426,000 and $210,000, respectively. This is a non-GAAP financial measure that management believes is useful to investors in understanding the Company's performance.

	At or For the Year Ended September 30,				
	2023	2022	2021	2020	2019
Asset Quality Ratios:					
Allowance for loan losses as a percent of total loans	0.95 %	1.03 %	1.31 %	1.54 %	1.22 %
Allowance for loan losses as a percent of nonperforming loans	121.16	141.49	92.43	125.05	193.82
Net charge-offs to average outstanding loans during the period	0.06	0.06	0.07	0.09	0.09
Nonperforming loans as a percent of total loans	0.78	0.73	1.42	1.23	0.63
Nonperforming loans as a percent of total assets	0.61	0.52	0.90	0.77	0.42
Nonperforming assets as a percent of total assets	0.69	0.65	1.00	0.95	1.02
Other Data:					
Number of full service branch offices	15	15	15	15	15
Number of deposit accounts	49,226	48,122	46,361	44,852	44,343
Number of loans	7,796	7,401	7,041	8,074	7,759

Balance Sheet Analysis

Cash and Cash Equivalents. At September 30, 2023 and 2022, cash and cash equivalents totaled $30.8 million and $41.7 million, respectively. The Bank is at times required to maintain reserve balances on hand and with the Federal Reserve Bank, which are unavailable for investment but are interest-bearing.

Loans Held for Sale. Residential mortgage loans held for sale decreased by $13.9 million in 2023 due to loan sales outpacing originations.

Loans. Our primary lending activity is the origination of loans secured by real estate. We originate one to four family mortgage loans, multifamily loans, commercial real estate loans, commercial business loans and construction loans. To a lesser extent, we originate various consumer loans including home equity lines of credit. Net loans increased $295.7 million, from $1.47 billion at September 30, 2022 to $1.77 billion at September 30, 2023.

At September 30, 2023, residential mortgage loans totaled $528.4 million, or 29.6% of total loans, compared to $368.2 million, or 24.7% of total loans at September 30, 2022. The increase in residential mortgage loans is primarily due a $125.9 million increase in first-lien home equity line of credit loans. The Company launched a national first-lien home equity line of credit product in fiscal 2021, the balance of which was $307.9 million and $178.4 million at September 30, 2023 and 2022, respectively. We generally originate loans for investment purposes, although, depending on the interest rate environment, we typically sell 15-year and 30-year fixed rate residential mortgage loans that we originate into the secondary market in order to limit exposure to interest rate risk and to earn noninterest income. Management intends to continue offering short-term adjustable rate residential mortgage loans and generally sell long-term fixed rate mortgage loans in the secondary market.

Commercial real estate loans, including in-market commercial real estate loans, single tenant net lease loans, and SBA real commercial real estate loans, totaled $991.7 million, or 55.5% of total loans at September 30, 2023, compared to $903.8 million, or 60.7% of total loans at September 30, 2022. The increase in commercial real estate loans is primarily due to an increase in single tenant net lease loans, which increased $82.8 million during the year ended September 30, 2023. Management

intends to continue to focus on pursuing commercial real estate loan opportunities, both within our primary market area as well as through the single tenant net lease and SBA loan programs, to further diversify the loan portfolio.

Multi-family real estate loans totaled $34.9 million, or 2.0% of total loans at September 30, 2023, compared to $32.4 million, or 2.2% of total loans at September 30, 2022. These loans are primarily secured by apartment buildings and other multi-tenant developments in our primary market area.

Residential construction loans totaled $24.9 million, or 1.4% of total loans at September 30, 2023, of which $3.3 million were speculative construction loans. At September 30, 2022, residential construction loans totaled $18.3 million, or 1.2% of total loans, of which $3.7 million were speculative construction loans.

Commercial construction loans totaled $14.6 million, or 0.8% of total loans, at September 30, 2023 compared to $5.9 million, or 0.4% of total loans at September 30, 2022.

Land and land development loans totaled $17.2 million, or 1.0% of total loans at September 30, 2023, compared to $11.9 million, or 0.8% of total loans at September 30, 2022. These loans are primarily secured by vacant lots to be improved for residential and nonresidential development, and farmland.

Commercial business loans, including in-market commercial business loans and SBA commercial business loans, totaled $134.5 million, or 7.5% of total loans, at September 30, 2023 compared to $110.3 million, or 7.4% of total loans, at September 30, 2022. In-market commercial business loans increased $27.6 million during the year due primarily to increased commercial business lending opportunities in our primary market area. Management intends to continue to focus on pursuing commercial business loan opportunities, both within our primary market area as well as through various SBA loan programs, to further diversify the loan portfolio.

Consumer loans totaled $39.9 million, or 2.2% of total loans, at September 30, 2023 compared to $38.1 million, or 2.6% of total loans, at September 30, 2022.

The following table sets forth the composition of our loan portfolio at the dates indicated.

	At September 30,			
	2023		2022	
(Dollars in thousands)	Amount	Percent	Amount	Percent
Real estate mortgage:				
Residential	$ 528,410	29.58 %	$ 368,211	24.73 %
Commercial	187,232	10.48	169,861	11.41
Single tenant net lease	757,388	42.40	674,567	45.31
SBA commercial real estate	47,078	2.64	59,379	3.99
Multi-family	34,892	1.95	32,411	2.18
Residential construction	24,924	1.40	18,261	1.23
Commercial construction	14,588	0.82	5,938	0.40
Land and land development	17,234	0.96	11,880	0.80
	1,611,746	90.23	1,340,508	90.04
Commercial business	117,594	6.58	90,010	6.05
SBA commercial business	16,939	0.95	20,282	1.36
Consumer	39,915	2.23	38,052	2.56
Total loans	1,786,194	100.00 %	1,488,852	100.00 %
Deferred loan origination fees and costs, net	949		1,052	
Allowance for loan losses	(16,900)		(15,360)	
Loans, net	$ 1,770,243		$ 1,474,544	

Loan Maturity

The following table sets forth certain information at September 30, 2023 regarding the dollar amount of loan principal repayments becoming due during the period indicated. The table does not include any estimate of prepayments which significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below. Demand loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less.

	At September 30, 2023				
Amounts due in:	One Year or Less	More Than One Year to Five Years	More Than Five Years to Fifteen Years	More Than Fifteen Years	Total
(In thousands)					
Residential real estate (1)	$ 24,216	$ 52,618	$ 153,104	$ 333,364	$ 563,302
Commercial real estate (2)	48,763	75,675	69,336	10,692	204,466
Single tenant net lease	93,590	320,670	341,615	1,513	757,388
SBA commercial real estate	2,260	6,760	18,747	19,311	47,078
Residential construction (3)	24,924	—	—	—	24,924
Commercial construction (3)	14,588	—	—	—	14,588
Commercial business	58,813	39,631	17,571	1,579	117,594
SBA commercial business	2,037	7,997	6,105	800	16,939
Consumer	5,421	16,561	15,963	1,970	39,915
Total	$ 274,612	$ 519,912	$ 622,441	$ 369,229	$ 1,786,194

(1) Includes multifamily loans.
(2) Includes farmland, land and land development loans.
(3) Includes construction loans for which the Bank has committed to provide permanent financing.

Fixed vs. Adjustable Rate Loans

The following table sets forth the dollar amount of all loans at September 30, 2023 that are due after September 30, 2024, and have either fixed interest rates or adjustable interest rates. The amounts shown below exclude unearned loan origination fees.

(In thousands)	Fixed Rates	Adjustable Rates	Total
Residential real estate (1)	$ 112,956	$ 426,130	$ 539,086
Commercial real estate (2)	64,743	90,960	155,703
Single tenant net lease	537,446	126,352	663,798
SBA commercial real estate	—	44,818	44,818
Commercial business	50,578	8,203	58,781
SBA commercial business	112	14,790	14,902
Consumer	4,400	30,094	34,494
Total	$ 770,235	$ 741,347	$ 1,511,582

(1) Includes multifamily loans.
(2) Includes farmland, land and land development loans.

Securities Available for Sale. Our available for sale securities portfolio consists primarily of U.S. government agency and sponsored enterprises securities, mortgage backed securities and collateralized mortgage obligations issued by U.S. government agencies and sponsored enterprises, municipal bonds, privately-issued collateralized mortgage obligations and asset-backed securities and pass-through asset-backed securities guaranteed by the SBA. Available for sale securities decreased by $88.8 million, from $316.5 million at September 30, 2022 to $227.7 million at September 30, 2023, due primarily to sales of $79.2 million, maturities and calls of $12.2 million, principal repayments of $4.7 million and an increase in unrealized losses of $2.9 million, partially offset by purchases of $11.7 million.

Securities Held to Maturity. Our held to maturity securities portfolio consists of mortgage-backed securities issued by government sponsored enterprises and municipal bonds. Held to maturity securities decreased by $258,000 from $1.6 million at September 30, 2022 to $1.3 million at September 30, 2023, due primarily to maturities and principal repayments.

The following table sets forth the amortized costs and fair values of our investment securities at the dates indicated.

	At September 30,					
	2023		2022		2021	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
US Treasury notes and bills	$ 30,598	$ 25,949	$ 30,809	$ 27,295	$ 250	$ 250
Agency mortgage-backed	28,542	24,268	30,786	27,500	8,143	8,384
Agency CMO	14,064	12,742	15,562	14,821	13,315	13,530
Privately-issued CMO	424	396	495	470	729	803
Privately-issued asset-backed	433	443	561	569	721	772
SBA certificates	11,587	10,745	12,255	12,012	2,157	2,138
Municipal	177,561	151,484	260,326	233,850	170,102	180,804
Other	2,000	1,712	—	—	—	—
Total	$ 265,209	$ 227,739	$ 350,794	$ 316,517	$ 195,417	$ 206,681
Securities held to maturity:						
Agency mortgage-backed	$ 36	$ 35	$ 45	$ 45	$ 64	$ 69
Municipal	1,264	1,268	1,513	1,548	1,773	1,985
Total	$ 1,300	$ 1,303	$ 1,558	$ 1,593	$ 1,837	$ 2,054

The following table sets forth the stated maturities and weighted average yields of debt securities at September 30, 2023. Weighted average yields on tax-exempt securities are presented on a tax equivalent basis using a federal marginal tax rate of 21.0%. Certain mortgage-backed securities and collateralized mortgage obligations have adjustable interest rates and will reprice annually within the various maturity ranges. These repricing schedules are not reflected in the table below. Weighted average yield calculations on investments available for sale do not give effect to changes in fair value that are reflected as a component of equity.

	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
(Dollars in thousands)	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
Securities available for sale:										
US Treasury notes	$ 671	2.25 %	$ 905	2.80 %	$ 24,373	2.33 %	$ —	— %	$ 25,949	2.34 %
Agency mortgage-backed securities	—	—	88	3.69	533	3.05	23,647	3.30	24,268	3.30
Agency CMO	—	—	1,216	4.40	3,695	3.60	7,831	4.08	12,742	3.97
Privately-issued CMO	—	—	—	—	—	—	396	9.02	396	9.02
Privately-issued ABS	—	—	—	—	366	8.97	77	7.45	443	8.71
SBA certificates	—	—	—	—	9,824	4.27	921	6.20	10,745	4.43
Municipal	1,594	4.95	7,296	4.31	15,532	3.97	127,062	3.85	151,484	3.90
Other	—	—	—	—	1,712	8.00	—	—	1,712	8.00
Total	$ 2,265	4.15 %	$ 9,505	4.17 %	$ 56,035	3.43 %	$ 159,934	3.81 %	$ 227,739	3.74 %
Securities held to maturity:										
Agency mortgage-backed	$ —	— %	$ 16	5.31 %	$ —	— %	$ 20	6.59 %	$ 36	6.01 %
Municipal	253	6.44	667	5.96	344	5.52	—	—	1,264	5.93
Total	$ 253	6.44 %	$ 683	5.94 %	$ 344	5.52 %	$ 20	6.59 %	$ 1,300	5.94 %

Deposits. Deposit accounts, generally obtained from individuals and businesses throughout our primary market area, are our primary source of funds for lending and investments. Our deposit accounts are comprised of noninterest-bearing accounts, interest-bearing savings, checking and money market accounts and time deposits. Deposits increased $172.5 million from $1.52 billion at September 30, 2022 to $1.69 billion at September 30, 2023. The Bank recognized increases in money market deposit accounts of $85.5 million and retail time deposits of $41.1 million, when comparing the two years. Brokered certificates of deposit totaled $438.3 million at September 30, 2023 compared to $292.5 million at September 30, 2022. There were no reciprocal time deposits at September 30, 2023 and 2022. We have continued to promote relationship oriented deposit accounts but at times also utilize brokered certificates of deposit and reciprocal time deposits as an alternative to retail time deposits. In addition, we have continued to develop and promote cash management services including sweep accounts and remote deposit capture in order to increase the level of commercial deposit accounts. We believe that the development and promotion of these products has made us more competitive in attracting commercial deposits during recent periods.

The following table sets forth the balances of our deposit accounts at the dates indicated.

	At September 30,	
(In thousands)	2023	2022
Non-interest-bearing demand deposits	$ 242,237	$ 340,172
NOW accounts	336,446	343,296
Money market accounts	323,739	238,219
Savings accounts	170,073	171,779
Retail time deposits	170,980	129,864
Brokered & reciprocal time deposits	438,319	292,504
Total	$ 1,681,794	$ 1,515,834

The following table indicates the amount of time deposits, by account, that are in excess of the FDIC insurance limit (currently $250,000) by time remaining until maturity as of September 30, 2023.

(In thousands)	Amount
Three months or less	$ 21,190
Over three through six months	7,155
Over six through twelve months	20,495
Over twelve months	8,926
Total	$ 57,766

Our uninsured deposits, which consist solely of the portion of deposit accounts that exceed the FDIC insurance limit (currently $250,000), were approximately $463.5 million and $494.7 million at September 30, 2023 and 2022, respectively. These amounts were estimated based on the same methodologies and assumptions used for regulatory reporting purposes.

Borrowings. We use borrowings from the FHLB consisting of advances and borrowings under a line of credit arrangement to supplement our supply of funds for loans and investments. The outstanding balance of borrowings from the FHLB increased $55.9 million, from $307.3 million at September 30, 2022 to $363.2 million at September 30, 2023. FHLB borrowings are primarily used to fund loan demand and to purchase available for sale securities.

The following table sets forth certain information regarding the Bank's use of FHLB borrowings.

	Year Ended September 30,		
(Dollars in thousands)	2023	2022	2021
Maximum amount of FHLB borrowings outstanding at any month-end during period	$ 486,886	$ 404,098	$ 340,092
Average FHLB borrowings outstanding during period	368,239	292,803	282,001
Weighted average interest rate during period	2.92 %	1.14 %	1.13 %
Balance outstanding at end of period	$ 363,183	$ 307,303	$ 250,000
Weighted average interest rate at end of period	2.90 %	2.05 %	1.13 %

Other borrowings were comprised of subordinated debt at September 30, 2023. Other borrowings were comprised of subordinated debt and secured borrowings related to sold commercial loan participation interests that did not qualify for sales treatment under U.S. GAAP at September 30, 2022. Other borrowings decreased from $88.2 million at September 30, 2022 to $48.4 million at September 30, 2023 due to a decrease in secured borrowings of $38.0 million and a decrease in subordinated debt of $1.8 million.

On September 20, 2018, the Company entered into a subordinated note purchase agreement in the principal amount of $20 million. The subordinated note initially bears a fixed interest rate of 6.02% per year through September 30, 2023, and thereafter a floating rate, reset quarterly, equal to the three-month Secured Overnight Financing Rate ("SOFR") plus 310 basis points. All interest is payable quarterly and the subordinated note is scheduled to mature on September 30, 2028. The subordinated note is an unsecured subordinated obligation of the Company and may be repaid in whole or in part, without penalty, on or after September 30, 2023. The subordinated note is presented net of unamortized debt issuance costs of $68,000 at September 30, 2022, in the accompanying consolidated balance sheet. The debt issuance costs were amortized over five years, which represents the period from issuance to the first redemption date of September 30, 2023. The Company elected not to repay the subordinated note on the first optional redemption date of September 30, 2023, but has the right to repay the note without penalty upon providing adequate notice to the investors. The subordinated note is intended to qualify as Tier 2 capital for the Company under regulatory guidelines. However, following September 30, 2023, 20% of the remaining debt outstanding under this subordinated note agreement is disallowed from Tier 2 capital each year until maturity on September 30, 2028.

On March 18, 2022, the Company entered into subordinated note purchase agreements in the aggregate principal amount of $31 million. The subordinated notes initially bear a fixed interest rate of 4.50% per year through March 30, 2027, and thereafter a floating rate, reset quarterly, equal to the three-month SOFR rate plus 276 basis points. All interest is payable semi-annually and the subordinated notes are scheduled to mature on March 30, 2032. The subordinated notes are unsecured subordinated obligations of the Company and may be repaid in whole or in part, without penalty, on or after March 30, 2027. The subordinated notes are intended to qualify as Tier 2 capital for the Company under regulatory guidelines. The subordinated notes are presented net of unamortized debt issuance costs of $556,000 at September 30, 2023, in the accompanying consolidated balance sheet. The debt issuance costs are being amortized over five years, which represents the period from issuance to the first redemption date of March 30, 2027. The Company repurchased $2.0 million of this subordinated note from an investor and recognized a gain of $660,000 from the transaction. The remaining principal due on this subordinated note was $29 million at September 30, 2023.

The Bank has entered into federal funds purchased line of credit facilities with four other financial institutions that established lines of credit not to exceed the lesser of $20 million or 25% of the Bank's equity capital, excluding reserves, the lesser of $5.0 million or 50% of the Bank's equity capital, $22 million and $15 million, respectively. At September 30, 2023, the Bank did not have any outstanding federal funds purchased under these lines of credit.

Stockholders' Equity. Stockholders' equity decreased $584,000, from $151.6 million at September 30, 2022 to $151.0 million at September 30, 2023. The decrease was due primarily to a $2.6 million decrease in treasury stock and an increase in accumulated other comprehensive loss of $2.5 million, partially offset by an increase in retained net income of $4.4 million. The decrease in treasury stock was due to the repurchase of 124,710 of Company common shares during the year ended September 30, 2023. The increase in accumulated other comprehensive loss was primarily due to increasing long term market interest rates during the year ended September 30, 2023, which resulted in a decrease in the fair value of the available-for-sale securities portfolio.

Results of Operations for the Years Ended September 30, 2023, 2022 and 2021

Overview. The Company reported net income of $8.2 million ($1.19 per common share diluted) for the year ended September 30, 2023, compared to net income of $15.4 million ($2.15 per common share diluted) for the year ended September 30, 2022. The decrease in net income was due to a decrease in noninterest income of $25.9 million and a $704,000 increase in the provision for loan losses, partially offset by a $922,000 increase in net interest income and a $16.5 million decrease in noninterest expense.

Net income was $15.4 million ($2.15 per common share diluted) for the year ended September 30, 2022 compared to net income of $29.6 million ($4.12 per common share diluted) for the year ended September 30, 2021. The decrease in net income for 2022 compared to 2021 was due to a decrease in noninterest income of $69.2 million and a $3.7 million increase in the provision for loan losses, partially offset by a $3.5 million increase in net interest income and a $46.7 million decrease in noninterest expense.

Net Interest Income. For the year ended September 30, 2023, net interest income increased $922,000 or 1.5%, as compared to 2022, primarily due to balance sheet growth. The interest rate spread, the difference between the average tax-equivalent yield on interest-earning assets and the average cost of interest-bearing liabilities, decreased from 3.55% for 2022 to 2.69% for 2023 due primarily to an increase in the average cost of interest-bearing liabilities from 0.80% for 2022 to 2.44% for 2023. This was partially offset by an increase in the average yield on interest earning assets from 4.35% for 2022 to 5.13% for 2023.

For the year ended September 30, 2022, net interest income increased $3.5 million or 6.1% as compared to 2021, primarily due to balance sheet growth. The interest rate spread increased from 3.54% for 2021 to 3.55% for 2022 due primarily to an increase in the average yield on interest earning assets from 4.18% for 2021 to 4.35% for 2022. This was partially offset by an increase in the average cost of interest-bearing liabilities from 0.64% for 2021 to 0.80% for 2022.

For the year ended September 30, 2023, total interest income increased $32.0 million, or 45.0%, as compared to 2022. The increase in total interest income is due primarily to increases in the average balance of interest earning assets of $380.9 million, from $1.67 billion for 2022 to $2.05 billion for 2023, and an increase in the average tax-equivalent yield on interest-earning assets, from 4.35% for 2022 to 5.13% for 2023. The increase in the average balance of interest-earning assets is due primarily to increases in the average balance of total loans and investment securities of $318.0 million and $67.2 million, respectively. For the year ended September 30, 2022, total interest income increased $5.9 million, or 9.1% as compared to 2021. The increase in total interest income is due primarily to increases in the average balance of interest earning assets of $80.9 million, from $1.59 billion for 2021 to $1.67 billion for 2022, and an increase in the average tax-equivalent yield on interest-earning assets, from 4.18% for 2021 to 4.35% for 2022. The increase in the average balance of interest-earning assets is due primarily to increases in the average balance of investment securities and total loans of $69.9 million and $26.0 million, respectively.

Interest income on loans increased $27.7 million, or 44.6%, from $62.1 million for 2022 to $89.8 million for 2023, due primarily to an increase in the average balance of loans outstanding of $318.0 million, from $1.36 billion for 2022 to $1.68 billion for 2023, and an increase in the average tax-equivalent yield on loans from 4.57% for 2022 to 5.36% for 2023. In 2022, interest income on loans increased $4.0 million, or 6.9%, from $58.1 million for 2021 to $62.1 million for 2022, due primarily to an increase in the average balance of loans outstanding of $26.0 million, from $1.34 billion for 2021 to $1.36 billion for 2022, and an increase in the average tax-equivalent yield on loans from 4.35% for 2021 to 4.57% for 2022.

Interest income on investment securities increased $2.9 million, or 35.7%, primarily due to an increase in the average balance of investment securities of $67.2 million, from $261.6 million for 2022 to $328.8 million for 2023 and an increase in the average tax equivalent yield on investments from 3.73% for 2022 to 3.97% for 2023. In 2022, interest income on investment securities increased $1.7 million, or 26.3%, primarily due to an increase in the average balance of investment securities of $69.9 million, from $191.7 million for 2021 to $261.6 million for 2022 partially offset by a decrease in the average tax equivalent yield on investments from 4.04% for 2021 to 3.73% for 2022.

Total interest expense increased $31.1 million, or 296.3%, due primarily to an increase in the average cost of funds from 0.80% for 2022 to 2.44% for 2023, and an increase in the average balance of interest-bearing liabilities of $385.7 million, from $1.32 billion for 2022 to $1.71 billion for 2023. The average balance of interest-bearing deposits increased $292.2 million, or 29.5%, from $990.3 million for 2022 to $1.28 billion for 2023, and the average cost of funds for deposits was 0.49% for 2022 compared to 2.16% for 2023. The average balance of borrowings from the Federal Home Loan Bank increased $75.4 million, or 25.8%, from $292.8 million for 2022 to $368.2 million for 2023, and the average cost of Federal Home Loan Bank borrowings increased from 1.14% for 2022 to 2.92% for 2023. Average other borrowings, which are comprised subordinated debt for 2023 and subordinated debt and secured borrowings for 2022, increased $18.1 million or 44.0% from $41.1 million for 2022 to $59.2 million for 2023. The average cost of other borrowings decreased from 5.61% for 2022, net of amortization of debt issuance costs, to 5.48% for 2023, net of amortization of debt issuance costs. In 2022, total interest expense increased $2.5 million or 30.3%, due primarily to an increase in the average cost of funds from 0.64% for 2021 to 0.80% for 2022, and an increase in the average balance of interest-bearing liabilities of $59.2 million, from $1.27 billion for 2021 to $1.32 billion for 2022. The average balance of interest-bearing deposits increased $141.5 million, or 16.7%, from $848.8 million for 2021 to $990.3 million for 2022, and the average cost of funds for deposits was 0.38% for 2021 compared to 0.49% for 2022. The average balance of borrowings from the Federal Home Loan Bank increased $10.8 million, or 3.8%, from $282.0 million for 2021 to $292.8 million for 2022, and the average cost of Federal Home Loan Bank borrowings increased from 1.13% for 2021 to 1.14% for 2022. Average other borrowings, which are comprised of subordinated debt and secured borrowings, increased $21.3 million or 107.3% from $19.8 million for 2021 to $41.1 million for 2022. The average cost of other borrowings decreased from 6.53% for 2021, net of amortization of debt issuance costs, to 5.61% for 2022, net of amortization of debt issuance costs.

Average Balances and Yields.

The following tables present information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. Nonaccrual loans are included in average balances only. Loan fees are included in interest income on loans and totaled $1.2 million, $1.5 million and $4.7 million for 2023, 2022 and 2021, respectively. Tax exempt income on loans and investment securities has been adjusted to a tax equivalent basis using a federal marginal tax rate of 21.0%. There were no out-of-period items or adjustments required to be excluded from the following table.

	Year Ended September 30,								
	2023			2022			2021		
(Dollars in thousands)	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Assets:									
Interest-bearing deposits with banks	$ 22,305	$ 869	3.90 %	$ 30,605	$ 161	0.53 %	$ 45,847	$ 73	0.16 %
Loans	1,680,418	90,014	5.36	1,362,382	62,211	4.57	1,336,417	58,182	4.35
Investment securities - taxable	109,249	3,865	3.54	74,239	2,334	3.14	44,325	1,771	4.00
Investment securities - nontaxable	219,581	9,189	4.18	187,408	7,419	3.96	147,385	5,973	4.05
FRB and FHLB stock	23,196	1,435	6.19	19,217	729	3.79	18,948	582	3.07
Total interest-earning assets	2,054,749	105,372	5.13	1,673,851	72,854	4.35	1,592,922	66,581	4.18
Non-interest-earning assets	161,446			177,283			161,386		
Total assets	$ 2,216,195			$ 1,851,134			$ 1,754,308		
Liabilities and equity:									
NOW accounts	$ 313,212	$ 1,960	0.63	$ 330,522	$ 1,135	0.34	$ 268,073	$ 766	0.29
Money market deposit accounts	259,506	6,295	2.43	225,507	1,096	0.49	178,657	735	0.41
Savings accounts	188,686	124	0.07	169,731	107	0.06	156,421	96	0.06
Time deposits	521,094	19,292	3.70	264,578	2,564	0.97	245,686	1,598	0.65
Total interest-bearing deposits	1,282,498	27,671	2.16	990,338	4,902	0.49	848,837	3,195	0.38
Federal funds purchased	21	1	4.76	—	—	0.00	—	—	0.00
Borrowings from FHLB	368,239	10,739	2.92	292,803	3,333	1.14	282,001	3,199	1.13
Federal Reserve PPPLF	—	—	0.00	—	—	0.00	114,372	400	0.35
Subordinated debt and other borrowings	59,161	3,244	5.48	41,094	2,307	5.61	19,819	1,293	6.53
Total interest-bearing liabilities	1,709,919	41,655	2.44	1,324,235	10,542	0.80	1,265,029	8,087	0.64
Non-interest-bearing deposits	307,356			313,491			274,129		
Other non-interest-bearing liabilities	36,867			35,539			44,782		
Total liabilities	2,054,142			1,673,265			1,583,940		
Total stockholders' equity	162,053			177,869			170,247		
Noncontrolling interests in subsidiary	—			—			121		
Total equity	162,053			177,869			170,368		
Total liabilities and equity	$ 2,216,195			$ 1,851,134			$ 1,754,308		
Net interest income (taxable equivalent basis)		63,717			62,312			58,494	
Less: taxable equivalent adjustment		(2,143)			(1,660)			(1,322)	
Net interest income		$ 61,574			$ 60,652			$ 57,172	
Interest rate spread (taxable equivalent basis)			2.69 %			3.55 %			3.54 %
Net interest margin (taxable equivalent basis)			3.10			3.72			3.67
Average interest-earning assets to average interest-bearing liabilities			120.17			126.40			125.92

Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. Changes attributable to changes in both rate and volume have been allocated proportionally based on the absolute dollar amounts of change in each.

	Year Ended September 30, 2023 Compared to Year Ended September 30, 2022			**Year Ended September 30, 2022 Compared to Year Ended September 30, 2021**		
	Increase (Decrease) Due to			**Increase (Decrease) Due to**		
(In thousands)	**Volume**	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Interest income:						
Interest-bearing deposits with banks	$ (184)	$ 892	$ 708	$ (53)	$ 141	$ 88
Loans	15,790	11,986	27,803	943	3,086	4,029
Investment securities - taxable	1,169	362	1,531	1,068	(505)	563
Investment securities - nontaxable	1,309	461	1,770	1,603	(157)	1,446
FRB and FHLB stock	199	507	706	9	138	147
Total interest-earning assets	18,283	14,208	32,518	3,570	2,703	6,273
Interest expense:						
Deposits	3,871	18,898	22,769	616	1,091	1,707
Federal funds purchased	1	—	1	—	—	—
Borrowings from FHLB	1,531	5,875	7,406	123	12	135
Federal Reserve PPPLF	—	—	—	(400)	—	(400)
Other borrowings	1,002	(62)	937	1,210	(197)	1,013
Total interest-bearing liabilities	6,405	24,711	31,113	1,549	906	2,455
Net increase (decrease) in net interest income (taxable equivalent basis)	$ 11,878	$ (10,503)	$ 1,405	$ 2,021	$ 1,797	$ 3,818

Provision for Loan Losses. The Company recognized a provision for loan losses of $2.6 million for the year ended September 30, 2023 compared to a provision for loan losses of $1.9 million for 2022. Net charge-offs in 2023 were $1.1 million compared to $849,000 for 2022 and nonperforming loans increased $3.1 million to $13.9 million at September 30, 2023. In 2022, the Company recognized a provision for loan losses of $1.9 million compared to a credit for loan losses of $1.8 million for 2021. Net charge-offs in 2022 were $849,000 compared to $958,000 for 2021 and nonperforming loans decreased $4.6 million to $10.9 million at September 30, 2022. See "*Analysis of Nonperforming and Classified Assets*" included herein. It is management's assessment that the allowance for loan losses at September 30, 2023 was adequate and appropriately reflected the probable incurred losses in the Bank's loan portfolio at that date.

Noninterest Income. Noninterest income decreased $25.9 million, or 50.5%, from $51.2 million for the year ended September 30, 2022 to $25.3 million for the year ended September 30, 2023. The decrease was due primarily to a $24.0 million decrease in mortgage banking income in 2023 compared to the same period in 2022. The decrease in mortgage banking income was primarily due to lower origination and sales volume in 2023 compared to 2022. Mortgage loans originated for sale were $587.7 million in the year ended September 30, 2023 as compared to $1.61 billion for 2022. In 2022, noninterest income decreased $69.2 million, or 57.5%, from $120.4 million for the year ended September 30, 2021 to $51.2 million for the year ended September 30, 2022. The decrease was due primarily to decreases in mortgage banking income and net gain on sale of SBA loans of $66.2 million and $5.0 million, respectively. The decrease in mortgage banking income was primarily due to lower origination and sales volume in 2022 compared to 2021. Mortgage loans originated for sale were $1.61 billion in the year ended September 30, 2022 as compared to $4.09 billion in 2021. The decrease in net

gain on sales of SBA loans was due primarily to decreases in production and sales volume from the SBA lending segment, as well as lower premiums in the secondary market.

Noninterest Expense. Noninterest expenses decreased $16.5 million, or 17.8%, from $92.7 million for the year ended September 30, 2022 to $76.1 million for the year ended September 30, 2023. The decrease was due primarily to a decrease in compensation and benefits and professional fees of $17.3 million and $3.7 million, respectively, partially offset by a $2.2 million increase in data processing expense. The decrease in compensation and benefits expense was due primarily to a reduction in staff and incentive compensation for the Company's mortgage banking segment as a result of decreased mortgage banking volume. The decrease in professional fees was due primarily to a $2.0 million consulting fee incurred in 2022 in connection with negotiating a new core processing contract. The increase in data processing expense is primarily due to one-time charges totaling $1.4 million in connection with the conversion of the Bank's data processing system. In 2022, noninterest expenses decreased $46.7 million, or 33.5%, from $139.4 million for the year ended September 30, 2021 to $92.7 million for the year ended September 30, 2022. The decrease was due primarily to decreases in compensation and benefits and advertising expense of $41.7 million and $3.4 million, respectively. The decrease in compensation and benefits expense was due primarily to a reduction in staff and incentive compensation for the Company's mortgage banking segment as a result of decreased mortgage banking income. The decrease in advertising expense was related to the reduced loan origination volume of the mortgage banking segment.

Income Tax Expense. The Company recognized income tax expense of $10,000 for the year ended September 30, 2023, compared to $1.9 million for the year ended September 30, 2022 and $10.0 million for the year ended September 30, 2021. The effective tax rate was 0.1%, 11.1% and 25.0%, for the years ended September 30, 2023, 2022 and 2021, respectively. The lower effective tax rate for 2023 compared to 2022, was primarily due to the recognition of investment tax credits related to solar projects in 2023 and lower pre-tax income in 2023 as compared to 2022. The lower pre-tax income for 2023 is due primarily to losses incurred for mortgage banking operations, professional fees related to mortgage banking loss contingencies, and expenses related to the conversion of the Bank's data processing system. The lower effective tax rate for 2022 compared to 2021, was primarily due to lower taxable income and lower nondeductible executive compensation expense.

Risk Management

Overview. Managing risk is essential to successfully managing a financial institution. Our most prominent risk exposures are credit risk, interest rate risk and market risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of interest income as a result of changes in interest rates. Market risk arises from fluctuations in interest rates that may result in changes in the values of financial instruments, such as available-for-sale securities that are accounted for on a mark-to-market basis. Other risks that we face are operational risks, liquidity risks and reputation risk. Operational risks include risks related to fraud, regulatory compliance, processing errors, technology and disaster recovery. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue or in the value of our common stock. The Company has implemented an enterprise risk management structure in order to better manage and mitigate these identified and perceived risks.

Credit Risk Management. Our strategy for credit risk management focuses on having well-defined credit policies and uniform underwriting criteria and providing prompt attention to potential problem loans.

When a borrower fails to make a required loan payment, we take a number of steps to have the borrower cure the delinquency and restore the loan to current status. When the loan becomes 15 days past due, a late notice is sent to the borrower and a late fee is assessed. When the loan becomes 30 days past due, a more formal letter is sent. Between 15 and 30 days past due, telephone calls are also made to the borrower. After 30 days, we regard the borrower as in default. The borrower may be sent a letter from our attorney and we may commence collection proceedings. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the real property securing the loan generally is sold at foreclosure. Generally, when a consumer loan becomes 60 days past due, we institute collection proceedings and attempt to repossess any personal property that secures the loan. Generally, we institute foreclosure proceedings when a loan is 60 days past due. Management obtains the approval of the Board of Directors to proceed with foreclosure of property. Management informs the Board of Directors monthly of all loans in nonaccrual status, all loans in foreclosure and all repossessed property and assets that we own.

Analysis of Nonperforming and Classified Assets. We consider nonaccrual loans, troubled debt restructurings ("TDRs"), repossessed assets and loans that are 90 days or more past due to be nonperforming assets. Loans are generally placed on nonaccrual status when they become 90 days delinquent at which time the accrual of interest ceases and the allowance for any uncollectible accrued interest is established and charged against operations. Typically, payments received on a nonaccrual loan are first applied to the outstanding principal balance.

Real estate that we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as other real estate owned until it is sold. When property is acquired it is recorded at its fair market value, less estimated costs to sell, at the date of foreclosure. Holding costs and declines in fair value after acquisition of the property result in charges against income. Former bank premises held for sale are also included in other real estate owned, but are not included in the nonperforming asset totals below.

The following table provides information with respect to our nonperforming assets at the dates indicated. Included in nonperforming loans are loans for which the Bank has modified the repayment terms, and therefore are considered to be TDRs. The Bank had 16 TDRs, totaling $1.3 million, which were performing according to their terms and on accrual status as of September 30, 2023.

	At September 30,				
(Dollars in thousands)	2023	2022	2021	2020	2019
Nonaccrual loans	$ 13,948	$ 10,856	$ 15,000	$ 13,615	$ 5,168
Accruing loans past due 90 days or more	—	—	472	—	12
Total nonperforming loans	13,948	10,856	15,472	13,615	5,180
Performing TDRs	1,266	2,714	1,743	3,069	7,265
Foreclosed real estate	474	—	—	—	—
Total nonperforming assets	$ 15,688	$ 13,570	$ 17,215	$ 16,684	$ 12,445
Nonaccrual loans to total loans	0.78 %	0.73 %	1.38 %	1.23 %	0.63 %
Total nonperforming loans to total loans	0.78	0.73	1.42	1.23	0.63
Total nonperforming loans to total assets	0.61	0.52	0.90	0.77	0.42
Total nonperforming assets to total assets	0.69	0.65	1.00	0.95	1.02

Federal and state banking regulations require us to review and classify our assets on a regular basis. In addition, the Bank's regulators have the authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. "Substandard assets" must have one or more defined weaknesses and are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. "Doubtful assets" have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified "loss" is considered uncollectible and of such little value that continuance as an asset of the institution, without establishment of a specific allowance or charge-off, is not warranted. The regulations also provide for a "special mention" category, described as assets which do not currently expose us to a sufficient degree of risk to warrant classification but do possess credit deficiencies or potential weaknesses deserving our close attention. When we classify an asset as doubtful we may establish a specific allowance for loan losses. If we classify an asset as loss, we charge off an amount equal to 100% of the portion of the asset classified loss.

Classified assets include loans that are classified due to factors other than payment delinquencies, such as lack of current financial statements and other required documentation, insufficient cash flows or other deficiencies, and, therefore, are not included as nonperforming assets. Other than as disclosed in the above tables, there are no other loans where management has serious doubts about the ability of the borrowers to comply with the present loan repayment terms. Classified assets also include investment securities that have experienced a downgrade of the security's credit quality rating by various rating agencies.

At September 30, 2023, the Company held seven privately-issued CMO and ABS securities with an aggregate amortized cost of $289,000 and fair value of $291,000 that have been downgraded to a substandard regulatory classification due to a downgrade of the security's credit quality rating by various rating agencies. Based on an independent third party analysis, the Bank expects to collect the contractual principal and interest cash flows for all but one of these securities and, as a result, the Bank recognized $28,000 of other-than-temporary impairment on the privately-issued CMO portfolio during the year ended September 30, 2023. At September 30, 2022, the Company held seven privately-issued CMO and ABS securities with an aggregate carrying value of $395,000 and fair value of

$382,000 that had been downgraded to a substandard regulatory classification due to a downgrade of the security's credit quality rating by various rating agencies

Analysis and Determination of the Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. We evaluate the need to establish allowances against losses on loans on at least a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of a specific allowance for impaired loans and a general allowance on the remainder of the loan portfolio. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available to absorb losses in the loan portfolio.

Specific Allowance for Impaired Loans. We consider loans classified as substandard or doubtful and TDRs to be impaired and establish a specific allowance when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of the loan.

General Allowance on the Remainder of the Loan Portfolio. We establish a general allowance for loans that are not currently classified as impaired in order to recognize the inherent losses associated with lending activities. The general allowance covers unimpaired loans and is based on historical loss experience adjusted for qualitative factors such as changes in economic conditions, changes in the volume of past due and nonaccrual loans and classified assets, changes in the nature and volume of the portfolio, changes in the value of underlying collateral for collateral dependent loans, concentrations of credit, and other factors.

The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated.

	At September 30,					
	2023			2022		
(Dollars in thousands)	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance to Total Allowance	% of Loans in Category to Total Loans
Residential real estate	$ 4,641	27.46 %	29.59 %	$ 2,716	17.68 %	24.73 %
Commercial real estate	1,777	10.51	10.48	1,590	10.35	11.41
Single tenant net lease	3,810	22.54	42.40	3,838	24.99	45.31
SBA commercial real estate	1,922	11.37	2.64	2,578	16.78	3.99
Multi-family	268	1.59	1.95	251	1.63	2.18
Residential construction	434	2.57	1.40	305	1.99	1.23
Commercial construction	282	1.67	0.82	107	0.70	0.40
Land and land development	307	1.82	0.96	212	1.38	0.80
Commercial business	1,714	10.14	6.58	1,193	7.77	6.05
SBA commercial business	1,247	7.38	0.95	2,122	13.82	1.36
Consumer	498	2.95	2.23	448	2.91	2.56
Total allowance for loan losses	$ 16,900	100.00 %	100.00 %	$ 15,360	100.00 %	100.00 %

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and our results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. The banking regulators may require us to increase our allowance for loan losses based on judgments different from ours. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that increases will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

Analysis of Loan Loss Experience. The following table sets forth an analysis of the allowance for loan losses for the periods indicated.

(Dollars in thousands)	Year Ended September 30, 2023	2022	2021
Allowance for loan losses at beginning of period	$ 15,360	$ 14,301	$ 17,026
Provision (credit) for loan losses	2,612	1,908	(1,767)
Charge offs:			
Residential real estate	71	23	11
Commercial real estate	—	—	—
Single tenant net lease	—	—	—
SBA commercial real estate	357	110	936
Multi-family	—	—	—
Residential construction	—	—	—
Commercial construction	—	—	—
Land and land development	—	—	—
Commercial business	—	91	—
SBA commercial business	569	698	21
Consumer	250	175	156
Total charge-offs	1,247	1,097	1,124
Recoveries:			
Residential real estate	16	14	24
Commercial real estate	—	—	—
Single tenant net lease	—	—	—
SBA commercial real estate	3	15	23
Multi-family	—	—	—
Residential construction	—	—	—
Commercial construction	—	—	—
Land and land development	—	—	—
Commercial business	69	119	5
SBA commercial business	51	61	39
Consumer	36	39	75
Total recoveries	175	248	166
Net charge-offs	1,072	849	958
Allowance for loan losses at end of period	$ 16,900	$ 15,360	$ 14,301
Allowance for loan losses to nonaccrual loans	121.16 %	141.49 %	95.34 %
Allowance for loan losses to nonperforming loans	121.16 %	141.49 %	92.43 %
Allowance for loan losses to total loans outstanding at the end of the period	0.95	1.03	1.31
Net charge-offs during the period to average loans outstanding during the period	0.06	0.06	0.09

The following table sets forth the ratio of net charge-offs (recoveries) to average loans outstanding for the periods indicated.

Loan category	For the Year Ended September 30, 2023	2022	2021
Residential real estate	0.01 %	0.00 %	(0.01)%
Commercial real estate	0.00	0.00	0.00
Single tenant net lease	0.00	0.00	0.00
SBA commercial real estate	0.69	0.15	1.52
Multi-family	0.00	0.00	0.00
Residential construction	0.00	0.00	0.00
Commercial construction	0.00	0.00	0.00
Land and land development	0.00	0.00	0.00
Commercial business	(0.07)	(0.04)	(0.01)
SBA commercial business	2.73	1.38	(0.01)
Consumer	0.55	0.41	0.18
Total loans	0.06 %	0.06 %	0.09 %

Interest Rate Risk Management. We manage the interest rate sensitivity of our interest-bearing liabilities and interest-earning assets in an effort to minimize the adverse effects of changes in the interest rate environment. Deposit accounts typically react more quickly to changes in market interest rates than mortgage loans because of the shorter maturities of deposits. As a result, sharp increases in interest rates may adversely affect our earnings while decreases in interest rates may beneficially affect our earnings. To reduce the potential volatility of our earnings, we have sought to improve the match between asset and liability maturities and rates, while maintaining an acceptable interest rate spread. Our strategy for managing interest rate risk emphasizes: adjusting the maturities of borrowings; adjusting the investment portfolio mix and duration and generally selling in the secondary market substantially all newly originated, fixed rate one-to four-family residential real estate loans. We currently do not participate in hedging programs, interest rate swaps or other activities involving the use of derivative financial instruments, other than the use of forward mortgage loan sale contracts in connection with our mortgage banking activities. See Note 18 of the Notes to Consolidated Financial Statements beginning on page F-1 of this annual report for additional information regarding derivative financial instruments.

We have an Asset/Liability Management Committee, which includes members of management selected by the Board of Directors, to communicate, coordinate and control all aspects involving asset/liability management. The committee establishes and monitors the volume, maturities, pricing and mix of assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals.

Our goal is to manage asset and liability positions to moderate the effects of interest rate fluctuations on net interest income and net income.

Market Risk Analysis. An element in our ongoing interest rate risk management process is to measure and monitor interest rate risk using a Net Interest Income at Risk simulation to model the interest rate sensitivity of the balance sheet and to quantify the impact of changing interest rates on the Company. The model quantifies the effects of various possible interest rate scenarios on projected net interest income over a one-year horizon. The model assumes a semi-static balance sheet and measures the impact on net interest income relative to a base case scenario of hypothetical changes in interest rates over twelve months and provides no effect given to any steps that management might take to counter the effect of the interest rate movements. The scenarios include prepayment assumptions, changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates in order to capture the impact from re-pricing, yield curve, option, and basis risks.

Results of our simulation modeling, which assumes an immediate and sustained parallel shift in market interest rates, project that the Company's net interest income could change as follows over a one-year horizon, relative to our base case scenario, based on September 30, 2023 and 2022 financial information.

Immediate Change in the Level of Interest Rates	At September 30, 2023 One Year Horizon Dollar Change	At September 30, 2023 One Year Horizon Percent Change	At September 30, 2022 One Year Horizon Dollar Change	At September 30, 2022 One Year Horizon Percent Change
	(Dollars in thousands)			
300bp	$ (6,660)	(11.71)%	$ (15,503)	(27.12)%
200bp	(4,349)	(7.65)	(8,858)	(15.50)
100bp	(2,223)	(3.91)	(3,224)	(5.64)
Static	—	—	—	—
(100)bp	2,214	3.89	2,819	4.93
(200)bp	4,451	7.83	5,095	8.91

At September 30, 2023, our simulated exposure to an increase in interest rates shows that an immediate and sustained increase in rates of 1.00% will decrease our net interest income by $2.2 million or 3.91% over a one year horizon compared to a flat interest rate scenario. Furthermore, rate increases of 2.00% and 3.00% would cause net interest income to decrease by 7.65% and 11.71%, respectively. An immediate and sustained decrease in rates of 1.00% and 2.00% will increase our net interest income by $2.2 million and $4.5 million, or 3.89% and 7.83%, respectively, over a one year horizon compared to a flat interest rate scenario.

The Company also has longer term interest rate risk exposure, which may not be appropriately measured by Net Interest Income at Risk modeling, and therefore uses an Economic Value of Equity ("EVE") interest rate sensitivity analysis in order to evaluate the impact of its interest rate risk on earnings and capital. This is measured by computing the changes in net EVE for its cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. EVE modeling involves discounting present values of all cash flows for on and off balance sheet items under different interest rate scenarios and provides no effect given to any steps that management might take to counter the effect of the interest rate movements. The discounted present value of all cash flows represents the Company's EVE and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. The amount of base case EVE and its sensitivity to shifts in interest rates provide a measure of the longer term re-pricing and option risk in the balance sheet.

Results of our simulation modeling, which assumes an immediate and sustained parallel shift in market interest rates, project that the Company's EVE could change as follows, relative to our base case scenario, based on September 30, 2023 and 2022 financial information.

Immediate Change in the Level of Interest Rates	At September 30, 2023				
	Economic Value of Equity			Economic Value of Equity as a Percent of Present Value of Assets	
	Dollar Amount	Dollar Change	Percent Change	EVE Ratio	Change
	(Dollars in thousands)				
300bp	$ 168,287	$ (103,095)	(37.99)%	8.80 %	(386)bp
200bp	200,335	(71,047)	(26.18)	10.10	(256)bp
100bp	234,422	(36,960)	(13.62)	11.38	(128)bp
Static	271,382	—	—	12.66	— bp
(100)bp	309,457	38,075	14.03	13.87	121 bp
(200)bp	348,979	77,597	28.59	15.00	234 bp

Immediate Change in the Level of Interest Rates	At September 30, 2022				
	Economic Value of Equity			Economic Value of Equity as a Percent of Present Value of Assets	
	Dollar Amount	Dollar Change	Percent Change	EVE Ratio	Change
			(Dollars in thousands)		
300bp	$ 183,110	$ (126,111)	(40.78)%	10.71 %	(520)bp
200bp	227,342	(81,879)	(26.48)	12.76	(315)bp
100bp	274,568	(34,653)	(11.21)	14.77	(114)bp
Static	309,221	—	—	15.91	— bp
(100)bp	343,450	34,229	11.07	16.89	98 bp
(200)bp	378,990	69,769	22.56	17.78	187 bp

The previous table indicates that at September 30, 2023, the Company would expect a decrease in its EVE in the event of a sudden and sustained 100, 200 and 300 basis point increase in prevailing interest rates, and an increase in its EVE in the event of a sudden and sustained 100 and 200 basis point decrease in prevailing interest rates.

The models are driven by expected behavior in various interest rate scenarios and many factors besides market interest rates affect the Company's net interest income and EVE. For this reason, we model many different combinations of interest rates and balance sheet assumptions to understand its overall sensitivity to market interest rate changes. Therefore, as with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing tables and it is recognized that the model outputs are not guarantees of actual results. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from time deposits could deviate significantly from those assumed in calculating the table.

Liquidity Management. Liquidity is the ability to meet current and future short-term financial obligations. Our primary sources of funds consist of deposit inflows, loan repayments, maturities and sales of investment securities and borrowings from the FHLB. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

The Bank regularly adjusts its investments in liquid assets based upon its assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities and (4) the objectives of our asset/liability management policy.

The Bank's most liquid assets are cash and cash equivalents and interest-bearing deposits. The levels of these assets depend on our operating, financing, lending and investing activities during any given period. At September 30, 2023, cash and cash equivalents totaled $30.8 million. Securities classified as available-for-sale, amounting to $227.7 million, at September 30, 2023, provide additional sources of liquidity. At September 30, 2023, we had the ability to borrow a total of approximately $600.0 million from the FHLB, of which $363.2 million was borrowed and outstanding. In addition, we had the ability to borrow the lesser of $20 million or 25% of the Bank's equity capital, excluding reserves, using a federal funds purchased line of credit facility with another financial institution at September 30, 2023. We also had three other federal funds line of credit facilities with other financial institutions from which we had the ability to borrow the lesser of $5.0 million or 50% of the Bank's equity capital, $22 million and $15 million, respectively. The Bank did not have any outstanding federal funds purchased at September 30, 2023.

At September 30, 2023, the Bank had $354.3 million in commitments to extend credit outstanding, excluding interest rate lock commitments for residential mortgage loans intended for sale in the secondary market that meet the definition of a derivative. Time deposits due within one year of September 30, 2023 totaled $573.1 million, or 94.1% of time deposits. We believe the large percentage of time deposits that mature within one year reflects customers' hesitancy to invest their funds for long periods due to the recent increasing interest rate environment and local competitive pressure. The balance also includes $438.3 million in brokered and reciprocal time deposits at September 30, 2023. If these maturing time deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the time deposits due on or before September 30, 2024. We believe,

however, based on past experience that a significant portion of our time deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

The Company is a separate legal entity from the Bank and must provide for its own liquidity to pay its operating expenses and other financial obligations, to pay any dividends and to repurchase any of its outstanding common stock. The Company's primary source of income is dividends received from the Bank. The amount of dividends that the Bank may declare and pay to the Company in any calendar year, without the receipt of prior approval from banking regulators, cannot exceed net income for that year to date plus retained net income (as defined) for the preceding two calendar years. At September 30, 2023, the Company had liquid assets of $7.4 million on a stand-alone, unconsolidated basis.

Our primary investing activities are the origination of loans and the purchase of securities. Our primary financing activities consist of activity in deposit accounts and FHLB borrowings. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors and other factors. We generally manage the pricing of our deposits to be competitive. Occasionally, we offer promotional rates on certain deposit products to attract deposits.

Capital Management. The Bank is subject to various regulatory capital requirements administered by the federal banking agencies, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At September 30, 2023, the Bank exceeded all of its regulatory capital requirements. The Bank is considered "well capitalized" under regulatory guidelines. See *"Item 1. Business — Regulation and Supervision — Regulation of Federal Savings Associations — Capital Requirement."*

Off-Balance Sheet Arrangements. In the normal course of operations, we engage in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit.

For the year ended September 30, 2023, we did not engage in any off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

Effect of Inflation and Changing Prices

The consolidated financial statements and related financial data presented in this annual report have been prepared according to accounting principles generally accepted in the United States, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation."*

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is included herein beginning on page F-1.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

The Company's management, including the Company's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this annual report, as further described below, the Company's disclosure controls and procedures were not effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The system of internal control over financial reporting as it relates to the consolidated financial statements is evaluated for effectiveness by management. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the Company's system of internal control over financial reporting as of September 30, 2023, in relation to criteria for effective internal control over financial reporting as described in the 2013 "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). During this assessment, management identified material weaknesses in internal control over financial reporting as of September 30, 2023 as described below. Consequently, management concluded that, as of September 30, 2023, its system of internal control over financial reporting was not effective and did not meet the criteria of the "Internal Control Integrated Framework".

During management's assessment, management identified material weaknesses in internal control over financial reporting related to the following:

- The Company did not maintain effective controls over the review of the allowance for loan losses calculation, including appropriate precision of management review of qualitative factors.

- The Company did not maintain effective controls over the design and operation of the monthly and quarterly closing routines. Specifically, inappropriate assignment of administrator access for multiple significant information technology applications, lack of requirements for review of manual journal entries, timing and frequency of certain general ledger account reconciliations, precision and accuracy of management period end financial statement review process, and inappropriate documentation to support performance of closing routines including completion of a disclosure checklist.

Management is taking steps to remediate the material weaknesses by evaluating the Company's internal control documentation, improving the monthly and quarterly reconciliation and review process including enhancing documentation and enhancing the review process and documentation for the allowance for loan losses.

(c) Changes to Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information relating to the directors and officers of the Company, information regarding compliance with Section 16(a) of the Exchange Act and information regarding the audit committee and audit committee financial expert is incorporated herein by reference to the sections captioned "Item 1 – Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Audit Committee" in the Company's Proxy Statement for the 2024 Annual Meeting of Stockholders (the "Proxy Statement").

The Company has adopted a code of ethics and business conduct which applies to all of the Company's and the Bank's directors, officers and employees. A copy of the code of ethics and business conduct is available to stockholders on the Investor Relations portion of the Bank's website at www.fsbbank.net.

Item 11. EXECUTIVE COMPENSATION

The information regarding executive compensation is incorporated herein by reference to the sections captioned "Director Compensation" and "Executive Compensation" in the Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Stock Ownership" in the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the section captioned "Stock Ownership" in the Proxy Statement.

(c) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information relating to certain relationships and related transactions and director independence is incorporated herein by reference to the sections captioned "Transactions with Related Persons" and "Director Independence" in the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information relating to the principal accountant fees and expenses is incorporated herein by reference to the section captioned "Ratification of the Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The financial statements required in response to this item are incorporated by reference from Item 8 of this Annual Report on Form 10-K.

(2) All financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

No.	Description
3.1	Articles of Incorporation of First Savings Financial Group, Inc. (1)
3.2	Articles of Amendment to the Articles of Incorporation for the Series A Preferred Stock (8)
3.3	Bylaws of First Savings Financial Group, Inc. (1)
4.0	Specimen Stock Certificate of First Savings Financial Group, Inc. (1)
10.1	Amended and Restated Employment Agreement by and among First Savings Financial Group, Inc., First Savings Bank and Larry W. Myers, dated October 7, 2009* (3)
10.2	Change in Control Agreement by and between First Savings Bank and Jackie R.Journell dated October 7, 2019 (6)
10.3	Amended and Restated Employment Agreement by and among First Savings Financial Group, Inc., First Savings Bank and Anthony A. Schoen, dated October 7, 2009* (3)
10.4	First Savings Bank, F.S.B. Employee Severance Compensation Plan* (4)
10.5	First Savings Bank, F.S.B. Supplemental Executive Retirement Plan* (4)
10.6	Agreement and Plan of Reorganization dated July 21, 2017 (2)
10.7	Amended and Restated Director Deferred Compensation Agreement* (1)
10.8	Subordinated Note Purchase Agreement dated September 20, 2018 (5)
10.9	Subordinated Note Purchase Agreement dated March 18, 2022 (7)
21.0	Subsidiaries of the Registrant
23.0	Consent of FORVIS, LLP
23.1	Consent of Monroe Shine & Co., Inc.
31.1	Rule 13a-14(a)/15d-14(a) Certificate of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certificate of Chief Financial Officer
32.0	Section 1350 Certificate of Chief Executive Officer and Chief Financial Officer
101.0	The following materials from the Company's Annual Report on Form 10-K for the year ended September 30, 2023, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statement of Changes in Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.
104.0	Cover Page Interactive Data File (Formatted in Inline XBRL)

* Management contract or compensatory plan, contract or arrangement

(1) Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-1 (File No. 333-151636), as amended, initially filed with the Securities and Exchange Commission on June 13, 2008.

(2) Incorporated by reference to the exhibits to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2017.

(3) Incorporated herein by reference to the exhibits to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 8, 2009.

(4) Incorporated herein by reference to the exhibits to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 10, 2008.

(5) Incorporated herein by reference to the exhibits to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 24, 2018.
(6) Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 17, 2020.
(7) Incorporated herein by reference to the exhibits to the Company's Current Report on form 8-K filed with the Securities and Exchange Commission on March 21, 2022.
(8) Incorporated herein by reference to the exhibits to the Company's Current Report on form 8-K filed with the Securities and Exchange Commission on August 17, 2011.

Item 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST SAVINGS FINANCIAL GROUP, INC.

Date: December 20, 2023

By: /s/ Larry W. Myers
Larry W. Myers
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Larry W. Myers Larry W. Myers	President, Chief Executive Officer and Director (principal executive officer)	December 20, 2023
/s/ Anthony A. Schoen Anthony A. Schoen	Chief Financial Officer (principal accounting and financial officer)	December 20, 2023
/s/ John E. Colin John E. Colin	Director	December 20, 2023
/s/ Douglas A. York Douglas A. York	Director	December 20, 2023
/s/ Pamela Bennett-Martin Pamela Bennett-Martin	Director	December 20, 2023
/s/ L. Chris Fordyce L. Chris Fordyce	Director	December 20, 2023
/s/ John P. Lawson, Jr. John P. Lawson, Jr.	Director	December 20, 2023
/s/ Samuel E. Eckart Samuel E. Eckart	Director	December 20, 2023
/s/ Frank N. Czeschin Frank N. Czeschin	Director	December 20, 2023
/s/ Martin A. Padgett Martin A. Padgett	Director	December 20, 2023
/s/ Steven R. Stemler Steven R. Stemler	Director	December 20, 2023
/s/ Troy D. Hanke Troy D. Hanke	Director	December 20, 2023

FIRST SAVINGS FINANCIAL GROUP, INC.
JEFFERSONVILLE, INDIANA

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED
SEPTEMBER 30,2023, 2022 AND 2021

FIRST SAVINGS FINANCIAL GROUP, INC.

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Management's Report on Internal Control over Financial Reporting

The management of First Savings Financial Group, Inc. ("the Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The system of internal control over financial reporting as it relates to the consolidated financial statements is evaluated for effectiveness by management. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed First Savings Financial Group, Inc.'s system of internal control over financial reporting as of September 30, 2023, in relation to criteria for effective internal control over financial reporting as described in the 2013 "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). During this assessment, management identified material weaknesses in internal control over financial reporting as of September 30, 2023 as described below. Consequently, management concluded that, as of September 30, 2023, the Company's system of internal control over financial reporting was not effective and did not meet the criteria of the "Internal Control Integrated Framework."

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment.

1) The Company did not maintain effective controls over the review of the allowance for loan losses calculation, including appropriate precision of management review of qualitative factors.

2) The Company did not maintain effective controls over the design and operation of the monthly and quarterly closing routines. Specifically, inappropriate assignment of administrator access for multiple significant information technology applications, lack of requirements for review of manual journal entries, timing and frequency of certain general ledger account reconciliations, precision and accuracy of management period end financial statement review process, and inappropriate documentation to support performance of closing routines including completion of a disclosure checklist.

The effectiveness of our internal control over financial reporting as of September 30, 2023, has been audited by FORVIS, LLP, independent registered public accounting firm, as stated in their report which is included herein.

/s/ Larry W. Myers	/s/ Anthony A. Schoen
Larry W. Myers President and Chief Executive Officer	Anthony A. Schoen Chief Financial Officer

December 20, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
First Savings Financial Group, Inc.
Jeffersonville, Indiana

Opinion on the Consolidated Financial Statements

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 20, 2023, expressed an adverse opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

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

Allowance for Loan and Lease Losses

The Company's loan portfolio totaled $1.8 billion as of September 30, 2023, and the associated allowance for loan losses (ALL) on loans was $16.9 million. As more fully described in Notes 1 and 4 to the consolidated financial statements, the ALL reflects management's judgment of probable incurred loan losses at the balance sheet date. The Company evaluates the ALL on a quarterly basis based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The general component covers loans not considered to be impaired. Such loans are pooled by segment and losses are modeled using annualized historical loss experience adjusted for qualitative factors that are reviewed on a quarterly basis based on the risks present for each portfolio segment. Management considers changes and trends in the following qualitative loss factors: levels of and trends in delinquencies and impaired loans; trends in the volume and term of new loan originations; national and local economic trends and conditions; changes in lending policies, procedures and practices; changes in the experience and ability of lending management and other staff; changes in the quality and depth of the Company's loan review system; trends in collateral valuation in the Company's lending area; and the existence and effect of any concentrations of credit and other factors as determined by management including peer data. At September 30, 2023, the Company's ALL totaled $16.9 million, of which $15.4 million related to qualitative factor adjustments.

We identified the valuation of the ALL as a critical audit matter. The principal considerations for that determination included the high degree of judgment and subjectivity involved in evaluating management's estimates, particularly as it related to evaluating management's assessment of the qualitative factors. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's significant estimates and assumptions. Also, as described in the "Report of Independent Registered Public Accounting Firm" related to internal controls over financial reporting, a material weakness was identified in relation to the precision of management's review of qualitative factors.

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

- Obtained an understanding of the Company's process for establishing the ALL, including the qualitative factor adjustments of the ALL.
- Evaluated the design and tested the operating effectiveness of internal controls relating to management's determination of the ALL, including controls over:
  - Management's process for identification, basis for development and related adjustments; including reasonableness, of the qualitative factor components of the ALL.
  - Management's review of the reliability and accuracy of data used to calculate and estimate the various components of the ALL, including accuracy of the calculation.
- Evaluated the reasonableness of management's application of qualitative factor adjustments to historical loss rates in the ALL, including:
  - Compared factors considered by management to third party or internal sources as well as evaluated the appropriateness and level of the qualitative factor adjustments.
  - Evaluated the reasonableness of the significant inputs and assumptions utilized as a basis for the qualitative factors.
  - Developed an independent expectation for comparison to the Company's estimate for qualitative factor adjustments.
- Inspected overall trends in credit quality by comparing the Company's year-over-year changes in qualitative factors and the ALL.
- Evaluated the mathematical accuracy of the ALL, including the formulas used in setting qualitative factors and application of the factors to loan segments.

/s/ **FORVIS, LLP**

We have served as the Company's auditor since 2023.

Louisville, Kentucky
December 20, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
First Savings Financial Group, Inc.
Jeffersonville, Indiana

Opinion on the Internal Control over Financial Reporting

We have audited First Savings Financial Group, Inc.'s (the "Company") internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control—Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment.

1) The Company did not maintain effective controls over the review of the allowance for loan losses calculation, including appropriate precision of management review of qualitative factors.

2) The Company did not maintain effective controls over the design and operation of the monthly and quarterly closing routines. Specifically, there was inappropriate assignment of administrator access for multiple significant information technology applications, lack of requirements for review of manual journal entries, timing and frequency of certain general ledger account reconciliations, precision and accuracy of management period-end financial statement review process, and inappropriate documentation to support performance of closing routines, including completion of a disclosure checklist.

These material weaknesses were considered in determining the nature, timing, and extent of auditing procedures applied in our audit of the Company's consolidated financial statements, and this report does not affect our report dated December 20, 2023, on those consolidated financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control—Integrated Framework: (2013)* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet of the Company as of September 30, 2023, and for the year then ended, and our report dated December 20, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/ **FORVIS, LLP**

Louisville, Kentucky
December 20, 2023

222 EAST MARKET STREET, P.O. BOX 1407, NEW ALBANY, INDIANA 47150 • PHONE: 812.945.2311 • FAX: 812.945.2603

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
First Savings Financial Group, Inc.
Jeffersonville, Indiana

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of **First Savings Financial Group, Inc.** (the "Company") as of September 30, 2022, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years ended September 30, 2022 and 2021, and the related notes (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022, and the results of its operations and its cash flows for the years ended September 30, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Monroe Shine

We served as the Company's, or its predecessors', auditor consecutively from at least 1968 until our dismissal effective December 5, 2022.

New Albany, Indiana

December 14, 2022, except with respect to the restatement described in Note 1 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K/A for the year ended September 30, 2022, as to which the date is February 6, 2023.

FIRST SAVINGS FINANCIAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023 AND 2022

(In thousands, except share and per share data)	2023	2022
ASSETS		
Cash and due from banks	$ 18,014	$ 18,312
Interest-bearing deposits with banks	12,831	23,353
Total cash and cash equivalents	30,845	41,665
Interest-bearing time deposits	490	1,613
Debt securities available for sale, at fair value	227,739	316,517
Debt securities held to maturity	1,300	1,558
Loans held for sale, residential mortgage at fair value	24,692	38,579
Loans held for sale, Small Business Administration	21,163	21,883
Loans, net of allowance for loan losses of $16,900 at September 30, 2023 and $15,360 at September 30, 2022	1,770,243	1,474,544
Federal Reserve Bank and Federal Home Loan Bank stock, at cost	24,939	20,004
Premises and equipment	27,861	27,100
Other real estate owned, held for sale	677	203
Accrued interest receivable:		
Loans	7,809	5,379
Securities	2,352	2,953
Cash surrender value of life insurance	46,226	45,145
Goodwill	9,848	9,848
Core deposit intangibles	561	775
Residential mortgage loan servicing rights, at fair value	59,768	63,263
Nonresidential mortgage loan servicing rights	101	141
SBA loan servicing rights	2,950	3,790
Other assets	29,290	18,765
Total Assets	$ 2,288,854	$ 2,093,725
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 242,237	$ 340,172
Interest-bearing	1,439,557	1,175,662
Total deposits	1,681,794	1,515,834
Federal Home Loan Bank borrowings	363,183	307,303
Other borrowings	48,444	88,206
Accrued interest payable	8,926	1,302
Advance payments by borrowers for taxes and insurance	1,027	1,207
Accrued expenses and other liabilities	34,499	28,308
Total Liabilities	2,137,873	1,942,160
STOCKHOLDERS' EQUITY		
Preferred stock of $.01 par value per share; authorized 1,000,000 shares; none issued	—	—
Common stock of $.01 par value per share; authorized 20,000,000 shares; issued 7,778,471 shares at September 30, 2023 (7,757,271 at September 30, 2022); outstanding 6,867,121 shares at September 30, 2023 (6,970,631 shares at September 30, 2022)	78	78
Additional paid-in capital	26,986	26,770
Retained earnings - substantially restricted	166,306	161,927
Accumulated other comprehensive loss	(29,587)	(27,079)
Unearned stock compensation	(1,015)	(969)
Less treasury stock, at cost - 911,350 shares (786,640 shares at September 30, 2022)	(11,787)	(9,162)
Total Stockholders' Equity	150,981	151,565
Total Liabilities and Stockholders' Equity	$ 2,288,854	$ 2,093,725

See notes to consolidated financial statements.

FIRST SAVINGS FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2023, 2022 AND 2021

(In thousands, except share and per share data)	2023	2022	2021
INTEREST INCOME			
Loans, including fees	$ 89,801	$ 62,109	$ 58,114
Securities:			
Taxable	3,865	2,334	1,771
Tax-exempt	7,259	5,861	4,719
Dividend income	1,435	729	582
Interest-bearing deposits with banks	869	161	73
Total interest income	103,229	71,194	65,259
INTEREST EXPENSE			
Deposits	27,671	4,902	3,195
Federal funds purchased and repurchase agreements	1	—	—
Federal Home Loan Bank borrowings	10,739	3,333	3,199
Federal Reserve PPPLF borrowings	—	—	400
Other borrowings	3,244	2,307	1,293
Total interest expense	41,655	10,542	8,087
Net interest income	61,574	60,652	57,172
Provision (credit) for loan losses	2,612	1,908	(1,767)
Net interest income after provision (credit) for loan losses	58,962	58,744	58,939
NONINTEREST INCOME			
Service charges on deposit accounts	2,017	1,864	1,468
ATM and interchange fees	2,756	2,753	2,399
Net gain (loss) on sales of available for sale securities	(551)	476	—
Net unrealized gain (loss) on equity securities	57	(10)	46
Other than temporary impairment loss on securities	(28)	—	—
Net gain on sales of loans, Small Business Administration	2,717	3,698	8,740
Net gain on sales of loans, single tenant net lease	—	719	—
Mortgage banking income	14,331	38,337	104,504
Increase in cash surrender value of life insurance	1,081	993	785
Gain on life insurance	—	—	140
Commission income	746	717	589
Real estate lease income	469	571	592
Net gain on premises and equipment	49	—	78
Income from tax credit investment	—	12	32
Gain from repurchase of subordinated debt	660	—	—
Other income	1,038	1,097	1,063
Total noninterest income	25,342	51,227	120,436
NONINTEREST EXPENSE			
Compensation and benefits	43,938	61,207	102,951
Occupancy and equipment	7,938	8,167	9,906
Data processing	4,861	2,623	2,546
Advertising	2,016	3,199	6,574
Professional fees	2,979	6,656	5,583
FDIC insurance premiums	1,675	527	446
Net (gain) loss on other real estate owned	4	115	(64)
Other operating expenses	12,711	10,168	11,467
Total noninterest expense	76,122	92,662	139,409
Income before income taxes	8,182	17,309	39,966
Income tax expense	10	1,923	9,997
Net Income	8,172	15,386	29,969
Less: net income attributable to noncontrolling interests	—	—	402
Net Income Attributable to First Savings Financial Group, Inc.	$ 8,172	$ 15,386	$ 29,567
Net income per share:			
Basic	$ 1.19	$ 2.18	$ 4.16
Diluted	$ 1.19	$ 2.15	$ 4.12
Weighted average shares outstanding:			
Basic	6,848,311	7,058,550	7,107,786
Diluted	6,880,072	7,141,846	7,173,733
Dividends per share	$ 0.55	$ 0.51	$ 0.36

See notes to consolidated financial statements.

FIRST SAVINGS FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED SEPTEMBER 30, 2023, 2022 AND 2021

(In thousands)	2023	2022	2021
Net Income	$ 8,172	$ 15,386	$ 29,969
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Unrealized losses on securities available for sale:			
Unrealized holding losses arising during the period	(3,772)	(45,068)	(2,923)
Income tax benefit	806	9,464	614
Net of tax amount	(2,966)	(35,604)	(2,309)
Less: reclassification adjustment for realized (gains) losses included in net income	551	(476)	—
Income tax expense (benefit)	(115)	101	—
Net of tax amount	436	(375)	—
Less: reclassification adjustment for other-than-temporary impairment loss on securities included in net income	28	—	—
Income tax benefit	(6)	—	—
Net of tax amount	22	—	—
Other Comprehensive Loss	(2,508)	(35,979)	(2,309)
Comprehensive Income (Loss)	5,664	(20,593)	27,660
Less: comprehensive income attributable to noncontrolling interests	—	—	402
Comprehensive Income (Loss) Attributable to First Savings Financial Group, Inc.	$ 5,664	$ (20,593)	$ 27,258

See notes to consolidated financial statements.

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FIRST SAVINGS FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30,2023, 2022 AND 2021

(In thousands, except share and per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Stock Compensation	Treasury Stock	Noncontrolling Interests in Subsidiary	Total
Balances at October 1, 2020	$ 26	$ 27,480	$ 123,158	$ 11,209	$ (348)	$ (4,253)	$ 293	$ 157,565
Net income	—	—	29,567	—	—	—	402	29,969
Acquisition of minority interest in Q2	—	(1,874)	—	—	—	—	(695)	(2,569)
Other comprehensive loss	—	—	—	(2,309)	—	—	—	(2,309)
Common stock dividends - $0.36 per share	—	—	(2,540)	—	—	—	—	(2,540)
Restricted stock forfeitures - 1,500 shares	—	(25)	—	—	25	—	—	—
Stock compensation expense	—	92	—	—	185	—	—	277
Stock option exercises - 6,840 shares	—	100	—	—	—	2	—	102
Purchase 5,424 treasury shares	—	—	—	—	—	(118)	—	(118)
Three-for-one stock split in the form of a stock dividend	52	(52)	—	—	—	—	—	—
Balances at September 30, 2021	$ 78	$ 25,721	$ 150,185	$ 8,900	$ (138)	$ (4,369)	$ —	$ 180,377
Net income	—	—	15,386	—	—	—	—	15,386
Acquisition of minority interests in Q2	—	(509)	—	—	—	—	—	(509)
Other comprehensive loss	—	—	—	(35,979)	—	—	—	(35,979)
Common stock dividends - $0.51 per share	—	—	(3,644)	—	—	—	—	(3,644)
Restricted stock forfeitures - 45,750 shares	—	1,222	—	—	(1,222)	—	—	—
Stock compensation expense	—	296	—	—	391	—	—	687
Stock option exercises - 2,955 shares	—	40	—	—	—	—	—	40
Purchase of 203,962 treasury shares	—	—	—	—	—	(4,793)	—	(4,793)
Balances at September 30, 2022	$ 78	$ 26,770	$ 161,927	$ (27,079)	$ (969)	$ (9,162)	$ —	$ 151,565
Net income	—	—	8,172	—	—	—	—	8,172
Transfer of securities from subsidiary	—	(544)	—	—	—	—	—	(544)
Other comprehensive loss	—	—	—	(2,508)	—	—	—	(2,508)
Common stock dividends - $0.55 per share	—	—	(3,793)	—	—	—	—	(3,793)
Restricted stock grants - 22,000 shares	—	495	—	—	(495)	—	—	—
Restricted stock forfeitures - 2,000 shares	—	(53)	—	—	53	—	—	—
Stock option exercises - 1,200 shares	—	16	—	—	—	—	—	16
Stock compensation expense	—	302	—	—	396	—	—	698
Purchase of 124,710 treasury shares	—	—	—	—	—	(2,625)	—	(2,625)
Balances at September 30, 2023	$ 78	$ 26,986	$ 166,306	$ (29,587)	$ (1,015)	$ (11,787)	$ —	$ 150,981

See notes to consolidated financial statements.

FIRST SAVINGS FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30,2023, 2022 AND 2021

(In thousands)	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 8,172	$ 15,386	$ 29,969
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision (credit) for loan losses	2,612	1,908	(1,767)
Depreciation and amortization	2,549	2,448	2,300
Amortization of premiums and accretion of discounts on securities, net	578	903	799
Amortization and accretion of fair value adjustments on loans, net	(1,805)	(1,529)	(1,490)
Loans originated for sale, residential mortgage	(587,685)	(1,607,914)	(4,094,460)
Loans originated for sale, nonresidential mortgage	—	(34,842)	(5,514)
Loans originated for sale, Small Business Administration	(41,160)	(34,520)	(77,029)
Proceeds on sales of loans, residential mortgage	603,800	1,721,434	4,264,211
Proceeds on sales of loans, nonresidential mortgage	—	45,282	—
Proceeds on sales of loans, Small Business Administration	44,817	40,210	83,431
Net realized and unrealized (gain) loss on loans held for sale	(3,958)	12,376	(56,677)
Capitalization of loan servicing rights	(3,122)	(12,167)	(38,659)
Net change in value of residential mortgage loan servicing rights	5,849	(2,523)	8,803
Net change in value of SBA and nonresidential mortgage loan servicing rights	1,647	1,522	1,281
Net realized and unrealized (gain) loss on other real estate owned	—	115	(74)
Net loss (gain) on sales of available for sale securities	551	(476)	—
Other than temporary impairment loss on securities	28	—	—
Increase in cash surrender value of life insurance	(1,081)	(993)	(785)
Gain on life insurance	—	—	(140)
Net (gain) loss on equity securities	(57)	10	(46)
Net gain on sale of premises and equipment	(49)	—	(78)
Gain from repurchase of subordinated debt	(660)	—	—
Income from tax credit investments	—	(12)	(32)
Deferred income taxes	(716)	1,668	7,856
Stock compensation expense	698	688	277
(Increase) decrease in accrued interest receivable	(1,829)	(2,089)	219
Increase (decrease) in accrued interest payable	7,624	1,044	(425)
Change in other assets	7,874	13,813	1,883
Change in other liabilities	(11,919)	(12,930)	(8,960)
Net Cash Provided By Operating Activities	32,758	148,812	114,893
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in interest-bearing time deposits	(490)	(245)	(497)
Proceeds from sales and maturities of interest-bearing time deposits	1,603	840	1,225
Purchase of securities available for sale	(11,664)	(211,141)	(29,517)
Proceeds from sales of securities available for sale	79,230	33,494	—
Principal collected and proceeds from maturities of securities available for sale	16,877	21,860	21,112
Proceeds from maturities of securities held to maturity	258	260	247
Net increase in loans	(335,871)	(386,727)	(26,566)
Proceeds from redemption of Federal Reserve Bank and Federal Home Loan Bank stock	15	592	53
Purchase of Federal Reserve Bank and Federal Home Loan Bank stock	(4,950)	(1,338)	(2,018)
Investment in cash surrender value of life insurance	—	—	(12,042)
Proceeds from life insurance	—	575	—
Proceeds from sale of other real estate owned	134	689	500
Purchase of premises and equipment	(2,954)	(835)	(5,640)
Proceeds from sales of premises and equipment	—	—	438
Investment in partnership interests	(6,176)	(2,242)	—
Acquisition of minority interests in Q2	—	—	(3,172)
Net Cash Used In Investing Activities	(263,988)	(544,218)	(55,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	172,482	288,254	179,504
Increase (decrease) in Federal Home Loan Bank line of credit	(4,120)	12,303	(20,858)
Proceeds from Federal Home Loan Bank advances	7,455,000	1,130,000	455,000
Repayment of Federal Home Loan Bank advances	(7,395,000)	(1,085,000)	(495,000)
Net decrease in Federal Reserve PPPLF borrowings	—	—	(174,834)
Repurchase of subordinated debt	(1,340)	—	—
Net proceeds from subordinated notes	—	30,258	—
Net increase in other borrowings	—	37,989	—
Net increase (decrease) in advance payments by borrowers for taxes and insurance	(180)	(869)	(1,427)
Proceeds from exercise of stock options	16	—	27
Taxes paid on stock award shares for employees	(30)	(48)	(41)
Purchase of treasury shares	(2,625)	(4,745)	—
Dividends paid on common stock	(3,793)	(4,499)	(1,685)
Net Cash Provided By (Used In) Financing Activities	220,410	403,643	(59,314)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,820)	8,237	(298)
Cash and cash equivalents at beginning of year	41,665	33,428	33,726
Cash and Cash Equivalents at End of Year	$ 30,845	$ 41,665	$ 33,428
Supplemental Disclosures of Cash Flow Information:			
Cash payments for:			
Interest	34,031	9,301	8,517
Income taxes (net of refunds received)	(116)	(3,226)	9,051
Non-cash activities:			
Net transfer from loans to loans held for sale	—	—	41,703
Net transfer from loans held for sale to loans	—	13,139	—
Transfers from loans to OREO	474	—	426
Cashless exercise of stock options	—	39	77
Transfers from OREO to premises and equipment	—	721	—

See notes to consolidated financial statements.

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

First Savings Financial Group, Inc. (the "Company") is a financial holding company and the parent of First Savings Bank (the "Bank").

The Bank, which is a wholly-owned Indiana-chartered commercial bank subsidiary of the Company, provides a variety of banking services to individuals and business customers through 16 locations in southern Indiana. The Bank attracts deposits primarily from the general public and uses those funds, along with other borrowings, primarily to originate residential mortgage, commercial mortgage, construction, commercial business and consumer loans, and to a lesser extent, to invest in mortgage-backed securities and other securities. The Bank has three wholly owned subsidiaries: Q2 Business Capital, LLC ("Q2"), an Indiana limited liability company that specializes in the origination and servicing of U.S. Small Business Administration ("SBA") loans, First Savings Investments, Inc., a Nevada corporation that manages a securities portfolio and Southern Indiana Financial Corporation, which is currently inactive.

First Savings Insurance Risk Management, Inc. (the "Captive"), which was a wholly-owned insurance subsidiary of the Company, was a Nevada corporation that provided property and casualty insurance to the Company, the Bank and the Bank's active subsidiaries. In addition, the Captive provided reinsurance to 11 other third-party insurance captives for which insurance may not be currently available or economically feasible in the insurance marketplace. Effective September 30, 2023, the Captive was dissolved and is no longer in existence.

Basis of Consolidation and Reclassifications

The consolidated financial statements include the accounts of the Company and its subsidiaries, have been prepared in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. Intercompany balances and transactions have been eliminated.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company has defined cash and cash equivalents as cash on hand, amounts due from banks (including cash items in process of clearing), interest-bearing deposits with other banks having an original maturity of 90 days or less and money market funds.

(1 – continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties.

A substantial portion of the Company's loan portfolio consists of single-family residential and commercial real estate loans to customers in the southern Indiana and Louisville, Kentucky metropolitan area. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio and the recovery of the carrying amount of other real estate owned are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans and other real estate owned, further reductions in the carrying amounts of loans and other real estate owned may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans and other real estate owned. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible the estimated losses on loans and other real estate owned may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Investment Securities

Debt Securities Available for Sale: Securities available for sale consist primarily of municipal obligations, mortgage-backed securities and collateralized mortgage obligations ("CMOs") and are stated at fair value. The Company holds municipal bonds issued by municipal governments within the U.S.; mortgage-backed securities and CMOs issued by the Government National Mortgage Association ("GNMA"), a U.S. government agency, and the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), government-sponsored enterprises; debt securities issued by the U.S. Treasury and government-sponsored enterprises; and privately-issued CMOs and asset-backed securities ("ABSs"). The Company also holds pass-through asset-backed securities guaranteed by the SBA representing participating interests in pools of long-term debentures issued by state and local development companies certified by the SBA. Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. CMOs and ABSs are complex mortgage-backed securities that restructure the cash flows and risks of the underlying mortgage collateral.

Amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity, adjusted for anticipated prepayments. Unrealized gains and losses, net of tax, on securities available for sale are included in other comprehensive income (loss) and the accumulated unrealized holding gains and losses are reported as a separate component of equity until realized. Realized gains and losses on the sale of securities available for sale are determined using the specific identification method and are included in other noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss).

(1 – continued)

Investment Securities - continued

Debt Securities Held to Maturity: Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using methods approximating the interest method over the period to maturity, adjusted for anticipated prepayments. The Company classifies certain mortgage-backed securities and municipal obligations as held to maturity.

Declines in the fair value of individual available for sale and held to maturity securities below their amortized cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Equity Securities: Equity securities, other than restricted securities such as Federal Reserve Bank ("FRB") and Federal Home Loan Bank of Indianapolis ("FHLB") stock, are carried at fair value, with changes in fair value included in earnings. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. Dividends received from equity securities, other than restricted securities such as FRB and FHLB stock, are included in other noninterest income.

Investments in non-marketable equity securities such as FRB stock and FHLB stock are carried at cost and are classified as restricted securities. The Bank is a member of the FHLB system and is required to own FHLB stock, the amount of which depends on the level of borrowings and other factors. Both cash and stock dividends received from these investments are included in dividend income. Impairment testing on these investments is based on applicable accounting guidance and the cost basis is reduced when impairment is deemed to be other-than-temporary.

Loans Held for Sale

The Company has elected to record substantially all residential mortgage loans held for sale at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825-10. Net unrealized gains and losses are included in mortgage banking income in the accompanying consolidated statements of income. Realized gains on sales of residential mortgage loans are determined using the specific identification method and are included in mortgage banking income.

The Company originates loans to customers under the SBA 7(a) and other programs that generally provide for SBA guarantees of 75% to 90% of each loan. The Company intends to sell the guaranteed portion of the SBA loans. The guaranteed portion of the SBA loans was classified as loans held for sale at September 30, 2023 and 2022. At September 30, 2023 and 2022, SBA loans held for sale totaling $21.2 million and $21.9 million, respectively, were carried at the lower of aggregate cost or fair value. Realized gains and losses on sales of SBA loans held for sale are determined based on the allocation of participating interests sold and retained and are included in net gain on sales of SBA loans in the accompanying consolidated statements of income. Direct loan origination costs and fees related to SBA loans held for sale are deferred upon origination and are recognized as an adjustment to the gain or loss on the date of sale. SBA loans held for sale are sold on a servicing retained basis.

(1 – continued)

Loans Held for Sale - continued

During 2022 the Company transferred certain single tenant net lease loans from loans to loans held for sale and sold those loans on the secondary market. At September 30,2023 and 2022, there were no single tenant net lease loans held for sale. Realized gains and losses on sales of single tenant net lease loans held for sale are determined using the specific identification method. Single tenant net lease loans held for sale are sold on a servicing retained basis.

Transfers of Financial Assets

The Company accounts for transfers and servicing of financial assets in accordance with FASB ASC 860, *Transfers and Servicing*. Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free from conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Transfers of a portion of a loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, and the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

The Company sells financial assets in the normal course of business, the majority of which are related to the SBA-guaranteed portion of loans, residential mortgage loan sales through established programs, and commercial loan sales through participation agreements. In accordance with accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. With the exception of servicing and certain performance-based guarantees, the Company's continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses. If the transfer of loans subject to loan participation does not meet the sale criteria or participation interest criteria under FASB ASC 860, the transfer is accounted for as a secured borrowing and the loan is not de-recognized and a participating liability is recorded in the consolidated balance sheets.

When the Company sells financial assets, it may retain servicing rights and/or other interests in the financial assets. The gain or loss on sale depends on the previous carrying amount of the transferred financial assets, the servicing right recognized, and the consideration received and any liabilities incurred in exchange for the transferred assets. Upon transfer, any servicing assets and other interests held by the Company are carried at the lower of cost or fair value, with the exception of mortgage servicing rights related to sales of residential mortgage loans, which are carried at fair value.

Loans and Allowance for Loan Losses

Loans Held for Investment

Loans are stated at unpaid principal balances, less net deferred loan fees, discounts and the allowance for loan losses. Loan origination and commitment fees, as well as certain direct costs of underwriting and closing loans, are deferred and amortized as a yield adjustment to interest income over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021

(1 – continued)

Loans and Allowance for Loan Losses - continued

Nonaccrual Loans

The recognition of income on a loan is discontinued and previously accrued interest is reversed when interest or principal payments become 90 days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Generally, by applying the cash receipts method, interest income on nonaccrual loans is subsequently recognized only as received until the loan is returned to accrual status. The cash receipts method is used when the likelihood of further loss on the loan is remote. Otherwise, the Company applies the cost recovery method and applies all payments as a reduction of the unpaid principal balance until the loan qualifies for return to accrual status. Interest income on impaired loans is recognized using the cost recovery method, unless the likelihood of further loss is considered remote.

A loan is restored to accrual status when all principal and interest payments are brought current and the borrower has demonstrated the ability to make future payments of principal and interest as scheduled, which generally requires that the borrower demonstrate a period of performance of at least six consecutive months.

Loan Charge-Offs

For portfolio segments other than consumer loans, the Company's practice is to charge-off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, depreciation of the underlying collateral, the loan's classification as a loss by regulatory examiners, or for other reasons. A partial charge-off is recorded on a loan when the uncollectibility of a portion of the loan has been confirmed, such as when a loan is discharged in bankruptcy, the collateral is liquidated, a loan is restructured at a reduced principal balance, or other identifiable events that lead management to determine the full principal balance of the loan will not be repaid. A specific reserve is recognized as a component of the allowance for estimated losses on loans individually evaluated for impairment. Partial charge-offs of loans are included in the Company's historical loss experience used to estimate the general component of the allowance for loan losses as discussed below.

Consumer loans not secured by real estate are typically charged off at 90 days past due, or earlier if deemed uncollectible, unless the loans are in the process of collection. Overdrafts are charged off after 45 days past due. Charge-offs are typically recorded on loans secured by real estate when the property is foreclosed upon when the carrying value of the loan exceeds the property's fair value, less estimated costs to sell.

Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable incurred loan losses at the balance sheet date. Additions to the allowance for loan losses are made by the provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The Company evaluates the allowance for loan losses on a quarterly basis based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021

(1 – continued)

Loans and Allowance for Loan Losses - continued

The allowance consists of specific and general components. The specific component relates to loans that are individually evaluated for impairment. A specific reserve is established when the underlying discounted collateral value (or present value of estimated future cash flows) of the impaired loan is lower than the carrying value of that loan.

The general component covers loans not considered to be impaired. Such loans are pooled by segment and losses are modeled using annualized historical loss experience adjusted for qualitative factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent 60-month period with the exception of the SBA loan portfolio which uses lookback periods of 24 to 48 months.

The Company's historical loss experience is then adjusted for qualitative factors that are reviewed on a quarterly basis based on the risks present for each portfolio segment. Management considers changes and trends in the following qualitative loss factors: levels of and trends in delinquencies and impaired loans; trends in the volume and term of new loan originations; national and local economic trends and conditions; changes in lending policies, procedures and practices; changes in the experience and ability of lending management and other staff; changes in the quality and depth of the Company's loan review system; trends in collateral valuation in the Company's lending area; the existence and effect of any concentrations of credit and other factors as determined by management including peer data. Each qualitative factor is evaluated and a qualitative factor adjustment is applied to the actual historical loss factors in determining the adjusted loss factors used in management's allowance for loan losses adequacy calculation.

At September 30, 2023, the Company's allowance for loan losses totaled $16.9 million, of which $15.4 million related to qualitative factor adjustments. At September 30, 2022, the Company's allowance for loan losses totaled $15.4 million, of which $13.4 million related to qualitative factor adjustments.

Management exercises significant judgment in evaluating the relevant historical loss experience and the qualitative factors. Management also monitors the differences between estimated and actual incurred loan losses for loans considered impaired in order to evaluate the effectiveness of the estimation process and make any changes in the methodology as necessary.

The following portfolio segments are considered in the allowance for loan loss analysis: residential real estate, commercial real estate (including single tenant net lease and loans originated through SBA programs), multi-family residential real estate, construction, land and land development, commercial business (including loans originated through SBA programs) and consumer.

Residential real estate loans (including first-lien home equity lines of credit) primarily consist of loans to individuals for the purchase or refinance of their primary residence, with a small portion of the segment secured by non-owner-occupied residential investment properties. The risks associated with residential real estate loans are closely correlated to the local housing market and general economic conditions, as repayment of the loans is primarily dependent on the borrower's or tenant's personal cash flow and employment status.

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021

(1 – continued)

Loans and Allowance for Loan Losses - continued

Commercial real estate loans include the single tenant net lease loans and loans originated through SBA programs in addition to the Company's core commercial loans and are comprised of loans secured by various types of collateral including office buildings, warehouses, retail space and mixed use buildings located in the Company's primary lending area and in other states. Risks related to commercial real estate lending are related to the market value of the property taken as collateral, the underlying cash flows and general economic conditions. Repayment of these loans is generally dependent on the ability of the borrower to attract tenants at lease rates that provide for adequate debt service and can be impacted by general economic conditions, which impact vacancy rates. The Company generally obtains loan guarantees from financially capable parties for commercial real estate loans.

Multi-family residential real estate loans primarily consist of loans secured by apartment buildings and other multi-tenant developments generally located in the Company's primary lending area. Repayment of these loans is primarily dependent on the borrower's ability to attract tenants and collect rents that provide for adequate debt service. The risks associated with these loans are closely correlated to the local housing market and general economic conditions.

Construction loans consist of single-family residential properties, multi-family properties and commercial projects, and include both owner-occupied and speculative investment properties. Risks inherent in construction lending are related to the market value of the property held as collateral, the cost and timing of constructing or improving a property, the borrower's ability to use funds generated by a project to service a loan until a project is completed, movements in interest rates and the real estate market during the construction phase, and the ability of the borrower to obtain permanent financing.

Land and land development loans primarily consist of loans secured by farmland and vacant land held for long-term investment or development. The risks associated with land and land development loans are related to the market value of the property taken as collateral and the underlying cash flows for loans secured by farmland, and general economic conditions.

Commercial business loans include loans originated through SBA programs and lines of credit to businesses, term loans and letters of credit secured by business assets such as equipment, accounts receivable, inventory, or other assets excluding real estate and are generally made to finance capital expenditures or fund operations. Commercial loans contain risks related to the value of the collateral securing the loan and the repayment is primarily dependent upon the financial success and viability of the borrower. As with commercial real estate loans, the Company generally obtains loan guarantees from financially capable parties for commercial business loans.

Consumer loans consist primarily of home equity lines of credit and other loans secured by junior liens on the borrower's personal residence, home improvement loans, automobile and truck loans, boat loans, mobile home loans, loans secured by savings deposits and other personal loans. The risks associated with these loans are related to the local housing market and local economic conditions including the unemployment level.

There were no significant changes to the Company's accounting policies or methodology used to estimate the allowance for loan losses during the years ended September 30,2023, 2022,and 2021.

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021

(1 – continued)

Loans and Allowance for Loan Losses - continued

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Values for collateral dependent loans are generally based on appraisals obtained from independent licensed real estate appraisers, with adjustments applied for estimated costs to sell the property, estimated costs to complete unfinished or repair damaged property, and other known defects. New appraisals are generally obtained for all significant properties when a loan is identified as impaired. Generally, a property is considered significant if the value of the property is estimated to exceed $250,000. Subsequent appraisals are obtained as needed or if management believes there has been a significant change in the market value of a collateral property securing an impaired loan. In instances where it is not deemed necessary to obtain a new appraisal, management would base its impairment and allowance for loan loss analysis on the original appraisal with adjustments for current conditions based on management's assessment of market factors and management's inspection of the property.

Troubled Debt Restructurings

The modification of a loan is considered to be a troubled debt restructuring ("TDR") if the debtor is experiencing financial difficulties and the Company grants a concession to the debtor that it would not otherwise consider. By granting the concession, the Company expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, than would be expected by not granting the concession. The concession may include, but is not limited to, reduction of the stated interest rate of the loan, reduction of accrued interest, extension of the maturity date or reduction of the face amount of the debt. A concession will be granted when, as a result of the restructuring, the Company does not expect to collect all amounts due, including interest at the original stated rate. A concession may also be granted if the debtor is not able to access funds elsewhere at a market rate for debt with similar risk characteristics as the restructured debt. The Company's determination of whether a loan modification is a TDR considers the individual facts and circumstances surrounding each modification.

A TDR can involve a loan remaining on nonaccrual, moving to nonaccrual or continuing on accrual status, depending on the individual facts and circumstances of the borrower. Generally, a nonaccrual loan that is restructured in a TDR remains on nonaccrual status for a period of at least six months following the restructuring in order to ensure that the borrower performs in accordance with the restructured terms, including consistent and timely payments of at least six consecutive months according to the restructured terms.

FIRST SAVINGS FINANCIAL GROUP, INC.
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Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. The Company uses the straight line method of computing depreciation at rates adequate to amortize the cost of the applicable assets over their estimated useful lives. Maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets sold, or otherwise disposed of, are removed from the related accounts and any gain or loss is included in earnings.

Other Real Estate Owned

Other real estate owned includes formally foreclosed property, property obtained via a deed in lieu of foreclosure. At the time of acquisition, foreclosed real estate is recorded at its fair value, less estimated costs to sell, which becomes the property's new cost basis. Any write-downs based on the property's fair value at the date of acquisition are charged to the allowance for loan losses. After acquisition or the decision to classify property as held for sale, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value, less estimated costs to sell. Costs incurred in maintaining other real estate owned and subsequent impairment adjustments to the carrying amount of a property, if any, are included in noninterest expense.

Cash Surrender Value of Life Insurance

The Bank has purchased life insurance policies on certain directors, officers and key employees to help offset costs associated with the Bank's compensation and benefit programs. The Bank is the owner and is a joint or sole beneficiary of the policies. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Income from the increase in cash surrender value of the policies and income from the recognition of death benefits is reported in noninterest income.

Goodwill and Other Intangibles

Goodwill recognized in a business combination represents the excess of the fair value of consideration transferred over the fair value of assets acquired and liabilities assumed. Goodwill is evaluated for possible impairment at least annually or more frequently upon the occurrence of an event or change in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

Other intangible assets consist of acquired core deposit intangibles. Core deposit intangibles are amortized over the estimated economic lives of the acquired core deposits. The carrying amount of core deposit intangibles and the remaining estimated economic life are evaluated annually or whenever events or circumstances indicate the carrying amount may not be recoverable or the remaining period of amortization requires revision.

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Derivative Financial Instruments

In connection with the origination of residential mortgage loans to be sold in the secondary market, the Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (i.e., rate lock commitment). The period of time between issuance of a loan commitment and closing and sale of the loan generally ranges from 15 to 60 days. The Company also enters into forward mortgage loan commitments to sell to various investors to protect itself against exposure to various factors and to reduce sensitivity to interest rate movements. Both the interest rate lock commitments and the related forward mortgage loan sales contracts are considered derivatives and are recorded on the balance sheet at fair value in accordance with FASB ASC 815, *Derivatives and Hedging*, with changes in fair value recorded in mortgage banking income in the accompanying consolidated statements of income. All such derivatives are considered stand-alone derivatives and have not been formally designated as hedges by management.

Benefit Plans

The Company provides a contributory defined contribution plan available to all eligible employees. The Company also established a leveraged employee stock ownership plan (“ESOP”) on October 6, 2008 that includes substantially all employees. The Company accounts for the ESOP in accordance with FASB ASC 718-40, *Employee Stock Ownership Plans*. Dividends declared on allocated shares are recorded as a reduction of retained earnings and paid to the participants’ accounts or used for additional debt service on the ESOP loan. Dividends declared on unallocated shares are not considered dividends for financial reporting purposes and are used for additional debt service on the ESOP loan. As shares are committed to be released for allocation to participants’ accounts, compensation expense is recognized based on the average fair value of the shares and the shares become available for earnings per share calculations.

Stock Based Compensation

The Company has adopted the fair value based method of accounting for stock-based compensation prescribed in FASB ASC 718-20, *Compensation – Stock Compensation*, for its stock compensation plans.

Income Taxes

When income tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while other positions are subject to some degree of uncertainty regarding the merits of the position taken or the amount of the position that would be sustained. The Company recognizes the benefits of a tax position in the consolidated financial statements of the period during which, based on all available evidence, management believes it is more-likely-than-not (more than 50 percent probable) that the tax position would be sustained upon examination. Income tax positions that meet the more-likely-than-not threshold are measured as the largest amount of income tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the income tax positions claimed on income tax returns that exceeds the amount measured as described above is reflected as a liability for unrecognized income tax benefits in the consolidated balance sheets, along with any associated interest and penalties that would be payable to the taxing authorities, if there were an examination. Interest and penalties associated with unrecognized income tax benefits are classified as additional income taxes in the consolidated statements of income.

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(1 – continued)

Income Taxes - continued

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred income taxes. Income tax reporting and financial statement reporting rules differ in many respects. As a result, there will often be a difference between the carrying amount of an asset or liability as presented in the accompanying consolidated balance sheets and the amount that would be recognized as the tax basis of the same asset or liability computed based on the effects of tax positions recognized, as described in the preceding paragraph. These differences are referred to as temporary differences because they are expected to reverse in future years. Deferred income tax assets are recognized for temporary differences where their future reversal will result in future tax benefits. Deferred income tax assets are also recognized for the future tax benefits expected to be realized from net operating loss or tax credit carryforwards. Deferred income tax liabilities are recognized for temporary differences where their future reversal will result in the payment of future income taxes. Deferred income tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Advertising Costs

Advertising costs are charged to operations when incurred.

Comprehensive Income (Loss)

Comprehensive income consists of reported net income and other comprehensive income. Other comprehensive income, recognized as a separate component of stockholders' equity, includes the change in unrealized gains and losses on securities available for sale. Amounts reclassified out of unrealized gains or losses on securities available for sale included in accumulated other comprehensive income (loss) are included in the net gain on sales of available for sale securities or OTTI loss on securities line item in the consolidated statements of income.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

FIRST SAVINGS FINANCIAL GROUP, INC.
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Recent Accounting Pronouncements

The following are summaries of recently issued or adopted accounting pronouncements that impact the accounting and reporting practices of the Company:

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The update commonly referred to as the current expected credit loss methodology (“CECL”) replaces the incurred loss methodology for recognizing credit losses under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the new guidance, an entity will measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The expected loss model will apply to loans and leases, unfunded lending commitments, held-to-maturity debt securities and other debt instruments measured at amortized cost. The impairment model for available-for-sale debt securities will require the recognition of credit losses through a valuation allowance when fair value is less than amortized cost, regardless of whether the impairment is considered to be other-than-temporary. For the Company, the amendments in the update were originally effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In November 2019, the FASB issued ASU No. 2019-10 which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the SEC) and other non-SEC reporting entities to fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. Early adoption is permitted as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is a smaller reporting company as defined by the SEC, and did not early adopt CECL. The Company has purchased software to assist with the calculation and has been running parallel models quarterly in order to estimate the expected impact to adoption of CECL on October 1, 2023. Management expects to recognize a one-time pre-tax cumulative-effect adjustment to the allowance for loan losses through retained earnings of approximately $3.3 million as a result of CECL implementation during the quarter ending December 31, 2023. The $3.3 million is comprised of an estimated $1.4 million in additional allowance and an estimated $1.9 million reserve for unfunded lending commitments.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures.* The ASU eliminates the current accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. For public business entities, the ASU also requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases. For entities that have not yet adopted the amendments in ASU No. 2016-13, the effective dates for the amendments in the ASU are the same as the effective dates in ASU No. 2016-13. The amendments should generally be applied prospectively, although for the transition method related to the recognition and measurement of TDRs an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. The Company is currently assessing the impact of the guidance, which is effective for the quarter ending December 31, 2023, but its adoption is not expected to have a material impact on the Company’s consolidated financial position or results of operations.

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Recent Accounting Pronouncements - continued

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurements (Topic 820), Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. It also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted and the amendments in the ASU should be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. The adoption of the ASU is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In November 2023, the FASB issued ASU 2027-03, *Segment Reporting: Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. Public entities are required to disclose significant expense categories and amounts for each reportable segment. Significant expense categories are derived from expenses that are regularly report to an entity's chief operating decision-maker ("CODM"), and included in a segment's reported measures of profit or loss. Public entities are also required to disclose the title and position of the CODM and explain how the CODM uses the reported measures of profit or loss to assess segment performance. The ASU requires interim disclosures of certain segment-related disclosures that previously were only required annually. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the ASU should be applied prospectively. The adoption of the ASU is not expected to have a material impact on the Company's consolidated financial position or results of operations.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on the Company's consolidated financial statements or do not apply to its operations.

(2) RESTRICTION ON CASH AND DUE FROM BANKS

The Company is required to maintain reserve balances on hand and with the Federal Reserve Bank, which are unavailable for investment but are interest-bearing. In March of 2020, the Federal Reserve Bank reduced the reserve requirement to zero. There were no required reserves for the years ended September 30, 2023 and 2022.

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(3) INVESTMENT SECURITIES

Investment securities have been classified according to management's intent.

Securities Available for Sale and Held to Maturity

The amortized cost of securities available for sale and held to maturity and their approximate fair values are as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Fair Value
September 30, 2023:				
Debt securities available for sale:				
U.S. Treasury notes	$ 30,598	$ —	$ 4,649	$ 25,949
Agency mortgage-backed	28,542	—	4,274	24,268
Agency CMO	14,064	—	1,322	12,742
Privately-issued CMO	424	2	30	396
Privately-issued ABS	433	13	3	443
SBA certificates	11,587	—	842	10,745
Municipal bonds	177,561	19	26,096	151,484
Subordinated debt	2,000	—	288	1,712
Total debt securities available for sale	$ 265,209	$ 34	$ 37,504	$ 227,739
Debt securities held to maturity:				
Agency mortgage-backed	$ 36	$ —	$ 1	$ 35
Municipal bonds	1,264	4	—	1,268
Total debt securities held to maturity	$ 1,300	$ 4	$ 1	$ 1,303

FIRST SAVINGS FINANCIAL GROUP, INC.
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(3 – continued)

(In thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Fair Value
September 30, 2022:				
Debt securities available for sale:				
U.S. Treasury notes	$ 30,809	$ —	$ 3,514	$ 27,295
Agency mortgage-backed	30,786	3	3,289	27,500
Agency CMO	15,562	—	741	14,821
Privately-issued CMO	495	4	29	470
Privately-issued ABS	561	16	8	569
SBA certificates	12,255	1	244	12,012
Municipal bonds	260,326	167	26,643	233,850
Total debt securities available for sale	$ 350,794	$ 191	$ 34,468	$ 316,517
Debt securities held to maturity:				
Agency mortgage-backed	$ 45	$ —	$ —	$ 45
Municipal bonds	1,513	35	—	1,548
Total debt securities held to maturity	$ 1,558	$ 35	$ —	$ 1,593

The amortized cost and fair value of available for sale and held to maturity debt securities as of September 30, 2023 by contractual maturity are shown below. Expected maturities of mortgage and other asset-backed securities may differ from contractual maturities because the mortgages and other assets underlying the obligations may be prepaid without penalty.

	Available for Sale		Held to Maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 2,294	$ 2,265	$ 253	$ 253
Due after one year through five years	8,358	8,201	667	669
Due after five years through ten years	47,503	41,617	344	346
Due after ten years	152,004	127,062	—	—
CMO	14,488	13,138	—	—
ABS	433	443	—	—
SBA certificates	11,587	10,745	—	—
Mortgage-backed securities	28,542	24,268	36	35
Total securities available for sale	$ 265,209	$ 227,739	$ 1,300	$ 1,303

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Information pertaining to securities with gross unrealized losses at September 30, 2023 and 2022, aggregated by investment category and the length of time that individual securities have been in a continuous loss position, follows:

(Dollars in thousands)	Number of Investment Positions	Fair Value	Gross Unrealized Losses
September 30, 2023:			
Debt securities available for sale:			
Continuous loss position less than twelve months:			
U.S. Treasury notes	5	$ 1,576	$ 49
Agency mortgage-backed	2	163	8
Agency CMO	1	4,249	462
SBA certificates	1	31	3
Municipal bonds	43	45,931	3,334
Other	1	1,712	288
Total less than twelve months	53	53,662	4,144
Continuous loss position more than twelve months:			
U.S. Treasury notes	1	24,373	4,600
Agency mortgage-backed	15	23,859	4,266
Agency CMO	14	8,493	860
Privately-issued CMO	2	375	30
Privately-issued ABS	1	212	3
SBA certificates	2	10,714	839
Municipal bonds	115	95,185	22,762
Total more than twelve months	150	163,211	33,360
Total debt securities available for sale	203	$ 216,873	$ 37,504
Debt securities held to maturity:			
Continuous loss position more than twelve months:			
Agency mortgage-backed	1	$ 19	$ 1
Total more than twelve months	1	19	1
Total debt securities held to maturity	1	$ 19	$ 1
September 30, 2022:			
Debt securities available for sale:			
Continuous loss position less than twelve months:			
U.S. Treasury notes	7	$ 27,295	$ 3,514
Agency mortgage-backed	14	24,987	2,749
Agency CMO	12	8,896	551
Privately-issued CMO	2	424	20
SBA certificates	1	10,775	225
Municipal bonds	259	193,002	24,922
Total less than twelve months	295	265,379	31,981
Continuous loss position more than twelve months:			
Agency mortgage-backed	1	2,169	540
Agency CMO	2	1,199	190
Privately-issued CMO	1	19	9
Privately-issued ABS	1	283	8
SBA certificates	2	1,202	19
Municipal bonds	7	6,263	1,721
Total more than twelve months	14	11,135	2,487
Total debt securities available for sale	309	$ 276,514	$ 34,468

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At September 30, 2022, the Company did not have any securities held to maturity with an unrealized loss.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The total available for sale debt securities in loss positions at September 30, 2023, which consisted of U.S. Treasury notes, agency mortgage-backed securities, agency CMOs, privately-issued CMOs, privately-issued ABSs, SBA certificates, municipal bonds, and other securities represented 95% and 87% of total available for sale investments at September 30, 2023 and 2022, respectively. All of the municipal securities are issued by municipal governments and are generally secured by first mortgage loans and municipal project revenues.

The Company evaluates the existence of a potential credit loss component related to the decline in fair value of the privately-issued CMO and ABS portfolios each quarter using an independent third party analysis. At September 30, 2023, the Company held seven privately-issued CMO and ABS securities acquired in a 2009 bank acquisition with an aggregate amortized cost of $289,000 and aggregate fair value of $291,000 that have been downgraded to a substandard regulatory classification due to a downgrade of the security's credit quality rating by various rating agencies.

At September 30, 2023, two privately-issued CMOs and one privately-issued ABS were in a loss position and had depreciated approximately 5.31% from their carrying value. These securities were collateralized by residential mortgage loans, had a total fair value of $587,000 and a total unrealized loss of $33,000 at September 30, 2023. Based on the independent third party analysis of the expected cash flows, management has determined that the declines in fair value for these securities are temporary and, as a result, no other-than-temporary impairment is required to be recognized. While the Company does not anticipate additional credit-related impairment losses at September 30, 2023, additional deterioration in market and economic conditions may have an adverse impact on the credit quality in the future and therefore, require additional credit-related impairment charges.

The unrealized losses on U.S. treasury notes, U.S. government agency mortgage-backed securities and CMOs, SBA certificates, municipal bonds , and other securities, relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies, or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities to maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other-than-temporary.

The following is a summary of the reported gross gains and losses on sales of available for sale securities and time deposits for the years ended September 30,2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Gross realized gains on sales	$ 341	$ 488	$ —
Gross realized losses on sales	(892)	(12)	—
Net realized gain (loss) on sales of available for sale securities	$ (551)	$ 476	$ —

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Certain available for sale debt securities were pledged to secure FHLB borrowings at September 30, 2023 and 2022, and may be pledged to secure federal funds borrowings (see Notes 9 and 10).

At September 30, 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S government and its agencies, with an aggregate book value greater than 10% of the Company's consolidated stockholders' equity.

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans at September 30,2023 and 2022 consisted of the following:

(In thousands)	2023	2022
Real estate mortgage:		
Residential	$ 528,410	$ 368,211
Commercial	187,232	169,861
Single tenant net lease	757,388	674,567
SBA commercial (1)	47,078	59,379
Multifamily	34,892	32,411
Residential construction	24,924	18,261
Commercial construction	14,588	5,938
Land and land development	17,234	11,880
Commercial business	117,594	90,010
SBA commercial business (1)	16,939	20,282
Consumer	39,915	38,052
Total loans	1,786,194	1,488,852
Deferred loan origination fees and costs, net	949	1,052
Allowance for loan losses	(16,900)	(15,360)
Loans, net	$ 1,770,243	$ 1,474,544

(1) Includes discounts on SBA loans of $3.3 million and $4.3 million at September 30, 2023 and 2022, respectively.

At September 30, 2023 and 2022, the net unamortized premium on loans acquired from other financial institutions was $253,000 and $261,000, respectively.

The Company has entered into loan transactions with certain directors, officers and their affiliates (related parties). In the opinion of management, such indebtedness was incurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than normal risk of collectability or present other unfavorable features.

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(4 – continued)

The following is a summary of activity for related party loans for the years ended September 30, 2023 and 2022:

(In thousands)	2023	2022
Beginning balance	$ 7,656	$ 5,975
New loans and advances	—	5,022
Repayments	(205)	(2,531)
Loans sold	—	(191)
Reclassifications due to officer and director changes	(5,973)	(619)
Ending balance	$ 1,478	$ 7,656

Off-balance-sheet commitments (including commitments to make loans, unused lines of credit and letters of credit) to related parties at September 30,2023 and 2022 were $755,000 and $2.8 million, respectively.

The following tables provide the components of loans as of September 30,2023:

Loans as Evaluated for Impairment:	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Loans
Residential real estate	$ 3,312	$ 525,098	$ 528,410
Commercial real estate	868	186,364	187,232
Single tenant net lease	—	757,388	757,388
SBA commercial real estate	7,415	39,663	47,078
Multifamily	318	34,574	34,892
Residential construction	—	24,924	24,924
Commercial construction	—	14,588	14,588
Land and land development	—	17,234	17,234
Commercial business	1,946	115,648	117,594
SBA commercial business	1,122	15,817	16,939
Consumer	233	39,682	39,915
	$ 15,214	$ 1,770,980	$ 1,786,194

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The following table provides the components of loans as of September 30, 2022:

Loans as Evaluated for Impairment:	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Loans
Residential real estate	$ 2,244	$ 365,967	$ 368,211
Commercial real estate	908	168,953	169,861
Single tenant net lease	—	674,567	674,567
SBA commercial real estate	7,582	51,797	59,379
Multifamily	354	32,057	32,411
Residential construction	—	18,261	18,261
Commercial construction	—	5,938	5,938
Land and land development	—	11,880	11,880
Commercial business	998	89,012	90,010
SBA commercial business	1,077	19,205	20,282
Consumer	238	37,814	38,052
	$ 13,401	$ 1,475,451	$ 1,488,852

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(4 – continued)

The following table presents the balance in the allowance for loan losses by portfolio segment and based on impairment method as of September 30, 2023 and 2022:

	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Ending Balance
		(In thousands)	
2023:			
Residential real estate	$ 74	$ 4,567	$ 4,641
Commercial real estate	2	1,775	1,777
Single tenant net lease	—	3,810	3,810
SBA commercial real estate	—	1,922	1,922
Multifamily	—	268	268
Residential construction	—	434	434
Commercial construction	—	282	282
Land and land development	—	307	307
Commercial business	111	1,603	1,714
SBA commercial business	187	1,060	1,247
Consumer	189	309	498
	$ 563	$ 16,337	$ 16,900
2022:			
Residential real estate	$ —	$ 2,716	$ 2,716
Commercial real estate	—	1,590	1,590
Single tenant net lease	—	3,838	3,838
SBA commercial real estate	290	2,288	2,578
Multifamily	—	251	251
Residential construction	—	305	305
Commercial construction	—	107	107
Land and land development	—	212	212
Commercial business	—	1,193	1,193
SBA commercial business	674	1,448	2,122
Consumer	—	448	448
	$ 964	$ 14,396	$ 15,360

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021

(4 – continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ended September 30, 2023, 2022 and 2021.

	Beginning Balance	Provisions (Credits)	Charge-Offs	Recoveries	Ending Balance
			(In thousands)		
2023:					
Residential real estate	$ 2,716	$ 1,980	$ (71)	$ 16	$ 4,641
Commercial real estate	1,590	187	—	—	1,777
Single tenant net lease	3,838	(28)	—	—	3,810
SBA commercial real estate	2,578	(302)	(357)	3	1,922
Multifamily	251	17	—	—	268
Residential construction	305	129	—	—	434
Commercial construction	107	175	—	—	282
Land and land development	212	95	—	—	307
Commercial business	1,193	452	—	69	1,714
SBA commercial business	2,122	(357)	(569)	51	1,247
Consumer	448	264	(250)	36	498
	$ 15,360	$ 2,612	$ (1,247)	$ 175	$ 16,900
2022:					
Residential real estate	$ 1,438	$ 1,287	$ (23)	$ 14	$ 2,716
Commercial real estate	2,806	(1,216)	—	—	1,590
Single tenant net lease	2,422	1,416	—	—	3,838
SBA commercial real estate	3,475	(802)	(110)	15	2,578
Multifamily	518	(267)	—	—	251
Residential construction	191	114	—	—	305
Commercial construction	63	44	—	—	107
Land and land development	235	(23)	—	—	212
Commercial business	1,284	(119)	(91)	119	1,193
SBA commercial business	1,346	1,413	(698)	61	2,122
Consumer	523	61	(175)	39	448
	$ 14,301	$ 1,908	$ (1,097)	$ 248	$ 15,360

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(4 – continued)

	Beginning Balance	Provisions (Credits)	Charge-Offs	Recoveries	Ending Balance
			(In thousands)		
2021:					
Residential real estate	$ 1,255	$ 170	$ (11)	$ 24	$ 1,438
Commercial real estate	3,058	(252)	—	—	2,806
Single tenant net lease	3,017	(595)	—	—	2,422
SBA commercial real estate	4,154	234	(936)	23	3,475
Multifamily	772	(254)	—	—	518
Residential construction	243	(52)	—	—	191
Commercial construction	181	(118)	—	—	63
Land and land development	243	(8)	—	—	235
Commercial business	1,449	(170)	—	5	1,284
SBA commercial business	1,539	(211)	(21)	39	1,346
Consumer	1,115	(511)	(156)	75	523
	$ 17,026	$ (1,767)	$ (1,124)	$ 166	$ 14,301

FIRST SAVINGS FINANCIAL GROUP, INC.
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(4 – continued)

The following table presents impaired loans individually evaluated for impairment as of and for the year ended September 30, 2023. Interest income recognized approximates cash paid for interest for the year ended September 30, 2023.

	Recorded Balance	Unpaid Principal Balance	Related Allowance	Average Recorded Balance	Interest Income Recognized
			(In thousands)		
Loans with no related allowance recorded:					
Residential real estate	$ 1,989	$ 2,139	$ —	$ 2,822	$ 52
Commercial real estate	551	627	—	886	23
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	7,415	9,397	—	7,484	—
Multifamily	318	362	—	371	15
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	—	—
Commercial business	870	972	—	925	37
SBA commercial business	684	1,799	—	839	—
Consumer	44	58	—	61	—
	$ 11,871	$ 15,354	$ —	$ 13,388	$ 127
Loans with an allowance recorded:					
Residential real estate	$ 1,323	$ 1,328	$ 74	$ 365	$ —
Commercial real estate	317	317	2	63	—
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	—	—	—	1,146	—
Multifamily	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	—	—
Commercial business	1,076	1,165	111	296	—
SBA commercial business	438	637	187	1,049	—
Consumer	189	189	189	190	—
	$ 3,343	$ 3,636	$ 563	$ 3,109	$ —
Total:					
Residential real estate	$ 3,312	$ 3,467	$ 74	$ 3,187	$ 52
Commercial real estate	868	945	2	949	23
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	7,415	9,397	—	8,630	—
Multifamily	318	362	—	371	15
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	—	—
Commercial business	1,946	2,137	111	1,221	37
SBA commercial business	1,122	2,436	187	1,888	—
Consumer	233	247	189	251	—
	$ 15,214	$ 18,990	$ 563	$ 16,497	$ 127

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(4 – continued)

The following table presents impaired loans individually evaluated for impairment as of and for the year ended September 30, 2022. Interest income recognized approximates cash paid for interest for the year ended September 30, 2022.

	Recorded Balance	Unpaid Principal Balance	Related Allowance	Average Recorded Balance	Interest Income Recognized
			(In thousands)		
Loans with no related allowance recorded:					
Residential real estate	$ 2,244	$ 2,524	$ —	$ 2,978	$ 45
Commercial real estate	908	982	—	1,038	21
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	5,197	5,952	—	7,235	—
Multifamily	354	398	—	415	6
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	—	—
Commercial business	998	1,189	—	1,318	19
SBA commercial business	182	532	—	412	—
Consumer	93	81	—	91	1
	$ 9,976	$ 11,658	$ —	$ 13,487	$ 92
Loans with an allowance recorded:					
Residential real estate	$ —	$ —	$ —	$ 206	$ —
Commercial real estate	—	—	—	—	—
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	2,385	2,919	290	2,213	—
Multifamily	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	—	—
Commercial business	—	—	—	—	—
SBA commercial business	895	1,349	674	802	—
Consumer	145	145	—	146	—
	$ 3,425	$ 4,413	$ 964	$ 3,367	$ —
Total:					
Residential real estate	$ 2,244	$ 2,524	$ —	$ 3,184	$ 45
Commercial real estate	908	982	—	1,038	21
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	7,582	8,871	290	9,448	—
Multifamily	354	398	—	415	6
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	—	—
Commercial business	998	1,189	—	1,318	19
SBA commercial business	1,077	1,881	674	1,214	—
Consumer	238	226	—	237	1
	$ 13,401	$ 16,071	$ 964	$ 16,854	$ 92

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The following table presents impaired loans individually evaluated for impairment as of and for the year ended September 30, 2021. The Company did not recognize any interest income on impaired loans using the cash receipts method of accounting for the year ended September 30, 2021.

	Recorded Balance	Unpaid Principal Balance	Related Allowance	Average Recorded Balance	Interest Income Recognized
			(In thousands)		
Loans with no related allowance recorded:					
Residential real estate	$ 3,003	$ 3,551	$ —	$ 4,383	$ 68
Commercial real estate	1,021	1,092	—	1,148	29
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	8,282	8,873	—	4,738	—
Multifamily	482	539	—	638	—
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	1	—
Commercial business	1,476	1,559	—	1,664	3
SBA commercial business	1,275	1,534	—	820	—
Consumer	104	97	—	90	2
	$ 15,643	$ 17,245	$ —	$ 13,482	$ 102
Loans with an allowance recorded:					
Residential real estate	$ 64	$ 65	$ —	$ 108	$ —
Commercial real estate	—	—	—	—	—
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	871	1,394	114	3,389	—
Multifamily	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	—	—
Commercial business	—	—	—	1	—
SBA commercial business	21	21	18	248	—
Consumer	144	144	1	169	—
	$ 1,100	$ 1,624	$ 133	$ 3,915	$ —
Total:					
Residential real estate	$ 3,067	$ 3,616	$ —	$ 4,491	$ 68
Commercial real estate	1,021	1,092	—	1,148	29
Single tenant net lease	—	—	—	—	—
SBA commercial real estate	9,153	10,267	114	8,127	—
Multifamily	482	539	—	638	—
Residential construction	—	—	—	—	—
Commercial construction	—	—	—	—	—
Land and land development	—	—	—	1	—
Commercial business	1,476	1,559	—	1,665	3
SBA commercial business	1,296	1,555	18	1,068	—
Consumer	248	241	1	259	2
	$ 16,743	$ 18,869	$ 133	$ 17,397	$ 102

FIRST SAVINGS FINANCIAL GROUP, INC.
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(4 – continued)

Nonperforming loans consist of nonaccrual loans and loans over 90 days past due and still accruing interest. The following table presents the recorded investment in nonperforming loans at September 30, 2023 and 2022:

	At September 30, 2023			At September 30, 2022		
	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
	(In thousands)					
Residential real estate	$ 2,426	$ —	$ 2,426	$ 1,213	$ —	$ 1,213
Commercial real estate	511	—	511	516	—	516
Single tenant net lease	—	—	—	—	—	—
SBA commercial real estate	7,415	—	7,415	7,725	—	7,725
Multifamily	318	—	318	—	—	—
Residential construction	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—
Land and land development	—	—	—	—	—	—
Commercial business	1,946	—	1,946	73	—	73
SBA commercial business	1,099	—	1,099	1,091	—	1,091
Consumer	233	—	233	238	—	238
Total	$ 13,948	$ —	$ 13,948	$ 10,856	$ —	$ 10,856

The following table presents the aging of the recorded investment in past due loans at September 30, 2023:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
	(In thousands)					
Residential real estate	$ 2,715	$ 132	$ 1,818	$ 4,665	$ 523,745	$ 528,410
Commercial real estate	23	62	—	85	187,147	187,232
Single tenant net lease	—	—	—	—	757,388	757,388
SBA commercial real estate	764	—	3,877	4,641	42,437	47,078
Multifamily	—	—	—	—	34,892	34,892
Residential construction	—	—	—	—	24,924	24,924
Commercial construction	—	—	—	—	14,588	14,588
Land and land development	40	—	—	40	17,194	17,234
Commercial business	112	—	86	198	117,396	117,594
SBA commercial business	130	—	682	812	16,127	16,939
Consumer	137	5	36	178	39,737	39,915
Total	$ 3,921	$ 199	$ 6,499	$ 10,619	$ 1,775,575	$ 1,786,194

FIRST SAVINGS FINANCIAL GROUP, INC.
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(4 – continued)

The following table presents the aging of the recorded investment in past due loans at September 30, 2022:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
			(In thousands)			
Residential real estate	$ 1,169	$ 53	$ 204	$ 1,426	$ 366,785	$ 368,211
Commercial real estate	—	—	516	516	169,345	169,861
Single tenant net lease	—	—	—	—	674,567	674,567
SBA commercial real estate	—	—	3,370	3,370	56,009	59,379
Multifamily	—	—	—	—	32,411	32,411
Residential construction	—	—	—	—	18,261	18,261
Commercial construction	—	—	—	—	5,938	5,938
Land and land development	—	—	—	—	11,880	11,880
Commercial business	—	—	73	73	89,937	90,010
SBA commercial business	231	—	237	468	19,814	20,282
Consumer	95	—	58	153	37,899	38,052
Total	$ 1,495	$ 53	$ 4,458	$ 6,006	$ 1,482,846	$ 1,488,852

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, public information, historical payment experience, credit documentation, and current economic trends, among other factors. The Company classifies loans based on credit risk at least quarterly. The Company uses the following regulatory definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as loss are considered uncollectible and of such little value that their continuance on the Company's books as an asset is not warranted.

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Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. The following table presents the recorded investment in loans by risk category as of September 30, 2023:

September 30, 2023:	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
			(In thousands)			
Residential real estate	$ 525,735	$ —	$ 2,653	$ 22	$ —	$ 528,410
Commercial real estate	186,520	—	712	—	—	187,232
Single tenant net lease	757,388	—	—	—	—	757,388
SBA commercial real estate	39,092	278	6,083	1,625	—	47,078
Multifamily	34,574	—	318	—	—	34,892
Residential construction	24,924	—	—	—	—	24,924
Commercial construction	14,588	—	—	—	—	14,588
Land and land development	17,234	—	—	—	—	17,234
Commercial business	115,647	40	1,907	—	—	117,594
SBA commercial business	14,572	—	2,327	40	—	16,939
Consumer	39,871	—	44	—	—	39,915
Total	$ 1,770,145	$ 318	$ 14,044	$ 1,687	$ —	$ 1,786,194

The following table presents the recorded investment in loans by risk category as of September 30, 2022:

September 30, 2022:	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
			(In thousands)			
Residential real estate	$ 366,540	$ —	$ 1,501	$ 170	$ —	$ 368,211
Commercial real estate	169,134	—	727	—	—	169,861
Single tenant net lease	674,567	—	—	—	—	674,567
SBA commercial real estate	49,459	1,143	7,112	1,665	—	59,379
Multifamily	32,411	—	—	—	—	32,411
Residential construction	18,261	—	—	—	—	18,261
Commercial construction	5,938	—	—	—	—	5,938
Land and land development	11,880	—	—	—	—	11,880
Commercial business	89,675	250	85	—	—	90,010
SBA commercial business	17,202	284	2,755	41	—	20,282
Consumer	37,959	—	93	—	—	38,052
Total	$ 1,473,026	$ 1,677	$ 12,273	$ 1,876	$ —	$ 1,488,852

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Troubled Debt Restructurings

The following table summarizes information in regard to TDRs that were restructured during the years ended September 30, 2023, 2022 and 2021.

	Number of Loans	Pre-Modification Principal Balance	Post-Modification Principal Balance
		(Dollars in thousands)	
September 30, 2023:			
Residential real estate	1	$ 31	$ 31
Total	1	$ 31	$ 31
September 30, 2022:			
SBA commercial business	1	$ 397	$ 397
Total	1	$ 397	$ 397
September 30, 2021:			
Commercial business	1	126	126
Total	1	$ 126	$ 126

At September 30, 2023, the Company had no commitments to lend to customers with outstanding loans classified as TDRs. At September 30, 2022, the Company had committed to lend $1,000 to customers with outstanding loans classified as TDRs.

For the TDRs listed above, the terms of modification included temporary interest-only payment periods, reduction of the stated interest rate, extension of the maturity date, deferral of the contractual principal and interest payments, and the renewal of matured loans where the debtor was unable to access funds elsewhere at a market interest rate for debt with similar risk characteristics.

There were principal charge-offs totaling $6,000 and $457,000 recorded as a result of TDRs during the years ended September 30, 2023 and 2021, respectively. There were no principal charge-offs recorded as a result of TDRs during the year ended September 30, 2022. Provisions for loan losses related to TDRs totaled $122,000 and $161,000 for the years ended September 30, 2023 and 2022, respectively. There were no provisions for loan losses related to TDRs for the year ended September 30, 2021. In the event that a TDR subsequently defaults, the Company evaluates the restructuring for possible impairment. As a result, the related allowance for loan losses may be increased or charge-offs may be taken to reduce the carrying amount of the loan.

During the years ended September 30, 2023, 2022 and 2021, the Company did not have any TDRs that were modified within the previous twelve months for which there was a payment default (defined as more than 90 days past due or in the process of foreclosure).

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SBA Loan Servicing Rights

The Company originates loans to commercial customers under the SBA 7(a) and other programs, and sells the guaranteed portion of the SBA loans with servicing retained. Loan servicing rights on originated SBA loans that have been sold are initially recorded at fair value. Capitalized SBA servicing rights are then amortized in proportion to and over the period of estimated net servicing income. Impairment of SBA servicing rights is assessed using the present value of estimated future cash flows.

The aggregate fair value of SBA loan servicing rights at September 30, 2023 and 2022 approximated its carrying value. A valuation model employed by an independent third party calculates the present value of future cash flows and is used to estimate fair value at the date of sale and on a quarterly basis for impairment analysis purposes. Management periodically compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. Key assumptions used to estimate the fair value of the SBA loan servicing rights at September 30, 2023 and 2022 were as follows:

	Range of Assumption (Weighted Average)	
Assumption	**2023**	**2022**
Discount rate	10.25% to 25.00% (13.79%)	6.90% to 25.00% (12.71%)
Prepayment rate	8.60% to 32.85% (16.91%)	7.08% to 29.26% (15.27%)

For purposes of impairment, risk characteristics such as interest rate, loan type, term and investor type are used to stratify the SBA loan servicing rights. Impairment is recognized through a valuation allowance to the extent that fair value is less than the carrying amount. Changes in the valuation allowance are reported in other noninterest income in the consolidated statements of income.

The unpaid principal balance of SBA loans serviced for others was $209.6 million, $238.9 million and $244.8 million at September 30, 2023, 2022 and 2021, respectively. An analysis of loan servicing fees on SBA loans for the years ended September 30, 2023, 2022 and 2021 is as follows:

(In thousands)	**2023**	**2022**	**2021**
Late fees and ancillary fees earned	$ 69	$ 93	$ 88
Net servicing income	2,114	2,425	2,171
SBA net servicing fees	$ 2,183	$ 2,518	$ 2,259

FIRST SAVINGS FINANCIAL GROUP, INC.
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Contractually specified late fees and ancillary fees earned on SBA loans are included in interest income on loans in the consolidated statements of income. Net servicing income (contractually specified servicing fees offset by direct servicing expenses) related to SBA loans are included in other noninterest income in the consolidated statements of income.

An analysis of SBA loan servicing rights for the years ended September 30, 2023, 2022 and 2021 is as follows:

(In thousands)	2023	2022	2021
Balance as of October 1	$ 3,790	$ 4,447	$ 3,748
Servicing rights capitalized	768	846	1,980
Amortization	(728)	(1,287)	(1,215)
Direct write-offs	(999)	(43)	(92)
Change in valuation allowance	119	(173)	26
Balance as of September 30	$ 2,950	$ 3,790	$ 4,447

An analysis of the valuation allowance related to SBA loan servicing rights for the years ended September 30, 2023, 2022 and 2021 is as follows:

(In thousands)	2023	2022	2021
Balance as of October 1	$ 179	$ 6	$ 32
Additions (reductions) charged to earnings	880	216	66
Write-downs charged against allowance	(999)	(43)	(92)
Balance as of September 30	$ 60	$ 179	$ 6

Mortgage Servicing Rights ("MSRs")

The Company originates residential mortgage loans for sale in the secondary market and retains servicing for certain of these loans when they are sold. MSRs retained for originated loans that have been sold are accounted for at fair value. The fair value of MSRs are determined using the present value of estimated expected net servicing income using assumptions about expected mortgage loan prepayment rates, discount rate, servicing costs, and other economic factors, which are determined based on current market conditions. Changes in these underlying assumptions could cause the fair value of MSRs to change significantly in the future. Changes in fair value of MSRs are recorded in mortgage banking income in the accompanying consolidated statements of income. MSRs are subject to changes in value from, among other things, changes in interest rates, prepayments of the underlying loans and changes in the credit quality of the underlying portfolio.

A valuation model employed by an independent third party calculates the present value of future cash flows and is used to value the MSRs on a monthly basis. Management periodically compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. Key assumptions, which represent Level 3 fair value inputs, used to estimate the fair value of the MSRs at September 30, 2023 and 2022 were as follows:

	Range of Assumption (Weighted Average)	
Assumption	**2023**	**2022**
Discount rate	9.44% to 14.50% (9.51%)	9.50% to 14.50% (9.51%)
Prepayment rate	5.00% to 85.82% (6.82%)	6.01% to 74.89% (6.63%)

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The unpaid principal balance of residential mortgage loans serviced for others was $4.77 billion, $4.88 billion and $4.64 billion at September 30, 2023, 2022 and 2021, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing and other liabilities were $47.9 million and $46.0 million at September 30, 2023 and 2022, respectively. Contractually specified servicing fees (net of direct servicing expenses), late fees and other ancillary fees of $9.5 million, $9.0 million and $6.5 million are included in mortgage banking income in the consolidated statements of income for the years ended September 30, 2023, 2022 and 2021, respectively.

Changes in the carrying value of MSRs accounted for at fair value for the years ended September 30, 2023, 2022 and 2021 were as follows:

(In thousands)	2023	2022	2021
Fair value as of October 1	$ 63,263	$ 49,579	$ 21,703
Servicing rights capitalized	2,354	11,161	36,679
Changes in fair value related to:			
Loan repayments	(4,237)	(7,539)	(9,555)
Changes in valuation model inputs or assumptions	(1,612)	10,062	752
Fair value as of September 30	$ 59,768	$ 63,263	$ 49,579

At September 30, 2023, the Company had a contract to sell the residential MSRs noted above. For the year ended September 30, 2023, the fair value of the residential MSRs was written down by $903,000 relating to the routine valuation adjustment and an additional $709,000 based on contract sale price. As discussed in Note 28, subsequent to September 30, 2023, the sale of the residential MSRs took place in November 2023.

Nonresidential MSRs

Beginning in 2022, the Company also periodically sells single tenant net lease loans with servicing rights retained. Loan servicing rights on these nonresidential mortgage loans are initially recorded at fair value and are then amortized in proportion to and over the period of estimated net servicing income. Impairment of nonresidential MSRs is assessed using the present value of estimated future cash flows. The aggregate fair value of nonresidential MSRs approximates its carrying value. A valuation model employed by management calculates the present value of future cash flows and is used to estimate fair value at the date of sale and on a quarterly basis for impairment analysis purposes. Management periodically compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. Key assumptions used to estimate the fair value of the nonresidential MSRs include the discount rate and prepayment speed assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the carrying amount. Changes in the valuation allowance are reported in other noninterest income in the consolidated statements of income.

The unpaid principal balance of nonresidential mortgage loans serviced for others was $40.4 million and $44.6 million at September 30, 2023 and 2022, respectively. Contractually specified servicing fees, late fees and other ancillary fees related to nonresidential mortgage loans serviced for others were $93,000 and $92,000 for the years ended September 30, 2023 and 2022, respectively. Contractually specified servicing fees on nonresidential mortgage loans serviced for others are included in other noninterest income in the consolidated statements of income.

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An analysis of nonresidential MSRs for September 30, 2023 and 2022 is as follows:

(In thousands)	2023	2022
Balance, beginning of year	$ 141	$ —
Servicing rights capitalized	—	160
Amortization	(40)	(19)
Direct write-offs	—	—
Changes in valuation allowance	—	—
Balance, end of year	$ 101	$ 141

There was no valuation allowance related to nonresidential MSRs at September 30, 2023 and 2022.

(5) PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at September 30, 2023 and 2022:

(In thousands)	2023	2022
Land and land improvements	$ 5,375	$ 5,328
Office buildings	25,337	23,942
Leasehold improvements	66	66
Furniture, fixtures and equipment	10,442	9,187
Construction in progress	671	749
	$ 41,891	$ 39,272
Less: accumulated depreciation	(14,030)	(12,172)
Totals	$ 27,861	$ 27,100

Depreciation expense recognized for premises and equipment for the years ended September 30, 2023, 2022 and 2021 is as follows:

(In thousands)	2023	2022	2021
Depreciation expense	$ 2,108	$ 2,125	$ 2,023

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(6) OTHER REAL ESTATE OWNED

Other real estate owned ("OREO") asset activity was as follows for the years ended September 30, 2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Balance as of October 1	$ 203	$ 1,728	$ 1,728
Transfers from loans to other real estate owned	474	—	426
Transfers from OREO to premises and equipment	—	(721)	—
Sales	—	(804)	(426)
Balance as of September 30	$ 677	$ 203	$ 1,728

At September 30, 2023, 2022 and 2021, OREO did not include any residential real estate properties where physical possession has been obtained. The recorded investment in consumer mortgage loans secured by residential real estate properties where formal foreclosure proceedings are in process at September 30, 2023 and 2022 was $539,000 and $204,000, respectively.

Net (gain) loss on OREO for the years ended September 30, 2023, 2022 and 2021 was as follows:

(In thousands)	2023	2022	2021
Net (gain)/loss on sales	$ —	$ 115	$ (74)
Operating expenses, net of rental income	4	—	10
	$ 4	$ 115	$ (64)

(7) GOODWILL AND OTHER INTANGIBLES

Goodwill and the core deposit intangibles acquired in the acquisitions of Community First Bank ("Community First") on September 30, 2009, the First Federal Savings Bank of Elizabethtown, Inc. ("First Federal") branches on July 6, 2012, and Dearmin Bancorp, Inc. ("Dearmin") and its majority owned subsidiary, The First National Bank of Odon ("FNBO"), on February 9, 2018, are evaluated for impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the carrying amount is greater than its fair value. No impairment of goodwill or the core deposit intangibles was recognized during 2023, 2022, or 2021.

The changes in the carrying amount of goodwill for the years ended September 30, 2023, 2022 and 2021 are summarized as follows:

(In thousands)	2023	2022	2021
Beginning balance	$ 9,848	$ 9,848	$ 9,848
Impairment	—	—	—
Ending balance	$ 9,848	$ 9,848	$ 9,848

The following is a summary of other intangible assets subject to amortization:

(In thousands)	2023	2022
Core deposit intangible acquired in Community First acquisition	$ 2,741	$ 2,741
Core deposit intangible acquired in First Federal branch acquisition	566	566
Core deposit intangible acquired in Dearmin/FNBO acquisition	1,487	1,487
Less accumulated amortization	(4,233)	(4,019)
Ending balance	$ 561	$ 775

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Amortization expense on intangibles for the years ended September 30, 2023, 2022 and 2021 is summarized as follows:

(In thousands)	2023	2022	2021
Amortization expense	$ 214	$ 214	$ 214

Estimated amortization expense for the core deposit intangibles for each of the ensuing five years and in the aggregate is as follows:

Years ending September 30:	*(In thousands)*
2024	$ 163
2025	163
2026	163
2027	72
Total	$ 561

(8) DEPOSITS

Deposits at September 30, 2023 and 2022 consisted of the following:

(In thousands)	2023	2022
Noninterest-bearing demand deposits	$ 242,237	$ 340,172
NOW accounts	336,446	343,296
Money market accounts	323,739	238,219
Savings accounts	170,073	171,779
Retail time deposits	170,980	129,864
Brokered certificates of deposit	438,319	292,504
Total	$ 1,681,794	$ 1,515,834

The aggregate amount of time deposit accounts with balances that met or exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limit of $250,000 was $57.8 million and $32.6 million at September 30, 2023 and 2022, respectively.

At September 30, 2023, scheduled maturities of time deposits were as follows:

Years ending September 30:	*(In thousands)*
2024	$ 573,052
2025	18,072
2026	6,732
2027	4,354
2028	7,089
Total	$ 609,299

The Bank held deposits for related parties of $5.3 million and $15.3 million at September 30, 2023 and 2022, respectively.

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(9) FEDERAL FUNDS PURCHASED

The Bank has entered into a federal funds purchased line of credit facility with another financial institution that established a line of credit not to exceed the lesser of $20 million or 25% of the Bank's equity capital, excluding reserves. Availability under the line of credit is subject to continued borrower eligibility and expires on June 30, 2024 unless it is extended. The line of credit is intended to support short-term liquidity needs, and the agreement states that the Bank may borrow under the facility for up to seven consecutive days without pledging collateral to secure the borrowing. At September 30, 2023 and 2022, the Bank had no outstanding federal funds purchased under the facility.

The Bank has also entered into a separate federal funds purchased line of credit facility with another financial institution that established a discretionary line of credit not to exceed $22 million. The line of credit is intended to support short-term liquidity needs. At September 30, 2023 and 2022, the Bank had no outstanding federal funds purchased under the facility.

The Bank has also entered into a separate federal funds purchased line of credit facility with another financial institution that established a discretionary line of credit not to exceed $15 million. The line of credit is intended to support short-term liquidity needs. At September 30, 2023 and 2022, the Bank had no outstanding federal funds purchased under the facility.

The Bank has also entered into a separate federal funds purchased line of credit facility with another financial institution that established a discretionary line of credit not to exceed the lesser of $5 million or 50% of the Bank's equity capital. The line of credit is intended to support short-term liquidity needs. At September 30, 2023 and 2022, the Bank had no outstanding federal funds purchased under the facility.

(10) BORROWINGS FROM FEDERAL HOME LOAN BANK

At September 30, 2023 and 2022 borrowings from the FHLB were as follows:

	2023		2022	
(Dollars in thousands)	Weighted Average Rate	Amount	Weighted Average Rate	Amount
Advances maturing in:				
2023	— %	$ —	3.00 %	$ 130,000
2024	5.51	40,000	—	—
2025	1.51	10,000	1.51	10,000
2026	1.13	20,000	1.13	20,000
2027	—	—	—	—
2028 and beyond	2.63	285,000	1.27	135,000
Total advances		355,000		295,000
Line of credit balance	5.66	8,183	3.45	12,303
Total borrowings from FHLB		$ 363,183		$ 307,303

The Bank entered into an Advances, Pledge and Security Agreement with the FHLB, allowing the Bank to initiate advances from the FHLB. The advances are secured under a blanket collateral agreement. At September 30, 2023, the eligible blanket collateral included residential mortgage loans with a carrying value of $179.4 million and commercial real estate loans with a carrying value of $813.6 million. Pledged available for sale securities had a fair value of $52.9 million at September 30, 2023.

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On January 21, 2022, the Bank entered into an Overdraft Line of Credit Agreement with the FHLB which established a line of credit not to exceed $25.0 million secured under the blanket collateral agreement. This agreement expires on January 21, 2024. At September 30, 2023, there was $8.2 million outstanding under this agreement.

On June 19, 2014, the Bank entered into a Letter of Credit Agreement with the FHLB which established a letter of credit not to exceed $3.3 million secured under the blanket collateral agreement. The agreement had an initial expiration date of July 1, 2015 and is automatically extended for one additional year for successive one-year periods, not to extend beyond July 3, 2034. At September 30, 2023, the maximum amount available under the letter of credit was $2.1 million, and there was no outstanding balance under this agreement.

On May 31, 2017, the Bank entered into a Letter of Credit Agreement with the FHLB which established a letter of credit not to exceed $2.2 million. The agreement had an initial expiration date of May 31, 2018 and is automatically extended for one additional year for successive one-year periods, not to extend beyond June 1, 2037. At September 30, 2023, the maximum amount available under the letter of credit was $1.9 million, and there was no outstanding balance under this agreement.

(11) OTHER BORROWINGS

On September 20, 2018, the Company entered into a subordinated note purchase agreement in the principal amount of $20 million. The subordinated note initially bears a fixed interest rate of 6.02% per year through September 30, 2023, and thereafter a floating rate, reset quarterly, equal to the three-month Secured Overnight Financing Rate ("SOFR") plus 310 basis points. All interest is payable quarterly and the subordinated note is scheduled to mature on September 30, 2028. The subordinated note is an unsecured subordinated obligation of the Company and may be repaid in whole or in part, without penalty, on or after September 30, 2023. The subordinated note is presented net of unamortized debt issuance costs of $68,000 at September 30, 2022, in the accompanying consolidated balance sheet. The debt issuance costs were amortized over five years, which represents the period from issuance to the first redemption date of September 30, 2023. The Company elected not to repay the subordinated note on the first optional redemption date of September 30, 2023, but has the right to repay the note without penalty upon providing adequate notice to the investors. The subordinated note is intended to qualify as Tier 2 capital for the Company under regulatory guidelines. However, following September 30, 2023, 20% of the remaining debt outstanding under this subordinated note agreement is disallowed from Tier 2 capital each year until maturity on September 30, 2028.

On March 18, 2022, the Company entered into subordinated note purchase agreements in the aggregate principal amount of $31 million. The subordinated notes initially bear a fixed interest rate of 4.50% per year through March 30, 2027, and thereafter a floating rate, reset quarterly, equal to the three-month SOFR rate plus 276 basis points. All interest is payable semi-annually and the subordinated notes are scheduled to mature on March 30, 2032. The subordinated notes are unsecured subordinated obligations of the Company and may be repaid in whole or in part, without penalty, on or after March 30, 2027. The subordinated notes are intended to qualify as Tier 2 capital for the Company under regulatory guidelines. The subordinated notes are presented net of unamortized debt issuance costs of $556,000 and $715,000 at September 30, 2023 and September 30, 2022, respectively, in the accompanying consolidated balance sheet. The debt issuance costs are being amortized over five years, which represents the period from issuance to the first redemption date of March 30, 2027. During 2023, the Company repurchased $2.0 million of this subordinated note from an investor and recognized a pretax gain of $660,000 from the transaction. The remaining principal due on this subordinated note was $29 million at September 30, 2023.

Repurchase provisions contained in certain participation agreements require the Company to account for certain loan sales as secured borrowings. As of September 30, 2022, the Company had a balance of $38.0 million in secured borrowings, which are included in other borrowings on the consolidated balance sheets. The secured borrowings had a weighted average interest rate of 4.02% at September 30, 2022 and are secured by the underlying participation interests. There were no such secured borrowings as of September 30, 2023.

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(12) DEFERRED COMPENSATION PLANS

The Company has a directors' deferred compensation plan whereby a director, at his or her election on an annual basis, may defer all or a portion of the director fees into an account with the Company. The Company accrues interest on the deferred obligation at an annual rate equal to the prime rate for the immediately preceding calendar quarter plus 2%, but in no event at a rate in excess of 8%. The deferral period extends until separation from service by the director. The benefits under the plan are payable in a lump sum or in monthly installments over a period of up to ten years following the separation from service; however, the agreements provide for payment of benefits in the event of disability, early retirement, termination of service or death. The balance of the accrued benefit for the director plan was $1.6 million and $1.5 million at September 30, 2023 and 2022, respectively.

Deferred directors' fees expense for the years ended September 30, 2023, 2022 and 2021 were as follows:

(In thousands)	**2023**	**2022**	**2021**
Deferred directors' fee expense	$ 241	$ 202	$ 166

(13) BENEFIT PLANS

Defined Contribution Plan:

The Company has a qualified contributory defined contribution plan available to all eligible employees. The plan allows participating employees to make tax-deferred contributions under Internal Revenue Code Section 401(k).

Company contributions to the plan for the years ended September 30, 2023, 2022 and 2021 were as follows:

(In thousands)	**2023**	**2022**	**2021**
Company contributions to the plan	$ 1,216	$ 1,366	$ 1,633

Employee Stock Ownership Plan:

On October 6, 2008, the Company established a leveraged ESOP covering substantially all employees. The ESOP trust acquired 610,089 shares of Company common stock at a cost of $3.33 per share (both as adjusted for the three-for-one stock split effective September 15, 2021) financed by a term loan with the Company. The employer loan and the related interest income are not recognized in the consolidated financial statements as the debt is serviced from Company contributions. Dividends payable on allocated shares are charged to retained earnings and are satisfied by the allocation of cash dividends to participant accounts or by utilizing the dividends as additional debt service on the ESOP loan. Dividends payable on unallocated shares are not considered dividends for financial reporting purposes. Shares held by the ESOP trust are allocated to participant accounts based on the ratio of the current year principal and interest payments to the total of the current year and future years' principal and interest to be paid on the employer loan. Compensation expense is recognized based on the average fair value of shares released for allocation to participant accounts during the year with a corresponding credit to stockholders' equity.

There was no compensation expense recognized for the years ended September 30, 2023, 2022 and 2021.

The employer loan was fully repaid in December 2015 and all shares of Company stock were allocated to participant accounts as of September 30, 2016. The ESOP trust held 293,695 and 306,202 shares of Company common stock allocated to participant accounts at September 30, 2023 and 2022, respectively. The aggregate fair value of shares allocated to ESOP participants was $4.3 million and $7.0 million at September 30, 2023 and 2022, respectively.

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(14) STOCK-BASED COMPENSATION PLANS

The Company maintains three equity incentive plans under which stock options and restricted stock have or can be granted, the 2010 Equity Incentive Plan ("2010 Plan") approved by the Company's shareholders in February 2010, the 2016 Equity Incentive Plan ("2016 Plan") approved by the Company's shareholders in February 2016 and the 2021 Equity Incentive Plan ("2021 Plan") approved by the Company's shareholders in February 2021. The aggregate number of shares of the Company's common stock available for issuance under the 2016 Plan may not exceed 264,000 shares, consisting of 198,000 stock options and 66,000 shares of restricted stock. The aggregate number of shares of the Company's common stock available for issuance under the 2021 Plan may not exceed 356,058 shares, consisting of 267,043 stock options and 89,015 shares of restricted stock. At September 30, 2023, there were no remaining shares of the Company's common stock available for issuance under the 2010 Plan. At September 30, 2023, 4,560 shares of the Company's common stock were available for issuance under the 2016 Plan, including 1,500 shares available for restricted stock and 3,060 shares available for stock options. At September 30, 2023, 93,058 shares of the Company's common stock were available for issuance under the 2021 Plan, including 23,265 shares available for restricted stock and 69,793 shares available for stock options. In November 2022, the Company granted 66,000 stock options and 22,000 restricted shares to directors, officers and key employees which will vest over a one-year or five-year period. The Company generally issues new shares under the 2016 Plan and 2021 Plan from its authorized but unissued shares. The Company accounts for any forfeitures as they occur, and any previously recognized compensation cost for an award is reversed in the period the award is forfeited.

Stock based compensation expense related to stock options and restricted stock for the years ended September 30, 2023, 2022 and 2021 is as follows:

(In thousands)	2023	2022	2021
Stock option expense	$ 302	$ 296	$ 92
Restricted stock expense	396	391	184

Stock Options:

Under the plans, the Company may grant both non-statutory and incentive stock options that may not have a term exceeding ten years. In the case of incentive stock options, the aggregate fair value (determined at the time the incentive stock options are granted) which are first exercisable during any calendar year shall not exceed $100,000. Exercise prices generally may not be less than the fair market value of the underlying stock at the date of the grant. The terms of the plans also include provisions whereby all unearned options and restricted shares become immediately exercisable and fully vested upon a change in control.

Stock options granted generally vest ratably over one or five years and are exercisable in whole or in part for a period up to ten years from the date of the grant. Compensation expense is measured based on the fair market value of the options at the grant date and is recognized ratably over the period during which the shares are earned (the vesting period). The fair market value of stock options granted is estimated at the date of grant using the Black-Scholes or a binomial option pricing model. Expected volatilities are based on historical volatility of the Company's stock. The expected term of options granted represents the period of time that options are expected to be outstanding. The risk free rate for the expected life of the options is based on the U.S. Treasury yield curve in effect at the grant date.

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The fair value of options granted during the year ended September 30, 2023 was determined using the following assumptions:

Expected dividend yield	2.93 %
Risk-free interest rate	3.94 %
Expected volatility	27.7 %
Expected life of options	6.8 years
Weighted average fair value at grant date	$ 5.71

The fair value of options granted during the year ended September 30, 2022 was determined using the following assumptions:

Expected dividend yield	2.32 %
Risk-free interest rate	1.55 %
Expected volatility	27.0 %
Expected life of options	7.1 years
Weighted average fair value at grant date	$ 7.03

The fair value of options granted during the year ended September 30, 2021 was determined using the following assumptions:

Expected dividend yield	1.75 %
Risk-free interest rate	2.13 %
Expected volatility	14.6 %
Expected life of options	7.5 years
Weighted average fair value at grant date	$ 6.13

A summary of stock option activity as of September 30, 2023, and changes during the year then ended is presented below.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	351,369	$ 20.57		
Granted	66,000	22.49		
Exercised	(1,200)	13.36		
Forfeited or expired	(7,500)	26.72		
Outstanding at end of year	408,669	$ 20.79	6.3	$ 174,000
Vested and expected to vest	408,669	$ 20.79	6.3	$ 174,000
Exercisable at end of year	224,010	$ 17.80	4.6	$ 174,000

The intrinsic value of stock options exercised during the years ended September 30, 2023, 2022 and 2021 was $5,000, $31,000 and $50,000, respectively. At September 30, 2023, there was $809,000 of unrecognized compensation expense related to nonvested stock options. The compensation expense is expected to be recognized over a weighted average period of 3.42 years. Cash received from the exercise of stock options was $16,000 and $27,000 for the years ended September 30, 2023 and 2021, respectively. There was no cash received from the exercise of stock options for the year ended September 30, 2022. The tax benefit from the exercise of stock options was $1,000, $8,000 and $10,000 for the years ended September 30, 2023, 2022 and 2021, respectively.

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Restricted Stock:

The vesting period of restricted stock granted under the plans is generally one or five years beginning one year after the date of grant of the awards. Compensation expense is measured based on the fair market value of the restricted stock at the grant date and is recognized ratably over the vesting period.

A summary of the Company's nonvested restricted shares activity as of September 30, 2023 and changes during the year then ended is presented below.

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at October 1, 2022	51,324	$ 26.07
Granted	22,000	22.49
Vested	(16,408)	25.68
Forfeited	(2,000)	26.72
Nonvested at September 30, 2023	54,916	$ 24.73

There were 16,408, 12,225 and 13,125 restricted shares vested during the years ended September 30, 2023, 2022 and 2021, respectively. The total fair value of restricted shares that vested during the years ended September 30, 2023, 2022 and 2021 was $369,000, $327,000 and $277,000, respectively. At September 30, 2023, there was $1.0 million of unrecognized compensation expense related to nonvested restricted shares. The compensation expense is expected to be recognized over a weighted average period of 3.45 years.

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(15) INCOME TAXES

The Company and its subsidiaries file consolidated income tax returns. The components of consolidated income tax expense were as follows for the years ended September 30, 2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Current	$ 726	$ 256	$ 2,166
Valuation allowance	109	(78)	(34)
Deferred	(825)	1,745	7,865
Income tax expense	$ 10	$ 1,923	$ 9,997

The reconciliation of income tax expense with the amount which would have been provided at the federal statutory rate of 21% for the years ended September 30, 2023, 2022 and 2021 follows:

(In thousands)	2023	2022	2021
Provision at federal statutory rate	$ 1,718	$ 3,635	$ 8,308
State income tax-net of federal tax benefit	119	160	901
Tax-exempt interest income	(1,684)	(1,314)	(1,045)
Bank owned life insurance	(227)	(209)	(194)
Captive insurance net premiums	83	(375)	(303)
Increase (decrease) in federal deferred tax valuation allowance	109	(78)	(20)
Nondeductible officer compensation	—	—	2,238
Nondeductible expenses	179	99	—
Tax credits	(352)	—	—
Other	65	5	112
Income tax expense	$ 10	$ 1,923	$ 9,997

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Significant components of deferred tax assets and liabilities at September 30, 2023 and 2022 are as follows:

(In thousands)	2023	2022
Deferred tax assets:		
Allowance for loan losses	$ 4,150	$ 3,719
Operating lease liability	1,068	1,100
Deferred compensation plans	386	354
Equity incentive plans	127	117
Other-than-temporary impairment loss on available for sale securities	15	17
Interest on nonaccrual loans	253	165
Loss on tax credit investments	244	1,638
Unrealized loss on securities available for sale	7,882	7,198
Net operating loss carryforwards	—	1,072
Tax credit carryforwards	2,407	—
Capital loss carryforwards	1,679	—
Mark to market adjustments	350	514
Accrued expenses	1,025	96
Other	952	1,100
Gross deferred tax assets	20,538	17,090
Valuation allowance	(1,679)	(1,570)
Net deferred tax assets	18,859	15,520
Deferred tax liabilities:		
Accumulated depreciation	(2,269)	(2,099)
Operating lease right of use asset	(1,027)	(1,069)
Installment sale	(349)	(349)
Acquisition purchase accounting adjustments	(1,173)	(1,284)
Mortgage servicing rights	(14,775)	(15,498)
FHLB stock dividends	(72)	(71)
Prepaid expenses	(419)	(893)
Deferred loan fees and costs, net	(215)	(136)
Other	(274)	(101)
Deferred tax liabilities	(20,573)	(21,500)
Net deferred tax liability	$ (1,714)	$ (5,980)

Tax laws enacted in 2013 and 2014 decrease the Indiana financial institutions tax rate beginning in 2014 and ending in 2023. Deferred taxes have been adjusted to reflect the newly enacted rates and the period in which temporary differences are expected to reverse.

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At September 30, 2022, the Company had a federal net operating loss carryforward of approximately $4.4 million which was fully utilized in 2023. The Company also had various apportioned state operating loss carryforwards as of September 30, 2022 that were fully utilized in 2023. The Company has tax credit carryforwards of $2.4 million, which includes federal tax credit carryforwards of $2.3 million and state tax credits carryforwards of $60,000. The federal and state tax credits may be carried forward 20 and 10 years, respectively.

In assessing the ability of the Company to realize the benefit of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, availability of operating loss carrybacks, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which deferred tax assets are deductible, management believes it is more likely than not the Company will generate sufficient taxable income to realize the benefits of these deductible differences at September 30, 2023, except for a valuation allowance of $1.7 million on the net deferred tax asset related to capital losses generated. In assessing the need for a valuation allowance for the deferred tax assets for the capital loss carryforward, the Company considered all positive and negative evidence in assessing whether the weight of available evidence supports the recognition of some or all of the deferred tax assets related to these carryforwards. The Company may not be able to generate capital gains in the future to be able to utilize the capital losses. Therefore, the Company's assessment of the deferred tax asset warrants the need for a valuation allowance.

At September 30, 2023 and 2022, the Company had no liability for unrecognized income tax benefits and does not anticipate any increase in the liability for unrecognized tax benefits during the next twelve months. The Company believes that its income tax positions would be sustained upon examination and does not anticipate any adjustments that would result in a material change to its financial position or results of operations. The Company files consolidated U.S. federal and Indiana state income tax returns and the Bank files returns in additional states due to various nexus creating activities in these jurisdictions. Returns filed in these jurisdictions for tax years ending on or after September 30, 2019 are subject to examination by the relevant taxing authorities. Each entity included in the consolidated federal and state income tax returns filed by the Company are charged or given credit for the applicable tax as though separate returns were filed.

Retained earnings of the Bank at September 30, 2023 and 2022 include approximately $4.6 million for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions as of September 30, 1988 for tax purposes only. Reduction of such allocated amounts for purposes other than tax bad debt losses, including redemption of bank stock, excess dividends or loss of "bank" status, would create income for tax purposes only, subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on these amounts was approximately $957,000 at September 30, 2023 and 2022.

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(16) **LEASES**

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified premises and equipment for a period of time in exchange for consideration. The Company is a lessor in certain leasing agreements, such as for office space, and is a lessee in others, such as for certain office space and equipment. The Company's operating leases have terms that expire at different dates through August 2028, and some include options to extend the leases in five year increments.

The Company has adopted FASB ASC 842 and all subsequent updates. With the adoption of FASB ASC 842, operating lease agreements are required to be recognized on the consolidated balance sheet as a right of use ("ROU") asset and a corresponding lease liability. All of the Company's leases are classified as operating leases. The Company has adopted all applicable practical expedients permitted under the standard, including the option to expense short-term leases with a term of one year or less.

The Company's right to use an asset over the life of a lease is recorded as an ROU asset included in other assets on the consolidated balance sheets and was $4.2 million and $4.4 million at September 30, 2023 and 2022,respectively. Certain adjustments to the ROU asset may be required for items such as initial direct costs paid or incentives received. The Company recorded a lease liability in other liabilities on the consolidated balance sheets, which had a balance of $4.4 million and $4.6 million at September 30, 2023 and 2022, respectively.

The calculated amount of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of minimum lease payments. Regarding the discount rate, FASB ASC 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. For operating leases existing prior to October 1, 2019, the rate for the remaining lease term as of October 1, 2019 was used.

Leases with an initial term of 12 months or less are not recorded on the balance sheet and the Company recognizes lease expense for these leases on a straight-line basis over the term of the lease. Certain leases include one or more options to renew, with renewal terms that can extend the lease term from one to 20 years or more. The exercise of renewal options on operating leases is at the Company's sole discretion, and certain leases may include options to purchase the leased property. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. The Company does not enter into lease agreements which contain material residual value guarantees or material restrictive covenants. At September 30, 2023, the Company had not entered into any leases that had yet to commence that conveyed the right to control the use of the property to the Company.

Lease expense for the years ended September 30, 2023, 2022 and 2021 was $825,000, $1.1 million and $2.0 million, respectively. The components of lease expense for the years ended September 30, 2023, 2022 and 2021 were as follows:

(In thousands)	2023	2022	2021
Operating lease cost	$ 552	$ 621	$ 1,204
Short-term lease cost	273	501	836
	$ 825	$ 1,122	$ 2,040

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Future minimum commitments due under these lease agreements as of September 30, 2023 are as follows, including renewal options that are reasonably certain to be exercised:

Years ending September 30:	*(In thousands)*
2024	$ 347
2025	291
2026	249
2027	211
2028	212
Thereafter	4,779
Total lease payments	6,089
Less imputed interest	(1,734)
Total	$ 4,355

The lease term and discount rate at September 30, 2023 and 2022 were as follows:

	2023	**2022**
Weighted-average remaining lease term (years)	23.0	23.7
Weighted-average discount rate	2.97 %	2.89 %

Supplemental cash flow information for the years ended September 30, 2023, 2022 and 2021 related to leases was as follows:

(In thousands)	**2023**	**2022**	**2021**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 512	$ 607	$ 1,253
ROU assets obtained in exchange for lease obligations:			
Operating leases	$ 188	$ 275	$ 2,038

Lessor

The Company leases commercial office space to tenants under noncancelable operating leases with terms of five to eleven years. The following is a schedule by years of future minimum lease payments with initial or remaining terms in excess of one year as of September 30, 2023:

Years ending September 30:	*(In thousands)*
2024	$ 469
2025	354
2026	8
2027	8
2028	5
2029 and thereafter	—
Total	$ 844

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(17) COMMITMENTS AND CONTINGENCIES

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Company upon extension of credit, varies and is based on management's credit evaluation of the counterparty. Commitments under outstanding standby letters of credit totaled $1.9 million and $8.2 million at September 30, 2023 and 2022, respectively.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

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The Company has not been obligated to perform on any financial guarantees and has incurred no losses on its commitments in 2023 or 2022.

The following is a summary of the commitments to extend credit at September 30, 2023 and 2022. Interest rate lock commitments that meet the definition of a derivative are excluded from these totals.

(In thousands)	**2023**	**2022**
Loan commitments:		
Fixed rate	$ 15,220	$ 53,692
Adjustable rate	54,157	71,167
Guarantees of third-party revolving credit	290	286
Undisbursed portion of home equity lines of credit	147,398	105,208
Undisbursed portion of commercial and personal lines of credit	64,330	52,146
Undisbursed portion of construction loans in process	72,859	45,265
Total commitments to extend credit	$ 354,254	$ 327,764

In connection with the sale of residential mortgage loans to third party investors, the Company makes usual and customary representations and warranties as to the propriety of its origination activities. In certain circumstances, the investors require the Company to repurchase loans sold to them under the terms of the warranties. When this happens, the loans are recorded at fair value with a corresponding charge to a valuation reserve. At September 30, 2023 and 2022, the Company had established a reserve for loan repurchases or indemnifications of $676,000 and $435,000, respectively, which is included in other liabilities in the accompanying consolidated balance sheets. Provisions for loan repurchases or indemnifications totaling $704,000, $672,000 and $595,000 were made for the years ended September 30, 2023, 2022 and 2021, respectively, and are included in mortgage banking income in the accompanying consolidated statements of income.

The Bank received notice of a class action lawsuit on March 23, 2021 regarding its policy and practice of assessing customer fees related to items presented on accounts with insufficient funds (NSF items). The Company has reached a verbal settlement agreement with the claimant, and the Company has accrued a loss contingency for this pending litigation at September 30, 2023, the amount of which had an immaterial effect on the consolidated financial statements.

The Bank is in discussions with the Federal Reserve Board regarding an alleged violation of law or regulation occurring during 2019. These discussions with the Federal Reserve Board regarding the allegation began in March 2023. The Bank is cooperating with the Federal Reserve Board and continues to review this matter internally and with external legal counsel. The foregoing could result in enforcement action against the Bank including civil money penalties and remedial measures. The Company has accrued a loss contingency for this pending litigation at September 30, 2023, the amount of which had an immaterial effect on the consolidated financial statements.

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(18) DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (i.e., rate lock commitment). The Company also enters into forward mortgage loan commitments to sell to various investors to protect itself against exposure to various factors and to reduce sensitivity to interest rate movements. Both the interest rate lock commitments and the related forward mortgage loan sales contracts are considered derivatives and are recorded on the balance sheet at fair value in accordance with FASB ASC 815, *Derivatives and Hedging*, with changes in fair value recorded in mortgage banking income in the accompanying consolidated statements of income. All such derivatives are considered stand-alone derivatives and have not been formally designated as hedges by management.

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Certain financial instruments, including derivatives, may be eligible for offset in the balance sheet when the "right of setoff" exists or when the instruments are subject to an enforceable master netting agreement, which includes the right of the non-defaulting party or non-affected party to offset recognized amounts, including collateral posted with the counterparty, to determine a net receivable or net payable upon early termination of the agreement. Certain of the Company's derivative instruments are subject to master netting agreements. However, the Company has not elected to offset such financial instruments in the consolidated balance sheets.

The Company may be required to post margin collateral to derivative counterparties based on agreements with the dealers. At September 30, 2023 and 2022, the Company had cash collateral posted with certain derivative counterparties against its derivative obligations of $1.5 million and $2.4 million, respectively. Cash collateral related to derivative contracts is recorded in interest-bearing deposits with banks or other assets in the consolidated balance sheets.

The table below provides information on the Company's derivative financial instruments as of September 30, 2023 and 2022.

September 30, 2023: *(In thousands)*	**Notional Amount**	**Asset Derivatives**	**Liability Derivatives**
Interest rate lock commitments	$ 67,040	$ 452	$ 184
Forward mortgage loan sale contracts	66,000	471	12
	$ 133,040	$ 923	$ 196

September 30, 2022: *(In thousands)*	**Notional Amount**	**Asset Derivatives**	**Liability Derivatives**
Interest rate lock commitments	$ 48,952	$ 158	$ 396
Forward mortgage loan sale contracts	60,000	872	31
	$ 108,952	$ 1,030	$ 427

Income (loss) related to derivative financial instruments included in mortgage banking income in the accompanying consolidated statements of income for the years ended September 30, 2023, 2022 and 2021, is as follows:

(In thousands)	**2023**	**2022**	**2021**
Interest rate lock commitments	$ 505	$ (1,805)	$ (13,370)
Forward mortgage loan sale contracts	1,353	20,398	4,140
	$ 1,858	$ 18,593	$ (9,230)

(19) FAIR VALUE MEASUREMENTS

FASB ASC Topic 820*, Fair Value Measurements,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

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Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

The table below presents the balances of financial assets and liabilities measured at fair value on a recurring and nonrecurring basis as of September 30, 2023.

	Carrying Value			
(In thousands)	Level 1	Level 2	Level 3	Total
September 30, 2023:				
Assets Measured – Recurring Basis				
Securities available for sale:				
U.S. Treasury notes	$ 25,949	$ —	$ —	$ 25,949
Agency mortgage-backed	—	24,268	—	24,268
Agency CMO	—	12,742	—	12,742
Privately-issued CMO	—	46	350	396
Privately-issued ABS	—	364	79	443
SBA certificates	—	10,714	31	10,745
Municipal bonds	—	151,484	—	151,484
Subordinated debt	—	1,712	—	1,712
Total securities available for sale	$ 25,949	$ 201,330	$ 460	$ 227,739
Residential mortgage loans held for sale – fair value option elected	$ —	$ 24,692	$ —	$ 24,692
Derivative assets (included in other assets)	$ —	$ 471	$ 452	$ 923
Equity securities (included in other assets)	$ 160	$ —	$ —	$ 160
Residential mortgage servicing rights	$ —	$ —	$ 59,768	$ 59,768
Liabilities Measured – Recurring Basis				
Derivative liabilities (included in other liabilities)	$ —	$ 12	$ 184	$ 196
Assets Measured – Nonrecurring Basis				
Collateral dependent loans:				
Residential real estate	$ —	$ —	$ 306	$ 306
Commercial business	—	—	965	965
SBA commercial business	—	—	237	237
Total collateral dependent loans	$ —	$ —	$ 1,508	$ 1,508
SBA loan servicing rights	$ —	$ —	$ 2,950	$ 2,950

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The table below presents the balances of financial assets and liabilities measured at fair value on a recurring and nonrecurring basis as of September 30, 2022.

(In thousands)	Carrying Value			
	Level 1	**Level 2**	**Level 3**	**Total**
September 30, 2022:				
Assets Measured – Recurring Basis				
Securities available for sale:				
U.S. Treasury notes	$ —	$ 27,295	$ —	$ 27,295
Agency mortgage-backed	—	27,500	—	27,500
Agency CMO	—	14,821	—	14,821
Privately-issued CMO	—	470	—	470
Privately-issued ABS	—	569	—	569
SBA certificates	—	12,012	—	12,012
Municipal bonds	—	233,850	—	233,850
Total securities available for sale	$ —	$ 316,517	$ —	$ 316,517
Residential mortgage loans held for sale – fair value option elected	$ —	$ 38,579	$ —	$ 38,579
Derivative assets (included in other assets)	$ —	$ 872	$ 158	$ 1,030
Equity securities (included in other assets)	$ 103	$ —	$ —	$ 103
Residential mortgage servicing rights	$ —	$ —	$ 63,263	$ 63,263
Liabilities Measured – Recurring Basis				
Derivative liabilities (included in other liabilities)	$ —	$ 31	$ 396	$ 427
Assets Measured – Nonrecurring Basis				
Collateral dependent loans:				
SBA commercial real estate	$ —	$ —	$ 2,574	$ 2,574
Commercial business	—	—	46	46
SBA commercial business	—	—	290	290
Total collateral dependent loans	$ —	$ —	$ 2,910	$ 2,910
SBA loan servicing rights	$ —	$ —	$ 3,790	$ 3,790

Fair value is based upon quoted market prices, where available. If quoted market prices are not available, fair value is based on internally-developed models or obtained from third parties that primarily use, as inputs, observable market-based parameters or a matrix pricing model that employs the Bond Market Association's standard calculations for cash flow and price/yield analysis and observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value, or the lower of cost or fair value. These adjustments may include unobservable parameters. Any such valuation adjustments have been applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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Securities Available for Sale and Equity Securities. Securities classified as available for sale and equity securities are reported at fair value on a recurring basis. These securities are classified as Level 1 of the valuation hierarchy where quoted market prices from reputable third-party brokers are available in an active market. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service. These securities are reported using Level 2 inputs and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. For securities where quoted market prices, market prices of similar securities or prices from an independent third party pricing service are not available, fair values are calculated using discounted cash flows or other market indicators and are classified within Level 3 of the fair value hierarchy. Changes in fair value of equity securities are reported in noninterest income. Changes in fair value of securities available for sale are recorded in other comprehensive income, net of income tax effect.

Residential Mortgage Loans Held for Sale. The Company has elected to record its residential mortgage loans held for sale at fair value in accordance with FASB ASC 825-10. The fair value of residential mortgage loans held for sale is based on specific prices of the underlying contracts for sale to investors or current secondary market prices for loans with similar characteristics, and is classified as Level 2 in the fair value hierarchy.

SBA and Single Tenant Net Lease Loans Held for Sale. SBA and single tenant net lease loans held for sale are carried at the lower of cost or market value. The fair value of SBA loans held for sale is obtained from an independent third party pricing firm based on specific prices of the underlying contracts for sale to investors or current secondary market prices for loans with similar characteristics, and is classified as Level 2 in the fair value hierarchy. The fair value of single tenant net lease loans held for sale is estimated to approximate carrying value and is classified as Level 3 in the fair value hierarchy. At September 30, 2023 and 2022, the Company did not have any SBA or single tenant net lease loans measured at fair value on a nonrecurring basis.

Derivative Financial Instruments. Derivative financial instruments consist of mortgage banking interest rate lock commitments and forward mortgage loan sale commitments. The fair value of forward mortgage loan sale commitments is obtained from an independent third party and is based on the gain or loss that would occur if the Company were to pair-off the sales transaction with the investor. The fair value of forward mortgage loan sale commitments is classified as Level 2 in the fair value hierarchy.

The fair value of interest rate lock commitments is also obtained from an independent third party and is based on investor prices for the underlying loans or current secondary market prices for loans with similar characteristics, less estimated costs to originate the loans and adjusted for the anticipated funding probability (pull-through rate). The fair value of interest rate lock commitments is classified as Level 3 in the fair value hierarchy.

The table below presents a reconciliation of derivative assets and liabilities (interest rate lock commitments) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Beginning balance	$ (238)	$ 1,567	$ 14,937
Unrealized gains (losses) recognized in earnings, net of settlements	506	(1,805)	(13,370)
Ending balance	$ 268	$ (238)	$ 1,567

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The realized and unrealized gains (losses) recognized in earnings in the table above are included in mortgage banking income on the accompanying consolidated statements of income. Gains recognized in earnings for the years ended September 30, 2023 and 2021 attributable to Level 3 derivative assets and liabilities held at the balance sheet date were $268,000 and $1.6 million, respectively. Losses recognized in earnings for the year ended September 30, 2022 attributable to Level 3 derivative assets and liabilities held at the balance sheet date were $238,000.

The table below presents information about significant unobservable inputs (Level 3) used in the valuation of derivative financial instruments measured at fair value on a recurring basis as of September 30, 2023 and 2022.

Financial Instrument	Significant Unobservable Inputs	2023 Range of Inputs (Weighted Average)	2022 Range of Inputs (Weighted Average)
Interest rate lock commitments	Pull-through rate	54% - 95% (81%)	50% - 100% (78%)
	Direct costs to close	0.00%-5.00% (0.62%)	0.00% - 4.00% (0.70%)

Residential Mortgage Servicing Rights. The current market for residential MSRs is not sufficiently liquid to provide participants with quoted market prices. Therefore, the Company uses a discounted cash flow valuation model from an independent third party to determine the fair value of residential MSRs. The discounted cash flow model approach consists of projecting expected servicing cash flows and calculating the present value. The key assumptions used in the valuation of residential MSRs include mortgage prepayment speeds, discount rates and loan servicing costs. Due to the nature of the valuation inputs, residential MSRs are classified within Level 3 of the valuation hierarchy.

The table below presents a reconciliation of residential MSRs measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Beginning balance	$ 63,263	$ 49,579	$ 21,703
Issuances (loans sold with servicing retained)	2,354	11,161	36,679
Net settlements	(4,237)	(7,539)	(9,555)
Unrealized gains (losses) included in earnings	(1,612)	10,062	752
Ending balance	$ 59,768	$ 63,263	$ 49,579

Changes in the fair value of residential MSRs are included in mortgage banking income in the accompanying consolidated statements of income.

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Collateral Dependent Loans. Collateral dependent loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. In accordance with accounting standards, only collateral dependent loans for which an allowance for loan losses has been established or a partial charge-off recorded require classification in the fair value hierarchy. The fair value of collateral dependent loans is classified as Level 3 in the fair value hierarchy.

Collateral may be real estate and/or business assets, including equipment, inventory and/or accounts receivable, and its fair value is generally determined based on real estate appraisals or other independent evaluations by qualified professionals. The appraisals are then discounted to reflect management's estimate of the fair value of the collateral given the current market conditions and the condition of the collateral. At September 30, 2023 and 2022, the significant unobservable inputs used in the fair value measurement of collateral dependent loans were as follows:

Financial Instrument	Significant Unobservable Inputs	2023 Range of Inputs (Weighted Average)	2022 Range of Inputs (Weighted Average)
Collateral dependent loans	Discount from appraised value	10.0% - 50.0% (14.22%)	0.0% - 80.0% (16.37%)
	Estimated costs to sell	6.0% - 6.0% (6.0%)	0.0% - 10.0% (5.93%)

Provisions for loan losses recognized for impaired loans for the years ended September 30, 2023, 2022 and 2021 is as follows:

(In thousands)	2023	2022	2021
Provision for loan losses recognized	$ 256	$ 2,421	$ 381

SBA and Nonresidential Mortgage Loan Servicing Rights. SBA loan servicing rights represent the value associated with servicing SBA loans that have been sold. The fair value of SBA loan servicing rights is determined on a quarterly basis by an independent third party valuation model using market-based discount rate and prepayment assumptions, and is classified as Level 3 in the fair value hierarchy. At September 30, 2023 and 2022, the significant unobservable inputs used in the fair value measurement of SBA loan servicing rights measured at fair value were as follows:

Financial Instrument	Significant Unobservable Inputs	2023 Range of Inputs (Weighted Average)	2022 Range of Inputs (Weighted Average)
SBA loan servicing rights	Discount rate	10.25% - 25.00% (13.79%)	6.90% - 25.00% (12.71%)
	Prepayment speed	8.60% - 32.85% (16.91%)	7.08% - 29.26% (15.27%)

Impairment of the SBA loan servicing rights is recognized on a quarterly basis through a valuation allowance to the extent that fair value is less than the carrying amount.

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Impairment charges to write down SBA loan servicing rights to fair value for the years ended September 30, 2023, 2022 and 2021 is as follows:

(In thousands)	2023	2022	2021
Charges to write down SBA loan servicing rights	$ 882	$ 216	$ 66

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Nonresidential mortgage loan servicing rights represent the value associated with servicing single tenant net lease loans that have been sold. The fair value of nonresidential mortgage loan servicing rights is determined by management on a quarterly basis using a discounted cash flow model, and is classified as Level 3 in the fair value hierarchy. At September 30, 2023 and 2022, the Company did not have any nonresidential mortgage loan servicing rights measured at fair value on a nonrecurring basis. The Company did not recognize any impairment charges on nonresidential mortgage loan servicing rights for the years ended September 30, 2023, 2022 and 2021.

Other Real Estate Owned. Other real estate owned held for sale is reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. Fair value of other real estate owned is classified as Level 3 in the fair value hierarchy.

Other real estate owned is reported at fair value, less estimated costs to dispose of the property. The fair values are determined by real estate appraisals which are then discounted to reflect management's estimate of the fair value of the property given current market conditions and the condition of the property.

At September 30, 2023 and 2022, the Company did not have any other real estate owned measured at fair value on a nonrecurring basis.

There were no charges to write down other real estate owned to fair value for the years ended September 30, 2023, 2022 and 2021.

Transfers between Categories. There have been no changes in the valuation techniques and related inputs used for assets measured at fair value on a recurring and nonrecurring basis during the years ended September 30, 2023 and 2022. There were no transfers into or out of Level 3 financial assets or liabilities for the years ended September 30, 2023 and 2022. In addition, there were no transfers into or out of Levels 1 and 2 of the fair value hierarchy during the years ended September 30, 2023 and 2022.

Financial Instruments Recorded Using Fair Value Option. Under FASB ASC 825-10, the Company may elect to report most financial instruments and certain other items at fair value on an instrument-by-instrument basis, with changes in fair value reported in income. The election is made at the acquisition of an eligible financial asset or financial liability, and may not be revoked once made.

(19 – continued)

The Company has elected the fair value option for its residential mortgage loans held for sale. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loans and in accordance with the Company's policy on loans held for investment. None of these loans were 90 days or more past due, nor were any on nonaccrual status, as of September 30, 2023 or 2022.

The table below presents the difference between the aggregate fair value and the aggregate remaining principal balance for residential mortgage loans held for sale for which the fair value option had been elected as of September 30, 2023 and 2022.

September 30, 2023: *(In thousands)*	**Aggregate Fair Value**	**Aggregate Principal Balance**	**Difference**
Residential mortgage loans held for sale	$ 24,692	$ 24,382	$ 309

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September 30, 2022: *(In thousands)*	**Aggregate Fair Value**	**Aggregate Principal Balance**	**Difference**
Residential mortgage loans held for sale	$ 38,579	$ 38,517	$ 62

The table below presents gains and losses and interest included in earnings related to financial assets measured at fair value under the fair value option for the years ended September 30, 2023, 2022 and 2021:

(In thousands)	**2023**	**2022**	**2021**
Gains (losses) – included in mortgage banking income	$ 482	$ (385)	$ 2,017
Interest income	2,256	3,989	5,695
	$ 2,738	$ 3,604	$ 7,712

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Fair Value of Financial Instruments

The following tables summarize the carrying value and estimated fair value of financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 and 2022.

(In thousands)	Carrying Amount	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
September 30, 2023:				
Financial assets:				
Cash and due from banks	$ 18,014	$ 18,014	$ —	$ —
Interest-bearing deposits with banks	12,831	12,831	—	—
Interest-bearing time deposits	490	—	490	—
Securities available for sale	227,739	—	227,739	—
Securities held to maturity	1,300	—	38	1,265
Residential mortgage loans held for sale	24,692	—	24,692	—
SBA loans held for sale	21,163	—	22,591	—
Loans, net	1,770,243	—	—	1,651,115
FRB and FHLB stock	24,939	N/A	N/A	N/A
Accrued interest receivable	10,161	—	10,161	—
SBA loan servicing rights	2,950	—	—	2,950
Residential mortgage loan servicing rights	59,768	—	—	59,768
Nonresidential mortgage loan servicing rights	101	—	—	101
Derivative assets (included in other assets)	923	—	471	452
Equity securities (included in other assets)	160	160	—	—
Financial liabilities:				
Noninterest-bearing deposits	242,237	242,237	—	—
Interest-bearing deposits	1,439,557	—	—	1,435,083
Borrowings from FHLB	363,183	—	356,257	—
Subordinated notes	48,444	—	46,940	—
Accrued interest payable	8,926	—	8,926	—
Advance payments by borrowers for taxes and insurance	1,027	—	1,027	—
Derivative liabilities (included in other liabilities)	196	—	12	184

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(In thousands)	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
September 30, 2022:				
Financial assets:				
Cash and due from banks	$ 18,312	$ 18,312	$ —	$ —
Interest-bearing deposits with banks	23,353	23,353	—	—
Interest-bearing time deposits	1,613	—	1,613	—
Securities available for sale	316,517	—	316,517	—
Securities held to maturity	1,558	—	1,593	—
Residential mortgage loans held for sale	38,579	—	38,579	—
SBA loans held for sale	21,883	—	24,010	—
Loans, net	1,474,544	—	—	1,402,222
FRB and FHLB stock	20,004	N/A	N/A	N/A
Accrued interest receivable	8,332	—	8,332	—
SBA loan servicing rights	3,790	—	—	3,790
Residential mortgage loan servicing rights	63,263	—	—	63,263
Nonresidential mortgage loan servicing rights	141	—	—	141
Derivative assets (included in other assets)	1,030	—	872	158
Equity securities (included in other assets)	103	103	—	—
Financial liabilities:				
Noninterest-bearing deposits	340,172	340,172	—	—
Interest-bearing deposits	1,175,662	—	—	1,170,620
Borrowings from FHLB	307,303	—	302,090	—
Subordinated note	50,217	—	48,685	—
Other borrowings	37,989	—	—	37,989
Accrued interest payable	1,302	—	1,302	—
Advance payments by borrowers for taxes and insurance	1,207	—	1,207	—
Derivative liabilities (included in other liabilities)	427	—	31	396

The carrying amounts in the preceding tables are included in the consolidated balance sheets under the applicable captions. The contracted or notional amounts of financial instruments with off-balance-sheet risk are disclosed in Note 17, and the fair value of these instruments is considered immaterial.

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, interest-bearing time deposits, accrued interest receivable and payable, advance payments by borrowers for taxes and insurance, demand deposits and other transaction accounts. The fair value of loans (excluding loans held for sale), fixed-maturity certificates of deposit, and borrowed funds is based on discounted cash flows using current market rates applied to the estimated life and credit risk of the instrument. It is not practicable to determine the fair value of FHLB and other restricted stock due to restrictions placed on its transferability. The methods and assumptions used to estimate the fair value of investment securities, loans held for sale, loan servicing rights, and derivative assets and liabilities are discussed previously in Note 18. The methods utilized to measure the fair value of financial instruments at September 30, 2023 and 2022 represent an approximation of exit price, but an actual exit price may differ.

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(20) CAPITAL REQUIREMENTS AND RESTRICTION ON DIVIDENDS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). The final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks ("Basel III rules") became effective for the Bank on January 1, 2015, with full compliance with all of the requirements having been phased in over a multi-year schedule through 2019. Under the Basel III rules, the Bank must hold a conservation buffer above the adequately capitalized risk-based capital ratios disclosed in the table below. The capital conservation buffer was 2.50% for 2023 and 2022. The Bank met all capital adequacy requirements to which it was subject as of September 30, 2023 and 2022.

As of September 30, 2023, the most recent notification from the FRB categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

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The Company's and Bank's actual capital amounts and ratios are also presented in the table. The Company is not subject to the FRB's consolidated capital requirements because it has less than $3 billion in total consolidated assets. However, management has elected to disclose the Company's capital amounts and ratios in addition to the Bank's required disclosures in the table below. No amount was deducted from capital for interest-rate risk at either date.

	Actual		Minimum for Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2023						
Total capital (to risk-weighted assets):						
Consolidated	$ 230,735	11.47 %	$ 160,965	8.00 %	N/A	N/A
Bank	226,461	11.27	160,822	8.00	$ 201,027	10.00 %
Tier 1 capital (to risk-weighted assets):						
Consolidated	$ 165,391	8.22 %	$ 120,724	6.00 %	N/A	N/A
Bank	209,561	10.42	120,616	6.00	$ 160,822	8.00 %
Common equity tier 1 capital (to risk-weighted assets):						
Consolidated	$ 165,391	8.22 %	$ 90,543	4.50 %	N/A	N/A
Bank	209,561	10.42	90,462	4.50	$ 130,668	6.50 %
Tier 1 capital (to average adjusted total assets):						
Consolidated	$ 165,391	7.24 %	$ 91,375	4.00 %	N/A	N/A
Bank	209,561	9.17	91,406	4.00	$ 114,257	5.00 %
As of September 30, 2022:						
Total capital (to risk-weighted assets):						
Consolidated	$ 224,895	12.33 %	$ 145,973	8.00 %	N/A	N/A
Bank	208,280	11.44	145,713	8.00	$ 182,141	10.00 %
Tier 1 capital (to risk-weighted assets):						
Consolidated	$ 159,318	8.73 %	$ 109,480	6.00 %	N/A	N/A
Bank	192,920	10.59	109,285	6.00	$ 145,713	8.00 %
Common equity tier 1 capital (to risk-weighted assets):						
Consolidated	$ 159,318	8.73 %	$ 82,110	4.50 %	N/A	N/A
Bank	192,920	10.59	81,963	4.50	$ 118,392	6.50 %
Tier 1 capital (to average adjusted total assets):						
Consolidated	$ 159,318	7.96 %	$ 80,031	4.00 %	N/A	N/A
Bank	192,920	9.58	80,555	4.00	$ 100,693	5.00 %

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Dividend Restriction

As an Indiana corporation, the Company is subject to Indiana law with respect to the payment of dividends. Under Indiana law, the Company may pay dividends so long as it is able to pay its debts as they become due in the usual course of business and its assets exceed the sum of its total liabilities, plus the amount that would be needed, if the Company were to be dissolved at the time of the dividend, to satisfy any rights that are preferential to the rights of the persons receiving the dividend. The ability of the Company to pay dividends depends primarily on the ability of the Bank to pay dividends to the Company.

The payment of dividends by the Bank is subject to banking regulations and applicable Indiana state law. The amount of dividends that the Bank may pay to the Company in any calendar year without prior approval from banking regulators cannot exceed net income for that year to date plus retained net income (as defined) for the preceding two calendar years. The Bank may not declare or pay a cash dividend or repurchase any of its capital stock if the effect thereof would cause the regulatory capital of the Bank to be reduced below regulatory capital requirements imposed by banking regulators or the FDIC, or below the amount of the liquidation account established upon completion of the conversion.

Liquidation Account

Upon completion of its conversion from mutual to stock form on October 6, 2008, the Bank established a liquidation account in an amount equal to its retained earnings at March 31, 2008, totaling $29.3 million. The liquidation account is maintained for the benefit of depositors as of the March 31, 2007 eligibility record date (or the June 30, 2008 supplemental eligibility record date) who maintain their deposits in the Bank after conversion.

In the event of complete liquidation, and only in such an event, each eligible depositor is entitled to receive a liquidation distribution from the liquidation account in the proportionate amount of the then current adjusted balance for deposits then held, before any liquidation distribution may be made with respect to the Bank's stockholders. Except for the repurchase of stock and payment of dividends by the Bank, the existence of the liquidation account does not restrict the use or application of retained earnings of the Bank.

Stock Split

On August 16, 2021, the Company approved and declared a three-for-one stock split in the form of a stock dividend, payable September 15, 2021, to stockholders of record as of August 31, 2021. Under the terms of the stock split, the Company's stockholders received a dividend of two shares for every share held on the record date. The dividend was paid in authorized but unissued shares of common stock of the Company. The par value of the Company's stock was not affected by the split and remained at $0.01 per share. All share and per share amounts reported in the consolidated financial statements have been adjusted to reflect the three-for-one stock split effective September 15, 2021.

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(21) SUPPLEMENTAL DISCLOSURE FOR EARNINGS PER SHARE

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the periods presented. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options, restricted stock and other potentially dilutive securities outstanding. Earnings and dividends per share are restated for stock splits and dividends through the date of issuance of the financial statements. Earnings per share information is presented below for the years ended September 30, 2023, 2022 and 2021.

	Years Ended September 30,		
(In thousands, except share and per share data)	2023	2022	2021
Basic:			
Earnings:			
Net income attributable to First Savings Financial Group, Inc. available to common shareholders	$ 8,172	$ 15,386	$ 29,567
Shares:			
Weighted average common shares outstanding, basic	6,848,311	7,058,550	7,107,786
Net income per common share, basic	$ 1.19	$ 2.18	$ 4.16
Diluted:			
Earnings:			
Net income attributable to First Savings Financial Group, Inc. available to common shareholders	$ 8,172	$ 15,386	$ 29,567
Shares:			
Weighted average common shares outstanding, basic	6,848,311	7,058,550	7,107,786
Add: Dilutive effect of outstanding options	31,761	71,240	56,176
Add: Dilutive effect of restricted stock	—	12,056	9,771
Weighted average common shares outstanding, as adjusted	6,880,072	7,141,846	7,173,733
Net income per common share, diluted	$ 1.19	$ 2.15	$ 4.12

Nonvested restricted stock shares are not considered as outstanding for purposes of computing weighted average common shares outstanding.

There were no antidilutive restricted stock awards excluded from the calculation of diluted net income per share for the years ended September 30, 2023, 2022 and 2021. Stock options for 280,989, 137,250 and 49,974 shares of common stock were excluded from the calculation of diluted net income per common share for the years ended September 30, 2023, 2022 and 2021, respectively, because their effect was antidilutive.

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(22) PARENT COMPANY CONDENSED FINANCIAL INFORMATION

Condensed financial information for First Savings Financial Group, Inc. (parent company only) follows:

Balance Sheets

(In thousands)	As of September 30, 2023	2022
Assets:		
Cash and due from banks	$ 7,425	$ 16,940
Other assets	1,489	1,165
Investment in subsidiaries	190,946	184,315
	$ 199,860	$ 202,420
Liabilities and Equity:		
Subordinated notes	$ 48,444	$ 50,217
Accrued expenses	435	638
Stockholders' equity	150,981	151,565
	$ 199,860	$ 202,420

Statements of Income

(In thousands)	Years Ended September 30, 2023	2022	2021
Dividend income from subsidiaries	$ 1,335	$ 1,300	$ 5,175
Interest expense	(2,794)	(2,111)	(1,274)
Other operating income	660	—	—
Other operating expenses	(1,525)	(1,475)	(1,076)
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	(2,324)	(2,286)	2,825
Income tax benefit	772	795	504
Income (loss) before equity in undistributed net income of subsidiaries	(1,552)	(1,491)	3,329
Equity in undistributed net income of subsidiaries	9,724	16,877	26,238
Net income	$ 8,172	$ 15,386	$ 29,567
Comprehensive income (loss)	$ 5,664	$ (20,593)	$ 27,258

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Statements of Cash Flows

(In thousands)	Years Ended September 30, 2023	2022	2021
Operating Activities:			
Net income	$ 8,172	$ 15,386	$ 29,567
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in undistributed net income of subsidiaries	(9,724)	(16,877)	(26,238)
Amortization of subordinated debt issuance costs	227	—	—
Stock compensation expense	698	688	277
Gain from repurchase of subordinated debt	(660)	—	—
Net change in other assets and liabilities	(456)	(93)	201
Net cash provided by (used in) operating activities	(1,743)	(896)	3,807
Investing Activities:			
Investment in bank subsidiary	—	(10,000)	—
Net cash used in investing activities	—	(10,000)	—
Financing Activities:			
Repurchase of subordinated debt	(1,340)	—	—
Net proceeds from subordinated debt	—	30,258	—
Exercise of stock options	16	—	27
Tax paid on stock award shares for employees	(30)	(48)	(41)
Purchase of treasury stock	(2,625)	(4,745)	—
Dividends paid	(3,793)	(4,499)	(1,685)
Net cash provided by (used in) financing activities	(7,772)	20,966	(1,699)
Net increase (decrease) in cash and due from banks	(9,515)	10,070	2,108
Cash and due from banks at beginning of year	16,940	6,870	4,762
Cash and due from banks at end of year	$ 7,425	$ 16,940	$ 6,870

(23) CONCENTRATION OF CREDIT RISK

At September 30, 2023 and 2022, the Company had a concentration of credit risk with correspondent banks in excess of the federal deposit insurance limit of $9.4 million and $13.4 million, respectively.

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(24) SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
September 30, 2023:				
Interest income	$ 23,483	$ 24,811	$ 26,798	$ 28,137
Interest expense	7,222	9,899	11,933	12,601
Net interest income	16,261	14,912	14,865	15,536
Provision for loan losses	984	372	441	815
Net interest income after provision for loan losses	15,277	14,540	14,424	14,721
Noninterest income	5,188	7,516	7,196	5,442
Noninterest expenses	17,511	17,999	18,965	21,647
Income (loss) before income taxes	2,954	4,057	2,655	(1,484)
Income tax expense (benefit)	83	333	331	(737)
Net income (loss)	$ 2,871	$ 3,724	$ 2,324	$ (747)
Net income (loss) per common share, basic	$ 0.42	$ 0.54	$ 0.34	$ (0.11)
Net income (loss) per common share, diluted	$ 0.42	$ 0.54	$ 0.34	$ (0.11)

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(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
September 30, 2022:				
Interest income	$ 15,762	$ 15,801	$ 18,479	$ 21,152
Interest expense	1,859	1,788	2,568	4,327
Net interest income	13,903	14,013	15,911	16,825
Provision (credit) for loan losses	526	(30)	532	880
Net interest income after provision (credit) for loan losses	13,377	14,043	15,379	15,945
Noninterest income	16,591	20,072	10,033	4,531
Noninterest expenses	24,852	25,461	22,835	19,514
Income before income taxes	5,116	8,654	2,577	962
Income tax expense (benefit)	811	1,619	(61)	(446)
Net income	$ 4,305	$ 7,035	$ 2,638	$ 1,408
Net income per common share, basic	$ 0.60	$ 0.99	$ 0.37	$ 0.20
Net income per common share, diluted	$ 0.60	$ 0.98	$ 0.37	$ 0.20
September 30, 2021:				
Interest income	$ 16,026	$ 16,840	$ 16,150	$ 16,243
Interest expense	2,287	2,060	1,921	1,819
Net interest income	13,739	14,780	14,229	14,424
Provision (credit) for loan losses	668	287	(2,730)	8
Net interest income after provision (credit) for loan losses	13,071	14,493	16,959	14,416
Noninterest income	46,183	38,973	18,785	16,495
Noninterest expenses	44,402	39,284	30,619	25,104
Income before income taxes	14,852	14,182	5,125	5,807
Income tax expense	4,527	3,695	817	958
Net income	10,325	10,487	4,308	4,849
Net income attributable to noncontrolling interest in subsidiary	402	—	—	—
Net income attributable to First Savings Financial Group, Inc.	$ 9,923	$ 10,487	$ 4,308	$ 4,849
Net income per common share, basic	$ 1.40	$ 1.48	$ 0.61	$ 0.68
Net income per common share, diluted	$ 1.39	$ 1.46	$ 0.60	$ 0.67

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(25) SEGMENT REPORTING

The Company's operations include three primary segments: core banking, SBA lending, and mortgage banking. The core banking segment originates residential, commercial and consumer loans and attracts deposits from its customer base. Net interest income from loans and investments funded by deposits and borrowings is the primary revenue for the core banking segment. The SBA lending segment originates loans guaranteed by the SBA, subsequently selling the guaranteed portion to outside investors. Net gains on sales of loans and net interest income are the primary sources of revenue for the SBA lending segment. The mortgage banking segment originates residential mortgage loans and sells them in the secondary market. Net gains on the sales of loans, income from derivative financial instruments and net interest income are the primary sources of revenue for the mortgage banking segment.

The core banking segment is comprised primarily of the Bank and First Savings Investments, Inc., while the SBA lending segment's revenues are comprised primarily of net interest income and gains on the sales of SBA loans generated by Q2. The mortgage banking segment operates as a separate division of the Bank.

The following segment financial information has been derived from the internal financial statements of the Company which are used by management to monitor and manage financial performance. The accounting policies of the three segments are the same as those of the Company.

(In thousands)	Core Banking	SBA Lending	Mortgage Banking	Consolidated Total
Year Ended September 30, 2023:				
Net interest income	$ 56,214	$ 4,176	$ 1,184	$ 61,574
Provision (credit) for loan losses	3,270	(658)	—	2,612
Net interest income after provision	52,944	4,834	1,184	58,962
Net gains on sales of loans, SBA	—	2,717	—	2,717
Mortgage banking income	88	—	14,243	14,331
Noninterest income	7,762	3,337	14,243	25,342
Noninterest expense	45,017	9,600	21,505	76,122
Income (loss) before taxes	15,689	(1,429)	(6,078)	8,182
Income tax expense (benefit)	1,911	(381)	(1,520)	10
Segment profit (loss)	13,778	(1,048)	(4,558)	8,172
Noncash items:				
Depreciation and amortization	2,439	20	90	2,549
Segment assets at September 30, 2023	2,110,311	89,724	88,819	2,288,854

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(In thousands)	Core Banking	SBA Lending	Mortgage Banking	Consolidated Totals
Year Ended September 30, 2022:				
Net interest income	$ 52,184	$ 6,108	$ 2,360	$ 60,652
Provision for loan losses	1,295	613	—	1,908
Net interest income after provision	50,889	5,495	2,360	58,744
Net gains on sales of loans, SBA	—	3,698	—	3,698
Mortgage banking income	(2)	—	38,339	38,337
Noninterest income	8,292	4,623	38,312	51,227
Noninterest expense	39,979	8,721	43,962	92,662
Income (loss) before taxes	19,202	1,397	(3,290)	17,309
Income tax expense (benefit)	2,133	408	(618)	1,923
Segment profit (loss)	17,069	989	(2,672)	15,386
Noncash items:				
Depreciation and amortization	2,256	30	162	2,448
Segment assets at September 30, 2022	1,880,813	105,342	107,570	2,093,725

(In thousands)	Core Banking	SBA Lending	Mortgage Banking	Consolidated Total
Year Ended September 30, 2021:				
Net interest income	$ 44,893	$ 10,339	$ 1,940	$ 57,172
Provision (credit) for loan losses	(1,782)	15	—	(1,767)
Net interest income after provision	46,675	10,324	1,940	58,939
Net gains on sales of loans, SBA	—	8,740	—	8,740
Mortgage banking income	4	—	104,500	104,504
Noninterest income	6,331	9,661	104,444	120,436
Noninterest expense	35,267	9,374	94,768	139,409
Income before taxes	17,739	10,611	11,616	39,966
Income tax expense	2,438	2,512	5,047	9,997
Segment profit	15,301	8,099	6,569	29,969
Noncash items:				
Depreciation and amortization	2,021	42	237	2,300
Segment assets at September 30, 2021	1,320,773	168,342	232,279	1,721,394

FIRST SAVINGS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021

(26) REVENUE FROM CONTRACTS WITH CUSTOMERS

Substantially all of the Company's revenue from contracts with customers within the scope of FASB ASC 606 is included in the core banking segment and is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the years ended September 30, 2023, 2022 and 2021:

	Years Ended September 30,		
	2023	2022	2021
		(In thousands)	
In Scope for ASC 606			
Service charges on deposit accounts	$ 2,017	$ 1,864	$ 1,468
ATM and interchange fees	2,756	2,753	2,399
Investment advisory income	746	717	589
Other	111	110	103
Revenue from contracts with customers	5,630	5,444	4,559
Out of Scope for ASC 606			
Gain (loss) on sale of securities	(551)	476	—
Gain on sale of SBA loans	2,717	3,698	8,740
Gain on sale of single tenant net lease loans	—	719	—
Mortgage banking income	14,331	38,337	104,504
Increase in cash value of life insurance	1,081	993	785
Real estate lease income	469	571	592
Other	1,665	989	1,256
Other noninterest income	19,712	45,783	115,877
Total noninterest income	$ 25,342	$ 51,227	$ 120,436

A description of the Company's revenue streams accounted for under FASB ASC 606 follows:

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as wire fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs.

ATM and Interchange Fees: The Company earns ATM usage fees and interchange fees from debit cardholder transactions conducted through a payment network. ATM fees are recognized when the transaction occurs. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The costs of related loyalty rewards programs are netted against interchange income as a direct cost of the revenue generating activity.

Investment Advisory Income: The Company earns trust, insurance commissions, brokerage commissions and annuities income from its contracts with customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted services and are generally assessed based on the market value of assets under management. Fees that are transaction based, including trade execution services, are recognized when the transaction is executed. Other related fees, which are based on a fixed fee schedule, are recognized when the services are rendered.

(26 – continued)

Other Income: Other income from contracts with customers includes check cashing and cashier's check fees, safe deposit box fees and cash advance fees. This revenue is recognized at the time the transaction is executed or over the period the Company satisfies the performance obligation.

(27) MORTGAGE BANKING INCOME

The components of mortgage banking income for the years ended September 30, 2023, 2022 and 2021 were as follows:

(In thousands)	Years Ended September 30, 2023	2022	2021
Origination and sale of mortgage loans (1)	$ 6,300	$ (674)	$ 83,874
Mortgage brokerage income	369	762	1,500
Net change in fair value of loans held for sale and interest rate lock commitments	987	(4,206)	(18,856)
Realized and unrealized hedging gains (losses)	1,353	20,398	4,140
Capitalized residential mortgage loan servicing rights	2,354	11,161	36,679
Net change in fair value of residential mortgage loan servicing rights	(5,849)	2,523	(8,803)
Net loan servicing income	9,521	9,045	6,565
Provisions for loan repurchases and indemnifications	(704)	(672)	(595)
Total mortgage banking income	$ 14,331	$ 38,337	$ 104,504

(1) Includes origination fees and realized gains and losses on the sale of mortgage loans in the secondary market.

(28) SUBSEQUENT EVENT

Subsequent to September 30, 2023, the Company sold its residential mortgage servicing rights to a third-party. The transaction closed on November 30, 2023. The Company adjusted the value based on the contract sales price as of September 30, 2023.

As was announced by the Company by Form 8-K filed with the Securities and Exchange Commission on October 4, 2023, the Board of Directors of First Savings Bank committed to exiting the Bank's residential mortgage banking operations during the first fiscal quarter ending December 31, 2023. The Bank will continue to originate 1-4 family residential mortgage loans from its retail banking centers located in its local market and First Lien HELOCs from its loan production office located in Franklin, Tennessee.

EXHIBIT 21.0

SUBSIDIARIES

Registrant	**Percentage Ownership**	**Jurisdiction or State of Incorporation**
First Savings Financial Group, Inc.	N/A	Indiana
Subsidiaries		
First Savings Bank (1)	100%	Indiana
Southern Indiana Financial Corporation (2)	100%	Indiana
First Savings Investments, Inc. (2)	100%	Nevada
Q2 Business Capital, LLC. (2)	100%	Indiana

(1) Subsidiary of First Savings Financial Group, Inc.
(2) Subsidiary of First Savings Bank

EXHIBIT 23.0

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements on Form S-8 (No. 333-154417, 333-166430, 333-211554 and 333-260585) and Registration Statement on Form S-4 (No. 333-265275) of our reports dated December 20, 2023, on our audits of the consolidated financial statements of First Savings Financial Group, Inc. as of September 30, 2023, and for the year ended September 30, 2023, which report is included in this annual report on Form 10-K. We also consent to the incorporation by reference of our report dated December 20, 2023, on our audit of the internal control over financial reporting of First Savings Financial Group, Inc. as of September 30, 2023, which report is included in this annual report on Form 10-K.

/s/ **FORVIS, LLP**

Louisville, Kentucky
December 20, 2023

EXHIBIT 23.1

222 EAST MARKET STREET, P.O. BOX 1407, NEW ALBANY, INDIANA 47150 • PHONE: 812.945.2311 • FAX: 812.945.2603

We consent to the incorporation by reference in First Savings Financial Group, Inc.'s Registration Statements on Form S-8 (File Nos. 333-154417, 333-166430, 333-211554 and 333-260585) and Registration Statement on Form S-4 (File No. 333-265275) of our report dated December 14, 2022 (except with respect to the restatement described in Note 1 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K/A for the year ended September 30, 2022, as to which the date is February 6, 2023), relating to the consolidated balance sheet of First Savings Financial Group, Inc. as of September 30, 2022 and the consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years ended September 30, 2022 and 2021, contained in this Annual Report on Form 10-K for First Savings Financial Group, Inc. for the year ended September 30, 2023.

/s/ Monroe Shine & Co., Inc.

New Albany, Indiana

December 20, 2023

EXHIBIT 31.1

CERTIFICATION

I, Larry W. Myers, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Savings Financial Group, Inc.:

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: December 20, 2023

/s/ Larry W. Myers
Larry W. Myers
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Anthony A. Schoen, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Savings Financial Group, Inc.:

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: December 20, 2023

/s/ Anthony A. Schoen
Anthony A. Schoen
Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT 32.0

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of First Savings Financial Group, Inc. (the "Company") on Form 10-K for the year ended September 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. §1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Larry W. Myers
President and Chief Executive Officer
(principal executive officer)

/s/ Anthony A. Schoen
Anthony A. Schoen
Chief Financial Officer
(principal financial and accounting officer)

December 20, 2023