TFS Financial Corporation®

Strong ★ Stable ★ Safe

2021 Annual Report

Strong ★ Stable ★ Safe

TFS Financial Corporation®

Dear Stockholders,

The movie *It's a Wonderful Life* is an all-time classic.

The story of the Bailey Brothers Building and Loan Association parallels Third Federal in its early years, and mirrors the struggles my parents had trying to build and grow a company in the midst of the Depression. The message from both the movie and my parents' own real life experience is clear: each life we touch is important and meaningful.

Building meaningful relationships with our associates, our customers, the communities we serve, and you, our shareholders, has helped make Third Federal the success story we are today.

Our recently retired Third Federal Foundation Executive Director, Kurt Karakul embraced those relationships, driving successes for our community partners in the areas of inner city education, housing support and other wraparound services for those in need.

And at Third Federal we continued to focus on each customer relationship, one customer at a time. Despite the challenges this past year brought for many, it was a bright one for our company.

During a time when re inancing continued to dominate, our irst mortgage loan originations increased 17 percent from 2020 from $3.08 billion to $3.63 billion, and equity lines of credit commitments increased 34 percent during the year from $1.23 billion to $1.65 billion. Finally, more good news, forbearances dropped 87 percent as our customers managed through the pandemic hardships.

With conviction, we are looking forward to another great year in 2022 as we continue our mission of thrift, home ownership, and enhancing shareholder wealth.

Sincerely,

Marc A. Stefanski
Chairman and CEO

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 2021
or

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

For transition period from to

Commission File Number 001-33390

TFS FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

United States of America	**52-2054948**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
7007 Broadway Avenue	
Cleveland, Ohio	**44105**
(Address of Principal Executive Offices)	**(Zip Code)**

(216) 441-6000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange in which registered
Common Stock, par value $0.01 per share	TFSL	The NASDAQ Stock Market, LLC

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

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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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" Rule 12b-2 of the Exchange Act:

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

If an emerging 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. Yes ☒ No ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on March 31, 2021, as reported by the NASDAQ Global Select Market, was approximately $1.06 billion.

At November 19, 2021, there were 280,766,962 shares of the Registrant's common stock, par value $0.01 per share, outstanding, of which 227,119,132 shares, or 80.89% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders are incorporated by reference in Part III hereof to the extent indicated therein.

TFS Financial Corporation

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GLOSSARY OF TERMS

TFS Financial Corporation provides the following list of acronyms and other terms as a tool for the reader. The acronyms and other terms identified below are used throughout the document.

ACL: Allowance for Credit Losses
ACT: Tax Cuts and Jobs Act
AOCI: Accumulated Other Comprehensive Income
ARM: Adjustable-Rate Mortgage
ASC: Accounting Standards Codification
ASU: Accounting Standards Update
Association: Third Federal Savings and Loan Association of Cleveland
BOLI: Bank Owned Life Insurance
CARES Act: Coronavirus Aid, Relief and Economic Security Act
CDs: Certificates of Deposit
CECL: Current Expected Credit Losses
CFPB: Consumer Financial Protection Bureau
CLTV: Combined Loan-to-Value
Company: TFS Financial Corporation and its subsidiaries
DFA: Dodd-Frank Wall Street Reform and Consumer Protection Act
EaR: Earnings at Risk
EPS: Earnings per Share
ESOP: Third Federal Employee (Associate) Stock Ownership Plan
EVE: Economic Value of Equity
Fannie Mae: Federal National Mortgage Association
FASB: Financial Accounting Standards Board
FDIC: Federal Deposit Insurance Corporation
FHFA: Federal Housing Finance Agency
FHLB: Federal Home Loan Bank
FICO: Fair Isaac Corporation
FRB-Cleveland: Federal Reserve Bank of Cleveland
Freddie Mac: Federal Home Loan Mortgage Corporation
FRS: Board of Governors of the Federal Reserve System
GAAP: Generally Accepted Accounting Principles
Ginnie Mae: Government National Mortgage Association
GVA: General Valuation Allowance
HARP: Home Affordable Refinance Program
HPI: Home Price Index
IRR: Interest Rate Risk
IRS: Internal Revenue Service
IVA: Individual Valuation Allowance
LIHTC: Low Income Housing Tax Credit
LIP: Loans-in-Process
LTV: Loan-to-Value
MMK: Money Market Account
MGIC: Mortgage Guaranty Insurance Corporation
OCC: Office of the Comptroller of the Currency
OCI: Other Comprehensive Income
OTS: Office of Thrift Supervision
PMI: Private Mortgage Insurance
PMIC: PMI Mortgage Insurance Co.
QTL: Qualified Thrift Lender
REMICs: Real Estate Mortgage Investment Conduits
SEC: United States Securities and Exchange Commission
TDR: Troubled Debt Restructuring
Third Federal Savings, MHC: Third Federal Savings and Loan Association of Cleveland, MHC

PART I

Item 1. Business

Forward Looking Statements

This report contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include, among other things:

- statements of our goals, intentions and expectations;
- statements regarding our business plans and prospects and growth and operating strategies;
- statements concerning trends in our provision for credit losses and charge-offs on loans and off-balance sheet exposures;
- statements regarding the trends in factors affecting our financial condition and results of operations, including asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- significantly increased competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments;
- general economic conditions, either globally, nationally or in our market areas, including employment prospects, real estate values and conditions that are worse than expected;
- the strength or weakness of the real estate markets and of the consumer and commercial credit sectors and its impact on the credit quality of our loans and other assets, and changes in estimates of the allowance for credit losses;
- decreased demand for our products and services and lower revenue and earnings because of a recession or other events;
- changes in consumer spending, borrowing and savings habits;
- adverse changes and volatility in the securities markets, credit markets or real estate markets;
- our ability to manage market risk, credit risk, liquidity risk, reputational risk, and regulatory and compliance risk;
- our ability to access cost-effective funding;
- legislative or regulatory changes that adversely affect our business, including changes in regulatory costs and capital requirements and changes related to our ability to pay dividends and the ability of Third Federal Savings, MHC to waive dividends;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board or the Public Company Accounting Oversight Board;
- the adoption of implementing regulations by a number of different regulatory bodies, and uncertainty in the exact nature, extent and timing of such regulations and the impact they will have on us;
- our ability to enter new markets successfully and take advantage of growth opportunities, and the possible short-term dilutive effect of potential acquisitions or de novo branches, if any;
- our ability to retain key employees;
- future adverse developments concerning Fannie Mae or Freddie Mac;
- changes in monetary and fiscal policy of the U.S. Government, including policies of the U.S. Treasury and the FRS and changes in the level of government support of housing finance;
- the continuing governmental efforts to restructure the U.S. financial and regulatory system;
- the ability of the U.S. Government to remain open, function properly and manage federal debt limits;
- changes in policy and/or assessment rates of taxing authorities that adversely affect us or our customers;
- changes in accounting and tax estimates;
- changes in our organization, or compensation and benefit plans and changes in expense trends (including, but not limited to trends affecting non-performing assets, charge-offs and provisions for credit losses);
- the inability of third-party providers to perform their obligations to us;
- civic unrest;
- cyber-attacks, computer viruses and other technological risks that may breach the security of our websites or other systems to obtain unauthorized access to confidential information, destroy data or disable our systems; and
- the impact of wide-spread pandemic, including COVID-19, and related government action, on our business and the economy.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by any forward-looking statements. Any forward-looking statement made by us in this report speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise, except as may be required by law. Please see Item *1A. Risk Factors* for a discussion of certain risks related to our business.

TFS FINANCIAL CORPORATION

TFS Financial Corporation ("we," "us," or "our") was organized in 1997 as the mid-tier stock holding company for the Association. We completed our initial public stock offering in 2007 and issued 100,199,618 shares of common stock, or 30.16% of our post-offering outstanding common stock, to subscribers in the offering. Additionally, at the time of the public offering, 5,000,000 shares of our common stock, or 1.50% of our outstanding shares, were issued to the newly formed charitable foundation, Third Federal Foundation. Third Federal Savings, MHC, our mutual holding company parent, held and continues to hold, the remainder of our outstanding common stock (227,119,132 shares). Net proceeds from our initial public stock offering were approximately $886 million and reflected the costs we incurred in completing the offering as well as a $106.5 million loan to the ESOP related to its acquisition of shares in the initial public stock offering.

Our ownership of the Association remains our primary business activity. We also operate Third Capital, Inc. as a wholly-owned subsidiary. See *THIRD CAPITAL, INC.* below.

As the holding company of the Association, we are authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which include making equity investments and the acquisition of banking and financial services companies.

Our cash flow depends primarily on earnings from the investment of the portion of the net offering proceeds we retained, and any dividends we receive from the Association and Third Capital, Inc. All of our officers are also officers of the Association. In addition, we use the services of the support staff of the Association from time to time. We may hire additional associates, as needed, to the extent we expand our business in the future.

THIRD CAPITAL, INC.

Third Capital, Inc. is a Delaware corporation that was organized in 1998 as our wholly-owned subsidiary. At September 30, 2021, Third Capital, Inc. had consolidated assets of $7.4 million, and for the fiscal year ended September 30, 2021, Third Capital, Inc. had consolidated net income of $2.1 million. Third Capital, Inc. has no separate operations other than as the holding company for its operating subsidiaries, and as a minority investor or partner in other entities. As of September 30, 2021, the only remaining entity which Third Capital, Inc. has an investment in is Third Cap Associates, Inc., an Ohio corporation that owns 49% and 60% of two title agencies that provide escrow and settlement services in the States of Ohio and Florida, primarily to customers of the Association. For the fiscal year ended September 30, 2021, Third Cap Associates, Inc. recorded net income of $2.1 million.

Third Capital Inc. had a partial ownership in Hazelmere Investment Group I, Ltd., a limited liability company that engaged in net lease transactions of commercial buildings. In October 2019, the limited liability company sold the remaining two commercial office buildings it owned and the company was dissolved in the fiscal year ended September 30, 2020. The properties had a net book value of $19.3 million at September 30, 2019 included in premises, equipment and software, net and other assets.

THIRD FEDERAL SAVINGS AND LOAN ASSOCIATION OF CLEVELAND

General

The Association is a federally chartered savings and loan association headquartered in Cleveland, Ohio, that was organized in 1938. In 1997 the Association reorganized into its current two-tier mutual holding company structure. The Association's principal business consists of originating and servicing residential real estate mortgage loans and attracting retail savings deposits.

The Association's business strategy is to originate mortgage loans with interest rates that are competitive with those of similar products offered by other financial institutions in its markets. Similarly, the Association offers checking accounts, savings accounts and certificate of deposit accounts, each bearing interest rates that are competitive with similar products offered by other financial institutions in its markets. The Association expects to continue to pursue this business philosophy. While this strategy does not enable the Association to earn the highest rates of interest on loans that it offers or to pay the lowest rates on its deposit accounts, the Association believes that this strategy is the primary reason for its successful growth in the past and will continue to be a successful strategy in the future.

The Association attracts retail deposits from the general public in the areas surrounding its main office and its branch offices. It also utilizes its internet website, direct mail solicitation and its customer service call center to generate loan applications and attract retail deposits. Brokered CDs and longer-term advances from the FHLB of Cincinnati as well as shorter-term advances from the FHLB of Cincinnati, hedged to longer effective durations by interest rate exchange contracts, are also used as cost effective funding alternatives. In addition to residential real estate mortgage loans, the Association

originates residential construction loans to individuals for the construction of their personal residences by a qualified builder. The Association also offers home equity loans and lines of credit subject to certain property and credit performance conditions. The Association retains in its portfolio a large portion of the loans that it originates. Loans that the Association sells consist primarily of long-term, fixed-rate residential real estate mortgage loans. The Association retains the servicing rights on all loans that it sells. The Association's revenues are derived primarily from interest on loans and, to a lesser extent, interest on interest-earning deposits in other financial institutions, deposits maintained at the FRS, federal funds sold, and investment securities, including mortgage-backed securities and dividends from FHLB of Cincinnati stock. The Association also generates revenues from fees and service charges. The Association's primary sources of funds are deposits, borrowings, principal and interest payments on loans and securities and proceeds from loan sales.

The Association's website address is www.thirdfederal.com. Filings of the Company made with the SEC are available, without charge, on the Association's website. Information on that website is not and should not be considered a part of this document.

Market Area

The Association conducts its operations from its main office in Cleveland, Ohio, and from 37 additional, full-service branches and seven loan production offices located throughout the states of Ohio and Florida. In Ohio, the Association maintains 21 full-service offices located in the northeast Ohio counties of Cuyahoga, Lake, Lorain, Medina and Summit, three loan production offices located in the central Ohio counties of Franklin and Delaware (Columbus, Ohio) and four loan production offices located in the southern Ohio counties of Butler and Hamilton (Cincinnati, Ohio). In Florida, the Association maintains 16 full-service branches located in the counties of Pasco, Pinellas, Hillsborough, Sarasota, Lee, Collier, Palm Beach and Broward.

The Association also provides savings products in all 50 states and first mortgage refinance loans in 21 states and the District of Columbia. Home equity lines of credit are provided in 25 states and the District of Columbia. First mortgage loans and bridge loans to purchase homes are provided in 13 states while other equity loan products are provided in eight states. These products are provided through its branch network for customers in its core markets of Ohio, Florida, Kentucky and Indiana as well as its customer service call center and its internet site for all customers not served by its branch network.

Competition

The Association faces intense competition in its market areas both in making loans and attracting deposits. Its market areas have a high concentration of financial institutions, including large money centers and regional banks, community banks and credit unions, and it faces additional competition for deposits from money market funds, brokerage firms, mutual funds and insurance companies. Some of its competitors offer products and services that the Association currently does not offer, such as commercial business loans, trust services and private banking.

The majority of the Association's deposits are held in its offices located in Cuyahoga County, Ohio. As of June 30, 2021 (the latest date for which information is publicly available), the Association had $4.9 billion of deposits in Cuyahoga County, and ranked fifth among all financial institutions with offices in the county in terms of deposits, with a market share of 6.47%. As of that date, the Association had $6.6 billion of deposits in the State of Ohio, and ranked tenth among all financial institutions in the state in terms of deposits, with a market share of 1.37%. As of June 30, 2021 (the latest date for which information is publicly available), the Association had $2.7 billion of deposits in the State of Florida, and ranked 32nd among all financial institutions in terms of deposits, with a market share of 0.34%. This market share data excludes deposits held by credit unions, whose deposits are not insured by the FDIC.

Many financial institutions, including institutions that compete in our markets, have targeted retail deposit gathering as a more attractive funding source than borrowings, and have become more active and more competitive in their deposit product pricing. The combination of reduced demand for borrowed funds, more competition with respect to rates paid to depositors, and low savings rates that lead to reduced appeal for investors that have traditionally allocated a portion of their portfolios to insured savings accounts, has created an increasingly difficult marketplace for attracting deposits, which could adversely affect future operating results.

From October 2020 through August 31, 2021 (the latest date for which information is publicly available), per data furnished by MarketTrac®, the Association had the third largest market share of conventional purchase mortgage loans originated in Cuyahoga County, Ohio. For the same period, it also had the fourth largest market share of conventional purchase mortgage loans originated in the seven northeast Ohio counties which comprise the Cleveland and Akron metropolitan statistical areas. In addition, based on the same statistics, the Association has consistently been one of the twenty largest lenders in both Franklin County (Columbus, Ohio) and Hamilton County (Cincinnati, Ohio) since it entered those markets in 1999.

The Association's primary strategy for increasing and retaining its customer base is to offer competitive deposit and loan rates and other product features, delivered with exceptional customer service, in each of the markets it serves.

We rely on the reputation that has been built during the Association's over 80-year history of serving its customers and the communities in which it operates, the Association's high capital levels, and the Association's extensive liquidity alternatives which, in combination, serve to maintain and nurture customer and marketplace confidence. At September 30, 2021, our ratio of shareholders' equity to total assets was 12.3%. Our liquidity alternatives include management and monitoring of the level of liquid assets held in our portfolio as well as the maintenance of alternative wholesale funding sources. For the year ended September 30, 2021, our liquidity ratio averaged 6.66% (which we compute as the sum of cash and cash equivalents plus unpledged investment securities for which ready markets exist, divided by total assets) and, through the Association, we had the ability to immediately borrow an additional $502.5 million from the FHLB of Cincinnati under existing credit arrangements along with $245.7 million from the Federal Reserve Bank of Cleveland. See Item *7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources*.

We continue to utilize a multi-faceted approach to support our efforts to instill customer and marketplace confidence. First, we provide thorough and timely information to all of our associates so as to prepare them for their day-to-day interactions with customers and other individuals who are not part of the Company. We believe that it is important that our customers and others sense the comfort level and confidence of our associates throughout their dealings. Second, we encourage our management team to maintain a presence and to be available in our branches and other areas of customer contact, so as to provide more opportunities for informal contact and interaction with our customers and community members. Third, our CEO remains accessible to both local and national media, as a spokesman for our institution as well as an observer and interpreter of financial marketplace situations and events. Fourth, we periodically include advertisements in local newspapers and online that display our strong capital levels and history of service. We also continue to emphasize our traditional tagline—"STRONG * STABLE * SAFE"—in our advertisements and branch displays. Finally, for customers who adhere to the old adage of trust but verify, we refer them to the safety/security rankings of a nationally recognized, independent rating organization that specializes in the evaluation of financial institutions, which has awarded the Association its highest rating for more than one hundred consecutive quarters. During the fiscal years ended September 30, 2020 and 2021, the COVID-19 pandemic presented a significant challenge to our customers, associates and communities. Our response to this challenge continues to support our customer and marketplace confidence. See Item *7. Management's Discussion and Analysis of Financial Condition and Results of Operation-Overview*.

Lending Activities

The Company's principal lending activity is the origination of fixed-rate and adjustable-rate, first mortgage loans to purchase or refinance residential real estate. Adjustable-rate and up to 30-year fixed rate first mortgage loans to refinance real estate are offered in 21 states and the District of Columbia. Also, the Company offers adjustable-rate and up to 30-year fixed rate first mortgage loans to purchase real estate in 13 states. Further, the Company originates residential construction loans to individuals (for the construction of their personal residences by a qualified builder) in Ohio and Florida. The Company also offers home equity lines of credit in 25 states and the District of Columbia and home equity loans in eight states. Refer to Item *7. Management's Discussion and Analysis of Financial Condition and Results of Operation-Monitoring and Limiting Our Credit Risk* for additional information regarding home equity loans and lines of credit. At September 30, 2021, residential real estate, fixed-rate and adjustable-rate, first mortgage loans totaled $10.28 billion, or 81.8% of our loan portfolio, home equity loans and lines of credit totaled $2.21 billion, or 17.6% of our loan portfolio, and residential construction loans totaled $80.5 million, or 0.6% of our loan portfolio. At September 30, 2021, adjustable-rate, residential real estate, first mortgage loans totaled $4.65 billion and comprised 36.9% of our loan portfolio.

Loan Portfolio Composition. The following table sets forth the composition of the portfolio of loans held for investment, by type of loan segregated by geographic location, at the indicated periods, excluding loans held for sale. The majority of our Home Today loan portfolio is secured by properties located in Ohio and the balances of other loans are immaterial. Therefore, neither was segregated by geographic location.

	September 30,									
	2021		2020		2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Real estate loans:										
Residential Core (1)										
Ohio	$ 5,603,998		$ 6,020,882		$ 6,197,261		$ 6,052,208		$ 6,061,515	
Florida	1,838,259		1,823,125		1,748,816		1,758,762		1,739,098	
Other	2,773,018		2,930,838		2,956,947		3,119,841		2,945,591	
Total	10,215,275	81.2%	10,774,845	82.0%	10,903,024	82.5%	10,930,811	84.7%	10,746,204	86.2%
Residential Home Today Total (1)	63,823	0.6	75,166	0.6	84,942	0.6	94,933	0.7	108,964	0.9
Home equity loans and lines of credit										
Ohio	630,815		655,867		677,212		652,271		606,301	
Florida	438,212		432,301		415,849		369,252		340,530	
California	335,240		349,701		357,550		268,230		205,157	
Other	809,985		794,367		724,350		529,165		400,327	
Total	2,214,252	17.6	2,232,236	17.0	2,174,961	16.5	1,818,918	14.1	1,552,315	12.4
Construction										
Ohio	71,651		42,430		48,297		58,453		53,538	
Florida	6,604		5,019		2,626		4,808		5,625	
Other	2,282		536		1,409		751		1,793	
Total	80,537	0.6	47,985	0.4	52,332	0.4	64,012	0.5	60,956	0.5
Other loans	2,778	—	2,581	—	3,166	—	3,021	—	3,050	—
Total loans receivable	12,576,665	100.0%	13,132,813	100.0%	13,218,425	100.0%	12,911,695	100.0%	12,471,489	100.0%
Deferred loan expenses (fees), net	44,859		42,459		41,976		38,566		30,865	
Loans in process	(48,200)		(25,273)		(25,743)		(36,549)		(34,100)	
Allowance for credit losses on loans	(64,289)		(46,937)		(38,913)		(42,418)		(48,948)	
Total loans receivable, net	$12,509,035		$13,103,062		$13,195,745		$12,871,294		$12,419,306	

(1) Residential Core and Home Today loans are primarily one- to four-family residential mortgage loans. See the *Residential Real Estate Mortgage Loans* section which follows for a further description of Residential Core and Home Today loans.

The following table provides an analysis of our residential mortgage loans disaggregated by refreshed FICO score, year of origination and portfolio at September 30, 2021. The Company treats the FICO score information as demonstrating that underwriting guidelines reduce risk rather than as a credit quality indicator utilized in the evaluation of credit risk. Balances are adjusted for deferred loan fees, expenses and any applicable loans-in-process.

	By fiscal year of origination						Revolving Loans Amortized	Revolving Loans Converted	
	2021	2020	2019	2018	2017	Prior	Cost Basis	To Term	Total
September 30, 2021									
Real estate loans:									
Residential Core									
<680	$ 55,702	$ 45,753	$ 30,236	$ 30,544	$ 37,884	$ 172,893	$ —	$ —	$ 373,012
680-740	431,041	242,440	118,333	119,577	121,562	376,216	—	—	1,409,169
741+	2,142,295	1,506,877	634,875	705,378	850,675	2,438,545	—	—	8,278,645
Unknown [(1)]	31,455	17,314	5,598	10,220	11,845	96,364	—	—	172,796
Total Residential Core	2,660,493	1,812,384	789,042	865,719	1,021,966	3,084,018	—	—	10,233,622
Residential Home Today [(2)]									
<680	—	—	—	—	—	36,098	—	—	36,098
680-740	—	—	—	—	—	12,607	—	—	12,607
741+	—	—	—	—	—	11,306	—	—	11,306
Unknown [(1)]	—	—	—	—	—	3,398	—	—	3,398
Total Residential Home Today	—	—	—	—	—	63,409	—	—	63,409
Home equity loans and lines of credit									
<680	852	342	572	702	608	379	59,090	24,703	87,248
680-740	9,075	1,649	1,794	1,942	1,673	1,246	326,520	31,678	375,577
741+	38,373	12,350	10,056	9,261	7,834	4,805	1,592,939	75,480	1,751,098
Unknown [(1)]	127	147	64	43	612	91	17,574	9,337	27,995
Total Home equity loans and lines of credit	48,427	14,488	12,486	11,948	10,727	6,521	1,996,123	141,198	2,241,918
Construction									
<680	922	—	—	—	—	—	—	—	922
680-740	2,382	214	—	—	—	—	—	—	2,596
741+	23,283	3,676	—	—	—	—	—	—	26,959
Unknown [(1)]	1,120	—	—	—	—	—	—	—	1,120
Total Construction	27,707	3,890	—	—	—	—	—	—	31,597
Total net real estate loans	$2,736,627	$1,830,762	$ 801,528	$ 877,667	$1,032,693	$3,153,948	$1,996,123	$ 141,198	$ 12,570,546

(1) Market data necessary for stratification is not readily available.

(2) No new originations of Home Today loans since fiscal 2016.

The following table provides an analysis of our residential mortgage loans by origination LTV, origination year and portfolio at September 30, 2021. LTVs are not updated subsequent to origination except as part of the charge-off process. Balances are adjusted for deferred loan fees, expenses and any applicable loans-in-process.

	By fiscal year of origination						Revolving Loans Amortized Cost Basis	Revolving Loans Converted To Term	
	2021	2020	2019	2018	2017	Prior			Total
September 30, 2021									
Real estate loans:									
Residential Core									
<80%	$1,913,204	$1,020,063	$ 367,322	$ 459,087	$ 597,525	$1,863,822	$ —	$ —	$ 6,221,023
80-89.9%	695,380	721,420	380,883	377,024	392,603	1,120,155	—	—	3,687,465
90-100%	51,622	70,901	40,837	29,487	31,838	96,426	—	—	321,111
>100%	—	—	—	121	—	695	—	—	816
Unknown (1)	287	—	—	—	—	2,920	—	—	3,207
Total Residential Core	2,660,493	1,812,384	789,042	865,719	1,021,966	3,084,018	—	—	10,233,622
Residential Home Today (2)									
<80%	—	—	—	—	—	12,698	—	—	12,698
80-89.9%	—	—	—	—	—	19,872	—	—	19,872
90-100%	—	—	—	—	—	30,839	—	—	30,839
Total Residential Home Today	—	—	—	—	—	63,409	—	—	63,409
Home equity loans and lines of credit									
<80%	45,772	14,181	11,931	11,019	8,040	4,166	1,860,123	92,340	2,047,572
80-89.9%	2,655	307	500	770	1,187	473	134,287	43,978	184,157
90-100%	—	—	—	56	687	616	409	507	2,275
>100%	—	—	55	103	813	1,255	774	742	3,742
Unknown (1)	—	—	—	—	—	11	530	3,631	4,172
Total Home equity loans and lines of credit	48,427	14,488	12,486	11,948	10,727	6,521	1,996,123	141,198	2,241,918
Construction									
<80%	18,004	1,441	—	—	—	—	—	—	19,445
80-89.9%	8,583	2,449	—	—	—	—	—	—	11,032
Unknown (1)	1,120	—	—	—	—	—	—	—	1,120
Total Construction	27,707	3,890	—	—	—	—	—	—	31,597
Total net real estate loans	$2,736,627	$1,830,762	$ 801,528	$ 877,667	$1,032,693	$3,153,948	$1,996,123	$ 141,198	$ 12,570,546

(1) Market data necessary for stratification is not readily available.

(2) No new originations of Home Today loans since fiscal 2016.

Loan Portfolio Maturities. The following table summarizes the scheduled repayments of the loan portfolio at September 30, 2021, according to each loan's final due date. Demand loans, loans having no stated repayment schedule or maturity, are reported as being due in the fiscal year ending September 30, 2022. Maturities are based on the final contractual payment date and do not reflect the impact of prepayments and scheduled principal amortization.

Due During the Years Ending September 30,	Residential Real Estate Core	Residential Real Estate Home Today	Home Equity Loans and Lines of Credit	Construction Loans	Other Loans	Total
	(In thousands)					
2022	$ 6,545	$ 18	$ 3,333	$ —	$ 1,680	$ 11,576
2023-2026	430,266	319	30,349	1,495	—	462,429
2027 and beyond	9,778,464	63,486	2,180,570	79,042	1,098	12,102,660
Total	$10,215,275	$ 63,823	$ 2,214,252	$ 80,537	$ 2,778	$12,576,665

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at September 30, 2021 that are contractually due after September 30, 2022.

	Due After September 30, 2022		
	Fixed	Adjustable	Total
	(In thousands)		
Real estate loans:			
Residential Core	$ 5,562,492	$ 4,646,238	$ 10,208,730
Residential Home Today	63,733	72	63,805
Home Equity Loans and Lines of Credit	100,217	2,110,702	2,210,919
Construction	80,537	—	80,537
Other Loans	1,098	—	1,098
Total loans receivable	$ 5,808,077	$ 6,757,012	$ 12,565,089

Residential Real Estate Mortgage Loans. The Company's primary lending activity is the origination of residential real estate mortgage loans. A comparison of 2021 data to the corresponding 2020 data can be found in Item *7. Management's Discussion and Analysis of Financial Condition and Results of Operation*. The Company currently offers fixed-rate conventional mortgage loans with terms of 30 years or less that are fully amortizing with monthly loan payments, and adjustable-rate mortgage loans that amortize over a period of up to 30 years, provide an initial fixed interest rate for three or five years and then adjust annually, subject to rate reset options as discussed later in this section. At September 30, 2021, there were no "interest only" residential real estate mortgage loans held in the Company's portfolio.

The Company generally originates both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the FHFA, which are currently $548,250 and $822,375, respectively, for single-family homes in most of our lending markets. The Company also originates loans in amounts that exceed the lending limit for conforming loans, which the Company refers to as "jumbo loans." The Company generally underwrites jumbo loans in a manner similar to conforming loans. Jumbo loans are not uncommon in the Company's market areas.

The Company offers "Smart Rate" adjustable-rate mortgage loan products secured by residential properties with interest rates that are fixed for an initial period of three or five years, after which the interest rate generally resets every year based upon a contractual spread or margin linked to the Prime Rate as published in the Wall Street Journal. As part of a loan retention program, these adjustable-rate loans provide the borrower with an attractive rate reset option, which allow the borrower to re-lock the rate an unlimited number of times at the Company's then current lending rates, for another three or five years (which must be the same as the original lock period). "Smart Rate" adjustable-rate mortgage loans represent over 99% of the adjustable-rate mortgage loan portfolio, with the difference representing the remaining balance of legacy adjustable-rate mortgage loan products with slightly different interest rate reset terms. Many of the borrowers who select adjustable-rate mortgage loans have shorter-term credit needs than those who select long-term, fixed-rate mortgage loans. Adjustable-rate mortgage loans generally present different credit risks than fixed-rate mortgage loans primarily because the underlying debt service payments of the borrowers increase as interest rates increase, thereby increasing the potential for default. All of the Company's adjustable-rate mortgage loans are subject to periodic and lifetime limitations on interest rate changes. All adjustable-rate mortgage loans have initial and periodic caps of two percentage points on interest rate changes, with a cap of

five or six percentage points for the life of the loan. The Association has never offered "Option ARM" loans, where borrowers can pay less than the interest owed on their loan, resulting in an increased principal balance during the life of the loan.

The Company has always considered the promotion of home ownership a primary goal. In that regard, it has historically offered affordable housing programs in all of its market areas. These programs are targeted toward low- and moderate-income home buyers. The Company's philosophy has been to provide borrowers the opportunity for home ownership within their financial means. During fiscal 2016, the Company began to market its Home Ready mortgage loan product for low- and moderate-income homeowners. Third Federal's Home Ready product is designed to be saleable to Fannie Mae under its Home Ready program. Previously, the Company's primary affordable housing program was referred to as "Home Today". The vast majority of loans originated under the Home Today program had higher risk characteristics than our Core residential real estate mortgage loan, but the Company attempted to mitigate that higher risk through the use of private mortgage insurance and continued pre- and post-purchase counseling. As of September 30, 2021, the Company had $63.8 million of loans outstanding that were originated through its Home Today program, most of which were originated prior to March 2009. At September 30, 2021, of the loans that were originated under the Home Today program, 6.3% were delinquent 30 days or more compared to 0.1% for the portfolio of Core loans as of that date. At September 30, 2021, $2.1 million, or 3.3%, of loans originated under the Home Today program were delinquent 90 days and over and $8.0 million of Home Today loans were non-accruing loans, representing 18.3% of total non-accruing loans as of that date. See *Delinquent Loans and Non-performing Assets and Restructured Loans* for discussions of the asset quality of this portion of the Company's loan portfolio.

The Company currently retains the servicing rights on all loans sold in order to generate fee income and reinforce its commitment to customer service. One- to four-family residential mortgage real estate loans that have been sold were underwritten generally to Fannie Mae guidelines. At the time of the closing of these loans the Company owns the loans and subsequently sells them to Fannie Mae and others providing normal and customary representations and warranties, including representations and warranties related to compliance, generally with Fannie Mae underwriting standards. At the time of sale, the loans are free from encumbrances except for the mortgages filed by the Company which, with other underwriting documents, are subsequently assigned and delivered to Fannie Mae and others. During the fiscal years ended September 30, 2021 and 2020, the Company recognized servicing fees, net of amortization, related to these servicing rights of $3.3 million and $3.4 million million, respectively. As of September 30, 2021 and 2020, the principal balance of loans serviced for others totaled $2.26 billion and $2.01 billion , respectively. During the fiscal year ended September 30, 2021, the Company repurchased $23.5 million of loans previously sold to Fannie Mae, as a result of incomplete loan origination documents, resulting in a return of $1.1 million of previously recognized gains. Of that amount, $0.6 million was capitalized as part of the fair market value of the repurchased loans and $0.5 million was charged as an expense against the repurchase reserve. At September 30, 2021, substantially all of the loans serviced for Fannie Mae and others were performing in accordance with their contractual terms and management believes that it had no material repurchase obligations associated with these loans at that date. However, at September 30, 2021, an accrual for $0.5 million has been maintained for potential repurchase or loss reimbursement requests.

The Company actively monitors its interest rate risk position to determine its desired level of investment in fixed-rate mortgages. The historically low mortgage interest rates during fiscal 2020 and 2021 have re-emphasized the strategic importance of the sales of first mortgage loans in our management of interest rate risk.

The Company requires title insurance on all of its residential real estate mortgage loans. The Company also requires that borrowers maintain fire and extended coverage casualty insurance (and, if appropriate, flood insurance up to $250 thousand) in an amount at least equal to the lesser of the loan balance or the replacement cost of the improvements. A majority of its residential real estate mortgage loans have a mortgage escrow account from which disbursements are made for real estate taxes and to a lesser extent for hazard insurance and flood insurance. The Company does not conduct environmental testing on residential real estate mortgage loans unless specific concerns for hazards are identified by the appraiser used in connection with the origination of the loan.

For home purchase loans with LTV ratios at origination in excess of 85% but equal to or less than 90%, the Company generally requires private mortgage insurance. During fiscal year 2020, the Company began to offer a new product allowing up to 90% LTV with no mortgage insurance for superior credit borrowers. LTV ratios in excess of 85% are not available for refinance transactions except for adjustable-rate, first mortgage loans and Home Ready loans. The Home Ready product requires private mortgage insurance on purchase transactions between 80.01% and 97% LTV and refinance transactions between 80.01% and 95% LTV.

Beginning in fiscal year 2020, the Company originated home purchase loans under a new high LTV product where initial LTV ratios are as high as 90% with no mortgage insurance. As of September 30, 2021, the Company had a total of $54.6 million of loans outstanding that were originated through this high LTV program. Prior to 2008, the Company also originated loans under a high LTV program. These loans had initial LTV ratios as high as 95%. Borrowers did not obtain private mortgage insurance with respect to these loans, but the Company had negotiated with a private mortgage insurance

carrier for pooled private mortgage insurance coverage. As of September 30, 2021, the Company had $18.6 million of loans outstanding that were originated through this high LTV program, $16.3 million of which the Company has insured through the private mortgage insurance carrier. Both of these programs originated with higher interest rates than the Company's other residential real estate loans and to qualify for these programs, the loan applicant must satisfy more stringent underwriting criteria (credit score, income qualification, and other criteria).

Home Equity Loans and Home Equity Lines of Credit. The Company offers home equity loans and home equity lines of credit, which are primarily secured by a second mortgage on residences. The home equity product is offered in 25 states and the District of Columbia. Home equity lines of credit originated since 2013 require amortizing loan payments during the draw period. These offers were, and are, subject to certain property and credit performance conditions which, among other items, related to CLTV, geography, borrower income verification, minimum credit scores and draw period duration. At September 30, 2021 and 2020, home equity loans totaled $244.9 million, or 1.9%, and $315.0 million, or 2.4%, respectively, of total loans receivable (which included $141.3 million and $204.1 million, respectively, of home equity lines of credit which were in the amortization period and no longer eligible to be drawn upon and $7.7 million and $9.2 million of bridge loans), and home equity lines of credit totaled $1.97 billion, or 15.7%, and $1.92 billion, or 14.6%, respectively, of total loans receivable. A bridge loan permits a borrower to utilize the existing equity in their current home to fund the purchase of a new home before the current home is sold. Bridge loans are originated for a one-year term, with no prepayment penalties. These loans have fixed interest rates, and are currently limited to a combined 80% LTV ratio (first and second mortgage liens). The Company charges a closing fee with respect to bridge loans. Additionally, at September 30, 2021 and 2020, the unadvanced amounts of home equity lines of credit totaled $3.20 billion and $2.55 billion, respectively.

The Company originated its home equity loans and home equity lines of credit without application fees (except for bridge loans) or borrower-paid closing costs. Home equity loans were offered with fixed interest rates, were fully amortizing and had terms of up to 30 years. The Company’s home equity lines of credit were offered with adjustable rates of interest indexed to the Prime Rate, as reported in *The Wall Street Journal*.

The following table sets forth credit exposure, principal balance, percent delinquent 90 days or more, the mean CLTV percent at the time of origination and the current mean CLTV percent of our home equity loans, home equity lines of credit and bridge loan portfolio as of September 30, 2021. Home equity lines of credit in the draw period are reported according to geographical distribution.

	Credit Exposure	Principal Balance	Percent Delinquent 90 days or More	Mean CLTV Percent at Origination(2)	Current Mean CLTV Percent(3)
	(Dollars in thousands)				
Home equity lines of credit in draw period (by state):					
Ohio	$ 1,675,736	$ 543,011	0.07 %	59 %	47 %
Florida	855,760	374,374	0.04 %	56 %	46 %
California	766,078	293,016	0.15 %	60 %	54 %
Other (1)	1,872,852	759,000	0.70 %	62 %	54 %
Total home equity lines of credit in draw period	5,170,426	1,969,401	0.07 %	60 %	50 %
Home equity lines in repayment, home equity loans and bridge loans	244,851	244,851	1.13 %	63 %	39 %
Total	$ 5,415,277	$2,214,252	0.19 %	60 %	49 %

(1) No other individual state has a committed or drawn balance greater than 10% of our total equity lending portfolio and 5% of total loans.
(2) Mean CLTV percent at origination for all home equity lines of credit is based on the committed amount.
(3) Current Mean CLTV is based on best available first mortgage and property values as of September 30, 2021. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

At September 30, 2021, 39.8% of our home equity lending portfolio was either in a first lien position (23.5%), in a subordinate (second) lien position behind a first lien that we held (13.6%) or behind a first lien that was held by a loan that we

originated, sold and now service for others (2.7%). At September 30, 2021, 13.1% of our home equity line of credit portfolio in the draw period was making only the minimum payment on the outstanding line balance.

The following table sets forth by calendar origination year, the credit exposure, principal balance, percent delinquent 90 days or more, the mean CLTV percent at the time of origination and the current mean CLTV percent of our home equity loans, home equity lines of credit and bridge loan portfolio as of September 30, 2021. Home equity lines of credit in the draw period are included in the year originated:

	Credit Exposure	Principal Balance	Percent Delinquent 90 Days or More	Mean CLTV Percent at Origination(1)	Current Mean CLTV Percent(2)
	(Dollars in thousands)				
Home equity lines of credit in draw period					
2013 and Prior	$ 534	$ 135	— %	16 %	46 %
2014	73,820	17,319	0.40 %	58 %	34 %
2015	109,867	29,946	0.49 %	58 %	36 %
2016	288,144	93,865	0.25 %	60 %	41 %
2017	604,213	226,154	0.19 %	58 %	43 %
2018	779,173	329,071	0.07 %	59 %	46 %
2019	1,032,003	480,754	0.08 %	61 %	51 %
2020	959,362	371,627	— %	58 %	52 %
2021	1,323,310	420,530	— %	62 %	61 %
Total home equity lines of credit in draw period	5,170,426	1,969,401	0.07 %	60 %	50 %
Home equity lines in repayment, home equity (3) loans and bridge loans	244,851	244,851	1.13 %	63 %	39 %
Total	$ 5,415,277	$ 2,214,252	0.19 %	60 %	49 %

(1) Mean CLTV percent at origination for all home equity lines of credit is based on the committed amount.

(2) Current Mean CLTV is based on best available first mortgage and property values as of September 30, 2021. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

(3) The principal balance of all home equity products no longer in the draw period is $141.3 million, a portion of which represents home equity lines of credit originated in 2009 or earlier which had delinquency levels comparatively higher than the years following 2010. Home equity lines of credit originated during those years also saw higher loan amounts, higher permitted LTV ratios, and lower credit scores.

The following table sets forth by fiscal year when the draw period expires, the principal balance of home equity lines of credit in the draw period as of September 30, 2021, segregated by the current combined LTV range. Home equity lines of credit with an end of draw date in the current fiscal year include accounts with draw privileges that have been temporarily suspended.

Home equity lines of credit in draw period (by end of draw fiscal year):	Current CLTV Category < 80%	80 - 89.9%	90 - 100%	>100%	Unknown (1)	Total
	(Dollars in thousands)					
2021	$43,020	$300	$—	$55	$—	$43,375
2022	79	—	—	—	—	79
2023	17	—	—	—	—	17
2024	11,104	—	—	—	—	11,104
2025	29,522	—	—	—	14	29,536
2026	52,828	—	2	—	—	52,830
Post 2026	1,822,433	8,338	167	142	1,380	1,832,460
Total	$1,959,003	$8,638	$169	$197	$1,394	$1,969,401

(1) Market data necessary for stratification is not readily available.

As shown in the table below, the principal balance of home equity lines of credit in the draw period that have a current mean CLTV over 80% or unknown is $10.4 million, or 0.5% at September 30, 2021. In recognition of previous past weakness in the housing market, we continue to conduct an expanded loan level evaluation of our home equity lines of credit which are delinquent 90 days or more.

The following table sets forth the breakdown of current mean CLTV percentages for our home equity lines of credit in the draw period as of September 30, 2021.

	Credit Exposure	Principal Balance	Percent of Total Principal Balance	Percent Delinquent 90 days or More	Mean CLTV Percent at Origination(2)	Current Mean CLTV Percent(3)
	(Dollars in thousands)					
Home equity lines of credit in draw period (by current mean CLTV):						
< 80%	$ 5,134,659	$1,959,003	99.5 %	0.07 %	60 %	50 %
80 - 89.9%	29,944	8,638	0.4 %	— %	80 %	80 %
90 - 100%	1,018	169	— %	— %	58 %	94 %
> 100%	755	197	— %	28.06 %	63 %	119 %
Unknown (1)	4,050	1,394	0.1 %	— %	54 %	(1)
	$ 5,170,426	$1,969,401	100.0 %	0.07 %	60 %	50 %

(1) Market data necessary for stratification is not readily available.

(2) Mean CLTV percent at origination for all home equity lines of credit is based on the committed amount.

(3) Current Mean CLTV is based on best available first mortgage and property values as of September 30, 2021. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

Construction Loans. The Company originates construction loans to individuals for the construction of their personal single-family residence by a qualified builder (construction/permanent loans). The Company's construction/permanent loans generally provide for disbursements to the builder or sub-contractors during the construction phase as work progresses. During the construction phase, the borrower only pays interest on the drawn balance. Upon completion of construction, the loan converts to a permanent amortizing loan without the expense of a second closing. The Company offers construction/permanent loans with fixed or adjustable rates, and a current maximum loan-to-completed-appraised value ratio of 85%. At September 30, 2021, construction loans totaled $80.5 million, or 0.6% of total loans receivable. At September 30, 2021, the unadvanced portion of these construction loans totaled $48.2 million.

Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property

at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost proves to be inaccurate, the Company may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project proves to be inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. This is more likely to occur when home prices are falling.

Loan Originations, Purchases, Sales, Participations and Servicing. Lending activities are conducted by the Company's loan personnel (all of whom are non-commissioned associates) operating at our main and branch office locations and at our loan production offices. All loans that the Company originates are underwritten pursuant to its policies and procedures, which, for real estate loans, are consistent with the ability to repay guidance provided by the CFPB. Loans originated with the intent to sell and certain other long-term, fixed-rate loans, as described below, are originated using Fannie Mae processing and underwriting guidelines. The majority of loans, however, are originated using guidelines that are similar, but not identical to Fannie Mae processing and underwriting guidelines. The Company originates both adjustable-rate and fixed-rate loans and advertises extensively throughout its market area. Its ability to originate fixed- or adjustable-rate loans is dependent upon the relative consumer demand for such loans, which is affected by current market interest rates as well as anticipated future market interest rates. The Company's loan origination and sales activity may be adversely affected by a rising interest rate environment or economic recession, which typically results in decreased loan demand. The Company's residential real estate mortgage loan originations are generated by its in-house loan representatives, by direct mail solicitations, by referrals from existing or past customers, by referrals from local builders and real estate brokers, from calls to its telephone call center and from the internet.

Except for loans originated in accordance with the guidelines of Fannie Mae's Home Ready program, which loans are originated with the intent to sell, the Company decides whether to retain, sell or securitize the loans that it originates, after evaluating current and projected market interest rates, its interest rate risk objectives, its liquidity needs and other factors. A combination of high loan origination levels, historically low mortgage interest rates and attractive Fannie Mae loan sale prices led to a continued high level of loan sales during fiscal 2021. During the fiscal year ended September 30, 2021, the Company sold, or committed to sell, to Fannie Mae, in either whole loan or security form, $762.3 million of long-term, fixed-rate residential real estate mortgage loans, all on a servicing retained basis. In addition to sales of long-term, fixed-rate residential real estate mortgage loans, the Company has also previously sold to private parties, non-agency eligible, adjustable-rate loans on a servicing retained basis. Those sales evidenced the saleability of our loans that are not originated in accordance with agency specified procedures, including adjustable-rate loans. As described in Item *7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Controlling Our Interest Rate Risk Exposure*, only a portion of the Company's first mortgage loan originations are eligible for securitization and sale in Fannie Mae mortgage backed security form. The balance of loans held for sale was $8.8 million at September 30, 2021, all of which were originated pursuant to the guidelines of Fannie Mae's Home Ready program.

Historically, the Company has retained the servicing rights on all residential real estate mortgage loans that it has sold, and intends to continue this practice into the future. At September 30, 2021, the Company serviced loans owned by others with a principal balance of $2.26 billion. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, contacting delinquent borrowers, supervising foreclosures and property dispositions in the event of unremedied defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans. The Company retains a portion of the interest paid by the borrower on the loans it services as consideration for its servicing activities.

Loan Approval Procedures and Authority. The Company's lending activities follow written underwriting standards and loan origination procedures established by its Board of Directors. The loan approval process is intended to assess the borrower's ability to repay the loan and the value of the property that will secure the loan. To assess the borrower's ability to repay, the Company reviews the borrower's employment and credit history and information on the historical and projected income and expenses of the borrower.

The Company's policies and loan approval limits are established by its Board of Directors. The Company's Board of Directors has delegated authority to its Executive Committee (consisting of the Company's Chief Executive Officer and two directors) to review and assign lending authorities to certain individuals of the Company to consider and approve loans within their designated authority. Residential real estate mortgage loans and construction loans require the approval of one individual with designated underwriting authority.

The Company requires independent third-party valuations of real property. Appraisals are performed by independent licensed/certified appraisers.

Delinquent Loans. While we are not currently receiving payments on loans in active COVID-19 forbearance plans, the majority of these accounts are reported as current and accruing and are not currently included in the amortized cost of TDRs. See further discussion under the Allowance for Credit Losses caption later in this section and also Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.* The following tables set forth the amortized cost in loan delinquencies by type, segregated by geographic location and severity of delinquency at the dates indicated. The majority of our Home Today loan portfolio is secured by properties located in Ohio and there are no other loans with delinquent balances. There were also no delinquencies in the construction loan portfolio for the fiscal years presented.

	Loans Delinquent For		
	30-89 Days	90 Days or More	Total
		(Dollars in thousands)	
September 30, 2021			
Real estate loans:			
Residential Core			
Ohio	$ 3,217	$ 5,729	$ 8,946
Florida	874	1,093	1,967
Other	1,814	2,548	4,362
Total Residential Core	5,905	9,370	15,275
Residential Home Today	1,909	2,068	3,977
Home equity loans and lines of credit			
Ohio	333	1,348	1,681
Florida	432	787	1,219
California	278	1,074	1,352
Other	195	1,022	1,217
Total Home equity loans and lines of credit	1,238	4,231	5,469
Total	$ 9,052	$ 15,669	$ 24,721

	Loans Delinquent For		
	30-89 Days	90 Days or More	Total
		(Dollars in thousands)	
September 30, 2020			
Real estate loans:			
Residential Core			
Ohio	$ 5,463	$ 6,982	$ 12,445
Florida	1,023	1,852	2,875
Other	401	1,124	1,525
Total Residential Core	6,887	9,958	16,845
Residential Home Today	2,057	2,480	4,537
Home equity loans and lines of credit			
Ohio	898	1,938	2,836
Florida	634	564	1,198
California	383	489	872
Other	670	1,269	1,939
Total Home equity loans and lines of credit	2,585	4,260	6,845
Total	$ 11,529	$ 16,698	$ 28,227

	Loans Delinquent For		
	30-89 Days	90 Days or More	Total
		(Dollars in thousands)	
September 30, 2019			
Real estate loans:			
Residential Core			
Ohio	$ 8,519	$ 5,503	$ 14,022
Florida	930	1,305	2,235
Other	1,405	866	2,271
Total Residential Core	10,854	7,674	18,528
Residential Home Today	4,314	2,623	6,937
Home equity loans and lines of credit			
Ohio	1,746	1,950	3,696
Florida	1,065	1,260	2,325
California	187	552	739
Other	1,189	2,035	3,224
Total Home equity loans and lines of credit	4,187	5,797	9,984
Total	$ 19,355	$ 16,094	$ 35,449

	Loans Delinquent For		
	30-89 Days	90 Days or More	Total
		(Dollars in thousands)	
September 30, 2018			
Real estate loans:			
Residential Core			
Ohio	$ 7,622	$ 7,392	$ 15,014
Florida	906	2,455	3,361
Other	1,346	960	2,306
Total Residential Core	9,874	10,807	20,681
Residential Home Today	4,552	3,814	8,366
Home equity loans and lines of credit			
Ohio	2,117	2,286	4,403
Florida	2,011	2,085	4,096
California	302	255	557
Other	2,037	1,307	3,344
Total Home equity loans and lines of credit	6,467	5,933	12,400
Total	$ 20,893	$ 20,554	$ 41,447

	Loans Delinquent For		
	30-89 Days	90 Days or More	Total
		(Dollars in thousands)	
September 30, 2017			
Real estate loans:			
Residential Core			
Ohio	$ 6,850	$ 8,756	$ 15,606
Florida	1,671	2,507	4,178
Other	149	712	861
Total Residential Core	8,670	11,975	20,645
Residential Home Today	5,563	6,851	12,414
Home equity loans and lines of credit			
Ohio	3,037	2,134	5,171
Florida	1,884	2,345	4,229
California	590	354	944
Other	859	575	1,434
Total Home equity loans and lines of credit	6,370	5,408	11,778
Total	$ 20,603	$ 24,234	$ 44,837

Total loans seriously delinquent (i.e. delinquent 90 days or more) decreased one basis point to 0.12% of total net loans at September 30, 2021, from 0.13% at September 30, 2020. The percentage of seriously delinquent loans to total net loans decreased in the residential Core portfolio from 0.08% to 0.07%. Such loans in the residential Home Today portfolio were 0.02% as of both dates, and in the home equity loans and lines of credit portfolio, 0.03% as of both dates.

Non-performing Assets and Restructured Loans. Within 15 days of a borrower's delinquency, per the Company's collection procedures, it attempts personal, direct contact with the borrower to determine the reason for the delinquency, to ensure that the borrower correctly understands the terms of the loan and to emphasize the importance of making payments on or before the due date. If necessary, subsequent late charges and delinquent notices are issued and the borrower's account will be monitored on a regular basis thereafter. The Company also mails system-generated reminder notices on a monthly basis. When a loan is more than 30 days past due, the Company attempts to contact the borrower and develop a plan of repayment. By the 90th day of delinquency, the Company may recommend foreclosure. The loan will be evaluated based on collateral prior to the 180th day of delinquency. For further discussion on evaluating collateral-dependent loans, see Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*. A summary report of all loans 30 days or more past due is provided to the Company's Board of Directors.

Loans are placed in non-accrual status when they are contractually 90 days or more past due or if collection of principal or interest in full is in doubt. Loans restructured in TDRs that were in non-accrual status prior to the restructurings remain in non-accrual status for a minimum of six months. Home equity loans and lines of credit which are subordinate to a first mortgage lien where the customer is seriously delinquent, are placed in non-accrual status. Loans in Chapter 7 bankruptcy status where all borrowers have been discharged from their mortgage obligation or where all borrowers had filed, and had not reaffirmed or been dismissed, are placed in non-accrual status. For discussion on interest recognition and further discussion on non-accrual, see Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.*

The table below sets forth the amortized costs and categories of our non-performing assets and TDRs at the dates indicated. There were no construction loans reported as non-accrual for the fiscal years presented.

	September 30,				
	2021	2020	2019	2018	2017
	(Dollars in thousands)				
Non-accrual loans:					
Real estate loans:					
Residential Core	$ 24,892	$ 31,823	$ 37,052	$ 41,628	$ 43,797
Residential Home Today	8,043	10,372	12,442	14,641	18,109
Home equity loans and lines of credit	11,110	11,174	21,771	21,483	17,185
Total non-accrual loans(1)(2)	44,045	53,369	71,265	77,752	79,091
Real estate owned	289	185	2,163	2,794	5,521
Total non-performing assets	$ 44,334	$ 53,554	$ 73,428	$ 80,546	$ 84,612
Ratios:					
Total non-accrual loans to total loans	0.35 %	0.41 %	0.54 %	0.60 %	0.63 %
Total non-accrual loans to total assets	0.31 %	0.36 %	0.49 %	0.55 %	0.58 %
Total non-performing assets to total assets	0.32 %	0.37 %	0.50 %	0.57 %	0.62 %
TDRs (not included in non-accrual loans above):					
Real estate loans:					
Residential Core	$ 48,300	$ 45,929	$ 47,829	$ 50,351	$ 53,511
Residential Home Today	21,307	23,859	24,651	26,861	28,751
Home equity loans and lines of credit	24,941	29,336	24,438	25,604	20,864
Total	$ 94,548	$ 99,124	$ 96,918	$102,816	$103,126

(1) At September 30, 2021, 2020, 2019, 2018 and 2017 the totals include $25.7 million, $35.0 million, $52.1 million, $52.1 million and $47.0 million, respectively, in TDRs: which are less than 90 days past due but included with non-accrual loans for a minimum period of six months from the restructuring date due to their non-accrual status prior to restructuring; because they have been partially charged off; or because all borrowers have filed Chapter 7 bankruptcy, and had not reaffirmed or been dismissed.

(2) At September 30, 2021, 2020, 2019, 2018 and 2017 the totals include $6.9 million, $7.2 million, $8.4 million, $10.5 million and $11.9 million in TDRs that are 90 days or more past due, respectively.

Non-accrual loans continue to decline primarily due to a decrease in the population of TDRs in general and those moved to accruing after a sufficient period of demonstrated payment performance and, to a lesser extent, a decrease in loans 90 days or more past due. Since many of the accounts exiting the non-accrual population are TDRs paying as agreed or paid in full and closed, we do not expect any material impact to interest income or the allowance once the non-accrual population stabilizes.

The gross interest income that would have been recorded during the years ended September 30, 2021 and September 30, 2020, on non-accrual loans, if they had been accruing during the entire period and TDRs if they had been current and performing in accordance with their original terms during the entire period, was $7.0 million and $7.9 million, respectively. The interest income recognized on those loans included in net income for the years ended September 30, 2021 and September 30, 2020, was $4.4 million and $4.8 million, respectively. At September 30, 2021 and September 30, 2020, the balance of accrued interest receivable includes $0.6 million and $2.4 million, respectively, of unpaid interest on active COVID-19 forbearance plans.

Collateral-Dependent Loans. A loan is considered collateral-dependent when, based on current information and events, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the sale of the collateral or foreclosure is probable. For discussion on collateral-dependent measurement, see Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.*

The amortized cost of collateral-dependent loans includes accruing TDRs and loans that are returned to accrual status when contractual payments are less than 90 days past due. These loans continue to be individually evaluated based on collateral

until, at a minimum, contractual payments are less than 30 days past due. Also, the amortized cost of non-accrual loans includes loans that are not included in the amortized cost of collateral-dependent loans because they are included in loans collectively evaluated for credit loss.

The table below sets forth a reconciliation of the amortized costs and categories between non-accrual loans and collateral-dependent loans at the dates indicated. For the years ended 2020, 2019, 2018 and 2017, the tables below set forth a reconciliation of the amortized cost and categories between non-accrual loans and impaired loans, under previously applicable GAAP.

	For the Year Ended
	2021
	(Dollars in thousands)
Non-Accrual Loans	$ 44,045
Accruing Collateral-Dependent TDRs	10,428
Other Accruing Collateral-Dependent Loans	31,956
Less: Loans Collectively Evaluated	(2,575)
Total Collateral-Dependent Loans	$ 83,854

	For the Year Ended			
	2020	2019	2018	2017
	(Dollars in thousands)			
Non-Accrual Loans	$ 53,369	$ 71,265	$ 77,752	$ 79,091
Accruing TDRs	99,124	96,917	102,816	103,126
Performing Impaired Loans	5,959	4,907	3,982	3,607
Less: Loans Collectively Evaluated	(3,235)	(2,616)	(3,756)	(5,264)
Total Impaired Loans	$ 155,217	$ 170,473	$ 180,794	$ 180,560

In response to the economic challenges facing many borrowers, we continue to restructure loans. Loan restructuring is a method used to help families keep their homes and preserve our neighborhoods. This involves making changes to the borrowers' loan terms through interest rate reductions, either for a specific period or for the remaining term of the loan; term extensions including those beyond that provided in the original agreement; principal forgiveness; capitalization of delinquent payments in special situations; or some combination of the above. Loans discharged through Chapter 7 bankruptcy are also reported as TDRs per OCC interpretive guidance. For discussion on TDR measurement, see Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*. We had $127.1 million of TDRs (accrual and non-accrual) recorded at September 30, 2021, of which $66.9 million are Residential Core, $28.6 million are Home Today and $31.6 million are Home equity loans and lines of credit. This is a $14.2 million decrease in the amortized cost of TDRs from September 30, 2020.

The following table sets forth the amortized cost of accrual and non-accrual TDRs, by the types of concessions granted, as of September 30, 2021. Initial concessions granted by loans restructured as TDRs can include reduction of interest rate, extension of amortization period, forbearance or other actions. Some TDRs have experienced a combination of concessions. TDRs also can occur as a result of bankruptcy proceedings. Loans discharged in Chapter 7 bankruptcy are classified as multiple restructurings if the loan's original terms had also been restructured by the Company.

	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
	(Dollars in thousands)			
Accrual				
Residential Core	$ 29,798	$ 13,294	$ 5,208	$ 48,300
Residential Home Today	11,696	8,493	1,118	21,307
Home equity loans and lines of credit	23,373	1,023	545	24,941
Total	$ 64,867	$ 22,810	$ 6,871	$ 94,548
Non-Accrual, Performing				
Residential Core	$ 1,657	$ 5,869	$ 7,095	$ 14,621
Residential Home Today	642	3,748	1,294	5,684
Home equity loans and lines of credit	2,344	1,870	1,131	5,345
Total	$ 4,643	$ 11,487	$ 9,520	$ 25,650
Non-Accrual, Non-Performing				
Residential Core	$ 1,939	$ 1,336	$ 658	$ 3,933
Residential Home Today	302	1,168	144	1,614
Home equity loans and lines of credit	833	531	—	1,364
Total	$ 3,074	$ 3,035	$ 802	$ 6,911
Total TDRs				
Residential Core	$ 33,394	$ 20,499	$ 12,962	$ 66,855
Residential Home Today	12,640	13,409	2,556	28,605
Home equity loans and lines of credit	26,550	3,424	1,675	31,649
Total	$ 72,584	$ 37,332	$ 17,193	$ 127,109

TDRs in accrual status are loans accruing interest and performing according to the terms of the restructuring. To be performing, a loan must be less than 90 days past due as of the report date. Non-accrual, performing status indicates that a loan was not accruing interest or in a forbearance plan at the time of restructuring, continues to not accrue interest and is performing according to the terms of the restructuring; but has not been current for at least six consecutive months since its restructuring, has a partial charge-off, or is being classified as non-accrual per the OCC guidance on loans in Chapter 7 bankruptcy status, where all borrowers have filed and have not reaffirmed or been dismissed. Non-accrual, non-performing status includes loans that are not accruing interest because they are greater than 90 days past due and therefore not performing according to the terms of the restructuring.

Real Estate Owned. Real estate acquired as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until sold. When property is acquired, it is recorded at the estimated fair market value at the date of foreclosure, less estimated costs to sell, establishing a new cost basis. Estimated fair value generally represents the sale price a buyer would be willing to pay on the basis of current market conditions. Subsequent to acquisition, real estate owned is carried at the lower of the cost basis or estimated fair market value, less estimated costs to sell. Increases in the fair market value are recognized through income not exceeding the valuation allowance. Holding costs and declines in estimated fair market value result in charges to expense after acquisition. At September 30, 2021, we had $0.3 million in real estate owned.

Classification of Assets. Our policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current payment capacity of the borrower or the collateral pledged has a defined weakness that jeopardizes the liquidation of the debt. Substandard assets include those assets characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their

continuance as assets is not warranted. Assets that do not expose us to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve management's attention and may result in further deterioration in their repayment prospects and/or the Company's credit position, are required to be designated as special mention.

When assets meet the classification criteria for either substandard or doubtful, they exhibit similar risk characteristics that result in expected credit losses through the model outputs or qualitative factors. As a result of the allowance analysis, a portion of the credit loss allowance is allocated to such assets. The allowance for credit losses is the amount estimated by management to represent the lifetime losses in our loan portfolio and off-balance sheet commitments. When we classify a problem asset as loss, we charge-off that portion of the asset that is uncollectible. Our determinations as to the classification of our assets and the amount of our credit loss allowances are subject to review by the Company's primary federal regulator, the OCC, which can require that we establish additional credit loss allowances. We regularly review our asset portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of our review of assets at September 30, 2021, the amortized cost of classified assets consists of substandard assets of $86.5 million, including $0.3 million of real estate owned, and we also had $27.9 million of assets designated special mention. As of September 30, 2021, there were no individual assets with balances exceeding $1.0 million that were classified as substandard. Substandard assets at September 30, 2021 include $15.5 million of loans 90 or more days past due and $70.7 million of loans less than 90 days past due displaying a weakness sufficient to warrant an adverse classification. Of the $70.7 million of loans less than 90 days past due, $36.1 million are TDRs, and the remaining $34.6 million are non-TDRs primarily made up of loans that had their forbearance term extended greater than 12 months regardless of forbearance plan status at September 30, 2021.

Allowance for Credit Losses. We provide for credit losses based on a life of loan methodology. Accordingly, all credit losses are charged to, and all recoveries are credited to, the related allowance. Additions to the allowance for credit losses are provided by charges to income based on various factors which, in our judgment, deserve current recognition in estimating lifetime credit losses. We regularly review the loan portfolio and off-balance sheet exposures and make provisions (or releases) for losses in order to maintain the allowance for credit losses in accordance with U.S. GAAP. The Company adopted CECL guidance ASC Topic 326: Financial Instruments - Credit Losses on October 1, 2020. Refer to Note *5. LOANS AND ALLOWANCES FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS* for further discussion on CECL methodology. Our allowance for credit losses consists of three components:

(1) individual valuation allowances (IVAs) established for any loans dependent on cash flows, such as performing TDRs, and before CECL on loans individually reviewed that represent further deterioration in the fair value of the collateral not yet identified as uncollectible;

(2) general valuation allowances (GVAs) for loans, which are comprised of quantitative GVAs, which are general allowances for credit losses for each loan type based on historical loan loss experience and qualitative GVAs, which are adjustments to the quantitative GVAs, maintained to cover uncertainties that affect our estimate of expected losses for each loan type; and

(3) GVAs for off-balance sheet credit exposures, which are comprised of expected lifetime losses on unfunded loan commitments to extend credit where the obligations are not unconditionally cancellable.

The qualitative GVAs expand our ability to identify and estimate probable losses and are based on our evaluation of the following factors, some of which are consistent with factors that impact the determination of quantitative GVAs. For example, delinquency statistics (both current and historical) are used in developing the quantitative GVAs while the trending of the delinquency statistics is considered and evaluated in the determination of the qualitative GVAs. Factors impacting the determination of qualitative GVAs include:

- changes in lending policies and procedures including underwriting standards, collection, charge-off or recovery practices;
- management's view of changes in national, regional, and local economic and business conditions and trends including treasury yields, housing market factors and trends, such as the status of loans in foreclosure, real estate in judgment and real estate owned, and unemployment statistics and trends and how it aligns with economic modeling forecasts;
- changes in the nature and volume of the portfolios including home equity lines of credit nearing the end of the draw period and adjustable-rate mortgage loans nearing a rate reset;
- changes in the experience, ability or depth of lending management;
- changes in the volume or severity of past due loans, volume of non-accrual loans, or the volume and severity of adversely classified loans including the trending of delinquency statistics (both current and historical), historical loan loss experience and trends, the frequency and magnitude of multiple restructurings of loans previously the subject of

TDRs, and uncertainty surrounding borrowers' ability to recover from temporary hardships for which short-term loan restructurings are granted;

- changes in the quality of the loan review system;
- changes in the value of the underlying collateral including asset disposition loss statistics (both current and historical) and the trending of those statistics, and additional charge-offs on individually reviewed loans;
- existence of any concentrations of credit;
- effect of other external factors such as the COVID-19 pandemic, competition, market interest rate changes or legal and regulatory requirements including market conditions and regulatory directives that impact the entire financial services industry; and
- limitations within our models to predict life of loan net losses.

As of September 30, 2021, some of our borrowers have experienced unemployment or reduced income as a result of the COVID-19 global pandemic and have requested some type of loan payment forbearance. We began offering short-term forbearance plans to borrowers affected by COVID-19 on March 13, 2020. These forbearance plans that remain active totaled $21.8 million, or 0.17% of total loans receivable, at September 30, 2021, of which $19.4 million were related to first mortgage loans and $2.3 million were related to home equity loans and lines of credit. Although we are not currently receiving payments on loans in active COVID-19 forbearance plans, the majority of these accounts are reported as current and accruing and are not currently included in the amortized cost of TDRs as the Company has elected to apply the temporary suspension of TDR requirements provided by the revised interagency statement and the CARES Act for eligible loan modifications. Further details about active COVID-19 forbearance plans and post-forbearance loan workouts can be found in Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.*

When loan restructurings qualify as TDRs and the loans are performing according to the terms of the restructuring, we record an IVA based on the present value of expected future cash flows, which includes a factor for potential subsequent defaults, discounted at the effective interest rate of the original loan contract. Potential defaults are distinguished from multiple restructurings as borrowers who default are generally not eligible for subsequent restructurings. At September 30, 2021, the balance of such individual valuation allowances was $12.1 million. In instances when loans require multiple restructurings, additional valuation allowances may be required. The new valuation allowance on a loan that has multiple restructurings is calculated based on the present value of the expected cash flows, discounted at the effective interest rate of the original loan contract, considering the new terms of the restructured agreement. Due to the immaterial amount of this exposure to date, we capture this exposure as a component of our qualitative GVA evaluation as the estimated change in the present value of cash flows on restructurings expected to subsequently restructure based on historical activity.

Home equity loans and lines of credit generally have higher credit risk than traditional residential mortgage loans. These loans and credit lines are usually in a second lien position and when combined with the first mortgage, result in generally higher overall loan-to-value ratios. In a stressed housing market with high delinquencies and decreasing housing prices, these higher loan-to-value ratios represent a greater risk of loss to the Company. A borrower with more equity in the property has a vested interest in keeping the loan current when compared to a borrower with little or no equity in the property. In light of the past weakness in the housing market and uncertainty with respect to future employment levels and economic prospects, we conduct an expanded loan level evaluation of our home equity loans and lines of credit, including bridge loans used to aid borrowers in buying a new home before selling their old one, which are delinquent 90 days or more. This expanded evaluation is in addition to our traditional evaluation procedures. As part of the adoption of CECL on October 1, 2020, we have established an allowance for our unfunded commitments on this portfolio, which is recorded in other liabilities. Our home equity loans and lines of credit portfolio continues to comprise a significant portion of our gross charge-offs. At September 30, 2021, we had an amortized cost of $2.24 billion in home equity loans and equity lines of credit outstanding, of which $4.2 million, or 0.2% were delinquent 90 days or more.

We evaluate the allowance for credit losses based upon the combined total of the quantitative and qualitative GVAs and IVAs. We periodically evaluate the carrying value of loans and unfunded commitments and the allowance is adjusted accordingly. While we use the best information available to make evaluations, future additions to the allowance may be necessary based on unforeseen changes in loan quality and economic conditions.

For more information regarding the allowance for credit losses, see Item *7 Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The following table sets forth activity for credit losses segregated by geographic location for the periods indicated. The majority of our Home Today loan portfolio is secured by properties located in Ohio and there were no charge-offs in the construction or other loans portfolios, therefore these portfolios were not segregated by state.

	At or For the Years Ended September 30,				
	2021	2020	2019	2018	2017
	(Dollars in thousands)				
Allowance balance for credit losses on loans (beginning of the year)	$ 46,937	$ 38,913	$ 42,418	$ 48,948	$ 61,795
Adoption of ASU 2016-13 for allowance for credit losses on loans	24,095	—	—	—	—
Charge-offs on real estate loans:					
Residential Core					
Ohio	1,587	1,262	883	874	1,728
Florida	377	242	282	58	1,272
Other	1	21	85	27	29
Total Residential Core	1,965	1,525	1,250	959	3,029
Total Residential Home Today	552	897	761	1,363	2,276
Home equity loans and lines of credit					
Ohio	1,112	891	1,246	2,751	2,707
Florida	784	1,191	696	2,381	2,560
California	168	19	39	—	199
Other	632	1,002	994	700	707
Total Home equity loans and lines of credit	2,696	3,103	2,975	5,832	6,173
Total charge-offs	5,213	5,525	4,986	8,154	11,478
Recoveries on real estate loans:					
Residential Core	2,385	2,783	2,314	2,601	5,458
Residential Home Today	2,362	2,230	1,910	1,957	1,311
Home equity loans and lines of credit	5,621	5,509	7,257	8,066	8,862
Construction	20	27	—	—	—
Total recoveries	10,388	10,549	11,481	12,624	15,631
Net recoveries (charge-offs)	5,175	5,024	6,495	4,470	4,153
Provision (release) for credit losses on loans	(11,918)	3,000	(10,000)	(11,000)	(17,000)
Allowance balance for loans (end of the year)	$ 64,289	$ 46,937	$ 38,913	$ 42,418	$ 48,948
Allowance balance for credit losses on unfunded commitments (beginning of the year)	$ —	$ —	$ —	$ —	$ —
Adoption of ASU 2016-13 for allowance for credit losses on unfunded commitments	22,052	—	—	—	—
Provision for credit losses on unfunded commitments	2,918	—	—	—	—
Allowance balance for unfunded loan commitments (end of the year)	24,970	—	—	—	—
Allowance balance for all credit losses (end of the year)	$ 89,259	$ 46,937	$ 38,913	$ 42,418	$ 48,948
Ratios:					
Net recoveries to average loans outstanding	0.04 %	0.04 %	0.05 %	0.04 %	0.03 %
Allowance for credit losses to non-accrual loans at end of the year	145.96 %	87.95 %	54.60 %	54.56 %	61.89 %
Allowance for credit losses to the total amortized cost in loans at end of the year	0.51 %	0.36 %	0.29 %	0.33 %	0.39 %

We continue to evaluate loans becoming delinquent for potential losses and record provisions for the estimate of those losses. Although the volume of delinquent loans are at record lows, we expect a moderate level of charge-offs to continue as delinquent loans are resolved in the future and uncollected balances are charged against the allowance. Due to charge-offs incurred during periods of economic adversity and on accounts discharged in bankruptcy, as borrowers continue to make payments, recoveries are recognized. Net recoveries may be higher during periods of increased refinance activity and housing values. Depending on those outside factors, net recoveries may continue in the near future. Changes in the housing and jobs markets could also impact the timing of future recoveries. The ultimate resolution of remaining COVID-19 forbearance plans may also impact the level of charge-offs in the future. For more information regarding our response to COVID-19, see Item *7 Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Allocation of Allowance for Credit Losses. The following tables set forth the allowance for credit losses allocated by loan category, the percent of allowance in each category to the total allowance on loans, and the percent of loans in each category to total loans at the dates indicated. The allowance for credit losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories. This table does not include allowance for credit losses on unfunded loan commitments, which are primarily related to undrawn home equity lines of credit.

	At September 30,								
	2021			2020			2019		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)								
Real estate loans:									
Residential Core	$44,523	69.2 %	81.2 %	$22,381	47.7 %	82.0 %	$19,753	50.8 %	82.5 %
Residential Home Today	15	—	0.6	5,654	12.0	0.6	4,209	10.8	0.6
Home equity loans and lines of credit	19,454	30.3	17.6	18,898	40.3	17.0	14,946	38.4	16.5
Construction	297	0.5	0.6	4	—	0.4	5	—	0.4
Allowance for credit losses on loans	$64,289	100.0 %	100.0 %	$46,937	100.0 %	100.0 %	$38,913	100.0 %	100.0 %

	At September 30,					
	2018			2017		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)					
Real estate loans:						
Residential Core	$ 18,288	43.1 %	84.7 %	$ 14,186	29.0 %	86.2 %
Residential Home Today	3,204	7.6	0.7	4,508	9.2	0.9
Home equity loans and lines of credit	20,921	49.3	14.1	30,249	61.8	12.4
Construction	5	—	0.5	5	—	0.5
Allowance for credit losses on loans	$ 42,418	100.0 %	100.0 %	$ 48,948	100.0 %	100.0 %

During the year ended September 30, 2021, the total allowance for credit losses increased, to $89.3 million from $46.9 million at September 30, 2020, primarily related to the adoption of CECL on October 1, 2020. The total allowance for credit losses at adoption was $93.1 million, composed of $71.0 million of allowance for credit losses on loans and $22.1 million of allowance for credit losses on off-balance sheet exposures. We recorded a $9.0 million release for credit losses for the year, consisting of a $11.9 million release for credit losses on loans, partially offset by a $2.9 million provision for credit losses on off-balance sheet exposures, while recoveries exceeded loan charge-offs by $5.2 million. Releases from the allowance for credit losses during the recent fiscal year were primarily due to recoveries exceeding charge-offs and improvements in the economic trends and forecasts used to estimate credit losses for the reasonable and supportable period under CECL. Refer to the "*Activity in the Allowances for Credit Losses" and "Analysis of the Allowance for Credit Losses"* tables in Note *5. LOANS AND*

ALLOWANCES FOR CREDIT LOSSES, of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS* for more information.

Because many variables are considered in determining the appropriate level of general valuation allowances, directional changes in individual considerations do not always align with the directional change in the balance of a particular component of the general valuation allowance. The impact of adopting a life of loan concept under CECL during the year also made directional change alignment difficult. Changes during the year ended September 30, 2021 in the allowance for credit losses on loan balances are described below. As of September 30, 2021 the allowance for credit losses on off-balance sheet credit exposures was $25.0 million, which was primarily related to undrawn equity exposures and commitments to originate mortgages. Other than the less significant construction and other loans segments, the changes related to the significant loan segments are described as follows:

- **Residential Core –** The amortized cost of this segment decreased 5.3% or $572.8 million, and its total allowance increased 98.9% or $22.1 million as of September 30, 2021 as compared to September 30, 2020. The increase in total allowance is primarily related to the life of loan concept as part of the adoption of CECL on October 1, 2020, as most credit metrics showed improvement during the year. Total delinquencies decreased 9.3% to $15.3 million at September 30, 2021 from $16.8 million at September 30, 2020. Delinquencies greater than 90 days decreased 5.9% to $9.4 million at September 30, 2021 from $10.0 million at September 30, 2020. Net recoveries during the current year were $0.4 million as compared to net recoveries of $1.3 million during the year ended September 30, 2020. Economic forecasts continued to show improvements as the allowance decreased from initial CECL adoption levels, but was partially offset by qualitative adjustments for borrowers who continue to need additional assistance, such as those that have extended their COVID-19 forbearance plans greater than 12 months.
- **Residential Home Today –** The amortized cost of this segment decreased 15.2% or $11.4 million, as we no longer originate loans under the Home Today program. There was no expected allowance or net recovery position for this segment at September 30, 2021, while the allowance was $5.7 million at September 30, 2020. Under the CECL methodology, the life of loan concept allows for qualitative adjustments for the expected future recoveries of previously charged-off loans, which, along with the declining balance of the segment, resulted in the lack of allowance as of September 30, 2021. Total delinquencies decreased 12.3% to $4.0 million at September 30, 2021 from $4.5 million at September 30, 2020. Delinquencies greater than 90 days decreased 16.6% to $2.1 million at September 30, 2021 from $2.5 million at September 30, 2020 . There were net recoveries of $1.8 million and $1.3 million during the years ended September 30, 2021 and September 30, 2020,
- **Home Equity Loans and Lines of Credit –** The amortized cost of this segment decreased 0.8% or $17.1 million to $2.24 billion at September 30, 2021 from $2.26 billion at September 30, 2020. The total allowance for this segment increased 2.9% to $19.5 million from $18.9 million at September 30, 2020. Total delinquencies for this portfolio segment decreased 20.1% to $5.5 million at September 30, 2021 as compared to $6.8 million at September 30, 2020. Delinquencies greater than 90 days decreased 0.7% to $4.2 million at September 30, 2021 from $4.3 million at September 30, 2020. Net recoveries for this loan segment during the current year were $2.9 million as compared to $2.4 million for the year ended September 30, 2020. The allowance for this segment increased from the September 30, 2020 balance as a result of the adoption of CECL, but the allowance balance has actually decreased from the initial CECL determined allowance for this segment of $24.2 million as of October 1, 2020. Driving the decrease were improved economic forecasts and the continued decline in forbearance plans.

Loan losses on home equity loans and lines of credit continued to comprise a large component of our gross charge-offs for 2021 and are expected to continue to represent a large portion of our charge-offs for the foreseeable future based on the relatively higher credit risk of this product when compared to a first mortgage loan.

During the year ended September 30, 2021 the Company adopted the CECL allowance methodology as of October 1, 2020 using the modified retrospective approach, replacing the previous incurred loss methodology. The allowance for credit losses now represents the estimate of lifetime loss in our loan portfolio and unfunded loan commitments. Our analysis for evaluating the adequacy of and the appropriateness of our allowance for credit losses is continually refined as relevant information, relating to past events, current conditions and supportable forecasts become available. During the years ended September 30, 2020, 2019, 2018 and 2017, no material changes were made to the incurred loss allowance methodology.

Investments

The Association's Board of Directors is responsible for establishing and overseeing the Association's investment policy. The investment policy is reviewed at least annually by management and any changes to the policy are recommended to the Board of Directors, or a committee thereof, and are subject to its approval. This policy dictates that investment decisions be made based on the safety of the investment, liquidity requirements, potential returns, the ability to provide collateral for pledging requirements, and consistency with our interest rate risk management strategy. The Association's Investment

Committee, which consists of the Association's chief operating officer, chief financial officer and other members of management, oversees the Association's investing activities and strategies. The portfolio manager is responsible for making securities portfolio decisions in accordance with established policies. The portfolio manager has the authority to purchase and sell securities within specific guidelines established in the investment policy, but historically the portfolio manager has executed purchases only after extensive discussions with other Investment Committee members. All transactions are formally reviewed by the Investment Committee at least quarterly. Any investment which, subsequent to its purchase, fails to meet the guidelines of the policy is reported to the Investment Committee, who decides whether to hold or sell the investment.

The Association's investment policy requires that the Association invest primarily in debt securities issued by the U.S. Government, agencies of the U.S. Government, and government-sponsored entities, which include Fannie Mae and Freddie Mac. The policy also permits investments in mortgage-backed securities, including pass-through securities issued and guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae as well as collateralized mortgage obligations and real estate mortgage investment conduits issued or backed by securities issued by these governmental agencies and government-sponsored entities. The investment policy also permits investments in asset-backed securities, banker's acceptances, money market funds, term federal funds, repurchase agreements and reverse repurchase agreements.

The Association's investment policy does not permit investment in municipal bonds, corporate debt obligations, preferred or common stock of government agencies or equity securities other than the Association's required investment in the common stock of the FHLB of Cincinnati. As of September 30, 2021, we held no asset-backed securities or securities with sub-prime credit risk exposure, nor did we hold any banker's acceptances, term federal funds, repurchase agreements or reverse repurchase agreements. As a federal savings association, the Association is not permitted to invest in equity securities. This general restriction does not apply to the Company. The Association's investment policy permits the use of interest rate agreements (caps, floors and collars) and interest rate exchange contracts (swaps) in managing our interest rate risk exposure. The use of financial futures, however, is prohibited without specific approval from its Board of Directors.

FASB ASC 320, "Investments-Debt and Equity Securities," requires that, at the time of purchase, we designate a security as held to maturity, available for sale, or trading, depending on our ability and intent. Securities designated as available for sale are reported at fair value, while securities designated as held to maturity are reported at amortized cost. As a result of previous guidance from the Company's primary regulator that indicated that the Company's reported balance of liquid assets could not include any investment security not classified as available for sale, all investment securities held by the Company are classified as available for sale. We do not have a trading portfolio.

The fair value of our investment portfolio at September 30, 2021 consisted of $5.5 million in primarily fixed-rate securities guaranteed by Fannie Mae, and $416.2 million of REMICs collateralized only by securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

U.S. Government and Federal Agency Obligations. While U.S. Government and federal agency securities generally provide lower yields than other investment options authorized in the Association's and Company's investment policies, we maintain these investments, to the extent appropriate, for liquidity purposes, as collateral for borrowings and as an interest rate risk hedge in the event of significant mortgage loan prepayments.

Mortgage-Backed Securities. We purchase mortgage-backed securities insured or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. We invest in mortgage-backed securities to achieve positive interest rate spreads with minimal administrative expense, and to lower our credit risk as a result of the guarantees provided by Freddie Mac, Fannie Mae or Ginnie Mae. The U.S. Treasury Department has established financing agreements to ensure that Fannie Mae and Freddie Mac meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed.

Mortgage-backed securities are created by the pooling of mortgages and the issuance of a security with an interest rate that is less than the interest rate on the underlying mortgages. Mortgage-backed securities typically represent a participation interest in a pool of single-family or multi-family mortgages, although we invest primarily in mortgage-backed securities backed by one- to four-family mortgages. The issuers of such securities (generally Ginnie Mae, Fannie Mae and Freddie Mac) pool and resell the participation interests in the form of securities to investors such as the Association, and guarantee the payment of principal and interest to investors. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, mortgage-backed securities are more liquid than individual mortgage loans since there is an active trading market for such securities. While there has been significant disruption in the demand for private issuer mortgage-backed securities, the U.S. Treasury support for Fannie Mae and Freddie Mac guarantees has maintained an orderly market for the mortgage-backed securities the Company typically purchases. In addition, mortgage-backed securities may be used to collateralize our specific liabilities and obligations. Investments in mortgage-backed securities involve a risk that the timing of actual payments will be earlier or later than the timing estimated when the mortgage-backed security was purchased, which may require adjustments to the amortization of any premium or

accretion of any discount relating to such interests, thereby affecting the net yield on our securities. We periodically review current prepayment speeds to determine whether prepayment estimates require modifications that could cause amortization or accretion adjustments.

REMICs are types of debt securities issued by a special-purpose entity that aggregates pools of mortgages and mortgage-backed securities and creates different classes of securities with varying maturities and amortization schedules, as well as a residual interest, with each class possessing different risk characteristics. The cash flows from the underlying collateral are generally divided into "tranches" or classes that have descending priorities with respect to the distribution of principal and interest cash flows, while cash flows on pass-through mortgage-backed securities are distributed pro rata to all security holders.

The following table sets forth the amortized cost and fair value of our securities portfolio (excluding FHLB of Cincinnati common stock) at the dates indicated.

	At September 30,					
	2021		2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)					
Investments available for sale:						
REMICs	$ 415,149	$ 416,241	$ 441,419	$ 447,203	$ 544,042	$ 541,042
Fannie Mae certificates	5,393	5,542	5,965	6,235	6,563	6,822
Total investment securities available for sale	$ 420,542	$ 421,783	$ 447,384	$ 453,438	$ 550,605	$ 547,864

Portfolio Maturities and Yields. The composition and maturities of our securities portfolio at September 30, 2021 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. There were no securities with a maturity of one year or less. All of our securities at September 30, 2021 were taxable securities.

	More than One Year Through Five years		More than Five Years Through Ten Years		More than Ten Years		Total Securities		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)								
Investments available for sale:									
REMICs	$ 14,304	1.91 %	$ 33,580	1.02 %	$ 367,265	0.90 %	$ 415,149	$416,241	0.94 %
Fannie Mae certificates	4,069	1.57 %	1,324	6.28 %	—	— %	5,393	5,542	2.73 %
Total investment securities available for sale	$ 18,373	1.83 %	$ 34,904	1.22 %	$ 367,265	0.90 %	$ 420,542	$421,783	0.96 %

Sources of Funds

General. Deposits traditionally have been the primary source of funds for the Association's lending and investment activities. The Association also borrows, primarily from the FHLB of Cincinnati and the FRB-Cleveland Discount Window, to supplement cash flow, to lengthen the maturities of liabilities for interest rate risk management purposes and to manage its cost of funds. Additional sources of funds are scheduled loan payments, maturing investments, loan prepayments, collateralized wholesale borrowings, income on other earning assets, the proceeds from loan sales, and brokered CDs. As a result of favorable market conditions, proceeds from loan sales increased significantly during fiscal 2020 and 2021 and allowed for the retirement of some FHLB of Cincinnati borrowings.

Deposits. The Association obtains deposits primarily from the areas in which its branch offices are located, as well as from its customer service call center, its internet website, and from brokered CDs. It relies on its competitive pricing, convenient locations, and customer service to attract and retain its non-brokered deposits. It offers a variety of retail deposit accounts with a range of interest rates and terms. Its retail deposit accounts consist of savings accounts, money market accounts, checking accounts, CDs, individual retirement accounts, and other qualified plan accounts.

Interest rates paid, maturity terms, service fees, and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements, interest rates paid by competitors, and our deposit growth goals.

At September 30, 2021, deposits totaled $8.99 billion. Checking accounts totaled $1.13 billion (including $1.03 billion of interest-bearing checking accounts) and savings accounts totaled $1.83 billion (including $1.73 billion of higher yield savings accounts and MMK). At September 30, 2021, the Association had a total of $6.03 billion in CDs (including $492.0 million of brokered CDs), of which $3.47 billion had remaining maturities of one year or less. Based on historical experience and its current pricing strategy, management believes the Association will retain a large portion of these accounts upon maturity.

The following table sets forth the distribution of the Association's average total deposit accounts, by account type, for the fiscal years indicated.

	For the Years Ended September 30,								
	2021			2020			2019		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
				(Dollars in thousands)					
Deposit type:									
Checking	$1,079,699	11.8 %	0.11 %	$ 917,552	10.1 %	0.16 %	$ 881,233	10.2 %	0.36 %
Savings	1,742,042	19.0 %	0.17 %	1,530,977	16.9 %	0.51 %	1,381,646	16.0 %	0.85 %
Certificates of deposit	6,339,412	69.2 %	1.47 %	6,621,289	73.0 %	1.98 %	6,388,905	73.8 %	2.01 %
Total deposits	$9,161,153	100.0 %	1.06 %	$9,069,818	100.0 %	1.55 %	$8,651,784	100.0 %	1.66 %

The following table sets forth the distribution of the Association's total deposit accounts, by account type, at September 30, 2021.

	At September 30, 2021		
	Balance	Percent	Weighted Average Cost of Funds
		(Dollars in thousands)	
Deposit type			
Interest Bearing:			
Checking	$ 1,132,910	12.6 %	0.09 %
Savings accounts, excluding money market accounts	1,263,309	14.0 %	0.12 %
Money market accounts	563,931	6.3 %	0.19 %
Certificates of deposit, including accrued interest	6,033,455	67.1 %	1.26 %
Total Deposits	$ 8,993,605	100.0 %	0.89 %

As of September 30, 2021, the aggregate amount of the Association's outstanding CDs in amounts greater than or equal to $100,000 was approximately $3.16 billion. The following table sets forth the maturity of those CDs as of September 30, 2021.

	At September 30, 2021
	(In thousands)
Three months or less	$ 826,141
Over three months through six months	503,271
Over six months through one year	509,908
Over one year to three years	1,060,171
Over three years	256,313
Total	$ 3,155,804

Borrowings. At September 30, 2021, the Association had $3.09 billion of borrowings from the FHLB of Cincinnati. During the fiscal year ended September 30, 2021, the Association's only third-party borrowings consisted of loans, commonly referred to as "advances," from the FHLB of Cincinnati. Borrowings from the FHLB of Cincinnati are secured by the

Association's investment in the common stock of the FHLB of Cincinnati as well as by a blanket pledge of its mortgage portfolio not otherwise pledged. Our current, maximum borrowing capacity with the FHLB of Cincinnati is $7.43 billion. Based on the amount of collateral that is subject to the blanket pledge that secures advances, in addition to the existing available capacity, our capacity limit for additional borrowings from the FHLB of Cincinnati at September 30, 2021 was $4.34 billion. The ability to borrow from the FRB-Cleveland Discount Window is also available to the Association and is secured by a pledge of specific loans in the Association's mortgage portfolio. At September 30, 2021, the Association had the capacity to borrow up to $245.7 million from the FRB-Cleveland and had no amount outstanding as of that date.

The Association has utilized borrowings from the FHLB of Cincinnati to manage its on-balance sheet liquidity, to replace maturing, high rate CDs at a lower cost and to lengthen the maturity of our funding through the use of interest rate swaps discussed in Note *17. DERIVATIVE INSTRUMENTS* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.*

The following tables sets forth information relating to a category of short-term borrowings for which the average balance outstanding during the period was at least 30% of shareholders' equity at the end of each period shown. There were no FHLB borrowings 30 days and under during fiscal year 2021.

	At or For the Fiscal Years Ended September 30,	
	2020	2019
	(Dollars in thousands)	
FHLB borrowings (30 days and under):		
Balance at end of year	$ —	$ 500,000
Maximum outstanding at any month-end	$ 440,000	$1,149,000
Average balance during year	$ 180,916	$ 724,396
Average interest rate during the fiscal year	1.38 %	2.39 %
Weighted average interest rate at end of year	— %	2.24 %

	At or For the Fiscal Years Ended September 30,		
	2021	2020	2019
	(Dollars in thousands)		
FHLB borrowings (90 days):			
Balance at end of year	$2,450,000	$2,975,000	$2,750,000
Maximum outstanding at any month-end	$2,925,000	$3,075,000	$3,180,000
Average balance during year	$2,693,533	$2,893,540	$2,277,910
Average interest rate during the fiscal year	0.23 %	1.12 %	2.44 %
Weighted average interest rate at end of year	0.23 %	0.28 %	2.22 %

A maturity schedule, according to U.S. GAAP, for FHLB borrowings is shown in Note *10. BORROWED FUNDS* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.* The following table sets forth the effective maturity of FHLB borrowings, ignoring the impact of deferred penalties and interest rate swaps discussed in Note *17. DERIVATIVE INSTRUMENTS* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*. Interest rate swaps are used to extend the duration of our liabilities, and when taking into consideration the balance of both the FHLB borrowings and the associated swap transactions hedging those borrowings, the weighted average cost of funds as of September 30, 2021 was 1.82%.

	At September 30, 2021		
	Balance	**Percent**	**Weighted Average Cost of Funds**
		(Dollars in thousands)	
Borrowings			
Maturing in:			
12 months or less	$ 900,000	29.1 %	1.90 %
13 to 36 months	875,703	28.3 %	1.68 %
37 months or more	1,314,679	42.6 %	1.86 %
Total Borrowings	$ 3,090,382	100.0 %	1.82 %

Federal Taxation

General. The Company and the Association are subject to federal income taxation in the same general manner as other corporations, with certain exceptions. Prior to the completion of our initial public stock offering on April 20, 2007, the Company and the Association were included as part of Third Federal Savings, MHC's consolidated tax group. However, upon completion of the offering, the Company and the Association were no longer a part of Third Federal Savings, MHC's consolidated tax group because Third Federal Savings, MHC no longer owned at least 80% of the common stock of the Company. As a result of the Company's stock repurchase program which reduced the number of outstanding shares of the Company, at September 30, 2021, Third Federal Savings, MHC, owned 80.89% of the common stock of the Company and the Company and the Association can, again, be a part of Third Federal Savings, MHC's consolidated tax group. Beginning on September 30, 2007 and for each subsequent fiscal year thereafter, the Company has filed consolidated tax returns with the Association and Third Capital Inc., its wholly-owned subsidiaries.

The following discussion of federal taxation is intended only to summarize certain pertinent federal income tax matters and is not a comprehensive description of the tax rules applicable to the Company or its subsidiaries.

Bad Debt Reserves. Historically, the Third Federal Savings, MHC consolidated group used the specific charge-off method to account for bad debt deductions for income tax purposes, and the Company has used and intends to use the specific charge-off method to account for tax bad debt deductions in the future.

Taxable Distributions and Recapture. Prior to 1996, bad debt reserves created prior to 1988 were subject to recapture into taxable income if the Association failed to meet certain thrift asset and definitional tests or made certain distributions. Tax law changes in 1996 eliminated thrift-related recapture rules. However, under current law, pre-1988 tax bad debt reserves remain subject to recapture if the Association makes certain non-dividend distributions, repurchases any of its common stock, pays dividends in excess of earnings and profits, or fails to qualify as a bank for tax purposes.

At September 30, 2021, the total federal pre-base year bad debt reserve of the Association was approximately $105.0 million.

State Taxation

Following its initial public stock offering in 2007, the Company converted from a qualified passive investment company domiciled in the State of Delaware to a qualified holding company in Ohio. The Third Federal Savings, MHC consolidated group is subject to the Ohio Financial Institutions Tax. The Financial Institutions Tax is based on total equity capital apportioned to Ohio using a single gross receipts factor. Ohio equity capital is taxed at a three-tiered rate of 0.8% on the first $200 million, 0.4% on amounts greater than $200 million and less than or equal to $1.3 billion, and 0.25% on amounts greater than $1.3 billion.

SUPERVISION AND REGULATION

General

The Company is a savings and loan holding company, and is required to file certain reports with, is subject to examination by, and otherwise must comply with the rules and regulations of, the FRS. The Company is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

The Association is a federal savings association that is currently examined and supervised by the OCC and the CFPB, and is subject to examination by the FDIC under certain circumstances. This regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the FDIC's deposit insurance fund and depositors. Under this system of federal regulation, financial institutions are periodically examined to ensure that they satisfy applicable standards with respect to their capital adequacy, assets, management, earnings, liquidity and sensitivity to market risk. Following completion of its examination, the federal agency critiques the institution's operations and assigns its rating (known as an institution's CAMELS rating). Under federal law, an institution may not disclose its CAMELS rating to the public. The Association also is a member of and owns stock in the FHLB of Cincinnati, which is one of the eleven regional banks in the FHLB System. The Association is also regulated to a lesser extent by the FRS, governing reserves to be maintained against deposits and other matters. The OCC will examine the Association and prepare reports for the consideration of the Association's Board of Directors on any operating deficiencies. The CFPB has examination and enforcement authority over the Association with respect to consumer protection laws and regulations. The Association's relationship with its depositors and borrowers also is regulated to a great extent by federal law and, to a much lesser extent, state law, especially in matters concerning the ownership of deposit accounts and the form and content of the Association's mortgage documents.

Any change in these laws or regulations, whether by the FDIC, OCC, FRS, CFPB or Congress, could have a material impact on the Company, the Association, and their operations.

Certain statutes and regulations of the regulatory requirements that are applicable to the Association and the Company 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 the Association and the Company, and is qualified in its entirety by reference to the actual statutes and regulations.

Federal Banking Regulation

Business Activities. A federal savings association derives its lending and investment powers from the Home Owners' Loan Act, as amended, and federal regulations. Under these laws and regulations, the Association may invest in mortgage loans secured by residential real estate without limitations as a percentage of assets, and may invest in non-residential real estate loans up to 400% of capital in the aggregate. The Association may also invest in commercial business loans up to 20% of assets in the aggregate and consumer loans up to 35% of assets in the aggregate, and in certain types of debt securities and certain other assets. An association may also establish subsidiaries that may engage in certain activities not otherwise permissible for an association, including real estate investment and securities and insurance brokerage.

Effective July 1, 2019, the OCC issued a final rule, pursuant to a provision of the Economic Growth Regulatory Relief and Consumer Protection Act, that permits a federal savings association to elect to exercise national bank powers without converting to a national bank charter. Among other things, the election allows a federal savings association to engage in commercial and commercial real estate lending without the aggregate limits applicable to federal savings associations. By exercising the election, the federal savings association also becomes subject to many of the same duties, restrictions, liabilities, conditions and limitations applicable to national banks, some of which are more restrictive than those applicable to federal savings associations. A federal savings association making the election retains its federal savings association charter and continues to be treated as a federal savings association for purposes of corporate governance. The election is available to federal savings associations that had total consolidated assets of $20 billion or less as of December 31, 2017. The Association has not exercised the election as of September 30, 2021.

Capital Requirements. Federal regulations require FDIC insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets ratio, and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the DFA.

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 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). The Association exercised its opt-out election during the first quarter of calendar 2015. 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, all 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.

Federal savings associations must also meet a statutory "tangible capital" standard of 1.5% of total adjusted assets. Tangible capital is generally defined as Tier 1 capital for this purpose.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% in addition to the minimum capital requirements. The capital conservation buffer requirement was phased in and was fully implemented at 2.5% on January 1, 2019. At September 30, 2021, the Association exceeded the fully phased in regulatory requirement for the "capital conservation buffer". In assessing an institution's capital adequacy, the OCC takes into consideration, not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary. As presented in Note *3. REGULATORY MATTERS* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*, at September 30, 2021, the Association exceeded all regulatory capital requirements to be considered "Well Capitalized".

Loans-to-One Borrower. Generally, a federal savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of September 30, 2021, the Association was in compliance with the loans-to-one borrower limitations.

Qualified Thrift Lender Test. As a federal savings association, the Association must satisfy the qualified thrift lender test. Under the QTL test, the Association must maintain at least 65% of its "portfolio assets" in "qualified thrift investments" (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of the most recent 12-month period. "Portfolio assets" generally means total assets of a savings institution, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings association's business.

The Association also may satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code.

A savings association that fails the qualified thrift lender test must operate under specified restrictions. Under the DFA, non-compliance with the QTL test may subject the Association to agency enforcement action for a violation of law. At September 30, 2021, the Association satisfied the QTL test.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the capital account. A federal savings association must file an application with the OCC for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings association's net income for that year to date plus the savings association's retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;

- the distribution would violate any applicable statute, regulation, agreement or condition imposed by a regulator; or
- the savings association is not eligible for expedited treatment of its filings.

Regardless of whether an application is required, every savings association that is a subsidiary of a holding company must still file a notice with the FRS at least 30 days before the board of directors declares a dividend or approves a capital distribution.

The OCC and the FRS have established similar criteria for approving an application or notice, and may disapprove an application or notice if:

- the savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if the institution would be undercapitalized after the distribution.

The Association, in compliance with the preceding requirements, paid a $55 million cash dividend to the Company during the fiscal year ended September 30, 2021, a $57 million cash dividend to the Company during the fiscal year ended September 30, 2020 and an $85 million cash dividend to the Company during the fiscal year ended September 30, 2019. There was a $16 million dividend paid to the Company by Third Capital during the fiscal year ended September 30, 2020, but there were no dividends paid to the Company by Third Capital during the fiscal years ended September 30, 2021 or 2019.

The Company's seventh stock repurchase program, for the repurchase of 10,000,000 shares of its common stock, was announced on July 30, 2015 and completed January 6, 2017. The eighth stock repurchase program, also for 10,000,000 shares, was announced on October 27, 2016 and began on January 6, 2017.

Under current FRS regulations, Third Federal Savings, MHC is required to obtain the approval of its members (depositors and certain loan customers of the Association) every 12 months to enable Third Federal Savings, MHC to waive its right to receive dividends on the Company's common stock that Third Federal Savings, MHC owns. Third Federal Savings, MHC has received this approval of its members at meetings held July 13, 2021, July 14, 2020, July 16, 2019, July 11, 2018, July 19, 2017, July 26, 2016 and August 5, 2015. Third Federal Savings, MHC has the approval to waive the receipt of up to a total of $1.13 per share of dividends from the Company over the four quarterly periods ending June 30, 2022. Third Federal Savings, MHC waived its right to receive a $0.2825 per share dividend payment on September 21, 2021. As a result of the 2020, 2019, 2018, 2017, 2016 and 2015 approvals, Third Federal Savings, MHC previously waived its right to receive four separate $0.28 per share dividend payments during the four quarterly periods ended June 30, 2021, two separate $0.27 per share dividend payments, two separate $0.28 per share dividend payments during the four quarterly periods ended June 30, 2020, four separate $0.25 per share dividend payments during the four quarterly periods ended June 30, 2019, four separate $0.17 per share dividend payments during the four quarterly periods ended June 30, 2018, four separate $0.125 per share dividend payments during the four quarterly periods ended June 30, 2017 and four separate $0.10 per share dividend payments during the four quarterly periods ending June 30, 2016.

Liquidity. A federal savings association is required to identify, measure, monitor and control its funding and liquidity risk and maintain a sufficient amount of liquid assets to ensure its safe and sound operation. The Association maintains a liquid asset portfolio comprised of agency securities that are collateralized by mortgages, in addition to cash and cash equivalents, to maintain sufficient liquidity to fund business operations.

Community Reinvestment Act and Fair Lending Laws. All savings associations have a responsibility under the Community Reinvestment Act and federal regulations to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In connection with its examination of a federal savings association, the OCC is required to assess the savings association's record of compliance with the Community Reinvestment Act. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches, mergers, minority stock offerings or second-step conversion, or in restrictions on its activities. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice.

The Association received a "Needs to Improve" Community Reinvestment Act rating in its most recent federal evaluation dated February 24, 2020 and received in January 2021.

In June 2020, the OCC issued amendments to its Community Reinvestment Act regulations. The final rule clarifies and expands the activities that qualify for Community Reinvestment Act credit, updates where activities count for such credit and, according to the agency, seeks to create a more consistent and objective method for evaluating Community Reinvestment Act performance. The final rule was effective October 1, 2020 but the Association is not required to be compliant with applicable revised requirements until January 1, 2023. In May 2021, the OCC indicated that it was reconsidering the June 2020 amendments and would not object to the suspension of development of compliance systems for the January 1, 2023 date. Most recently, in July 2021, the OCC, along with the FRB and FDIC, announced plans to jointly work to "strengthen and modernize" the CRA regulations and the related regulatory framework. No timetable for a rule making process was indicated.

Transactions with Related Parties. A federal savings association's authority to engage in transactions with its affiliates is limited by FRS regulations and by Sections 23A and 23B of the FRS Act and its implementing Regulation W. An affiliate is a company that controls, is controlled by, or is under common control with an insured depository institution such as the Association. Third Federal Savings, MHC and the Company are affiliates of the Association. In general, loan transactions between an insured depository institution and its affiliates are subject to certain quantitative and collateral requirements. In this regard, transactions between an insured depository institution and its affiliates are limited to 10% of the institution's unimpaired capital and unimpaired surplus for transactions with any one affiliate and 20% of unimpaired capital and unimpaired surplus for transactions in the aggregate with all affiliates. Collateral in specified amounts ranging from 100% to 130% of the amount of the transaction must be provided by affiliates in order to receive loans from the savings association. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates. Savings associations are required to maintain detailed records of all transactions with affiliates.

The Association's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the FRS Act and Regulation O of the FRS. Among other things, these provisions require that extensions of credit to insiders:

(i) subject to certain exceptions for loan programs made available to all employees, be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and

(ii) do not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Association's capital.

In addition, extensions of credit in excess of certain limits must be approved by the Association's Board of Directors.

Enforcement. The OCC has primary enforcement responsibility over federal savings associations and has the authority to bring enforcement action against all "institution-affiliated parties," including shareholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order, to removal of officers and/or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1 million per day. The FDIC also has the authority to terminate deposit insurance or to recommend to the OCC that enforcement action be taken with respect to a particular savings institution. If action is not taken by the OCC, the FDIC has authority to take action under specified circumstances.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems, audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. The federal banking agencies adopted Interagency Guidelines Prescribing Standards for Safety and Soundness to implement the safety and soundness standards required under federal law. 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 appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to submit a compliance plan.

Prompt Corrective Action Regulations. Under the prompt corrective action regulations, the OCC is required and authorized to take supervisory actions against undercapitalized savings associations. For this purpose, a savings association is placed in one of the following five categories based on the savings association's capital:

- well capitalized (at least 5% leverage capital, 8% Tier 1 risk-based capital, 10% total risk-based capital, and 6.5% common equity Tier 1 ratios, and is not subject to any written agreement, order, capital directive or prompt corrective action directive issued under certain statutes and regulations, to maintain a specific capital level for any capital measure);
- adequately capitalized (at least 4% leverage capital, 6% Tier 1 risk-based capital, 8% total risk-based capital and 4.5% common equity Tier 1 ratios);
- undercapitalized (less than 4% leverage capital, 6% Tier 1 risk-based capital, 8% total risk-based capital, or 4.5% common equity Tier 1 ratios);
- significantly undercapitalized (less than 3% leverage capital, 4% Tier 1 risk-based capital, 6% total risk-based capital or 3% common equity Tier 1 ratios); and
- critically undercapitalized (less than or equal to 2% tangible capital to total assets).

The previously referenced final rule that strengthened regulatory capital requirements and was effective January 1, 2015, also adjusted the prompt corrective actions categories to incorporate the new standards, as reflected above.

Generally, the banking regulator is required to appoint a receiver or conservator for a savings association that is "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the OCC within 45 days of the date a savings association receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." The criteria for an acceptable capital restoration plan include, among other things, the establishment of the methodology and assumptions for attaining adequately capitalized status on an annual basis, procedures for ensuring compliance with restrictions imposed by applicable federal regulations, the identification of the types and levels of activities the savings association will engage in while the capital restoration plan is in effect, and assurances that the capital restoration plan will not appreciably increase the current risk profile of the savings association. Any holding company for a savings association required to submit a capital restoration plan must guarantee the lesser of an amount equal to 5% of the savings association's assets at the time it was notified or deemed to be undercapitalized by the OCC, or the amount necessary to restore the savings association to adequately capitalized status. This guarantee remains in place until the OCC notifies the savings association that it has maintained adequately capitalized status for each of four consecutive calendar quarters, and the OCC has the authority to require payment and collect payment under the guarantee. Failure by a holding company to provide the required guarantee will result in certain operating restrictions on the savings association, such as restrictions on the ability to declare and pay dividends, pay executive compensation and management fees, and increase assets or expand operations. The OCC may also take any one of a number of discretionary supervisory actions against undercapitalized associations, including the issuance of a capital directive and the replacement of senior executive officers and directors.

As of September 30, 2021, the Association exceeded all regulatory requirements to be considered "Well Capitalized" as presented in the table below (dollar amounts in thousands).

	Actual		Required (Well Capitalized)	
	Amount	Ratio	Amount	Ratio
Total Capital to Risk Weighted Assets	$ 1,629,192	21.00 %	$ 775,796	10.00 %
Tier 1 (Leverage) Capital to Net Average Assets	1,585,124	11.15 %	710,939	5.00 %
Tier I Capital to Risk-Weighted Assets	1,585,124	20.43 %	620,637	8.00 %
Common Equity Tier I to Risk-Weighted Assets	1,585,124	20.43 %	504,268	6.50 %

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC-insured depository institutions such as the Association. Deposit accounts in the Association are insured by the FDIC, generally up to a maximum of $250,000 per separately insured depositor.

The FDIC charges insured depository institutions assessments to maintain the Deposit Insurance Fund. The FDIC bases its assessments on each institution's total assets less Tier 1 capital, with an assessment schedule based on perceived risk to the Deposit Insurance Fund. Institutions with over $10 billion of total assets, such as the Association, are classified for assessment purposes as "Large Institutions". Such Large Institutions are generally subject to a pricing system that includes a separate "scorecard" methodology designed to measure risk to the fund. In conjunction with the FDIC Deposit Insurance Fund's reserve ratio reaching 1.15%, the assessment range for Large Institutions (inclusive of adjustments specified by the FDIC) was lowered

to 1.5 to 40 basis points, effective July 1, 2016. In addition, "Large Institutions" were assessed a surcharge required by the DFA until the earlier of the Deposit Insurance Fund reaching 1.35% or December 31, 2018. The surcharge was 4.5 basis points of the Large Institution's "surcharge base," which is generally its regular assessment base reduced by $10 billion. The FDIC announced that the 1.35% ratio was reached as of September 30, 2018 and the surcharge ended with payment of the December 31, 2018 invoice. As of June 30, 2020, the FDIC announced that the ratio had declined to 1.30% largely due to economic consequences of the COVID-19 pandemic. The FDIC adopted a plan to restore the Insurance Fund ratio to 1.35% within eight years but has not changed its assessment schedule.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The Association does not believe that it is taking, or is subject to, any action, condition or violation that could lead to termination of its deposit insurance.

Prohibitions Against Tying Arrangements. Federal savings associations are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Federal Home Loan Bank System. The Association is a member of the FHLB System, which consists of 11 regional FHLBs. The FHLB System provides a central credit facility primarily for member institutions. As a member of the FHLB of Cincinnati, the Association is required to acquire and hold shares of capital stock in the FHLB.

As of September 30, 2021, outstanding borrowings (including accrued interest) from the FHLB of Cincinnati were $3.09 billion and the Association was in compliance with the stock investment requirement.

Other Regulations

Interest and other charges collected or contracted for by the Association are subject to state usury laws and federal laws concerning interest rates. The Association's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, 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, 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 the Association also are subject to:

- 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;
- The 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;
- The 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 those images, the same legal standing as the original paper check;
- Title III of The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (referred to as the "USA PATRIOT Act"), which significantly expanded the responsibilities of financial institutions, including savings associations, in preventing the use of the U.S. financial system to fund terrorist activities. Among other provisions, the USA PATRIOT Act and the related regulations of the OCC require savings associations operating in the United States to develop new anti-money laundering compliance programs, due diligence

policies and controls to ensure the detection and reporting of money laundering. Such compliance programs are intended to supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control Regulations; and

- The Gramm-Leach-Bliley Act, which placed limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

General. Third Federal Savings, MHC, and the Company are non-diversified savings and loan holding companies within the meaning of the Home Owners' Loan Act. As such, Third Federal Savings, MHC and the Company are registered with the FRS and subject to FRS regulations, examinations, supervision and reporting requirements. In addition, the FRS has enforcement authority over Third Federal Savings, MHC and the Company. Among other things, this authority permits the FRS to restrict or prohibit activities that are determined to be a serious risk to the Association. As federal corporations, Third Federal Savings, MHC and the Company are generally not subject to state business organization laws.

Permitted Activities. Pursuant to Section 10(o) of the Home Owners' Loan Act and FRS regulations, a mutual holding company, such as Third Federal Savings, MHC and its mid-tier company, the Company, may, with appropriate regulatory approval, engage in the following activities:

(i) investing in the stock of a savings association;

(ii) acquiring a mutual association through the merger of such association into a savings association subsidiary of the Company or an interim savings association subsidiary of the Company;

(iii) merging with or acquiring another holding company, one of whose subsidiaries is a savings association;

(iv) investing in a corporation, the capital stock of which is available for purchase by a savings association under federal law or under the law of any state where the subsidiary savings association has its home offices;

(v) furnishing or performing management services for a savings association subsidiary of such company;

(vi) holding, managing or liquidating assets owned or acquired from a savings association subsidiary of such company;

(vii) holding or managing properties used or occupied by a savings association subsidiary of such company;

(viii) acting as trustee under deeds of trust;

(ix) any other activity:

(A) that the FRS, by regulation, has determined to be permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956, unless the FRS, by regulation, prohibits or limits any such activity for savings and loan holding companies; or

(B) in which multiple savings and loan holding companies were authorized (by regulation) to directly engage on March 5, 1987;

(x) if the savings and loan holding company meets the criteria to qualify as a financial holding company, any activity permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act, including securities and insurance underwriting; and

(xi) purchasing, holding, or disposing of stock acquired in connection with a qualified stock issuance if the purchase of such stock by such savings and loan holding company is approved by the FRS. If a mutual holding company acquires or merges with another holding company, the holding company acquired or the holding company resulting from such merger or acquisition may only invest in assets and engage in activities listed in (i) through (x) above, and has a period of two years to cease any nonconforming activities and divest any nonconforming investments.

The Home Owners' Loan Act prohibits a savings and loan holding company, such as the Company, from directly or indirectly acquiring more than 5% of a class of voting securities of, or acquiring "control" as defined in FRS regulations of, another savings institution or savings and loan holding company, without prior written approval of the FRS. It also prohibits the acquisition or retention of, with certain exceptions, more than 5% of a non-subsidiary company engaged in activities other than those permitted by the Home Owners' Loan Act or acquiring or retaining control of an institution that is not federally insured. In evaluating applications by holding companies to acquire savings institutions, the FRS must consider the financial

and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

The FRS is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

(i) the approval of interstate supervisory acquisitions by savings and loan holding companies; and

(ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

Capital. Savings and loan holding companies were historically not subject to specific regulatory capital requirements. The DFA, however, required the FRS to promulgate consolidated capital requirements for all depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to depository institutions themselves. Instruments such as cumulative preferred stock and trust preferred securities could no longer be included as Tier 1 capital, as was previously permitted for bank holding companies.

The previously discussed final rule regarding regulatory capital requirements, effective in 2015, implemented the directive as to savings and loan holding companies. Consolidated regulatory capital requirements identical to those applicable to the subsidiary depository institutions generally applied to savings and loan holding companies as of January 1, 2015. As is the case with institutions themselves, the capital conservation buffer was phased in between 2016 and 2019.

Dividends and Repurchases. The FRS has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies that it has made applicable to savings and loan holding companies as well. 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 review of capital distributions 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, the proposed dividend is not covered by earnings for the period for which it is being paid 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 restricted if a subsidiary depository institution becomes undercapitalized. The policy statement also provides for regulatory review prior to a holding company redeeming or repurchasing regulatory capital instruments when the holding company is experiencing financial weaknesses or redeeming or repurchasing common stock or perpetual preferred stock that would result in a net reduction as of the end of a quarter in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies could affect the ability of the Company to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Source of Strength. The DFA extended the “source of strength” doctrine, which has traditionally been applicable to bank holding companies, was extended to savings and loan holding companies as well. The FRS has issued regulations requiring that all savings and loan holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Waivers of Dividends by Third Federal Savings, MHC. Federal regulations require Third Federal Savings, MHC to notify the FRS of any proposed waiver of its receipt of dividends from the Company. The OTS, the previous regulator for Third Federal Savings, MHC, allowed dividend waivers provided the mutual holding company’s Board of Directors determined that the waiver was consistent with its fiduciary duties and the waiver would not be detrimental to the safety and soundness of its subsidiary institution. In February 2008, the Company declared its first quarterly dividend and Third Federal Savings, MHC waived its right to receive each dividend paid by the Company. Section 625(a) of DFA preserved, for mutual holding companies, including Third Federal Savings, MHC, that had reorganized into mutual holding company form, issued minority stock and waived dividends prior to December 1, 2009, the right to waive dividends if the waiver was not detrimental to the safe and sound operation of the savings association and the board of directors expressly determines that the waiver is consistent with the fiduciary duties of the board to the mutual members of the mutual holding company. However, on August 12, 2011, the FRS issued an interim final rule that added a requirement that a majority of the mutual holding company’s members eligible to vote must approve a dividend waiver by a mutual holding company within 12 months prior to the declaration of the dividend being waived. On July 13, 2021, Third Federal Savings, MHC received the approval of its members (depositors and certain loan customers of the Association) with respect to the waiver of dividends, and subsequently received the non-objection of the FRB-Cleveland, to waive receipt of dividends on the Company’s common stock the MHC owns up to a total of $1.13 per share during the four quarterly periods ending June 30, 2022. Third Federal Savings, MHC previously received the approval of its members at: (1) a July 14, 2020 meeting to waive dividends of up to a total of $1.12 per share during the four quarterly periods ended June 30, 2021, (2) a July 16, 2019 meeting to waive receipt of dividends up to a total of

$1.10 per share during the four quarterly periods ended June 30, 2020; (3) a July 11, 2018 meeting to waive receipt of dividends up to a total of $1.00 per share during the four quarterly periods ended June 30, 2019; (4) a July 19, 2017 meeting to waive receipt of dividends up to a total of $0.68 per share during the four quarterly periods ended June 30, 2018; and (5) a July 26, 2016 meeting to waive receipt of dividends up to $0.50 per share during the four quarterly periods ended June 30, 2017.

Conversion of Third Federal Savings, MHC to Stock Form. Federal regulations permit Third Federal Savings, MHC to convert from the mutual form of organization to the capital stock form of organization (a "Conversion Transaction"). There can be no assurance when, if ever, a Conversion Transaction will occur, and the Board of Directors has no current intention or plan to undertake a Conversion Transaction. In a Conversion Transaction, a new stock holding company would be formed as the successor to the Company, Third Federal Savings, MHC's corporate existence would end, and certain depositors of the Association would receive the right to subscribe for additional shares of common stock of the new holding company. In a Conversion Transaction, each share of common stock held by stockholders other than Third Federal Savings, MHC ("Minority Stockholders") would be automatically converted into a number of shares of common stock of the new holding company determined pursuant to an exchange ratio that ensures that Minority Stockholders own the same percentage of common stock in the new holding company as they owned in the Company immediately prior to the Conversion Transaction. Under a provision of the DFA applicable to Third Federal Savings, MHC, Minority Stockholders should not be diluted because of any dividends waived by Third Federal Savings, MHC (and waived dividends should not be considered in determining an appropriate exchange ratio), in the event Third Federal Savings, MHC converts to stock form. Any such Conversion Transaction would require various member and stockholder approvals, as well as regulatory approval.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 and related regulations address, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. We have prepared policies, procedures and systems designed to ensure compliance with these regulations.

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act")

The CARES Act, which became law on March 27, 2020, provided over $2 trillion to combat the coronavirus (COVID-19) and stimulate the economy. The law had several provisions relevant to depository institutions, including:

Allowing institutions not to characterize loan modifications relating to the COVID-19 pandemic as a troubled debt restructuring and also allowing them to suspend the corresponding impairment determination for accounting purposes;

The ability of a borrower of a federally-backed mortgage loan (VA, FHA, USDA, Freddie Mac and Fannie Mae) experiencing financial hardship due, directly or indirectly, to the COVID-19 pandemic to request forbearance from paying their mortgage by submitting a request to the borrower's servicer affirming their financial hardship during the COVID-19 emergency. Such a forbearance could be granted for up to 180 days, subject to extension for an additional 180-day period upon the request of the borrower. During that time, no fees, penalties or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the mortgage contract will accrue on the borrower's account. Except for vacant or abandoned property, the servicer of a federally backed mortgage was prohibited from taking any foreclosure action, including any eviction or sale action, for not less than the 60-day period beginning March 18, 2020, subsequently extended several times by federal mortgage-backing agencies, most recently to at least September 30, 2021.

Human Capital Resources

At September 30, 2021, we employed 1,005 associates, nearly all of whom are full-time and of which approximately 76% are women. At September 30, 2020, we employed 1,000 associates. As a financial institution, approximately 36% of our associates are employed at our branch and loan production offices, and another 12% are employed at our customer care call center. The success of our business is highly dependent on our associates, who provide value to our customers and communities through their dedication to our mission, helping customers achieve the American dream of home ownership and financial security. Our workplace culture is grounded in a set of core values – love (a genuine concern for others), trust, respect, a commitment to excellence and a little bit of fun – which is lived out daily in our work. We seek to hire well-qualified associates who are also a good fit for our value system. Our selection and promotion processes are without bias and include the active recruitment of minorities and women.

We encourage and support the growth and development of our associates and, wherever possible, seek to fill positions by promotion and transfer from within the organization. Continual learning and career development is advanced through quarterly performance and development conversations between associates and their managers, internally developed training programs, customized corporate training engagements and educational reimbursement programs. Reimbursement is available to associates enrolled in pre-approved degree or certification programs at accredited institutions that teach skills or knowledge relevant to our business, in compliance with Section 127 of the Internal Revenue Code, and for seminars, conferences, and other training events associates attend in connection with their job duties.

The safety, health and wellness of our associates is a top priority. The COVID-19 pandemic presented a unique challenge with regard to maintaining associate safety while continuing successful operations. At the onset of the pandemic, we were able to transition, over a short period of time, 75% of our associates to effectively working from remote locations and ensure a safely-distanced working environment for associates performing customer facing activities or working on-site at branches and operations centers. During fiscal year 2021, our associates who weren't already working onsite full-time, have returned to working hybrid schedules split between on-site and remote locations. In 2020, all of our branch and most of our customer care associates were working onsite full-time. All associates are asked not to come to work when they experience signs or symptoms of a possible COVID-19 illness and have been provided additional paid time off to cover compensation during such absences. On an ongoing basis, we further promote the health and wellness of our associates by strongly encouraging work-life balance, offering flexible work schedules, keeping the associate portion of health care premiums to a minimum and sponsoring various wellness programs, whereby associates are compensated for incorporating healthy habits into their daily routines.

Associate retention helps us operate efficiently and achieve one of our business objectives, which is being a low-cost provider. We believe our commitment to living out our core values, actively prioritizing concern for our associates' well-being, supporting our associates' career goals, offering competitive wages and providing valuable fringe benefits aids in retention of our top-performing associates. In addition, nearly all of our associates are stockholders of the Company through participation in our Associate Stock Ownership Plan, which aligns associate and stockholder interests by providing stock ownership on a tax-deferred basis at no investment cost to our associates. At September 30, 2021, 38% of our current staff had been with us for fifteen years or more.

Item 1A. Risk Factors

Risks Related to the COVID-19 Pandemic

The economic impact of the COVID-19 outbreak could adversely affect our financial condition and results of operations.

The COVID-19 pandemic has caused significant economic disruption in the United States, resulting in an unprecedented slow-down in economic activity and a related increase in unemployment. In response to the COVID-19 outbreak, the Federal Reserve has reduced the benchmark fed funds rate to a target range of 0% to 0.25%, and the yields on 10- and 30-year treasury notes have declined to historic lows. Various state governments and federal agencies have required lenders to provide forbearance and other relief to borrowers (e.g., waiving late payment and other fees). The federal banking agencies have encouraged financial institutions to prudently work with affected borrowers and recently passed legislation has provided relief from reporting loan classifications due to modifications related to the COVID-19 outbreak. Finally, the spread of COVID-19 has caused us to modify our business practices, including associate travel, associate work locations, and cancellation of physical participation in meetings, events and conferences. We have many associates working hybrid schedules and may take further actions as may be required by government authorities or that we determine are in the best interests of our associates, customers and business partners. We did not participate in, or offer loans, as part of the Payroll Protection Program.

Given that we employ more than 100 associates, we are subject to the federal vaccination mandate that is currently proposed to be implemented January 4, 2022. The mandate requires our associates to show proof they have been fully vaccinated or provide a COVID-19 test at least once a week. It is difficult to predict the full impact this mandate, if implemented, on our business and operations. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and when and how the economy may be reopened to pre-pandemic levels. As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline, making it difficult to grow assets and income;
- if the economy is unable to remain substantially reopen, and high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- our allowance for credit losses may have to be increased if borrowers experience financial difficulties beyond forbearance periods, which will adversely affect our net income;
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;
- as the result of the decline in the Federal Reserve Board's target federal funds rate to near 0%, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities, reducing our net interest margin and spread and reducing net income;
- a material decrease in net income or a net loss over several quarters could result in a decrease in the rate of our quarterly cash dividend,
- our cyber security risks are increased as the result of an increase in the number of associates working remotely;
- the unanticipated loss or unavailability of key associates due to the outbreak, which could harm our ability to operate our business or execute our business strategy, especially as we may not be successful in finding and integrating suitable successors;
- we rely on third party vendors for certain services and the unavailability of a critical service due to the COVID-19 outbreak could have an adverse effect on us; and
- Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs.

Moreover, our future success and profitability substantially depends on the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key associates due to the outbreak could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key associates loss or unavailability.

Risks Related to Laws and Regulations

Changes in laws and regulations and the cost of compliance with new laws and regulations may adversely affect our operations and our income.

We are subject to extensive regulation, supervision and examination by the FRS, the OCC, the CFPB and the FDIC. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify assets, determine the adequacy of a bank's allowance for credit losses and determine the level of deposit insurance premiums assessed. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. Any change in these regulations and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material impact on our operations.

The potential exists for additional federal or state laws and regulations, or changes in policy, affecting lending and funding practices and liquidity standards. Moreover, bank regulatory agencies have been active in responding to concerns and trends identified in examinations, and have issued many formal enforcement orders requiring capital ratios in excess of regulatory requirements. Bank regulatory agencies, such as the FRS, the OCC, the CFPB and the FDIC, govern the activities in which we may engage, primarily for the protection of depositors, and not for the protection or benefit of potential investors. In addition, new laws and regulations may increase our costs of regulatory compliance and of doing business, and otherwise affect our operations. New laws and regulations may significantly affect the markets in which we do business, the markets for and value of our loans and investments, the fees we can charge and our ongoing operations, costs and profitability.

We received a "Needs to Improve" Community Reinvestment Act rating in our most recent federal examination. This could, at a minimum, result in denial of certain corporate applications such as those related to branches, mergers, minority stock offerings or a second-step conversion.

All savings associations have a responsibility under the Community Reinvestment Act and federal regulations to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In connection with its examination of a federal savings association, the OCC is required to assess the savings association's record of compliance with the Community Reinvestment Act. The Association received a "Needs to Improve" Community Reinvestment Act rating in its most recent federal examination that analyzed home mortgage lending data for the period January 1, 2015 through December 31, 2019. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as those related to branches, mergers, minority stock offerings or a second-step conversion, or in restrictions on its activities.

The FRS may require the Company to commit capital resources to support the Association, and we may not have sufficient access to such capital resources.

Federal law requires that a holding company act as a source of financial and managerial strength to its subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the FRS may require a holding company to make capital injections into a troubled subsidiary bank and may charge the holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to attempt to borrow the funds or raise capital. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the Company to make a required capital injection becomes more difficult and expensive and could have an adverse effect on our business, financial condition and results of operations. Moreover, it is possible that we will be unable to borrow funds when we need to do so.

Monetary policies and regulations of the FRS could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the FRS. An important function of the FRS is to regulate the money supply and credit conditions. Among the instruments used by the FRS to implement these objectives are open market purchases and sales of U.S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the FRS have had a significant effect on the operating results of financial institutions in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

Risks Related to our Lending Activities

Our lending activities provide lower interest rates than financial institutions that originate more commercial loans.

Our principal lending activity consists of originating, and essentially all of our loan portfolio consists of, residential real estate mortgage loans. We originate our loans with a focus on limiting credit risk exposure and not necessarily to generate the highest return possible or maximize our interest rate spread. In addition, residential real estate mortgage loans generally have lower interest rates than commercial business loans, commercial real estate loans and consumer loans. As a result, we may generate lower interest rate spreads and rates of return when compared to our competitors who originate more consumer or commercial loans than we do. We intend to continue our focus on residential real estate lending.

Secondary mortgage market conditions could have a material impact on our financial condition and results of operations.

Loan sales provide a significant portion of our non-interest income. In addition to being affected by interest rates, the secondary mortgage markets are also subject to investor demand for residential real estate loans and increased investor yield requirements for these loans. These conditions may fluctuate or worsen in the future. A prolonged period of secondary market illiquidity could have a material adverse effect on our financial condition and results of operations.

If we are required to repurchase mortgage loans that we have previously sold, it would negatively affect our earnings.

We sell mortgage loans in the secondary market under agreements that contain representations and warranties related to, among other things, the origination, characteristics of the mortgage loans and subsequent servicing. We may be required to repurchase mortgage loans that we have sold in cases of borrower default or breaches of these representations and warranties, and we would be subject to increased risk of disputes and repurchase demands as our volume of loan sales increases. If we are required to repurchase mortgage loans or provide indemnification or other recourse, this could significantly increase our costs and thereby affect our future earnings.

Final regulations could restrict our ability to originate and sell loans.

The Consumer Financial Protection Bureau has issued a rule designed to clarify for lenders how they can avoid legal liability under the Dodd-Frank Act, which holds lenders accountable for ensuring a borrower's ability to repay a mortgage. Loans that meet this "qualified mortgage" definition will be presumed to have complied with the new ability-to-repay standard. Under the rule, a "qualified mortgage" loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans);
- interest-only payments;
- negative amortization; and
- terms of longer than 30 years.

Also, to qualify as a "qualified mortgage," a loan must be made to a borrower whose total monthly debt-to-income ratio does not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower on the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments.

In addition, the Dodd-Frank Act requires the regulatory agencies to issue regulations that require securitizers of loans to retain "not less than 5% of the credit risk for any asset that is not a qualified residential mortgage." The regulatory agencies have issued a final rule to implement this requirement. The final rule provides that the definition of "qualified residential mortgage" includes loans that meet the definition of qualified mortgage issued by the Consumer Financial Protection Bureau.

The final rule could have a significant effect on the secondary market for loans and the types of loans we originate, and restrict our ability to make loans. Similarly, the Consumer Financial Protection Bureau's rule on qualified mortgages could limit our ability or desire to make certain types of loans or loans to certain borrowers, which could limit our growth or profitability.

Risks Related to Competitive Matters

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market areas, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, money market funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefit them in attracting business, and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do. Troubled financial institutions may significantly increase the interest rates paid to depositors in pursuit of retail deposits when wholesale funding sources are not available to them. Furthermore, the wide acceptance of Internet-based commerce has resulted in a number of alternative payment processing systems and lending platforms in which banks play only minor roles. Customers can now maintain funds in prepaid debit cards or digital currencies, and pay bills and transfer funds directly without the direct assistance of banks. Our profitability depends upon our continued ability to successfully compete in our market areas. For additional information see PART 1 Item *1. Business-THIRD FEDERAL SAVINGS AND LOAN ASSOCIATION OF CLEVELAND-Competition*.

We continually encounter technological change, and may have fewer resources than many of our larger competitors to continue to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We also may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

Risks Related to Our Operations

Cyber-attacks, other security breaches or failure or interruption of information systems could adversely affect our operations, net income or reputation.

We rely heavily on communications and information systems to conduct our business. We regularly collect, process, transmit and store significant amounts of data and confidential information regarding our customers, associates and others and concerning our own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf.

Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an on-going threat targeting the customers of popular financial entities. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches or due to associate error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses.

If this confidential or proprietary information were to be mishandled, misused or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss.

Although we employ a variety of physical, procedural and technological safeguards to protect this confidential and proprietary information from mishandling, misuse or loss, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur. If mishandling, misuse or loss of the information did occur, the Company would make all commercially reasonable efforts to detect and address any such event. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. As information security risks and cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

We believe that we have not experienced any material breaches.

Customer or associate fraud subjects us to additional operational risks.

Associate errors and associate and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Our loans to individuals and our deposit relationships and related transactions are also subject to exposure to the risk of loss due to fraud and other financial crimes. Misconduct by our associates could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent associate errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Associate errors could also subject us to financial claims for negligence. We have not experienced any material financial losses from associate errors, misconduct or fraud. However, if our internal controls fail to prevent or promptly detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our financial condition and results of operations.

If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected.

Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including credit, liquidity, operational, regulatory compliance and reputational. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and our business and results of operations could be materially adversely affected.

Our operations rely on numerous external vendors.

We rely on numerous external vendors to provide us with products and services necessary to maintain our day-to-day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which in turn could have a material negative impact on our financial condition and results of operations. We also could be adversely affected to the extent such an agreement is not renewed by the third-party vendor or is renewed on terms less favorable to us. Our Vendor Management program helps mitigate risks and is structured to minimize the cost and time required to replace a vendor in the event of a failure or the vendor's inability to meet service level agreements.

Risk Related to Our Corporate Structure

Our sources of funds are limited because of our holding company structure.

The Company is a separate legal entity from its subsidiaries and does not have significant operations of its own. Dividends from the Association provide a significant source of cash for the Company. The availability of dividends from the Association is limited by various statutes and regulations. Under these statutes and regulations, the Association is not permitted to pay dividends on its capital stock to the Company, its sole stockholder, if the dividend would reduce the stockholders' equity of the Association below the amount of the liquidation account established in connection with the mutual-to-stock conversion. Federal savings associations may pay dividends without the approval of its primary federal regulator only if they meet applicable regulatory capital requirements before and after the payment of the dividends and total dividends do not exceed net income to date over the calendar year plus its retained net income over the preceding two years. If in the future, the Company utilizes its available cash and the Bank is unable to pay dividends to the Company, the Company may not have sufficient funds to pay dividends or fund stock repurchases.

Restrictions on our ability to pay dividends to stockholders could adversely affect the value of our common stock.

The value of the Company’s common stock is significantly affected by our ability to pay dividends to our public stockholders. The Company’s ability to pay dividends to our stockholders is subject to the availability of cash at the holding company and, in the event earnings are not sufficient to fund the dividends, eventually, the ability of the Association to make capital distributions to the Company. Moreover, our ability to pay dividends and the amount of such dividends is affected by the ability of Third Federal Savings, MHC, our mutual holding company, to waive the receipt of dividends declared by the Company.

Federal regulations require Third Federal Savings, MHC to notify the FRS of any proposed waiver of its receipt of dividends from the Company. In August 2011, the FRS issued an interim final rule pursuant to the DFA, providing that the FRS “may not” object to dividend waivers by grandfathered mutual holding companies, such as Third Federal Savings, MHC, under standards substantially similar to those previously required by the OTS. However, the interim final rule added a requirement that a majority of the mutual holding company’s members eligible to vote must approve a dividend waiver by a mutual holding company within twelve months prior to the declaration of the dividend being waived. As part of its rulemaking process, the FRS is reviewing comments on the interim final rule and there can be no assurance that the final rule will not require such a member vote. Third Federal Savings, MHC has received the approval of its members in eight separate meetings (held in either July or August of each year from 2014 through 2021) to waive the receipt of dividends for a twelve-month period, and the FRS has “non-objected” to Third Federal Savings, MHC’s waiver each time. However, future approvals of members and non-objections from the FRS are not assured and if not obtained, the discontinuance of dividend payments would adversely affect the value of our common stock.

Public stockholders own a minority of the outstanding shares of our common stock and will not be able to exercise voting control over most matters put to a vote of stockholders.

Third Federal Savings, MHC, as our majority shareholder, is able to control the outcome of virtually all matters presented to our shareholders for their approval, including any proposal to acquire us. The same directors and officers who manage the Association also manage the Company and Third Federal Savings, MHC. The board of directors of Third Federal Savings, MHC must ensure that the interests of depositors of the Association (as members of Third Federal Savings, MHC) are represented and considered in matters put to a vote of stockholders of the Company. Therefore, Third Federal Savings, MHC may take action that the public stockholders believe to be contrary to their interests. For example, Third Federal Savings, MHC may exercise its voting control to defeat a stockholder nominee for election to the board of directors of the Company. Additionally, Third Federal Savings, MHC may prevent the sale of control or merger of the Company or its subsidiaries, or a second-step conversion of Third Federal Savings, MHC, even if such a transaction were favored by a majority of the public shareholders of the Company.

Risks Related to Accounting Matters

Changes in management's estimates and assumptions may have a material impact on our consolidated financial statements and on our financial condition and/or operating results.

In preparing periodic reports we are required to file under the Securities Exchange Act of 1934, including our consolidated financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management's best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for credit losses and the determination of pension obligations.

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the Securities and Exchange Commission and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

Risks Related to Economic Conditions

Future changes in interest rates could reduce our net income.

Our net income largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings.

The vast majority of our assets and liabilities are financial in nature, and as a result, changes in market and competitive interest rates can impact our customers' actions as well as the types and amount of business opportunities that are available to us. In general, when changes occur in interest rates that prompt our existing customers to pursue strategies that are beneficial to them, the results are generally unfavorable for us.

Generally, in a period of rising interest rates, the interest income earned on our assets may not increase as rapidly as the interest paid on our liabilities because, like many savings institutions, our liabilities generally have shorter contractual maturities than our assets. An example of this occurs when, interest rates paid on certificates of deposit experience a significant increase. In this circumstance, a CD customer may determine that it is in his/her best interest to incur the existing penalty for early withdrawal, tender the certificate for cash and either reinvest the proceeds in a new CD with us, or withdraw the funds and leave us. As a result, we either establish a new, higher rate certificate (if the customer stays with us) or we must fund the customer's withdrawal by: (1) reducing our cash reserves; (2) selling assets to generate cash to fund the withdrawal; (3) attracting deposits from another customer at the then-higher interest rate; or (4) borrowing from a wholesale lender like the FHLB of Cincinnati, again at the then-higher interest rate. Each of these alternatives can have an unfavorable impact on us.

As another example of changes in interest rates that can have an unfavorable impact on our net interest income, if mortgage interest rates decline, our customers may seek to refinance, without penalty, their mortgage loans with us or repay

their mortgage loans with us and borrow from another lender. When that happens, either the yield that we earn on the customer's loan is reduced (if the customer refinances with us) or the mortgage is paid off and we are faced with the challenge of reinvesting the cash received to repay the mortgage in a lower interest rate environment. This is frequently referred to as reinvestment risk, which is the risk that we may not be able to reinvest the proceeds of loan prepayments at rates that are comparable to the rates we earned on the loans prior to receipt of the repayment. Reinvestment risk also exists with the securities in our investment portfolio that are backed by mortgage loans.

Our net interest income can also be negatively impacted when assets and funding sources with seemingly similar, but not identical re-pricing characteristics react differently to changing interest rates. An example is our home equity lines of credit loan portfolio and our interest-bearing checking and savings deposit products. Interest rates charged on our home equity lines of credit loans are linked to the prime rate of interest, which generally adjusts in a direct relationship to changes in the FRS's Federal Funds target rate. Similarly, our interest-bearing checking and savings deposit products are generally expected to adjust when changes are made to the Federal Funds target rate. However, to the extent that increases or decreases are made to the Federal Funds target rate, and those increases or decreases translate into increases or decreases of the prime rate and the rate charged on our home equity lines of credit loans, but do not extend to equivalent adjustments to our interest-bearing checking and savings deposit products, we can experience a reduction in our net interest income. At September 30, 2021, we held $2.11 billion of home equity lines of credit loans and $2.76 billion of interest-bearing checking and savings deposits.

Our net income can also be reduced by the impact that changes in interest rates can have on the value of our capitalized mortgage servicing rights. As of September 30, 2021, we serviced $2.26 billion of loans sold to third parties, and the mortgage servicing rights associated with such loans had an amortized cost of $8.9 million and an estimated fair value, at that date, of $17.5 million. Because the estimated life and estimated income to be derived from servicing the underlying mortgage loans generally increase with rising interest rates and decrease with falling interest rates, the value of mortgage servicing rights generally increases as interest rates rise and decreases as interest rates fall. If interest rates fall and the value of our capitalized servicing rights decrease, we may be required to recognize an additional impairment charge against income for the amount by which amortized cost exceeds estimated fair market value.

Our securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive income and/or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. Changes in interest rates can also have an adverse effect on our financial condition, as our available for sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates. We increase or decrease our stockholders' equity by the amount of change in the estimated fair value of the available for sale securities, net of taxes. The declines in market value could result in other-than-temporary impairments of these assets, which would lead to accounting charges that could have a material adverse effect on our net income and capital levels.

In general, changes in market and competitive interest rates result from events that we do not control and over which we generally have little or no influence. As a result, mitigation of the adverse affects of changing interest rates is generally limited to controlling the composition of the assets and liabilities that we hold. To monitor our positions, we maintain an interest rate risk modeling system which is designed to measure our interest rate risk sensitivity. Using customized modeling software, the Association prepares periodic estimates of the amounts by which the net present value of its cash flows from assets, liabilities and off balance sheet items (the institution's economic value of equity) would change in the event of a range of assumed changes in market interest rates. The simulation model uses a discounted cash flow analysis and an option-based pricing approach in measuring the interest rate sensitivity of EVE. At September 30, 2021, in the event of an immediate 200 basis point increase in all interest rates, our model projects that we would experience a $152.4 million, or 8.21%, decrease in EVE. Our calculations further project that, at September 30, 2021, in the event that market interest rates used in the simulation were adjusted in equal monthly amounts (termed a "ramped" format) during the twelve month measurement period to an aggregate increase in 200 basis points, we would expect our projected net interest income for the twelve months ended September 30, 2022 to increase by 3.47%. See Item *7A. Quantitative and Qualitative Disclosures about Market Risk.*

A worsening of economic conditions could reduce demand for our products and services and/or result in increases in our level of non-performing loans, which could have an adverse effect on our results of operations.

Our performance is significantly impacted by the general economic conditions in our primary markets in Ohio and Florida, and surrounding areas. We also originate loans in other states which will be impacted by national or regional economic conditions. A deterioration in economic conditions is likely to result in high levels of unemployment, which would weaken local economies and could result in additional defaults of mortgage loans. Most of the loans in our loan portfolio are secured by real estate located in our primary market areas. Negative conditions, such as layoffs, in the markets where collateral for a mortgage loan is located could adversely affect a borrower's ability to repay the loan and the value of the collateral securing the loan. Declines in the U.S. housing market, falling home prices and increasing foreclosures, as well as unemployment and under-

employment, all negatively impact the credit performance of mortgage loans and can result in significant write-downs of asset values by financial institutions.

In response to a significant decline in general economic conditions, many lenders and institutional investors may reduce or cease providing funding to borrowers, including other financial institutions. This market turmoil and tightening of credit could lead to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of general business activity. The resulting economic pressure on consumers and lack of confidence in the financial markets could adversely affect our business, financial condition and results of operations. In response, we would expect to face the following risks in connection with these events:

- Increased regulation of our industry, heightened supervisory scrutiny related to the USA PATRIOT Act, Bank Secrecy Act, Fair Lending and other laws and regulations, along with enhanced monitoring of compliance with such regulation. Each aspect of amplified supervision and regulation will in all likelihood increase our costs, may be accompanied by the risk of unexpected fines, sanctions, penalties, litigation and corresponding management diversion and may limit our ability to pursue business opportunities and return capital to our shareholders.
- Our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors.
- The processes we use to estimate losses inherent in our credit exposure require difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans, which may no longer be capable of viable estimation and which may, in turn, impact the reliability of our evaluation processes, the comfort of our regulators with respect to the adequacy of our allowance for credit losses and who may require adjustments thereto, and ultimately could result in increased provisions for loan losses and reduced levels of earnings and capital.
- Our ability to engage in sales of mortgage loans to third parties (including mortgage loan securitization transactions with governmental entities) on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events, including deteriorating investor expectations.
- Competition in our industry could intensify as a result of increasing consolidation of financial services companies in connection with current market conditions.

Other Risks Related to Our Business

Hurricanes or other adverse weather events could negatively affect the economy in our Florida market area or cause disruptions to our branch office locations, which could have an adverse effect on our business or results of operations.

A significant portion of our branch operations are conducted in Florida, a geographic region with coastal areas that are susceptible to hurricanes and tropical storms. Such weather events can disrupt our operations, result in damage to our branch office locations and negatively affect the local economy in which we operate. We cannot predict whether or to what extent damage caused by future hurricanes or tropical storms will affect our operations or the economy in our market area, but such weather events could result in fewer loan originations and greater delinquencies, foreclosures or loan losses. These and other negative effects of future hurricanes or tropical storms may adversely affect our business or results of operations.

We are subject to environmental liability risk associated with lending activities or properties we own.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies, which require us to perform an environmental review before initiating any foreclosure action on non-residential real property, may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

We may be required to transition from the use of the LIBOR interest rate index in the future.

We have certain interest rate swap contracts indexed to LIBOR to calculate the interest rate. The continued availability of the LIBOR index is not guaranteed after 2021 and therefore we are strongly encouraged to not enter any new transactions referencing LIBOR after 2021. We cannot predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted. At this time, a general consensus exists that in the U.S. the Secured Overnight Financing Rate (SOFR) index will be an acceptable alternative to LIBOR. The language in our LIBOR-based contracts and financial instruments has been developed by the Chicago Mercantile Exchange and may have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments may give the calculation agent discretion over the substitute index or indices for the calculation of interest rates to be selected. The implementation of a substitute index or indices for the calculation of interest rates under our swap contracts may result in our incurring significant expenses in effecting the transition and may result in disputes or litigation over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. Our LIBOR exposure on existing swaps is expected to continue through the permanent LIBOR cessation date anticipated on June 30, 2023.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes, and the like. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our performance.

Our reputation is one of the most valuable components of our business and is critical to our success. The ability to attract and retain customers, investors, employees and advisors may depend upon external perceptions of the Company. Damage to the Company's reputation could cause significant harm to our business and prospects and may arise from numerous sources, including litigation or regulatory actions, failing to deliver minimum standards of service and quality, compliance failures, unethical behavior and the misconduct of employees, advisors and counterparties. Adverse developments with respect to the financial services industry may also, by association, negatively impact the Company's reputation or result in greater regulatory or legislative scrutiny or litigation against the Company.

Furthermore, shareholders, customers and other stakeholders have begun to consider how corporations are addressing environmental, social and governance ("ESG") issues. Governments, investors, customers and the general public are increasingly focused on ESG practices and disclosures, and views about ESG are diverse and rapidly changing. These shifts in investing priorities may result in adverse effects on the trading price of the Company's common stock if investors determine that the Company has not made sufficient progress on ESG matters. We could also face potential negative ESG-related publicity in traditional media or social media if shareholders or other stakeholders determine that we have not adequately considered or addressed ESG matters. If the Company, or our relationships with certain customers, vendors or suppliers, became the subject of negative publicity, our ability to attract and retain customers and employees, and our financial condition and results of operations, could be adversely impacted.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate from our main office in Cleveland, Ohio, our 37 full-service branch offices located in Ohio and Florida and our seven loan production offices located in Ohio. Our branch offices are located in the Ohio counties of Cuyahoga, Lake, Lorain, Medina and Summit and in the Florida counties of Broward, Collier, Hillsborough, Lee, Palm Beach, Pasco, Pinellas and Sarasota. Our loan production offices are located in the Ohio counties of Franklin, Butler, Delaware and Hamilton. The Company owns the building in which its home office and executive offices are located, and six other office locations. The net

book value of our land, premises, equipment and software was $37.4 million at September 30, 2021, a $4.2 million reduction from September 30, 2020, primarily due to depreciation.

Item 3. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's consolidated financial condition, results of operation, or statements of cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

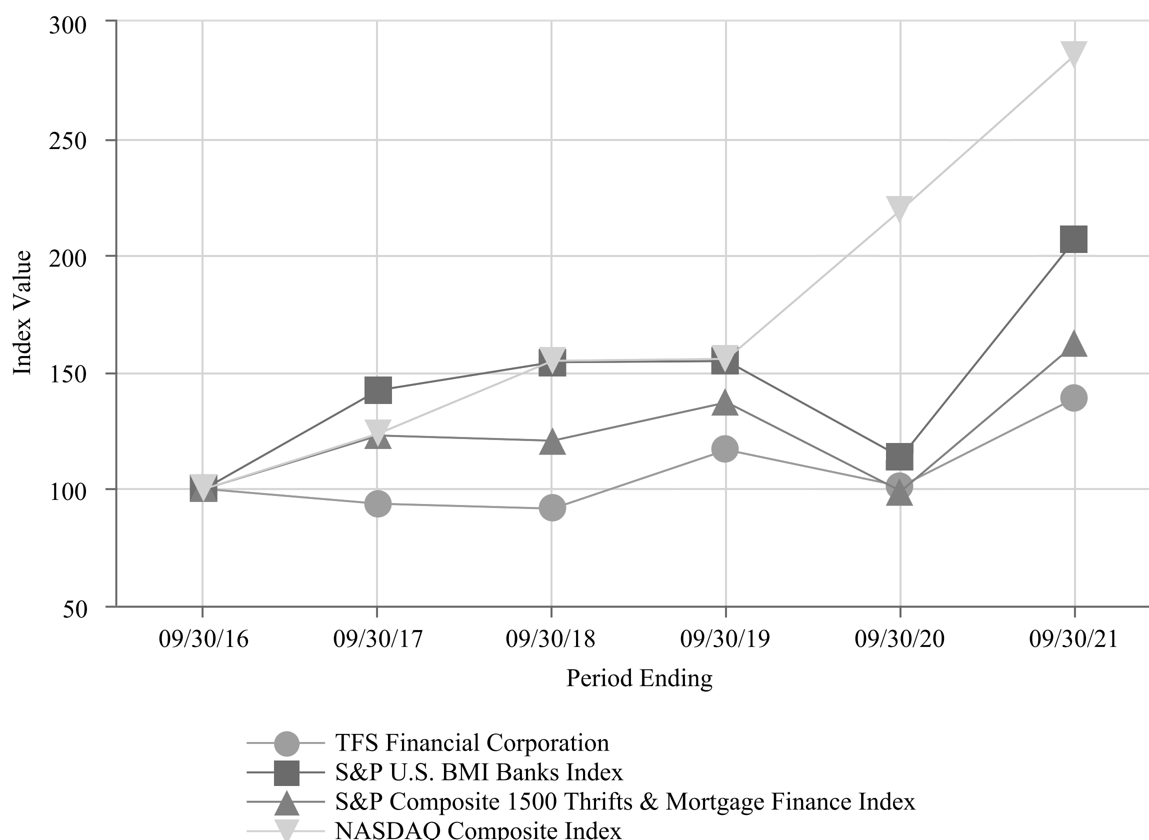
Our common stock is listed and traded on the NASDAQ Global Select Market under the symbol "TFSL". As of November 19, 2021, we had 6,393 shareholders of record, which does not include persons or entities holding shares in "nominee" or "street" name through brokerage firms.

Through September 30, 2010, Third Federal Savings, MHC, waived its right to receive dividends. The waivers complied with regulatory authorizations (in the form of non-objection) obtained by Third Federal Savings, MHC. Any requests for future regulatory authorizations to waive receipts of dividends will be submitted to the FRS. Please refer to the preceding discussion of dividend waivers presented in Part I, Item *1. Business-SUPERVISION AND REGULATION-Holding Company Regulation-Waivers of Dividends by Third Federal Savings, MHC*. Regulatory non-objection is subject to periodic regulatory review and no assurances can be given regarding future regulatory non-objection. In addition, interim final rules issued by the FRS in 2011 require that a majority of the mutual holding company's members eligible to vote must approve a dividend waiver by a mutual holding company within twelve months prior to the declaration of the dividend being waived. There can be no assurance that a final rule will not require such a member vote.

On July 13, 2021, at a special meeting of members of Third Federal Savings, MHC, the members (depositors and certain loan customers of the Association) of Third Federal Savings, MHC voted to approve Third Federal Savings, MHC's proposed waiver of dividends, aggregating up to $1.13 per share, to be declared on the Company's common stock during the four quarterly periods ending June 30, 2022. The members approved the waiver by casting 60% of the eligible votes, with 97% of the votes cast, or 59% of the total eligible votes, in favor of the waiver. Third Federal Savings, MHC is the 81% majority shareholder of the Company.

Following the receipt of the members' approval at the July 13, 2021 special meeting, Third Federal Savings, MHC filed a notice with, and subsequently received the non-objection of, the FRB-Cleveland for the proposed dividend waivers.

In the table and graph that follow, we have provided summary information regarding the performance of the cumulative total return of our common stock from September 30, 2016 through September 30, 2021, relative to the cumulative total return on stocks included in the S&P U.S. BMI Banks Index, S&P Composite 1500 Thrifts & Mortgage Finance Index and NASDAQ Composite, in each case for the same period. The cumulative return data is presented in dollars, based on starting investments of $100 and assuming the reinvestment of dividends.



Index (with base price at 9/30/2016)	Measurement Date 9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021
TFS Financial Corporation	100.00	93.66	91.56	116.71	101.14	138.81
S&P U.S. BMI Banks Index	100.00	142.24	154.22	154.71	113.59	206.67
S&P Composite 1500 Thrifts & Mortgage Finance Index	100.00	122.86	120.63	137.04	99.05	162.00
NASDAQ Composite Index	100.00	123.68	154.82	155.63	219.37	285.75

Source: S&P Global Market Intelligence

We did not sell any securities during the quarter ended September 30, 2021.

We did not purchase any stock during the quarter ended September 30, 2021. On October 27, 2016, the Company announced that the Board of Directors approved the Company's eighth stock repurchase program, which authorizes the repurchase of up to 10,000,000 shares of the Company's outstanding common stock. Purchases under the program will be on an ongoing basis and subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses of capital, and our financial performance. Repurchased shares will be held as treasury stock and be available for general corporate use. The repurchase program commenced in January 2017, and in response to COVID-19, was restricted significantly in March 2020 and suspended in April 2020. On February 25, 2021, the Company lifted its internal suspension. Stock price limitations in the plan have prevented any repurchases since that date. The program has 5,891,079 max number of shares that may be purchased under the plan as of September 30, 2021. The program has no expiration date.

Item 6. [Reserved]

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

Overview

Our business strategy is to operate as a well-capitalized and profitable financial institution dedicated to providing exceptional personal service to our customers.

Since being organized in 1938, we grew to become, at the time of our initial public offering of stock in April 2007, the nation's largest mutually-owned savings and loan association based on total assets. We credit our success to our continued emphasis on our primary values: "Love, Trust, Respect, and a Commitment to Excellence, along with Having Fun." Our values are reflected in the design and pricing of our loan and deposit products, as described below. Our values are further reflected in a long-term revitalization program encompassing the three-mile corridor of the Broadway-Slavic Village neighborhood in Cleveland, Ohio where our main office was established and continues to be located and where the educational programs we have established and/or support are located. We intend to continue to adhere to our primary values and to support our customers and the communities in which we operate, as we pursue our mission to help people achieve the dream of home ownership and financial security while creating value for our shareholders, our customers, our communities and our associates.

	At September 30,				
	2021	**2020**	**2019**	**2018**	**2017**
			(In thousands)		
Selected Financial Condition Data:					
Total assets	$14,057,450	$14,642,221	$14,542,356	$14,137,331	$13,692,563
Cash and cash equivalents	488,326	498,033	275,143	269,775	268,218
Investment securities - available for sale	421,783	453,438	547,864	531,965	537,479
Loans held for sale	8,848	36,871	3,666	659	351
Loans, net	12,509,035	13,103,062	13,195,745	12,871,294	12,419,306
Bank owned life insurance	297,332	222,919	217,481	212,021	205,883
Prepaid expenses and other assets	91,586	104,832	87,957	44,344	61,086
Deposits	8,993,605	9,225,554	8,766,384	8,491,583	8,151,625
Borrowed funds	3,091,815	3,521,745	3,902,981	3,721,699	3,671,377
Shareholders' equity	1,732,280	1,671,853	1,696,754	1,758,404	1,689,959

	For the Years Ended September 30,				
	2021	2020	2019	2018	2017
	(In thousands, except per share amounts)				
Selected Operating Data:					
Interest income	$ 389,351	$ 455,298	$ 482,087	$ 443,045	$ 408,995
Interest expense	157,721	213,030	216,666	162,104	130,099
Net interest income	231,630	242,268	265,421	280,941	278,896
Provision (release) for credit losses on loans	(9,000)	3,000	(10,000)	(11,000)	(17,000)
Net interest income after provision (release) for credit losses on loans	240,630	239,268	275,421	291,941	295,896
Non-interest income	55,299	53,251	20,464	21,536	19,849
Non-interest expenses	195,835	192,274	193,673	192,313	182,404
Earnings before income tax	100,094	100,245	102,212	121,164	133,341
Income tax expense	19,087	16,928	21,975	35,757	44,464
Net earnings after income tax expense	$ 81,007	$ 83,317	$ 80,237	$ 85,407	$ 88,877
Earnings per share					
Basic	$ 0.29	$ 0.30	$ 0.29	$ 0.31	$ 0.32
Diluted	$ 0.29	$ 0.29	$ 0.28	$ 0.30	$ 0.32
Cash dividends declared per share	$ 1.12	$ 1.11	$ 1.02	$ 0.76	$ 0.545

	At or For The Years Ended September 30,				
	2021	2020	2019	2018	2017
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on average assets	0.56 %	0.56 %	0.56 %	0.62 %	0.67 %
Return on average equity	4.77 %	4.88 %	4.58 %	4.91 %	5.28 %
Interest rate spread(1)	1.52 %	1.52 %	1.73 %	1.93 %	2.02 %
Net interest margin(2)	1.66 %	1.69 %	1.92 %	2.08 %	2.16 %
Efficiency ratio(3)	68.25 %	65.06 %	67.75 %	63.58 %	61.06 %
Non-interest expense to average total assets	1.35 %	1.29 %	1.36 %	1.39 %	1.37 %
Average interest-earning assets to average interest-bearing liabilities	111.92 %	111.41 %	112.28 %	112.96 %	113.29 %
Asset Quality Ratios:					
Non-performing assets as a percent of total assets	0.32 %	0.37 %	0.50 %	0.57 %	0.62 %
Non-accruing loans as a percent of total loans	0.35 %	0.41 %	0.54 %	0.60 %	0.63 %
Allowance for credit losses on loans as a percent of non-accruing loans	145.96 %	87.95 %	54.60 %	54.56 %	61.89 %
Allowance for credit losses on loans as a percent of total loans	0.51 %	0.36 %	0.29 %	0.33 %	0.39 %
Capital Ratios:					
Association					
Total capital to risk-weighted assets(4)	21.00 %	19.96 %	19.56 %	20.47 %	21.37 %
Tier 1 (leverage) capital to net average assets(4)	11.15 %	10.39 %	10.54 %	10.87 %	11.16 %
Tier 1 capital to risk-weighted assets(4)	20.43 %	19.37 %	19.07 %	19.91 %	20.69 %
Common equity tier 1 capital to risk-weighted assets(4)	20.43 %	19.37 %	19.07 %	19.91 %	20.69 %
TFS Financial Corporation					
Total capital to risk-weighted assets(4)	23.75 %	22.71 %	22.22 %	22.94 %	23.63 %
Tier 1 (leverage) capital to net average assets(4)	12.65 %	11.88 %	12.05 %	12.25 %	12.41 %
Tier 1 capital to risk-weighted assets(4)	23.18 %	22.13 %	21.73 %	22.39 %	22.96 %
Common equity tier 1 capital to risk-weighted assets(4)	23.18 %	22.13 %	21.73 %	22.39 %	22.96 %
Average equity to average total assets	11.72 %	11.50 %	12.30 %	12.56 %	12.67 %
Other Data:					
Association:					
Number of full service offices	37	37	37	38	38
Loan production offices	7	7	8	8	8

(1) Represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.
(2) The net interest margin represents net interest income as a percent of average interest-earning assets for the year.
(3) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.
(4) In April 2020, the Simplifications to the Capital Rule ("Rule") was adopted, which simplified certain aspects of the capital rule under Basel III. The impact of the Rule was not material to the regulatory capital ratios.

COVID-19 Pandemic. During the current and previous fiscal years, the COVID-19 pandemic had a significant impact on our customers, associates and communities, which collectively impacts our shareholders. Our primary values and mission mentioned above have driven our responses related to COVID-19 and are summarized below.

Customers

- Branches are open and have returned to normal, operating business hours
- Through September 30, 2021, over 2,200 customers, representing over $250 million of loans, have been helped by COVID-19 related forbearance plans

- As a result of payoffs and customer resolutions, there were 149 customers, representing $21.8 million of loans, remaining in COVID-19 forbearance plans as of September 30, 2021
- Customer relief provided in the form of: forbearance plans available with multiple repayment options; waiving of late fees, overdraft fees and ATM fees
- Expanded technology platforms, including mobile banking features and mobile deposit limits, as well as enhanced functionality for online deposit management

Associates
- Plans currently in place for associate hybrid (work from office/home options)
- Safety precautions implemented as needed, including masks, germ shields and working distance requirements.
- Provided a one-time after tax bonus of $1,500 to each associate
- Medical benefit plan enhancements have been made to ensure COVID-19 coverage
- An additional 10 days provided to associates for COVID-19 related absences
- Over $100,000 added to Rhonda's Kiss Associate Fund for family hardships

Communities
- Third Federal Foundation made a commitment to provide a $1.1 million lead gift to University Settlement to support a new $20 million development in the neighborhood near our headquarters that will provide 80 new units of affordable housing.
- Hosted MetroHealth drive-through vaccinations for public and associates.
- Leader in advocating for investment in Digital Equity by both investing to deploy devices and hot spots to Slavic Village families and participating on the Greater Cleveland Digital Equity Coalition.

Shareholders
- We are committed to paying an attractive dividend
- Continued serving and lending to our customers in a responsible way
- Strong credit quality and capital levels to support potential loan performance issues
- Staying true to the Third Federal Values that have guided us throughout history (love, trust, respect, commitment to excellence, and fun)

Beyond working through the challenges COVID-19 presents to the organization and society, management believes that the following matters are those most critical to our success: (1) controlling our interest rate risk exposure; (2) monitoring and limiting our credit risk; (3) maintaining access to adequate liquidity and diverse funding sources to support our growth; and (4) monitoring and controlling our operating expenses.

Controlling Our Interest Rate Risk Exposure. Historically, our greatest risk has been our exposure to changes in interest rates. When we hold longer-term, fixed-rate assets, funded by liabilities with shorter-term re-pricing characteristics, we are exposed to potentially adverse impacts from changing interest rates, and most notably rising interest rates. Generally, and particularly over extended periods of time that encompass full economic cycles, interest rates associated with longer-term assets, like fixed-rate mortgages, have been higher than interest rates associated with shorter-term funding sources, like deposits. This difference has been an important component of our net interest income and is fundamental to our operations. We manage the risk of holding longer-term, fixed-rate mortgage assets primarily by maintaining regulatory capital in excess of levels required to be well capitalized, by promoting adjustable-rate loans and shorter-term fixed-rate loans, by marketing home equity lines of credit, which carry an adjustable rate of interest indexed to the prime rate, by opportunistically extending the duration of our funding sources and selectively selling a portion of our long-term, fixed-rate mortgage loans in the secondary market. The decision to extend the duration of some of our funding sources through interest rate swap contracts over the past few years has also caused additional interest rate risk exposure, as the current low market interest rates are lower than the rates in effect when some of the swap contracts were executed. This rate difference is reflected in the level of cash flow hedges included in accumulated other comprehensive loss.

Levels of Regulatory Capital

At September 30, 2021, the Company's Tier 1 (leverage) capital totaled $1.80 billion, or 12.65% of net average assets and 23.18% of risk-weighted assets, while the Association's Tier 1 (leverage) capital totaled $1.59 billion, or 11.15% of net average assets and 20.43% of risk-weighted assets. Each of these measures was more than twice the requirements currently in effect for the Association for designation as "well capitalized" under regulatory prompt corrective action provisions, which set minimum levels of 5.00% of net average assets and 8.00% of risk-weighted assets. Refer to the *Liquidity and Capital Resources* section of this Item 7 for additional discussion regarding regulatory capital requirements.

Promotion of Adjustable-Rate Loans and Shorter-Term, Fixed-Rate Loans

We market an adjustable-rate mortgage loan that provides us with improved interest rate risk characteristics when compared to a 30-year, fixed-rate mortgage loan. Our "Smart Rate" adjustable-rate mortgage offers borrowers an interest rate lower than that of a 30-year, fixed-rate loan. The interest rate of the Smart Rate mortgage is locked for three or five years then resets annually. The Smart Rate mortgage contains a feature to re-lock the rate an unlimited number of times at our then-current interest rate and fee schedule, for another three or five years (which must be the same as the original lock period) without having to complete a full refinance transaction. Re-lock eligibility is subject to a satisfactory payment performance history by the borrower (current at the time of re-lock, and no foreclosures or bankruptcies since the Smart Rate application was taken). In addition to a satisfactory payment history, re-lock eligibility requires that the property continues to be the borrower's primary residence. The loan term cannot be extended in connection with a re-lock nor can new funds be advanced. All interest rate caps and floors remain as originated.

We also offer a ten-year, fully amortizing fixed-rate, first mortgage loan. The ten-year, fixed-rate loan has a more desirable interest rate risk profile when compared to loans with fixed-rate terms of 15 to 30 years and can help to more effectively manage interest rate risk exposure, yet provides our borrowers with the certainty of a fixed interest rate throughout the life of the obligation.

The following tables set forth our first mortgage loan production and balances segregated by loan structure at origination.

	For the Years Ended September 30,			
	2021		2020	
	Amount	Percent	Amount	Percent
First Mortgage Loan Originations:	(Dollars in thousands)			
ARM (all Smart Rate) production	$ 1,089,410	30.0 %	$ 1,223,422	39.7 %
Fixed-rate production:				
Terms less than or equal to 10 years	540,723	14.9	295,434	9.6
Terms greater than 10 years	1,997,694	55.1	1,558,942	50.7
Total fixed-rate production	2,538,417	70.0	1,854,376	60.3
Total First Mortgage Loan Originations:	$ 3,627,827	100.0 %	$ 3,077,798	100.0 %

	September 30, 2021		September 30, 2020	
	Amount	Percent	Amount	Percent
Balances of First Mortgage Loans Held For Investment:	(Dollars in thousands)			
ARM (primarily Smart Rate) Loans	$ 4,646,760	45.2 %	$ 5,122,266	47.2 %
Fixed-rate Loans:				
Terms less than or equal to 10 years	1,309,407	12.7	1,284,605	11.8
Terms greater than 10 years	4,322,931	42.1	4,443,140	41.0
Total fixed-rate loans	5,632,338	54.8	5,727,745	52.8
Total First Mortgage Loans Held For Investment:	$ 10,279,098	100.0 %	$ 10,850,011	100.0 %

The following table sets forth the balances as of September 30, 2021 for all ARM loans segregated by the next scheduled interest rate reset date.

During the Fiscal Years Ending September 30,	Current Balance of ARM Loans Scheduled for Interest Rate Reset (in thousands)
2022	$277,640
2023	356,975
2024	500,226
2025	835,129
2026	2,177,133
2027	499,657
Total	$4,646,760

At September 30, 2021 and September 30, 2020, mortgage loans held for sale, all of which were long-term, fixed-rate first mortgage loans and all of which were held for sale to Fannie Mae, totaled $8.8 million and $36.9 million, respectively.

Loan Portfolio Yield

The following tables set forth the balance and interest yield as of September 30, 2021 for the portfolio of loans held for investment, by type of loan, structure and geographic location.

	September 30, 2021		
	Balance	Percent	Yield
	(Dollars in thousands)		
Total Loans:			
Fixed Rate			
Terms less than or equal to 10 years	$ 1,309,407	10.4 %	2.85 %
Terms greater than 10 years	4,322,931	34.4 %	3.56 %
Total Fixed-Rate loans	5,632,338	44.8 %	3.39 %
ARMs	4,646,760	36.9 %	2.79 %
Home Equity Loans and Lines of Credit	2,214,252	17.6 %	2.51 %
Construction and Other loans	83,315	0.7 %	3.18 %
Total Loans Receivable, net	$ 12,576,665	100.0 %	3.01 %

	September 30, 2021			
	Balance	Fixed Rate Balance	Percent	Yield
	(Dollars in thousands)			
Residential Mortgage Loans				
Ohio	$ 5,664,887	$ 4,069,335	45.0 %	3.30 %
Florida	1,841,114	774,166	14.6 %	3.08 %
Other	2,773,097	788,837	22.1 %	2.76 %
Total Residential Mortgage Loans	10,279,098	5,632,338	81.7 %	3.12 %
Home Equity Loans and Lines of Credit				
Ohio	630,815	42,162	5.0 %	2.58 %
Florida	438,212	28,998	3.5 %	2.52 %
California	335,240	18,197	2.7 %	2.52 %
Other	809,985	16,442	6.4 %	2.46 %
Total Home Equity Loans and Lines of Credit	2,214,252	105,799	17.6 %	2.51 %
Construction and Other loans	83,315	83,315	0.7 %	3.18 %
Total Loans Receivable, net	$ 12,576,665	$ 5,821,452	100.0 %	3.01 %

Marketing Home Equity Lines of Credit

We actively market home equity lines of credit, which carry an adjustable rate of interest indexed to the prime rate which provides interest rate sensitivity to that portion of our assets and is a meaningful strategy to manage our interest rate risk profile. At September 30, 2021, the principal balance of home equity lines of credit totaled $1.97 billion. Our home equity lending is discussed in the preceding *Lending Activities* section of Item *1. Business* in Part I. *THIRD FEDERAL SAVINGS AND LOAN ASSOCIATION OF CLEVELAND*.

Extending the Duration of Funding Sources

As a complement to our strategies to shorten the duration of our interest earning assets, as described above, we also seek to lengthen the duration of our interest bearing funding sources. These efforts include monitoring the relative costs of alternative funding sources such as retail deposits, brokered certificates of deposit, longer-term (e.g. four to six years) fixed rate advances from the FHLB of Cincinnati, and shorter-term (e.g. three months) advances from the FHLB of Cincinnati, the durations of which are extended by correlated interest rate exchange contracts. Each funding alternative is monitored and evaluated based on its effective interest payment rate, options exercisable by the creditor (early withdrawal, right to call, etc.), and collateral requirements. The interest payment rate is a function of market influences that are specific to the nuances and market competitiveness/breadth of each funding source. Generally, early withdrawal options are available to our retail CD customers but not to holders of brokered CDs; issuer call options are not provided on our advances from the FHLB of Cincinnati; and we are not subject to early termination options with respect to our interest rate exchange contracts. Additionally, collateral pledges are not provided with respect to our retail CDs or our brokered CDs; but are required for our advances from the FHLB of Cincinnati as well as for our interest rate exchange contracts. As a result of increased available cash from loan sales beginning in fiscal 2020, as discussed below, we have also effectively extended the duration of funding sources by reducing the levels of our short-term and total funding. We will continue to evaluate the structure of our funding sources based on current needs.

During the year ended September 30, 2021, the balance of deposits decreased $231.9 million, which was comprised of a $170.0 million decrease in the balance of customer retail deposits and a $61.9 million decrease in the balance of brokered CDs (which is inclusive of acquisition costs and subsequent amortization). During the year, we added $188.5 million of new brokered CDs with a weighted average interest rate of 0.37%, while brokered CDs of $250.4 million, with a weighted average interest rate of 1.98%, matured during the year. Additionally, during the year ended September 30, 2021, we decreased the balance of our total advances from the FHLB of Cincinnati by $429.9 million. We added $100.0 million of new, four- to five-year advances from the FHLB of Cincinnati with a weighted average interest rate of 0.90%; and we paid off at maturity, $525.0 million of advances with related interest rate swap contracts that had a weighted average interest rate of 1.19%.

Other Interest Rate Risk Management Tools

We also manage interest rate risk by selectively selling a portion of our long-term, fixed-rate mortgage loans in the secondary market. The sales of first mortgage loans have increased significantly during fiscal 2020 and fiscal 2021, due to an increase in the number of fixed-rate refinances. At September 30, 2021, we serviced $2.26 billion of loans for others. In deciding whether to sell loans to manage interest rate risk, we also consider the level of gains to be recognized in comparison to the impact to our net interest income. We are planning on expanding our ability to sell certain fixed rate loans to Fannie Mae in fiscal 2022 and beyond, through the use of more traditional mortgage banking activities, including risk-based pricing and loan-level pricing adjustments. This concept will be tested in markets outside of Ohio and Florida, and some additional startup and marketing costs will be incurred, but is not expected to significantly impact our financial results in fiscal 2022. We can also manage interest rate risk by selling non-Fannie Mae compliant mortgage loans to private investors, although those transactions are dependent upon favorable market conditions, including motivated private investors, and involve more complicated negotiations and longer settlement timelines. Loan sales are discussed later in this Part II*,* Item *7.* under the heading *Liquidity and Capital Resources*, and in Part II*,* Item *7A. Quantitative and Qualitative Disclosures About Market Risk.*

Notwithstanding our efforts to manage interest rate risk, should a rapid and substantial increase occur in general market interest rates, or an extended period of a flat or inverted yield curve market persists, it is expected that, prospectively and particularly over a multi-year time horizon, the level of our net interest income would be adversely impacted.

Monitoring and Limiting Our Credit Risk. While, historically, we had been successful in limiting our credit risk exposure by generally imposing high credit standards with respect to lending, the memory of the 2008 housing market collapse and financial crisis is a constant reminder to focus on credit risk. In response to the evolving economic landscape, we continuously revise and update our quarterly analysis and evaluation procedures, as needed, for each category of our lending with the objective of identifying and recognizing all appropriate credit losses. Continuous analysis and evaluation updates will be important as we monitor the impact to our borrowers as a result of the COVID-19 global pandemic. At September 30, 2021, 89% of our assets consisted of residential real estate loans (both “held for sale” and “held for investment”) and home equity loans and lines of credit, which were originated predominantly to borrowers in Ohio and Florida. Our analytic procedures and evaluations include specific reviews of all home equity loans and lines of credit that become 90 or more days past due, as well as specific reviews of all first mortgage loans that become 180 or more days past due. We transfer performing home equity lines of credit subordinate to first mortgages delinquent greater than 90 days to non-accrual status. Per the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus, the COVID-19 related forbearance plans will not generally affect the delinquency status of the loan and therefore will not undergo a specific review unless extended greater than 12 months. We also charge-off performing loans to collateral value and classify

those loans as non-accrual within 60 days of notification of all borrowers filing Chapter 7 bankruptcy, that have not reaffirmed or been dismissed, regardless of how long the loans have been performing. Loans where at least one borrower has been discharged of their obligation in Chapter 7 bankruptcy are classified as TDRs. At September 30, 2021, $14.7 million of loans in Chapter 7 bankruptcy status with no other modification to terms were included in total TDRs. At September 30, 2021, the amortized cost in non-accrual status loans included $16.5 million of performing loans in Chapter 7 bankruptcy status, of which $16.1 million were also reported as TDRs.

In an effort to limit our credit risk exposure and improve the credit performance of new customers, since 2009, we have tightened our credit eligibility criteria in evaluating a borrower's ability to successfully fulfill its repayment obligation, revised the design of many of our loan products to require higher borrower down-payments, limited the products available for condominiums and eliminated certain product features (such as interest-only and loans above certain LTV ratios). We use stringent, conservative lending standards for underwriting to reduce our credit risk. For first mortgage loans originated during the current fiscal year, the average credit score was 780, and the average LTV was 61%. The delinquency level related to loan originations prior to 2009, compared to originations in 2009 and after, reflect the higher credit standards to which we have subjected all new originations. As of September 30, 2021, loans originated prior to 2009 had a balance of $445.8 million, of which $12.7 million, or 2.8%, were delinquent, while loans originated in 2009 and after had a balance of $12.1 billion, of which $13.2 million, or 0.1%, were delinquent.

One aspect of our credit risk concern relates to high concentrations of our loans that are secured by residential real estate in specific states, particularly Ohio and Florida, where a large portion of our historical lending has occurred. At September 30, 2021, approximately 55.1% and 17.9% of the combined total of our residential Core and construction loans held for investment and approximately 28.6% and 19.8% of our home equity loans and lines of credit were secured by properties in Ohio and Florida, respectively. In an effort to moderate the concentration of our credit risk exposure in individual states, particularly Ohio and Florida, we have utilized direct mail marketing, our internet site and our customer service call center to extend our lending activities to other attractive geographic locations. Currently, in addition to Ohio and Florida, we are actively lending in 23 other states and the District of Columbia, and as a result of that activity, the concentration ratios of the combined total of our residential, Core and construction loans held for investment in Ohio and Florida have trended downward from their September 30, 2010 levels when the concentrations were 79.1% in Ohio and 19.0% in Florida. Of the total mortgage loan originations for the year ended September 30, 2021, 26.7% are secured by properties in states other than Ohio or Florida.

Our residential Home Today loans are another area of credit risk concern as the majority of these loans were originated under less stringent underwriting and credit standards than our Residential Core portfolio. Although we no longer originate loans under this program and the principal balance in these loans had declined to $63.8 million at September 30, 2021, and constituted only 0.6% of our total "held for investment" loan portfolio balance, they comprised 13.2% and 16.1% of our 90 days or greater delinquencies and our total delinquencies, respectively, at that date. At September 30, 2021, approximately 95.4% and 4.5% of our residential Home Today loans were secured by properties in Ohio and Florida, respectively. At September 30, 2021, the percentages of those loans delinquent 30 days or more in Ohio and Florida were 6.3% and 6.1%, respectively. We attempted to manage our Home Today credit risk by requiring private mortgage insurance for some loans. At September 30, 2021, 10.5% of Home Today loans included private mortgage insurance coverage. From a peak amortized cost of $306.6 million at December 31, 2007, the total amortized cost of the Home Today portfolio has declined to $63.4 million at September 30, 2021. Since the vast majority of Home Today loans were originated prior to March 2009 and we are no longer originating loans under our Home Today program, the Home Today portfolio will continue to decline in balance, primarily due to contractual amortization. As part of our adoption of CECL on October 1, 2020, which includes a lifetime view of expected losses, our allowance for credit losses for the Home Today portfolio is reduced by expected future recoveries of loan amounts previously charged off. To supplant the Home Today product and to continue to meet the credit needs of our customers and the communities that we serve, we have offered Fannie Mae eligible, Home Ready loans since fiscal 2016. These loans are originated in accordance with Fannie Mae's underwriting standards. While we retain the servicing rights related to these loans, the loans, along with the credit risk associated therewith, are securitized and/or sold to Fannie Mae.

Maintaining Access to Adequate Liquidity and Diverse Funding Sources to Support our Growth. For most insured depositories, customer and community confidence are critical to their ability to maintain access to adequate liquidity and to conduct business in an orderly manner. We believe that a well capitalized institution is one of the most important factors in nurturing customer and community confidence. Accordingly, we have managed the pace of our growth in a manner that reflects our emphasis on high capital levels. At September 30, 2021, the Association's ratio of Tier 1 (leverage) capital to net average assets (a basic industry measure that deems 5.00% or above to represent a "well capitalized" status) was 11.15%. The Association's Tier 1 (leverage) capital ratio is higher at September 30, 2021 than its ratio at September 30, 2020, which was 10.39%, due primarily to the combination of a reduction in total assets, plus net income at the Association offsetting the impact from a $55 million cash dividend payment that the Association made to the Company, its sole shareholder, in December 2020 that reduced the Association's Tier 1 (leverage) capital ratio by an estimated 36 basis points. Because of its intercompany

nature, this dividend payment did not impact the Company's consolidated capital ratios which are reported in the *Liquidity and Capital Resources* section of this Item 7. We expect to continue to remain a well capitalized institution.

In managing its level of liquidity, the Company monitors available funding sources, which include attracting new deposits (including brokered CDs), borrowing from others, the conversion of assets to cash and the generation of funds through profitable operations. The Company has traditionally relied on retail deposits as its primary means in meeting its funding needs. At September 30, 2021, deposits totaled $8.99 billion (including $492.0 million of brokered CDs), while borrowings totaled $3.09 billion and borrowers' advances and servicing escrows totaled $151.1 million, combined. In evaluating funding sources, we consider many factors, including cost, collateral, duration and optionality, current availability, expected sustainability, impact on operations and capital levels.

To attract deposits, we offer our customers attractive rates of return on our deposit products. Our deposit products typically offer rates that are highly competitive with the rates on similar products offered by other financial institutions. We intend to continue this practice, subject to market conditions.

We preserve the availability of alternative funding sources through various mechanisms. First, by maintaining high capital levels, we retain the flexibility to increase our balance sheet size without jeopardizing our capital adequacy. Effectively, this permits us to increase the rates that we offer on our deposit products thereby attracting more potential customers. Second, we pledge available real estate mortgage loans and investment securities with the FHLB of Cincinnati and the FRB-Cleveland. At September 30, 2021, these collateral pledge support arrangements provided the Association with the ability to borrow a maximum of $7.43 billion from the FHLB of Cincinnati and $245.7 million from the FRB-Cleveland Discount Window. Third, we have the ability to purchase overnight Fed Funds up to $360 million through various arrangements with other institutions. Fourth, we invest in high quality marketable securities that exhibit limited market price variability, and to the extent that they are not needed as collateral for borrowings, can be sold in the institutional market and converted to cash. At September 30, 2021, our investment securities portfolio totaled $421.8 million. Finally, cash flows from operating activities have been a regular source of funds. During the fiscal years ended September 30, 2021 and 2020, cash flows from operations totaled $83.2 million and $121.8 million, respectively.

First mortgage loans (primarily fixed-rate, mortgage refinances with terms of 15 years or more and Home Ready) are originated under Fannie Mae procedures and are eligible for sale to Fannie Mae either as whole loans or within mortgage-backed securities. We expect that certain loan types (i.e. our Smart Rate adjustable-rate loans, home purchase fixed-rate loans and 10-year fixed-rate loans) will continue to be originated under our legacy procedures, which are not eligible for sale to Fannie Mae. For loans that are not originated under Fannie Mae procedures, the Association's ability to reduce interest rate risk via loan sales is limited to those loans that have established payment histories, strong borrower credit profiles and are supported by adequate collateral values that meet the requirements of the FHLB's Mortgage Purchase Program or of private third-party investors. At September 30, 2021, $8.8 million of agency eligible, long-term, fixed-rate first mortgage loans were classified as "held for sale." During the fiscal year ended September 30, 2021, $58.1 million of agency-compliant Home Ready loans and $704.2 million of long-term, fixed-rate, agency-compliant, non-Home Ready first mortgage loans were sold to Fannie Mae.

Overall, while customer and community confidence can never be assured, the Company believes that our liquidity is adequate and that we have adequate access to alternative funding sources.

Monitoring and Controlling Operating Expenses. We continue to focus on managing operating expenses. Our ratio of non-interest expense to average assets was 1.35% for the fiscal year ended September 30, 2021 and 1.29% for the fiscal year ended September 30, 2020. The decrease in average assets during the current fiscal year contributed to the increase in the ratio. As of September 30, 2021, our average assets per full-time associate and our average deposits per full-time associate were $14.1 million and $9.0 million, respectively. We believe that each of these measures compares favorably with industry averages. Our relatively high average deposits (exclusive of brokered CDs) held at our branch offices ($229.8 million per branch office as of September 30, 2021) contributes to our expense management efforts by limiting the overhead costs of serving our customers. We will continue our efforts to control operating expenses as we grow our business.

Critical Accounting Policies

Critical accounting policies are defined as those that involve significant judgments and uncertainties, and could potentially give rise to materially different results under different assumptions and conditions. We believe that the most critical accounting policies upon which our financial condition and results of operations depend, and which involve the most complex subjective decisions or assessments, are our policies with respect to our allowance for credit losses, income taxes and pension benefits.

Allowance for Credit Losses. The allowance for credit losses is the amount estimated by management as necessary to absorb credit losses related to both the loan portfolio and off-balance sheet commitments based on a life of loan methodology.

The amount of the allowance is based on significant estimates and the ultimate losses may vary from such estimates as more information becomes available or conditions change. The methodology for determining the allowance for credit losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions used and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for credit losses. At September 30, 2021, the allowance for credit losses was $89.3 million or 0.71% of total loans. An increase or decrease of 10% in the allowance at September 30, 2021 would result in a $8.9 million charge or release, respectively, to income before income taxes.

As a substantial percentage of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the charge-offs for specific loans. Assumptions are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly affect the valuation of a property securing a loan and the related allowance determined. Management carefully reviews the assumptions supporting such appraisals to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs a quarterly evaluation of the adequacy of the allowance for credit losses. We consider a variety of factors in establishing this estimate including, but not limited to, current economic conditions, including the effects of the COVID-19 pandemic, delinquency statistics, geographic concentrations, economic forecasts and how they correlate to management's view of the future, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal loan reviews and other relevant factors. This evaluation is inherently subjective as it requires material estimates by management that may be susceptible to significant change based on changes in economic and real estate market conditions.

The evaluation is comprised of a specific component and a general component. The specific component relates to loans that are delinquent or otherwise identified as a problem loan through the application of our loan review process and our loan grading system. All such loans are evaluated individually, with principal consideration given to the value of the collateral securing the loan or cash flow analysis. The general component of the evaluation is determined by applying economic forecasts and historical averages to the remaining loans and off-balance sheet commitments analyzed by portfolio and risk characteristics. Quantitative estimated losses are supplemented by more qualitative factors that impact potential losses. Qualitative factors include economic forecasts, various market conditions, such as collateral values and unemployment rates and future recoveries not estimated in the models. We analyze historical loss experience, delinquency trends, general economic conditions and geographic concentrations. These analyses establish credit loss estimates to determine the amount of the general component of the allowance. Refer to the *Lending Activities* section of Item *1. Business* in Part I. for further discussion.

Actual loan losses may be significantly more than the allowances we have established, which would have a materially adverse effect on our financial results.

Income Taxes. We consider accounting for income taxes a critical accounting policy due to the subjective nature of certain estimates that are involved in the calculation. We use the asset/liability method of accounting for income taxes in which deferred tax assets and liabilities are established for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. We must assess the realization of the deferred tax asset and, to the extent that we believe that recovery is not likely, a valuation allowance is established. Adjustments to increase or decrease existing valuation allowances, if any, are charged or credited, respectively, to income tax expense. At September 30, 2021, no valuation allowances were outstanding. Even though we have determined a valuation allowance is not required for deferred tax assets at September 30, 2021, there is no guarantee that those assets will be recognizable in the future.

Pension Benefits. The determination of our obligations and expense for pension benefits is dependent upon certain assumptions used in calculating such amounts. Key assumptions used in the actuarial valuations include the discount rate and expected long-term rate of return on plan assets. Actual results could differ from the assumptions and market driven rates may fluctuate. Significant differences in actual experience or significant changes in the assumptions could materially affect future pension obligations and expense.

Comparison of Financial Condition at September 30, 2021 and September 30, 2020

Total assets decreased $584.8 million, or 4%, to $14.06 billion at September 30, 2021 from $14.64 billion at September 30, 2020. This decrease was mainly due to the combination of loan sales and principal repayments on loans exceeding the total of new loan originations and the impact of adopting CECL, partially offset by an increase in bank owned life insurance contracts.

Cash and cash equivalents decreased $9.7 million, or 2%, to $488.3 million at September 30, 2021 from $498.0 million at September 30, 2020. This decrease was the result of cash flows from maturing investment securities and loan sales in the secondary market, which were used to retire maturing liabilities or reinvested in investment securities and/or loan products that

provide market yields. We manage cash to maintain the level of liquidity described later in the *Liquidity and Capital Resources* section of the *Overview*.

Investment securities, all of which are classified as available for sale, decreased $31.6 million, or 7%, to $421.8 million at September 30, 2021 from $453.4 million at September 30, 2020. Investment securities decreased as the combined effect of $317.1 million in principal paydowns and $7.2 million of net acquisition premium amortization that occurred in the mortgage-backed securities portfolio exceeded the combined effect of $297.5 million in purchases and an $4.8 million reduction of unrealized losses during the year ended September 30, 2021. There were no sales of investment securities during the year ended September 30, 2021.

Loans held for investment, net, decreased $594.0 million, or 5%, to $12.51 billion at September 30, 2021 from $13.10 billion at September 30, 2020. Residential mortgage loans decreased $570.9 million, or 5%, to $10.28 billion at September 30, 2021. In addition, there was an $18.0 million decrease in the balance of home equity loans and lines of credit during the year ended September 30, 2021, as repayments exceeded new originations and additional draws on existing accounts. Also contributing to the contraction in loans held for investment during the fiscal year ended September 30, 2021 were profitable loan sales of $762.3 million, which effectively reduced asset growth during the fiscal year. During the year ended September 30, 2021, $1.09 billion of three- and five-year "SmartRate" loans were originated while $2.54 billion of 10-, 15-, and 30-year fixed-rate first mortgage loans were originated. Between September 30, 2020 and September 30, 2021, the total fixed-rate portion of the first mortgage loan portfolio decreased $95.4 million, or 2%, and was comprised of a decrease of $120.2 million in the balance of fixed-rate loans with original terms greater than 10 years, partially offset by an increase of $24.8 million in the balance of fixed-rate loans with original terms of 10 years or less. Of the total $3.63 billion in first mortgage loan originations for the fiscal year ended September 30, 2021, 73% were refinance transactions and 27% were purchases, 30% were adjustable-rate mortgages and 70% were fixed-rate mortgages. Fixed rate mortgages with terms of 10 years or less accounted for 15% of total first mortgage loan originations. During the year ended September 30, 2021, we completed $762.3 million in loan sales, which included $58.1 million of agency-compliant Home Ready loans and $704.2 million of other long-term, fixed-rate, agency-compliant, first mortgage loans that were sold to Fannie Mae. Also, during the year ended September 30, 2021, we purchased long-term, fixed-rate first mortgage loans that had a remaining balance of $43.0 million at September 30, 2021.

Commitments originated for home equity lines of credit and equity and bridge loans were $1.74 billion for the year ended September 30, 2021 compared to $1.32 billion for the year ended September 30, 2020. At September 30, 2021, pending commitments to originate new home equity lines of credit were $301.4 million and equity and bridge loans were $168.9 million . Refer to the *Controlling Our Interest Rate Risk Exposure* section of the *Overview* for additional information.

The total allowance for credit losses was $89.3 million, or 0.71% of total loans receivable, at September 30, 2021, and included a $25.0 million liability for unfunded commitments. At September 30, 2020, the allowance for credit losses was $46.9 million, or 0.36% of total loans receivable and there was no liability for unfunded commitments. On October 1, 2020, the Company adopted the Current Expected Credit Loss methodology and recognized a $46.2 million increase to the allowance for credit losses and a related $35.8 million reduction to retained earnings, net of tax. During the fiscal year ended September 30, 2021, a $9.0 million release of provision from the allowance for credit losses was recognized compared to a provision of $3.0 million for the prior fiscal year. Releases from the allowance for credit losses during the recent fiscal year were primarily due to recoveries exceeding charge-offs and improvements in the economic trends and forecasts used to estimate credit losses for the reasonable and supportable period under CECL. As a result of loan recoveries exceeding charge-offs, the Company recorded $5.2 million of net loan recoveries for the fiscal year ended September 30, 2021, compared to $5.0 million of net loan recoveries for the fiscal year ended September 30, 2020. While actual loan charge-offs and delinquencies remained low at September 30, 2021, some borrowers have experienced unemployment or reduced income as a result of the COVID-19 pandemic. We continue to monitor the performance of forbearance plans offered to our customer as a result of the pandemic; however, most borrowers have since exited their plan or reached a resolution. Through September 30, 2021, there were 2,204 customers, representing over $250 million of loans, who were helped by a COVID-19 forbearance plan. As a result of payoffs and customer resolutions, there were 149 customers, representing $21.8 million of loans, or 0.17 % of total loans, remaining in COVID-19 forbearance plans as of September 30, 2021. Refer to Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS* for additional discussion.

The amount of FHLB stock owned increased $26.0 million, or 19.01%, to $162.8 million at September 30, 2021 from $136.8 million at September 30, 2020. FHLB stock ownership requirements dictate the amount of stock owned at any given time.

Total bank owned life insurance contracts increased $74.4 million, to $297.3 million at September 30, 2021, from $222.9 million at September 30, 2020, primarily due to $70 million of additional premiums placed during the current fiscal year.

Deposits decreased $231.9 million, or 3%, to $8.99 billion at September 30, 2021 from $9.23 billion at September 30, 2020. The decrease in deposits resulted primarily from a $567.5 million decrease in CDs, partially offset by a $196.7 million increase in our savings accounts (consisting of a $43.5 million increase in money market accounts in the state of Florida and a $157.1 million increase in our higher yield savings accounts), and a $136.2 million increase in our interest-bearing checking accounts. While the current interest rate environment is extremely low, we believe that our savings and checking accounts provide a stable source of funds. In addition, our savings accounts are expected to reprice in a manner similar to our home equity lending products, and, therefore, assist us in managing interest rate risk. The balance of brokered CDs at September 30, 2021 was $492.0 million, a decrease of $61.9 million, from the balance of $553.9 million at September 30, 2020.

Borrowed funds, all from the FHLB of Cincinnati, decreased $429.9 million, or 12%, to $3.09 billion at September 30, 2021 from $3.52 billion at September 30, 2020. Included in the decrease were $525.0 million of 90 day advances that were utilized for longer term interest rate swap contracts that matured during the year and were paid off from available cash, partially offset by a $95.1 million net increase in long term advances. There were no overnight or other short-term advances at September 30, 2021 or at September 30, 2020. The total balance of borrowed funds of $3.09 billion at September 30, 2021 consisted of long-term advances of $640.4 million with a remaining weighted average maturity of approximately 3.0 years and short-term advances of $2.45 billion aligned with interest rate swap contracts with a remaining weighted average effective maturity of 2.1 years. Interest rate swaps have been used to extend the duration of short-term borrowings to approximately four to seven years at inception, by paying a fixed rate of interest and receiving the variable rate. Refer to the *Extending the Duration of Funding Sources* section of the *Overview* and Part II, Item *7A. Quantitative and Qualitative Disclosures About Market Risk* for additional discussion regarding short-term borrowings and interest-rate swaps.

Accrued expenses and other liabilities increased $23.0 million to $88.6 million at September 30, 2021, from $65.6 million at September 30, 2020. The increase is primarily due to a $25.0 million liability for unfunded commitments, created as a result of the implementation of CECL during the current year.

Total shareholders' equity increased $60.4 million, or 4%, to $1.73 billion at September 30, 2021 from $1.67 billion at September 30, 2020. Activity reflects the positive impacts from $81.0 million of net income, a $64.2 million decrease in accumulated other comprehensive loss and $8.1 million of positive adjustments related to our stock compensation and employee stock ownership plans, reduced by $57.1 million of quarterly dividend payments and a $35.8 million, net of tax reduction related to the increase to the allowance for credit losses with the adoption of CECL. The decrease in accumulated other comprehensive loss is primarily a result of changes in market interest rates related to our interest rate swap contracts, and from actuarial improvements related to our defined benefit plan. No shares of our common stock were repurchased during the fiscal year ended September 30, 2021. As a result of the July 13, 2021 and July 14, 2020 mutual member votes, Third Federal Savings, MHC, the mutual holding company that owns approximately 81% of the outstanding stock of the Company, was able to waive receipt of its share of each dividend paid. Refer to Item *5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* for additional details regarding the repurchase of shares of common stock and the payment of dividends.

Analysis of Net Interest Income

Net interest income represents the difference between the income we earn on our interest-earning assets and the expense we pay on our interest-bearing liabilities. Net interest income depends on the volume of interest-earning assets and interest-bearing liabilities and the rates earned on such assets and the rates paid on such liabilities.

Average balances and yields. The following table sets forth average balances, average yields and costs, and certain other information at and for the fiscal years indicated. No tax-equivalent yield adjustments were made, as the effect thereof were not material. Average balances are derived from daily average balances. Non-accrual loans are included in the computation of average balances, but only cash payments received on those loans during the period presented are reflected in the yield. The yields set forth below include the effect of deferred fees, deferred expenses, discounts and premiums that are amortized or accreted to interest income or interest expense.

	For the Fiscal Years Ended September 30,								
	2021			2020			2019		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
	(Dollars in thousands)								
Interest-earning assets:									
Interest-earning cash equivalents	$ 567,035	$ 673	0.12%	$ 307,902	$ 1,909	0.62 %	$ 220,458	$ 4,998	2.27 %
Investment securities	—	—	—%	—	—	— %	3,308	79	2.39 %
Mortgage-backed securities	428,590	3,822	0.89%	527,195	9,707	1.84 %	555,076	13,021	2.35 %
Loans(1)	12,800,542	381,887	2.98%	13,366,447	440,697	3.30 %	12,938,824	458,779	3.55 %
Federal Home Loan Bank stock	155,322	2,969	1.91%	120,011	2,985	2.49 %	96,712	5,210	5.39 %
Total interest-earning assets	13,951,489	389,351	2.79%	14,321,555	455,298	3.18 %	13,814,378	482,087	3.49 %
Non-interest-earning assets	532,786			540,421			422,738		
Total assets	$14,484,275			$14,861,976			$14,237,116		
Interest-bearing liabilities:									
Checking accounts	$ 1,079,699	1,140	0.11%	$ 917,552	1,477	0.16 %	$ 881,233	3,188	0.36 %
Savings accounts	1,742,042	2,992	0.17%	1,530,977	7,775	0.51 %	1,381,646	11,676	0.85 %
Certificates of deposit	6,339,412	93,187	1.47%	6,621,289	130,990	1.98 %	6,388,905	128,489	2.01 %
Borrowed funds	3,303,925	60,402	1.83%	3,785,026	72,788	1.92 %	3,651,273	73,313	2.01 %
Total interest-bearing liabilities	12,465,078	157,721	1.27%	12,854,844	213,030	1.66 %	12,303,057	216,666	1.76 %
Non-interest-bearing liabilities	321,958			298,520			182,598		
Total liabilities	12,787,036			13,153,364			12,485,655		
Shareholders' equity	1,697,239			1,708,612			1,751,461		
Total liabilities and shareholders' equity	$14,484,275			$14,861,976			$14,237,116		
Net interest income		$231,630			$242,268			$265,421	
Interest rate spread(2)			1.52 %			1.52 %			1.73 %
Net interest-earning assets(3)	$ 1,486,411			$ 1,466,711			$ 1,511,321		
Net interest margin(4)		1.66 %			1.69 %			1.92 %	
Average interest-earning assets to average interest-bearing liabilities	111.92 %			111.41 %			112.28 %		

(1) Loans include both mortgage loans held for sale and loans held for investment.

(2) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by total interest-earning assets.

Rate/Volume Analysis. The following table presents the effects of changing rates (yields) and volumes (average balances) on our net interest income for the fiscal years indicated. 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. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	For the Fiscal Years Ended September 30, 2021 vs. 2020			For the Fiscal Years Ended September 30, 2020 vs. 2019		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(In thousands)					
Interest-earning assets:						
Interest-earning cash equivalents	$ 944	$ (2,180)	$ (1,236)	$ 3,714	$ (6,803)	$ (3,089)
Investment securities	—	—	—	(79)	—	(79)
Mortgage-backed securities	(1,566)	(4,319)	(5,885)	(627)	(2,687)	(3,314)
Loans	(18,112)	(40,698)	(58,810)	16,110	(34,192)	(18,082)
Federal Home Loan Bank stock	764	(780)	(16)	1,802	(4,027)	(2,225)
Total interest-earning assets	(17,970)	(47,977)	(65,947)	20,920	(47,709)	(26,789)
Interest-bearing liabilities:						
Checking accounts	356	(693)	(337)	137	(1,848)	(1,711)
Savings accounts	1,259	(6,042)	(4,783)	1,449	(5,350)	(3,901)
Certificates of deposit	(5,373)	(32,430)	(37,803)	4,535	(2,034)	2,501
Borrowed funds	(8,923)	(3,463)	(12,386)	3,426	(3,951)	(525)
Total interest-bearing liabilities	(12,681)	(42,628)	(55,309)	9,547	(13,183)	(3,636)
Net change in net interest income	$ (5,289)	$ (5,349)	$(10,638)	$ 11,373	$(34,526)	$(23,153)

Comparison of Operating Results for the Fiscal Years Ended September 30, 2021 and 2020

General. Net income decreased $2.3 million to $81.0 million for the year ended September 30, 2021 compared to $83.3 million for the year ended September 30, 2020. A decline in net interest income and an increase in non-interest expense for the current fiscal year offset the benefit of an increase in non-interest income and releases from the credit loss provision.

Interest and Dividend Income. Interest and dividend income decreased $65.9 million, or 14%, to $389.4 million during the year ended September 30, 2021 compared to $455.3 million during the prior year. The decrease in interest and dividend income resulted primarily from a decrease in interest income from loans, and to a lesser extent, interest income on mortgage-backed securities and interest earning cash equivalents. Lower market interest rates impacted each category, as well as lower average balances for loans and mortgage backed securities.

Interest income on loans decreased $58.8 million, or 13%, to $381.9 million for the year ended September 30, 2021 compared to $440.7 million for the year ended September 30, 2020. This decrease was attributed to a 32 basis point decrease in the average yield on loans to 2.98% for the year ended September 30, 2021 from 3.30% for the prior year. Also contributing to the decline in average yield was a $565.9 million decrease in the average balance of loans to $12.80 billion for the current year compared to $13.37 billion during the prior year. The decrease in interest income between fiscal periods is due to lower yields on loans as many borrowers refinanced to take advantage of the lower rate environment and a decrease in the average balance of loans due to loan sales and payoffs.

Interest income on mortgage-backed securities decreased $5.9 million, or 61%, to $3.8 million during the current year compared to $9.7 million during the year ended September 30, 2020. This decrease was attributed to a 95 basis point decrease in the average yield on mortgage-backed securities, combined with a $98.6 million decrease in the average balance of mortgage-backed securities to $428.6 million for the current year compared to $527.2 million during the prior year due to prepayments. During the fiscal year ended September 30, 2021 prepayment speeds of mortgage-backed securities were elevated due to the low interest rate environment, which reduced the principal balance of loans included in some of the mortgage-backed securities pools and hence the interest income generated from those bonds. Generally low interest rates also contributed to the

challenging investment environment as bond purchases during the fiscal year had lower coupon yields compared to the bonds that matured during the fiscal year ended September 30, 2021.

Interest Expense. Interest expense decreased $55.3 million, or 26%, to $157.7 million during the current year compared to $213.0 million during the year ended September 30, 2020. The decrease resulted from decreases in interest expense on both deposits and borrowed funds. Lower market interest rates impacted each category, as well as lower average balances for total interest-bearing liabilities.

Interest expense on CDs decreased $37.8 million, or 29%, to $93.2 million during the year ended September 30, 2021 compared to $131.0 million during the year ended September 30, 2020. The decrease was attributed primarily to a 51 basis point decrease in the average rate we paid on CDs to 1.47% during the current year from 1.98% during the prior year. Additionally, there was a $281.9 million, or 4%, decrease in the average balance of CDs to $6.34 billion from $6.62 billion during the prior year. Interest expense on savings and checking accounts decreased $4.8 million and $0.4 million, respectively, to $3.0 million and $1.1 million during the year ended September 30, 2021, compared to the prior year due to a decrease in the average rates we paid on the deposits. Rates were adjusted on deposits in response to changes in general market rates as well as to changes in the rates paid by our competition.

Interest expense on borrowed funds, all from the FHLB of Cincinnati, as impacted by related interest rate swap contracts, decreased $12.4 million, or 17%, to $60.4 million during the year ended September 30, 2021 from $72.8 million during the year ended September 30, 2020. The decrease was attributed to a combination of a $481.1 million, or 13%, decrease in the average balance of borrowed funds to $3.30 billion during the current year from $3.78 billion during the prior year, as well as a nine basis point decrease in the average rate paid for these funds to 1.83% during the year ended September 30, 2021 from 1.92% for the year ended September 30, 2020. The balance decrease during the year resulted from available cash used to pay-off advances related to longer term interest rate swap contracts that matured during the year. Also impacting the prior year comparison was $7.8 million of additional interest expense that was recognized during the year ended September 30, 2020, as a result of the early termination in September 2020 of $100 million of interest rate swap contracts related to the prepayment of FHLB of Cincinnati advances. Refer to the *Extending the Duration of Funding Sources* section of the *Overview* and *Comparison of Financial Condition* for further discussion.

***Net Interest Income*.** Net interest income decreased $10.7 million, or 4%, to $231.6 million during the year ended September 30, 2021 from $242.3 million during the year ended September 30, 2020. The decrease between fiscal years was primarily due to the lower average interest-earning asset balances, as while our percentage yield declined, our interest rate spread remained the same between the two years. We experienced lower yields on loans as many borrowers refinanced to take advantage of the lower rate environment and a decrease in the average balances of loans due to loan sales and payoffs. In addition, the increase in lower yielding cash equivalent investments was a detriment to the overall yield on assets. Funding costs also declined, partially offsetting the decrease in interest income, but slower repricing of longer term CDs and interest rate swap contracts, slowed the decline. Funding cost decreased through a reduction in the average balance of borrowed funds, including maturities and prior year terminations of FHLB advances and their related swap contracts; the repricing of certificates of deposit as they mature, to market rates of interest; and a heightened migration to lower-priced non-maturity deposit accounts from certificates of deposit due to historically low yield differentials. Average interest-earning assets decreased during the current year by $370.1 million, or 3%, when compared to the year ended September 30, 2020. The decrease in average interest-earning assets was attributed primarily due to the reduction in the average balance of our loan portfolio and to a lesser extent the mortgage back securities portfolio. Average interest-bearing liabilities decreased by $389.7 million. The average yield on interest earning assets decreased 39 basis points to 2.79% from 3.18%, compared to a 39 basis point decrease in the average rate paid on interest-bearing liabilities to 1.27% in the current period from 1.66% in the prior period. The interest rate spread was 1.52% for both the fiscal years ended September 30, 2021 and September 30, 2020. The net interest margin was 1.66% for the fiscal year ended September 30, 2021 and 1.69% for the fiscal year ended September 30, 2020.

Provision (Release) for Credit Losses. We recorded a release from the allowance for credit losses of $9.0 million during the year ended September 30, 2021 and a $3.0 million provision for loan losses during the year ended September 30, 2020. Releases from the allowance for credit losses during the recent fiscal year were primarily due to recoveries exceeding charge-offs and improvements in the economic trends and forecasts used to estimate credit losses for the reasonable and supportable period, under the CECL methodology adopted effective October 1, 2020. As delinquencies in the portfolio are resolved through pay-off, short sale or foreclosure, or management determines the collateral is not sufficient to satisfy the loan, uncollected balances have been charged against the allowance for credit losses previously provided. When amounts previously charged off are subsequently collected, the recoveries are added to the allowance. Future recoveries may continue if housing market conditions stay strong and payment performance on previously charged-off loans continues. For the fiscal year ended September 30, 2021, we recorded net recoveries of $5.2 million, as compared to net recoveries of $5.0 million for the year ended September 30, 2020. The allowance for credit losses, including a $25.0 million liability for unfunded commitments under

CECL, was $89.3 million, or 0.71% of the total amortized cost in loans receivable, at September 30, 2021. At September 30, 2020, the allowance was $46.9 million, or 0.36% of the total amortized cost in loans receivable and there was no liability for unfunded commitments. Balances of amortized costs are net of deferred fees, expenses and any applicable loans-in-process.

At September 30, 2021 and 2020, we believe we had recorded an allowance for credit losses that provides for all losses that are both probable and reasonable to estimate at September 30, 2021 and 2020, respectively; this includes consideration for the difference in methodology to record provisions for credit losses for each of the respective time periods. During and for the fiscal year ended September 30, 2021 the CECL methodology was followed to determine the appropriate balance for the allowance for credit losses while the incurred loss methodology was followed in the prior and previous fiscal years.

Refer to the *Lending Activities* section of the *Overview* and Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS* for further discussion.

Non-Interest Income. Non-interest income increased $2.0 million, or 4%, to $55.3 million during the year ended September 30, 2021 compared to $53.3 million during the year ended September 30, 2020. The increase in non-interest income was primarily due to an increase in the net gain on sale of loans, which was $33.1 million during the year ended September 30, 2021, compared to $28.4 million during the year ended September 30, 2020. There were loan sales, including commitments to sell, of $762.3 million during the year ended September 30, 2021, compared to loan sales of $844.3 million during the year ended September 30, 2020. In addition to the increase in the net gain on the sale of loans, there was also an increase in the cash surrender value and death benefits on bank owned life insurance contracts. For the fiscal year ended September 30, 2021, bank owned life insurance contracts increased by $74.4 million to $297.3 million, primarily due to $70 million of additional premiums placed during the fiscal year. These increases were offset by a decrease in other non-interest income which, in the previous fiscal year, included $4.7 million of net gain on the sale of commercial property.

Non-Interest Expense. Non-interest expense increased $3.5 million, or 2%, to $195.8 million during the year ended September 30, 2021 compared to $192.3 million during the year ended September 30, 2020. This increase resulted primarily from increases in salary and employee benefits as well as marketing expenses, partially offset by a decrease in other expenses. The increase in salary and employee benefits was spread between associate compensation, group health insurance, stock benefit plan expense, and a one-time $1,500 after-tax bonus paid to each associate during the first quarter of fiscal year 2021 in recognition of special efforts made during the pandemic crisis. The increase in marketing expense was timing related, as some marketing efforts were delayed during the previous fiscal year, in response to COVID-19. Other expenses decreased as a result of the non recurrence of $1.1 million of early termination fees incurred last year related to the prepayment of FHLB of Cincinnati advances and a $1.8 million reduction in pension related expenses this year due to actuarial valuation improvements.

Income Tax Expense. The provision for income taxes was $19.1 million during the year ended September 30, 2021 compared to $16.9 million during the year ended September 30, 2020. The change was a result of a lower prior year provision, which included a carry back of net tax operating losses to years taxed at higher rates, resulting in a prior fiscal year tax benefit of $3.6 million. The provision for the current year included $17.5 million of federal income tax provision and $1.6 million of state income tax provision. The provision for the year ended September 30, 2020 included $15.2 million of federal income tax provision and $1.7 million of state income tax provision. Our effective federal tax rate was 17.8% during the year ended September 30, 2021 and 15.5% during the year ended September 30, 2020.

For a comparison of operating results for the fiscal years ended September 30, 2020 and 2019, see the Company's Form 10-K for the fiscal year ended September 30, 2020.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan repayments, advances from the FHLB of Cincinnati, borrowings from the FRB-Cleveland Discount Window, overnight Fed Funds through various arrangements with other institutions, proceeds from brokered CDs transactions, principal repayments and maturities of securities, and sales of loans.

In addition to the primary sources of funds described above, we have the ability to obtain funds through the use of collateralized borrowings in the wholesale markets, and from sales of securities. Also, debt issuance by the Company and access to the equity capital markets via a supplemental minority stock offering or a full conversion (second-step) transaction remain as other potential sources of liquidity, although these channels generally require up to nine months of lead time.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by interest rates, economic conditions and competition. The Association's Asset/ Liability Management Committee is responsible for establishing and monitoring our liquidity targets and strategies in order to

ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We generally seek to maintain a minimum liquidity ratio of 5% (which we compute as the sum of cash and cash equivalents plus unencumbered investment securities for which ready markets exist, divided by total assets). For the year ended September 30, 2021, our liquidity ratio averaged 6.66%. We believe that we had sufficient sources of liquidity to satisfy our short- and long-term liquidity needs as of September 30, 2021.

We regularly adjust our investments in liquid assets based upon our assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits and securities, scheduled liability maturities and the objectives of our asset/liability management program. Excess liquid assets are generally invested in interest-earning deposits and short- and intermediate-term securities.

Our most liquid assets are cash and cash equivalents. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At September 30, 2021, cash and cash equivalents totaled $488.3 million which represented a decrease of 2% from September 30, 2020.

Investment securities classified as available for sale, which provide additional sources of liquidity, totaled $421.8 million at September 30, 2021.

During the year ended September 30, 2021, loan sales, including commitments to sell, totaled $762.3 million, which included sales to Fannie Mae consisting of $704.2 million of long-term, fixed-rate, agency-compliant, non-Home Ready first mortgage loans and $58.1 million of loans that qualified under Fannie Mae's Home Ready initiative. Loans originated under Home Ready initiatives are classified as “held for sale” at origination. Loans originated under non-Home Ready, Fannie Mae compliant procedures are classified as “held for investment” until they are specifically identified for sale.

At September 30, 2021, $8.8 million of long-term, fixed-rate residential first mortgage loans were classified as “held for sale,” under Fannie Mae's Home Ready initiative.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our *CONSOLIDATED STATEMENTS OF CASH FLOWS* included in the *CONSOLIDATED FINANCIAL STATEMENTS*.

At September 30, 2021, we had $949.9 million in outstanding commitments to originate loans. In addition to commitments to originate loans, we had $3.20 billion in unfunded home equity lines of credit to borrowers. CDs due within one year of September 30, 2021 totaled $3.51 billion, or 39.1% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including loan sales, sales of investment securities, other deposit products, including new CDs, brokered CDs, FHLB advances, borrowings from the FRB-Cleveland Discount Window or other collateralized 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 CDs due on or before September 30, 2022. We believe, however, based on past experience, that a significant portion of such deposits will remain with us. Generally, we have the ability to attract and retain deposits by adjusting the interest rates offered.

Our primary investing activities are originating residential mortgage loans, home equity loans and lines of credit and purchasing investments. During the year ended September 30, 2021, we originated $3.63 billion of residential mortgage loans, and $1.74 billion of commitments for home equity loans and lines of credit, while during the year ended September 30, 2020, we originated $3.08 billion of residential mortgage loans and $1.32 billion of commitments for home equity loans and lines of credit. We purchased $297.5 million of securities during the year ended September 30, 2021, and $171.5 million during the year ended September 30, 2020. Also, during the year ended September 30, 2021, we purchased long-term, fixed-rate first mortgage loans that had a remaining balance of $43.0 million at September 30, 2021.

Financing activities consist primarily of changes in deposit accounts, changes in the balances of principal and interest owed on loans serviced for others, FHLB advances, including any collateral requirements related to interest rate swap agreements and borrowings from the FRB-Cleveland Discount Window. We experienced a net decrease in total deposits of $231.9 million during the year ended September 30, 2021, which reflected the active management of the offered rates on maturing CDs compared to a net increase of $459.2 million during the year ended September 30, 2020. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors. During the year ended September 30, 2021, there was a $61.9 million decrease in the balance of brokered CDs (exclusive of acquisition costs and subsequent amortization), which had a balance of $492.0 million at September 30, 2021. At September 30, 2020 the balance of brokered CDs was $553.9 million. Principal and interest owed on loans serviced for others experienced a net decrease of $4.4 million to $41.5 million during the year ended September 30, 2021 compared to a net increase of $13.0 million to $45.9 million during the year ended September 30, 2020. During the year ended September 30, 2021 we decreased our advances from the FHLB of Cincinnati by $429.9 million to utilize proceeds from loans sales, while managing future interest costs and the funding of new loan originations and our capital initiatives, and actively manage our

liquidity ratio. During the year ended September 30, 2020, our advances from the FHLB of Cincinnati decreased by $381.2 million.

In March 2021, we received a second consecutive “Needs to Improve” rating on our Community Reinvestment Act (CRA) examination covering the period ending December 31, 2019. The FHFA practice is to place member institutions in this situation on restriction. When this restriction is established, we will not have access to FHLB long-term advances (maturities greater than one year) until our rating improves. However, we have not received notice of this restriction as of November 24, 2021. Existing advances and future advances with less than a one year term, including 90 day advances used to facilitate longer term interest rate swap agreements, will not be affected. We expect no impact to our ability to access funding.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the FHLB of Cincinnati and the FRB-Cleveland Discount Window, each of which provides an additional source of funds. Also, in evaluating funding alternatives, we may participate in the brokered CD market. At September 30, 2021 we had $3.09 billion of FHLB of Cincinnati advances and no outstanding borrowings from the FRB-Cleveland Discount Window. Additionally, at September 30, 2021, we had $492.0 million of brokered CDs. During the year ended September 30, 2021, we had average outstanding advances from the FHLB of Cincinnati of $3.30 billion as compared to average outstanding advances of $3.79 billion during the year ended September 30, 2020. Refer to the *Extending the Duration of Funding Sources* section of the *Overview* and the *General* section of *Item 7A. Quantitative and Qualitative Disclosures About Market Risk* for further discussion. At September 30, 2021, we had the ability to borrow a maximum of $7.43 billion from the FHLB of Cincinnati and $245.7 million from the FRB-Cleveland Discount Window. From the perspective of collateral value securing FHLB of Cincinnati advances, our capacity limit for additional borrowings beyond the outstanding balance at September 30, 2021 was $4.34 billion, subject to satisfaction of the FHLB of Cincinnati common stock ownership requirement.

The Association and the Company are subject to various regulatory capital requirements, including a risk-based capital measure. The Basel III capital framework for U.S. banking organizations ("Basel III Rules") includes both a revised definition of capital and guidelines for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. In April 2020, the Association adopted the Simplifications to the Capital Rule ("Rule") which simplified certain aspects of the capital rule under Basel III. The impact of the Rule was not material to the Association's regulatory ratios.

In 2019, a final rule adopted by the federal banking agencies provided banking organizations with the option to phase in, over a three-year period, the adverse day-one regulatory capital effects of the adoption of the CECL accounting standard. In 2020, as part of its response to the impact of COVID-19, U.S. federal banking regulatory agencies issued a final rule which provides banking organizations that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL’s effect on regulatory capital, relative to the incurred loss methodology’s effect on regulatory capital, followed by a three-year transition period, which the Association and Company have adopted. During the two-year delay, the Association and Company will add back to common equity tier 1 capital (“CET1”), 100% of the initial adoption impact of CECL plus 25% of the cumulative quarterly changes in the allowance for credit losses. After two years the quarterly transitional amounts along with the initial adoption impact of CECL will be phased out of CET1 capital over the three-year period.

The Association is subject to the "capital conservation buffer" requirement level of 2.5%. The requirement limits capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" in addition to the minimum capital requirements. At September 30, 2021, the Association exceeded the regulatory requirement for the "capital conservation buffer".

As of September 30, 2021, the Association exceeded all regulatory capital requirements to be considered "Well Capitalized".

In addition to the operational liquidity considerations described above, which are primarily those of the Association, the Company, as a separate legal entity, also monitors and manages its own, parent company-only liquidity, which provides the source of funds necessary to support all of the parent company's stand-alone operations, including its capital distribution strategies which encompass its share repurchase and dividend payment programs. The Company's primary source of liquidity is dividends received from the Association. The amount of dividends that the Association may declare and pay to the Company in any calendar year, without the receipt of prior approval from the OCC but with prior notice to the FRB-Cleveland, cannot exceed net income for the current calendar year-to-date period plus retained net income (as defined) for the preceding two calendar years, reduced by prior dividend payments made during those periods. In December 2020, the Company received a $55.0 million cash dividend from the Association. Because of its intercompany nature, this dividend payment had no impact on the Company's capital ratios or its consolidated statement of condition but reduced the Association's reported capital ratios. At September 30, 2021, the Company had, in the form of cash and a demand loan from the Association, $190.4 million of funds readily available to support its stand-alone operations.

The Company's eighth stock repurchase program, which authorized the repurchase of up to 10,000,000 shares of the Company's outstanding common stock was approved by the Board of Directors on October 27, 2016 and repurchases began on January 6, 2017. There were 4,108,921 shares repurchased under that program between its start date and September 30, 2021. During the year ended September 30, 2021, the Company did not repurchase any of its common stock. The share repurchase plan had been suspended as part of the response to COVID-19, but was reinstated in February 2021. However, the Company continues to place more emphasis on dividends in its evaluation of capital deployment.

On July 13, 2021, Third Federal Savings, MHC received the approval of its members with respect to the waiver of dividends, and subsequently received the non-objection of the FRB-Cleveland, to waive receipt of dividends on the Company's common stock the MHC owns up to a total of $1.13 per share, to be declared on the Company's common stock during the 12 months subsequent to the members' approval (*i.e*., through July 13, 2022). The members approved the waiver by casting 60% of the eligible votes, with 97% of the votes cast, or 59% of the total eligible votes, voting in favor of the waiver. Third Federal Savings, MHC is the 81% majority shareholder of the Company and waived its right to receive a $0.2825 per share dividend payment on September 21, 2021.

On July 14, 2020, Third Federal Savings, MHC received the approval of its members with respect to the waiver of dividends, and subsequently received the non-objection of the FRB-Cleveland, to waive receipt of dividends on the Company's common stock the MHC owns up to a total of $1.12 per share, to be declared on the Company's common stock during the 12 months subsequent to the members' approval (*i.e*., through July 14, 2021). The members approved the waiver by casting 63% of the eligible votes, with 97% of the votes cast, or 61% of the total eligible votes, voting in favor of the waiver. Third Federal Savings, MHC waived its right to receive a $0.28 per share dividend payment on September 23, 2020, December 15, 2020, March 23, 2021 and June 22, 2021.

The payment of dividends, support of asset growth and strategic stock repurchases are planned to continue in the future as the focus for future capital deployment activities.

Impact of Inflation and Changing Prices

Our consolidated financial statements and related notes have been prepared in accordance with GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

Recent Accounting Pronouncements

Refer to Note *20. RECENT ACCOUNTING PRONOUNCEMENTS* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS* for pending and adopted accounting guidance.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk has historically been interest rate risk. In general, our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits and advances from the FHLB of Cincinnati. As a result, a fundamental component of our business strategy is to manage interest rate risk and limit the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has established risk parameter limits deemed appropriate given our business strategy, operating environment, capital, liquidity and performance objectives. Additionally, our Board of Directors has authorized the formation of an Asset/Liability Management Committee comprised of key operating personnel, which is responsible for managing this risk in a manner that is consistent with the guidelines and risk limits approved by the Board of Directors. Further, the Board has established the Directors Risk Committee, which, among other responsibilities, conducts regular oversight and review of the guidelines, policies and deliberations of the Asset/Liability Management Committee. We have sought to manage our interest rate risk in order to control the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset-liability management, we use the following strategies to manage our interest rate risk:

(i) marketing adjustable-rate and shorter-maturity (10-year, fixed-rate mortgage) loan products;

(ii) lengthening the weighted average remaining term of major funding sources, primarily by offering attractive interest rates on deposit products, particularly longer-term certificates of deposit, and through the use of longer-term advances from the FHLB of Cincinnati (or shorter-term advances converted to longer-term durations via the use of interest rate exchange contracts that qualify as cash flow hedges) and longer-term brokered certificates of deposit;

(iii) investing in shorter- to medium-term investments and mortgage-backed securities;

(iv) maintaining the levels of capital in excess of what is required for "well capitalized" designation; and

(v) securitizing and/or selling long-term, fixed-rate residential real estate mortgage loans.

During the fiscal year ended September 30, 2021, $762.3 million of agency-compliant, long-term, fixed-rate mortgage loans were sold to Fannie Mae on a servicing retained basis. At September 30, 2021, $8.8 million of agency-compliant, long-term, fixed-rate residential first mortgage loans were classified as "held for sale". Of the agency compliant loan sales during the fiscal year ended September 30, 2021, $58.1 million was comprised of long-term, (15 to 30 years), fixed-rate first mortgage loans which were sold under Fannie Mae's Home Ready program; and $704.2 million was comprised of long-term (15 to 30 years), fixed-rate first mortgage refinance loans which were sold to Fannie Mae, as described in the next paragraph.

First mortgage loans (primarily fixed-rate, mortgage refinances with terms of 15 years or more, and Home Ready) are generally originated under Fannie Mae procedures and are eligible for sale to Fannie Mae either as whole loans or within mortgage-backed securities. We expect that certain loan types (i.e. our Smart Rate adjustable-rate loans, home purchase fixed-rate loans and 10-year fixed-rate loans) will continue to be originated under our legacy procedures, which are not eligible for sale to Fannie Mae. For loans that are not originated under Fannie Mae procedures, the Association's ability to reduce interest rate risk via loan sales is limited to those loans that have established payment histories, strong borrower credit profiles and are supported by adequate collateral values that meet the requirements of the FHLB's Mortgage Purchase Program or of private third-party investors.

The Association actively markets equity lines of credit, an adjustable-rate mortgage loan product and a 10-year fixed-rate mortgage loan product. Each of these products provides us with improved interest rate risk characteristics when compared to longer-term, fixed-rate mortgage loans. Shortening the average maturity of our interest-earning assets by increasing our investments in shorter-term loans and investments, as well as loans and investments with variable rates of interest, helps to better match the maturities and interest rates of our assets and liabilities, thereby reducing the exposure of our net interest income to changes in market interest rates.

The Association evaluates funding source alternatives as it seeks to extend its liability duration. Extended duration funding sources that are currently considered include: retail certificates of deposit (which, subject to a fee, generally provide depositors with an early withdrawal option, but do not require pledged collateral); brokered certificates of deposit (which generally do not provide an early withdrawal option and do not require collateral pledges); collateralized borrowings which are not subject to creditor call options (generally advances from the FHLB of Cincinnati); and interest rate exchange contracts ("swaps") which are subject to collateral pledges and which require specific structural features to qualify for hedge accounting treatment (hedge accounting treatment directs that periodic mark-to-market adjustments be recorded in other comprehensive income (loss) in the equity section of the balance sheet rather than being included in operating results of the income statement). The Association's intent is that any swap to which it may be a party will qualify for hedge accounting treatment. The Association attempts to be opportunistic in the timing of its funding duration deliberations and when evaluating alternative funding sources, compares effective interest rates, early withdrawal/call options and collateral requirements.

The Association is a party to interest rate swap agreements. Each of the Association's swap agreements is registered on the Chicago Mercantile Exchange and involves the exchange of interest payment amounts based on a notional principal balance. No exchange of principal amounts occurs and the notional principal amount does not appear on our balance sheet. The Association uses swaps to extend the duration of its funding sources. In each of the Association's agreements, interest paid is based on a fixed rate of interest throughout the term of each agreement while interest received is based on an interest rate that resets at a specified interval (generally three months) throughout the term of each agreement. On the initiation date of the swap, the agreed upon exchange interest rates reflect market conditions at that point in time. Swaps generally require counterparty collateral pledges that ensure the counterparties' ability to comply with the conditions of the agreement. The notional amount of the Association's swap portfolio at September 30, 2021 was $2.45 billion. The swap portfolio's weighted average fixed pay rate was 1.88% and the weighted average remaining term was 2.5 years. Concurrent with the execution of each swap, the Association entered into a short-term borrowing from the FHLB of Cincinnati in an amount equal to the notional amount of the swap and with interest rate resets aligned with the reset interval of the swap. Each individual swap agreement has been designated as a cash flow hedge of interest rate risk associated with the Company's variable rate borrowings from the FHLB of Cincinnati.

Economic Value of Equity. Using customized modeling software, the Association prepares periodic estimates of the amounts by which the net present value of its cash flows from assets, liabilities and off-balance sheet items (the institution's economic value of equity or EVE) would change in the event of a range of assumed changes in market interest rates. The simulation model uses a discounted cash flow analysis and an option-based pricing approach in measuring the interest rate sensitivity of EVE. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under

the assumption that instantaneous changes (measured in basis points) occur at all maturities along the United States Treasury yield curve and other relevant market interest rates. A basis point equals one, one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 2% to 3% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below. The model is tailored specifically to our organization, which, we believe, improves its predictive accuracy. The following table presents the estimated changes in the Association's EVE at September 30, 2021 that would result from the indicated instantaneous changes in the United States Treasury yield curve and other relevant market interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets (3)	
		Amount	Percent	EVE Ratio (4)	Increase (Decrease) (basis points)
	(Dollars in thousands)				
+300	$ 1,511,893	$ (343,325)	(18.51)%	11.39 %	(158)
+200	1,702,849	(152,369)	(8.21)%	12.46 %	(51)
+100	1,827,873	(27,345)	(1.47)%	13.03 %	6
0	1,855,218	—	— %	12.97 %	—
-100	1,756,768	(98,450)	(5.31)%	12.16 %	(81)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) EVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) EVE Ratio represents EVE divided by the present value of assets.

The table above indicates that at September 30, 2021, in the event of an increase of 200 basis points in all interest rates, the Association would experience a 8.21% decrease in EVE. In the event of a 100 basis point decrease in interest rates, the Association would experience a 5.31% decrease in EVE.

The following table is based on the calculations contained in the previous table, and sets forth the change in the EVE at a +200 basis point rate of shock at September 30, 2021, with comparative information as of September 30, 2020. By regulation, the Association must measure and manage its interest rate risk for interest rate shocks relative to established risk tolerances in EVE.

	At September 30,	
Risk Measure (+200 bp Rate Shock)	2021	2020
Pre-Shock EVE Ratio	12.97 %	9.70 %
Post-Shock EVE Ratio	12.46 %	9.63 %
Sensitivity Measure in basis points	(51)	(7)
Percentage Change in EVE Ratio	(8.21)%	(4.63)%

Certain shortcomings are inherent in the methodologies used in measuring interest rate risk through changes in EVE. Modeling changes in EVE require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the EVE tables presented above assume:

- no new growth or business volumes;
- that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured, except for reductions to reflect mortgage loan principal repayments along with modeled prepayments and defaults; and
- that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities.

Accordingly, although the EVE table provides an indication of our interest rate risk exposure as of the indicated dates, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our EVE and will differ from actual results. In addition to our core business activities, which primarily sought to originate

Smart Rate (adjustable), home equity lines of credit (adjustable) and 10-year fixed-rate loans funded by borrowings from the FHLB and intermediate term CDs (including brokered CDs) and which are intended to have a favorable impact on our IRR profile, the net impact of several other items resulted in the 3.58% deterioration in the Percentage Change in EVE measure at September 30, 2021, when compared to the measure at September 30, 2020. Factors contributing to this decline included changes in market rates, capital actions by the Association, and changes due to business activity. Movement in market interest rates included an increase of 15 basis points for the two-year term, an increase of 69 basis points for the five-year term and an increase of 80 basis points for the ten-year term. Negatively impacting the Percentage Change in EVE was a $55.0 million cash dividend that the Association paid to the Company in December 2020. Because of its intercompany nature, this payment had no impact on the Company's capital position, or the Company's overall IRR profile, but reduced the Association's regulatory capital and regulatory capital ratios and negatively impacted the Association's Percentage Change in EVE by approximately 0.21%. While our core business activities, as described at the beginning of this paragraph, are generally intended to have a positive impact on our IRR profile, the actual impact is determined by a number of factors, including the pace of mortgage asset additions to our balance sheet (including consideration of outstanding commitments to originate those assets), in comparison to the pace of the addition of duration extending funding sources. The IRR simulation results presented above were in line with management's expectations and were within the risk limits established by our Board of Directors.

Our simulation model possesses random patterning capabilities and accommodates extensive regression analytics applicable to the prepayment and decay profiles of our borrower and depositor portfolios. The model facilitates the generation of alternative modeling scenarios and provides us with timely decision making data that is integral to our IRR management processes. Modeling our IRR profile and measuring our IRR exposure are processes that are subject to continuous revision, refinement, modification, enhancement, back testing and validation. We continually evaluate, challenge and update the methodology and assumptions used in our IRR model, including behavioral equations that have been derived based on third-party studies of our customers' historical performance patterns. Changes to the methodology and/or assumptions used in the model will result in reported IRR profiles and reported IRR exposures that will be different, and perhaps significantly, from the results reported above.

Earnings at Risk. In addition to EVE calculations, we use our simulation model to analyze the sensitivity of our net interest income to changes in interest rates (the institution’s EaR). Net interest income is the difference between the interest income that we earn on our interest-earning assets, such as loans and securities, and the interest that we pay on our interest-bearing liabilities, such as deposits and borrowings. In our model, we estimate what our net interest income would be for prospective 12 and 24 month periods using customized (based on our portfolio characteristics) assumptions with respect to loan prepayment rates, default rates and deposit decay rates, and the implied forward yield curve as of the market date for assumptions as to projected interest rates. We then calculate what the estimated net interest income would be for the same period under numerous interest rate scenarios. The simulation process is subject to continual enhancement, modification, refinement and adaptation in order that it might most accurately reflect our current circumstances, factors and expectations. As of September 30, 2021, we estimated that our EaR for the 12 months ending September 30, 2022 would increase by 3.47% in the event that market interest rates used in the simulation were adjusted in equal monthly amounts (termed a "ramped" format) during the 12 month measurement period to an aggregate increase in 200 basis points. The Association uses the "ramped" assumption in preparing the EaR simulation estimates for use in its public disclosures. In addition to conforming to predominate industry practice, the Association also believes that the ramped assumption provides a more probable/plausible scenario for net interest income simulations than instantaneous shocks which provide a theoretical analysis but a much less credible economic scenario. The Association continues to calculate instantaneous scenarios, and as of September 30, 2021, we estimated that our EaR for the 12 months ending September 30, 2022, would increase by 4.05% in the event of an instantaneous 200 basis point increase in market interest rates.

Certain shortcomings are also inherent in the methodologies used in determining interest rate risk through changes in EaR. Modeling changes in EaR require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the interest rate risk information presented above assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although interest rate risk calculations provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results. In addition to the preparation of computations as described above, we also formulate simulations based on a variety of non-linear changes in interest rates and a variety of non-constant balance sheet composition scenarios.

Other Considerations. The EVE and EaR analyses are similar in that they both start with the same month end balance sheet amounts, weighted average coupon and maturity. The underlying prepayment, decay and default assumptions are also the same and they both start with the same month end "markets" (Treasury and LIBOR yield curves, etc.). From that similar starting point, the models follow divergent paths. EVE is a stochastic model using 150 different interest rate paths to compute

market value at the account level for each of the categories on the balance sheet whereas EaR uses the implied forward curve to compute interest income/expense at the account level for each of the categories on the balance sheet.

EVE is considered as a point in time calculation with a "liquidation" view of the Association where all the cash flows (including interest, principal and prepayments) are modeled and discounted using discount factors derived from the current market yield curves. It provides a long term view and helps to define changes in equity and duration as a result of changes in interest rates. On the other hand, EaR is based on balance sheet projections going one year and two years forward and assumes new business volume and pricing to calculate net interest income under different interest rate environments. EaR is calculated to determine the sensitivity of net interest income under different interest rate scenarios. With each of these models, specific policy limits have been established that are compared with the actual month end results. These limits have been approved by the Association's Board of Directors and are used as benchmarks to evaluate and moderate interest rate risk. In the event that there is a breach of policy limits that extends beyond two consecutive quarter end measurement periods, management is responsible for taking such action, similar to those described under the preceding heading of *General*, as may be necessary in order to return the Association's interest rate risk profile to a position that is in compliance with the policy. At September 30, 2021 the IRR profile as disclosed above was within our internal limits.

Item 8. Financial Statements and Supplementary Data

The Financial Statements are included in Part IV, Item 15 of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision of and with the participation of the Company’s management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report Regarding Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting as such terms are defined in Rule 13a-15(f) of the Exchange Act of 1934. Our system of internal controls is designed to provide reasonable assurance that the financial statements that we provide to the public are fairly presented.

Our internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets, (ii) provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures are being made only in accordance with authorizations of management and the 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 our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Accordingly, absolute assurance cannot be provided that the effectiveness of the internal control systems may not

become inadequate in future periods because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of September 30, 2021. In making this assessment, the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)* was utilized. Management concluded that the Company's internal control over financial reporting was effective as of September 30, 2021, based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of September 30, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears therein.

The Sarbanes-Oxley Act Section 302 Certifications have been filed as Exhibit 31.1 and Exhibit 31.2 to this Annual Report on Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
TFS Financial Corporation
Cleveland, Ohio

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TFS Financial Corporation and subsidiaries (the "Company") as of September 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended September 30, 2021, of TFS Financial Corporation and subsidiaries and our report dated November 24, 2021, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

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 Regarding Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

Cleveland, Ohio
November 24, 2021

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference from the Notice of Annual Meeting and Proxy Statement for the 2022 Annual Meeting of Shareholders (the "Proxy Statement") sections entitled "Proposal One: Election of Directors," "Executive Compensation," "Delinquent Section 16(a) Reports" and "Corporate Governance." Such information will be filed with the SEC no later than 120 days after the end of the fiscal year covered by this report.

The table below sets forth information, as of September 30, 2021, regarding our executive officers other than Mr. Stefanski, Mr. Stefanski III and Ms. Weil.

Name	Title	Age
Kathleen (Kitty) M. Danckers	Chief Risk Officer	59
Russell C. Holmes	Chief Retail Officer, the Association	58
Paul J. Huml	Chief Financial Officer	62
Susanne N. Miller	Chief Accounting Officer	56
Andrew J. Rubino	Chief Information Officer, the Association	46
Cathy W. Zbanek	Chief Synergy Officer, the Association	48

Anna Marie P. Motta retired from her positions as Vice President of the Company and Chief Information Officer of the Association, effective September 30, 2021. In connection with her retirement, the Board of Directors appointed Andrew J. Rubino, who is a Vice President of the Company and was the Chief Marketing Officer of the Association, to the position of Chief Information Officer of the Association. Ben Stefanski III, who is the Secretary of the Company, was also appointed as the Chief Marketing Officer of the Association. Also, Mr. Huml has announced his retirement as Chief Financial Officer of the Company, effective January 14, 2022. Mr. Timothy W. Mulhern, who is a manager of finance for the Association, will become the new Chief Financial Officer of the Company at that time.The executive officers of the Company and the Association are elected annually and hold office until their respective successors are elected or until death, resignation, retirement or removal by the Board of Directors.

The Business Background of Our Executive Officers

The business experience for the past five years of each of our executive officers other than Mr. Stefanski, Mr. Stefanski III and Ms. Weil is set forth below. Unless otherwise indicated, executive officers have held their positions for the past five years.

Kathleen (Kitty) M. Danckers has been with the Association since 1997, and was named Chief Risk Officer in June 2020. During her time with the Association, Ms. Danckers has served in various management roles including as a Regional Manager of Retail Operations, Manager of Information Services and Operations Support, and continues to serve as the Chief Information Security Officer. Ms. Danckers holds a BA in Computer Science, Mathematics and German from St. Catherine University. Ms. Danckers is a Fulbright Scholar.

Russell C. Holmes has been with the Association since 2013 in retail delivery management and was named Chief Retail Officer in 2020. He most recently served as Ohio regional manager, managing all branch and loan production offices in the state. With 35 years in the banking business, Mr. Holmes joined Third Federal from Key Bank where he served as SVP District Retail Leader for Eastern Ohio. He holds a BBA in Business Administration from the University of Akron, and received a Distinguished Business Alumni Award in 2009, and a Distinguished Alumni Award from the University's multicultural department in 2013.

Paul J. Huml joined the Association as a Vice President in 1998 and was appointed Chief Operating Officer of the Company in 2002, Chief Accounting Officer in 2009 and Chief Financial Officer in 2018. Prior to joining the Association, Mr. Huml spent 10 years in the hotel industry, focusing on the areas of finance, real estate development and risk management. Mr. Huml is a certified public accountant in the state of Ohio.

Susanne N. Miller joined the Association in 1998 and was appointed Chief Accounting Officer in 2020. During her time with the Association, Ms. Miller has held various retail and accounting roles, and served on company-wide strategic project teams. Since 2007, she has worked as a manager in the Accounting Department, overseeing procedure implementation, corporate tax reporting and financial statement preparation. Ms. Miller holds a BS in Accounting from the University of Akron.

Andrew J. Rubino has been with the Association since 2000, joining the company as a business analyst. He was named Chief Marketing Officer in 2020 and served in that role until being named Chief Information Officer on September 30, 2021. Mr. Rubino has held a variety of leadership positions throughout the company, including manager of loan production, customer service, internet services, and operations support. Additionally, he served as Information Security Officer. Mr. Rubino joined the marketing department in 2016, presiding over strategic initiatives and continued expansion of service areas and product offerings. He holds both a BS in Management Information Systems and an MBA from the University of Akron.

Cathy W. Zbanek joined the Association in 2001 and was named the Chief Marketing Officer in 2013 and the Chief Synergy Officer in 2020, and also serves as the Human Resources Officer for the Association. Prior to her current role, she directed several key strategic business projects as well as systems design and development. She also managed several departments, including Customer Service. Before joining the Association, Ms. Zbanek served as a senior consultant with Waterstone Consulting, working in their Management Consulting Group. Her experience also includes working with the consulting group, Price Waterhouse Coopers.

The Company has adopted a policy statement entitled *CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS* that applies to our chief executive officer and our senior financial officers. A copy of the *CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS* is available on our website, www.thirdfederal.com.

Item 11. Executive Compensation

Incorporated by reference from the sections of the Proxy Statement entitled "Executive Compensation," "Report of the Compensation Committee," and "Director Compensation." Such information will be filed with the SEC no later than 120 days after the end of the fiscal year covered by this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from the section of the Proxy Statement entitled "Security Ownership of Certain Beneficial Owners and Management." Such information will be filed with the SEC no later than 120 days after the end of the fiscal year covered by this report.

The Company's only equity compensation program that was not approved by shareholders is its employee stock ownership plan, which was established in conjunction with our initial stock offering completed in 2007.

The following table provides information as of September 30, 2021 regarding our Amended and Restated 2008 Equity Incentive Plan that was approved by shareholders on February 22, 2018. The original plan was approved by shareholders on May 29, 2008.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Rights and Warrants	Weighted-Average Exercise Price of Outstanding Options, Rights and Warrants	Number of Shares Remaining Available for Future Issuance Under the Plan
Equity Compensation Plans			
Approved by Stockholders	3,927,279	$ 9.39 (1)	7,579,009
Equity Compensation Plans			
Not Approved by Stockholders	N/A	N/A	N/A
Total	3,927,279	$ 9.39 (1)	7,579,009

(1) Weighted-Average Exercise Price of Outstanding Options, Rights and Warrants is calculated using 1,281,910 shares of restricted stock awards at $0.00, 182,069 shares of performance share units at $0.00, and 2,463,300 shares of stock option awards at $14.98.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from the sections of the Proxy Statement entitled "Certain Relationships and Related Transactions" and "Corporate Governance." Such information will be filed with the SEC no later than 120 days after the end of the fiscal year covered by this report.

Item 14. Principal Accounting Fees and Services

Incorporated by reference from the section of the Proxy Statement entitled "Fees Paid to Deloitte & Touche LLP." Such information will be filed with the SEC no later than 120 days after the end of the fiscal year covered by this report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The following documents are filed as part of this Annual Report on Form 10-K:

a. The consolidated financial statements of TFS Financial Corporation and subsidiaries contained in Part II, Item 8 of this Annual Report on Form 10-K:
    - Consolidated Statements of Condition as of September 30, 2021 and 2020;
    - Consolidated Statements of Income for the years ended September 30, 2021, 2020 and 2019;
    - Consolidated Statements of Comprehensive Income for the years ended September 30, 2021, 2020 and 2019;
    - Consolidated Statements of Shareholders' Equity for the years ended September 30, 2021, 2020 and 2019;
    - Consolidated Statements of Cash Flows for the years ended September 30, 2021, 2020 and 2019; and
    - Notes to the Consolidated Financial Statements

b. The exhibits listed in the Exhibits Index beginning on Page 136 of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
TFS Financial Corporation
Cleveland, Ohio

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of condition of TFS Financial Corporation and subsidiaries (the "Company") as of September 30, 2021 and 2020, the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows, for each of the three years in the period ended September 30, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also 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, 2021, 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 November 24, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for credit losses in 2021 due to the adoption of Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

Basis for Opinion

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

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

Critical Audit 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 Credit Losses – Refer to Notes 1 and 5 to the financial statements

Critical Audit Matter Description

The allowance for credit losses (“ACL”) is management’s estimate of expected credit losses in the loan portfolio, including off-balance sheet commitments. As of September 30, 2021, the Company’s loan portfolio totaled $12.6 billion, and the related ACL was $64.3 million. The Company’s off-balance sheet commitments totaled $4.2 billion, and the related ACL was $25.0 million. As described in Note 1 of the consolidated financial statements, as of October 1, 2020, the Company adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which introduces a forward-looking expected loss model (the “Current Expected Credit Losses (CECL)” model) to estimate credit losses over the remaining expected life of the Company’s loan portfolio. As discussed in Notes 1 and 5 of the consolidated financial statements, the ACL is an amount which represents management’s best estimate of expected credit losses over the contractual life of the Company’s loan portfolio as of the balance sheet date. The ACL is established using relevant available information, relating to past events, current conditions and reasonable and supportable forecasts. The Company utilizes loan level regression models with forecasted

economic data to derive the probability of default and loss given default factors. These factors are used to calculate the loan level credit loss over a 24-month reasonable and supportable period with an immediate reversion to historical mean loss rates for the remaining life of the loans. Qualitative adjustments are then made to account for factors that management does not believe are captured in the CECL quantitative models. The determination of the appropriate level of the allowance for the loan portfolio inherently involves a high degree of subjectivity and requires significant estimates of current credit risks using both quantitative and qualitative analyses.

Auditing certain aspects of the ACL, including the (1) model methodology, (2) model accuracy, (3) model assumptions, (4) selection of relevant risk characteristics (including consideration of COVID-19 extensions), (5) interpretation of the results, and (6) use of qualitative adjustments, involves especially subjective and complex judgment. Given the significant judgment in determining the ACL estimate, performing audit procedures to evaluate the reasonableness of management's estimate of the ACL requires a high degree of auditor judgment and an increased extent of effort, including the need to involve our credit specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the *Allowance for Credit Losses* included the following, among others:

• We tested the effectiveness of controls over the Company's (1) model methodology, (2) model accuracy, (3) model assumptions, (4) selection of relevant risk characteristics (including consideration of COVID-19 extensions), (5) interpretation of the results, and (6) use of qualitative adjustments.

• With the assistance of our credit specialists we evaluated the reasonableness of the (1) model methodology, (2) model accuracy, (3) model assumptions, (4) selection of relevant risk characteristics (including consideration of COVID-19 extensions), and (5) interpretation of the results.

• We evaluated trends in the total ACL for consistency with trends in loan portfolio growth and credit performance.

• We tested the accuracy and completeness of key risk characteristics input into the model by agreeing to source information.

We assessed the Company's method for determining the qualitative factor adjustments and the effect of those factors on the ACL compared with relevant credit risk factors and credit trends.

/s/ Deloitte & Touche LLP

Cleveland, Ohio
November 24, 2021

We have served as the Company's auditor since 2000.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

As of September 30, 2021 and 2020

(In thousands, except share data)

	2021	2020
ASSETS		
Cash and due from banks	$ 27,346	$ 25,270
Other interest-earning cash equivalents	460,980	472,763
Cash and cash equivalents	488,326	498,033
Investment securities available for sale (amortized cost $420,542 and $447,384, respectively)	421,783	453,438
Mortgage loans held for sale ($0 and $36,078 measured at fair value, respectively)	8,848	36,871
Loans held for investment, net:		
Mortgage loans	12,525,687	13,104,959
Other loans	2,778	2,581
Deferred loan expenses, net	44,859	42,459
Allowance for credit losses on loans	(64,289)	(46,937)
Loans, net	12,509,035	13,103,062
Mortgage loan servicing assets, net	8,941	7,860
Federal Home Loan Bank stock, at cost	162,783	136,793
Real estate owned, net	289	185
Premises, equipment, and software, net	37,420	41,594
Accrued interest receivable	31,107	36,634
Bank owned life insurance contracts	297,332	222,919
Other assets	91,586	104,832
TOTAL ASSETS	$14,057,450	$14,642,221
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 8,993,605	$ 9,225,554
Borrowed funds	3,091,815	3,521,745
Borrowers' advances for insurance and taxes	109,633	111,536
Principal, interest, and related escrow owed on loans serviced	41,476	45,895
Accrued expenses and other liabilities	88,641	65,638
Total liabilities	12,325,170	12,970,368
Commitments and contingent liabilities		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 280,761,299 and 280,150,006 outstanding at September 30, 2021 and September 30, 2020, respectively	3,323	3,323
Paid-in capital	1,746,887	1,742,714
Treasury stock, at cost; 51,557,451 and 52,168,744 shares at September 30, 2021 and September 30, 2020, respectively	(768,035)	(767,649)
Unallocated ESOP shares	(35,751)	(40,084)
Retained earnings—substantially restricted	853,657	865,514
Accumulated other comprehensive income (loss)	(67,801)	(131,965)
Total shareholders' equity	1,732,280	1,671,853
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$14,057,450	$14,642,221

See accompanying notes to consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For each of the three years in the period ended September 30, 2021
(In thousands, except share and per share data)

	2021	2020	2019
INTEREST AND DIVIDEND INCOME:			
Loans, including fees	$ 381,887	$ 440,697	$ 458,779
Investment securities available for sale	3,822	9,707	13,100
Other interest and dividend earning assets	3,642	4,894	10,208
Total interest and dividend income	389,351	455,298	482,087
INTEREST EXPENSE:			
Deposits	97,319	140,242	143,353
Borrowed funds	60,402	72,788	73,313
Total interest expense	157,721	213,030	216,666
NET INTEREST INCOME	231,630	242,268	265,421
PROVISION (RELEASE) FOR CREDIT LOSSES	(9,000)	3,000	(10,000)
NET INTEREST INCOME AFTER PROVISION (RELEASE) FOR CREDIT LOSSES	240,630	239,268	275,421
NON-INTEREST INCOME:			
Fees and service charges, net of amortization	9,602	8,798	7,318
Net gain on the sale of loans	33,082	28,443	1,869
Increase in and death benefits from bank owned life insurance contracts	9,961	7,153	6,695
Other	2,654	8,857	4,582
Total non-interest income	55,299	53,251	20,464
NON-INTEREST EXPENSE:			
Salaries and employee benefits	108,867	104,008	103,991
Marketing services	19,174	16,512	19,364
Office property, equipment, and software	25,710	25,296	26,432
Federal insurance premium and assessments	9,085	10,625	10,432
State franchise tax	4,663	4,690	5,040
Other expenses	28,336	31,143	28,414
Total non-interest expense	195,835	192,274	193,673
INCOME BEFORE INCOME TAXES	100,094	100,245	102,212
INCOME TAX EXPENSE	19,087	16,928	21,975
NET INCOME	$ 81,007	$ 83,317	$ 80,237
Earnings per share			
Basic	$ 0.29	$ 0.30	$ 0.29
Diluted	$ 0.29	$ 0.29	$ 0.28
Weighted average shares outstanding			
Basic	276,694,594	275,859,660	275,395,529
Diluted	278,576,254	277,803,058	277,374,426

See accompanying notes to consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For each of the three years in the period ended September 30, 2021
(In thousands)

	2021	2020	2019
Net income	$ 81,007	$ 83,317	$ 80,237
Other comprehensive income (loss), net of tax:			
Net change in unrealized (losses) gains on securities available for sale	(3,733)	6,859	11,459
Net change in cash flow hedges	56,096	(69,391)	(96,829)
Net change in defined benefit plan obligation	11,801	(54)	(7,231)
Total other comprehensive income (loss)	64,164	(62,586)	(92,601)
Total comprehensive income (loss)	$ 145,171	$ 20,731	$ (12,364)

See accompanying notes to consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For each of the three years in the period ended September 30, 2021
(In thousands, except share and per share data)

	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at September 30, 2018	$ 3,323	$1,726,992	$(754,272)	$ (48,751)	$807,890	$ 23,222	$ 1,758,404
Comprehensive income							
Net income	—	—	—	—	80,237	—	80,237
Other comprehensive income (loss), net of tax	—	—	—	—	—	(92,601)	(92,601)
ESOP shares allocated or committed to be released	—	2,935	—	4,334	—	—	7,269
Compensation costs for equity incentive plans	—	4,511	—	—	—	—	4,511
Purchase of treasury stock (555,400 shares)	—	—	(9,063)	—	—	—	(9,063)
Treasury stock allocated to (from) equity incentive plan	—	(284)	(1,254)	—	—	—	(1,538)
Dividends declared to common shareholders ($1.02 per common share)	—	—	—	—	(50,465)	—	(50,465)
Balance at September 30, 2019	3,323	1,734,154	(764,589)	(44,417)	837,662	(69,379)	1,696,754
Comprehensive income							
Net income	—	—	—	—	83,317	—	83,317
Other comprehensive income (loss), net of tax	—	—	—	—	—	(62,586)	(62,586)
ESOP shares allocated or committed to be released	—	3,033	—	4,333	—	—	7,366
Compensation costs for equity incentive plans	—	4,751	—	—	—	—	4,751
Purchase of treasury stock (20,500 shares)	—	—	(377)	—	—	—	(377)
Treasury stock allocated to (from) equity incentive plan	—	776	(2,683)	—	—	—	(1,907)
Dividends declared to common shareholders ($1.11 per common share)	—	—	—	—	(55,465)	—	(55,465)
Balance at September 30, 2020	3,323	1,742,714	(767,649)	(40,084)	865,514	(131,965)	1,671,853
Comprehensive income							
Cumulative effect from changes in accounting principle, net of tax[1]					(35,763)		(35,763)
Net income	—	—	—	—	81,007	—	81,007
Other comprehensive income (loss), net of tax	—	—	—	—	—	64,164	64,164
ESOP shares allocated or committed to be released	—	3,936	—	4,333	—	—	8,269
Compensation costs for equity incentive plans	—	5,442	—	—	—	—	5,442
Treasury stock allocated to (from) equity incentive plan	—	(5,205)	(386)	—	—	—	(5,591)
Dividends declared to common shareholders ($1.1225 per common share)	—	—	—	—	(57,101)	—	(57,101)
Balance at September 30, 2021	$ 3,323	$1,746,887	$(768,035)	$ (35,751)	$853,657	$ (67,801)	$ 1,732,280

[1] Related to ASU 2016-13 adopted October 1, 2020.

See accompanying notes to consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For each of the three years in the period ended September 30, 2021
(In thousands)

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 81,007	$ 83,317	$ 80,237
Adjustments to reconcile net income to net cash provided by operating activities:			
ESOP and stock-based compensation expense	13,711	12,117	11,780
Depreciation and amortization	32,568	32,820	22,950
Deferred income taxes	(14,249)	21,802	21,936
Provision (release) for credit losses	(9,000)	3,000	(10,000)
Net gain on the sale of loans	(33,082)	(28,443)	(1,869)
Net gain on sale of commercial property	—	(4,665)	—
Other net (gains) losses	689	(955)	116
Proceeds from sales of loans held for sale	63,913	62,398	48,517
Loans originated and principal repayments on loans for sale	(67,024)	(60,256)	(50,992)
Increase in cash surrender value for bank owned life insurance contracts	(7,979)	(6,289)	(6,192)
Net decrease (increase) in interest receivable and other assets	7,697	(17,970)	(13,202)
Net increase (decrease) in accrued expenses and other liabilities	14,904	24,922	(280)
Net cash provided by operating activities	83,155	121,798	103,001
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans originated	(4,874,761)	(4,255,580)	(3,028,188)
Principal repayments on loans	4,756,761	3,549,803	2,629,397
Proceeds from sales, principal repayments and maturities of:			
Securities available for sale	317,066	268,565	152,560
Proceeds from sale of:			
Loans	739,699	765,874	69,620
Real estate owned	206	3,679	3,997
Premises, equipment and other assets	—	23,920	—
Purchases of:			
Bank-owned life insurance	(70,000)	—	—
FHLB stock	(25,990)	(34,935)	(8,314)
Securities available for sale	(297,466)	(171,464)	(158,012)
Premises, equipment, and software, net	(1,337)	(3,207)	(3,778)
Other	3,178	921	736
Net cash provided by (used in) investing activities	547,356	147,576	(341,982)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (decrease) increase in deposits	(231,949)	459,170	274,801
Net (decrease) increase in borrowers' advances for insurance and taxes	(1,903)	8,208	323
Net (decrease) increase in principal and interest owed on loans serviced	(4,419)	12,986	1,419
Net (decrease) increase in short-term borrowed funds	(525,000)	(281,126)	326,991
Proceeds from long-term borrowed funds	100,000	250,000	275,000
Repayment of long-term borrowed funds	(4,689)	(350,110)	(420,709)
Cash collateral/settlements received from (provided to) derivative counterparties	89,970	(87,827)	(152,386)
Purchase of treasury shares	—	(413)	(9,087)
Acquisition of treasury shares through net settlement	(5,591)	(1,907)	(1,538)
Dividends paid to common shareholders	(56,637)	(55,465)	(50,465)
Net cash used in financing activities	(640,218)	(46,484)	244,349
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,707)	222,890	5,368
CASH AND CASH EQUIVALENTS—Beginning of year	498,033	275,143	269,775
CASH AND CASH EQUIVALENTS—End of year	$ 488,326	$ 498,033	$ 275,143
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest on deposits	$ 98,535	$ 140,887	$ 143,363
Cash paid for interest on borrowed funds	16,043	53,676	81,743
Cash paid (received) for interest on interest rate swaps	45,031	18,436	(13,368)
Cash paid for income taxes	25,772	1,673	9,689
SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Transfer of loans to real estate owned	330	1,751	3,473
Transfer of loans from held for investment to held for sale	698,917	778,059	69,069
Treasury stock issued for stock benefit plans	5,310	776	322

See accompanying notes to consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—TFS Financial Corporation, a federally chartered stock holding company, conducts its principal activities through its wholly owned subsidiaries. The principal line of business of the Company is retail consumer banking, including mortgage lending, deposit gathering, and other insignificant financial services. Third Federal Savings and Loan Association of Cleveland, MHC, its federally chartered mutual holding company parent, owned 80.89% of the outstanding shares of common stock of the Company at September 30, 2021.

The Company's primary operating subsidiaries include the Association and Third Capital, Inc. The Association is a federal savings association, which provides retail loan and savings products to its customers in Ohio and Florida, through its 37 full-service branches, seven loan production offices, customer service call center and internet site. The Association also provides savings products, purchase mortgages, first mortgage refinance loans, home equity lines of credit, and home equity loans in states outside of its branch footprint. Third Capital, Inc. was formed to hold non-thrift investments and subsidiaries, which included a limited liability company that acquires and manages commercial real estate. On October 31, 2019, the limited liability company sold the remaining two commercial office buildings it owned, which had a net book value of $19,324 at September 30, 2019, which was included in premises, equipment and software, net and other assets. The Company recorded pre-tax income of $4,665 in 2020, representing its share of the gain on sale.

The accounting and reporting policies of TFS Financial Corporation and its subsidiaries conform to accounting principles generally accepted in the United States of America and to general practices within the thrift industry.

No material subsequent events have occurred requiring recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

The following is a description of the significant accounting and reporting policies, which the Company follows in preparing and presenting its consolidated financial statements.

Principles of Consolidation—The consolidated financial statements of the Company include the accounts of TFS Financial Corporation and its wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents—Cash and cash equivalents consist of working cash on hand, and demand and interest bearing deposits at other financial institutions with maturities of three months or less. For purposes of reporting cash flows, cash and cash equivalents also includes federal funds sold, when applicable. The Company has acknowledged informal agreements with banks where it maintains deposits. Under these agreements, service fees charged to the Company are waived provided certain average compensating balances are maintained throughout each month.

Investment Securities—Securities are all classified as available for sale. Securities held as available for sale are reported at fair value, with unrealized gains and losses, net of tax, reported as a component of AOCI. Management determines the appropriate classification of securities based on the intent and ability at the time of purchase.

Gains and losses on the sale of investment and mortgage-backed securities available for sale are computed on a specific identification basis. Purchases and sales of securities are accounted for on a trade-date or settlement-date basis, depending on the settlement terms.

A decline in the fair value of any available for sale security, below cost, is evaluated for credit loss. Credit loss is recognized in earnings if management intends, or will more likely than not be required, to sell the security before the recovery of its amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security, then a credit loss exists and an allowance would be recognized as a credit loss expense, limited to the difference between fair value and amortized cost. Non-credit related loss is recognized in other comprehensive income, net of applicable taxes.

To determine whether a credit loss exists, the Company considers, among other things, adverse conditions related to the security, industry, geographic area, the payment schedule of the debt security and likelihood that the issuer will be able to make payments that increase in the future, failure of the issuer to make scheduled payments and all available information relevant to

the securities collectability, changes in ratings assigned by a rating agency, and other credit enhancements that affect the securities expected performance.

Premiums and discounts are amortized using the level-yield method.

Mortgage Banking Activity—Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Mortgage loans included in pending agency contracts to sell and securitize loans are carried at fair value. Fair value is based on quoted secondary market pricing for loan portfolios with similar characteristics and includes consideration of deferred fees (costs). Net unrealized gains or losses on loans carried at fair value, are recognized in a valuation allowance by charges to income.

The Company retains servicing on loans that are sold and initially recognizes an asset for mortgage loan servicing rights based on the fair value of the servicing rights. Residential mortgage loans represent the single class of servicing rights and are measured at the lower of cost or fair value on a recurring basis. Mortgage loan servicing rights are reported net of accumulated amortization, which is recorded in proportion to, and over the period of, estimated net servicing revenues. The Company monitors prepayments and changes amortization of mortgage servicing rights accordingly. Fair values are estimated using discounted cash flows based on current interest rates and prepayment assumptions, and impairment is monitored each quarterly reporting period. The impairment analysis is based on predominant risk characteristics of the loans serviced, such as type, fixed- and adjustable-rate loans, original terms and interest rates. The amount of impairment recognized is the amount by which the mortgage loan servicing assets exceed their fair value.

Servicing fee income net of amortization and other loan fees collected on loans serviced for others are included in Fees and service charges, net of amortization on the *CONSOLIDATED STATEMENTS OF INCOME*.

Derivative Instruments—Derivative instruments are carried at fair value in the Company's financial statements. For derivative instruments that are designated and qualify as cash flow hedges, changes in the fair value of the derivative instrument are reported as a component of other comprehensive income, net of tax, and reclassified into earnings in the same period during which the hedged transaction affects earnings. The earnings effect of the hedging instrument will be presented in the same income statement line item as the earnings effect of the hedged item. Accumulated other comprehensive income will be adjusted to a balance that reflects the cumulative change in the fair value of the hedging instrument. At the inception of a hedge, the Company documents certain items, including the relationship between the hedging instrument and the hedged item, the risk management objective and the nature of the risk being hedged, a description of how effectiveness will be measured, an evaluation of hedge transaction effectiveness and the benchmark interest rate or contractually specified interest rate being hedged.

Hedge accounting is discontinued prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flow of a hedged item, (2) a derivative expires or is sold, (3) a derivative is de-designated as a hedge, because it is unlikely that a forecasted transaction will occur, or (4) it is determined that designation of a derivative as a hedge is no longer appropriate. When hedge accounting is discontinued, the Company would continue to carry the derivative on the statement of condition at its fair value; however, changes in its fair value would be recorded in earnings instead of through OCI.

For derivative instruments not designated as hedging instruments, the Company recognizes gains and losses on the derivative instrument in current earnings during the period of change.

Loans and Related Deferred Loan Expenses, net—Loans originated with the intent to hold into the foreseeable future are carried at unpaid principal balances adjusted for partial charge-offs, the allowance for credit losses and net deferred loan expenses. Interest on loans is accrued and credited to income as earned. Interest on loans is not recognized in income when collectability is uncertain.

Loan fees and certain direct loan origination costs are deferred and recognized as an adjustment to interest income using the level-yield method over the contractual lives of related loans, if the loans are held for investment. If the loans are held for sale, net deferred fees (costs) are generally not amortized, but rather are recognized when the related loans are sold.

Loans are classified as TDRs when the original contractual terms are restructured to provide a concession to a borrower experiencing financial difficulty under terms that would not otherwise be available and the restructuring is the result of an agreement between the Company and the borrower or is imposed by a court or law. Concessions granted in TDRs may include a reduction of the stated interest rate, a reduction or forbearance of principal, an extension of the maturity date, a significant delay in payments, the removal of one or more borrowers from the obligation, or any combination of these.

Allowance for Credit Losses—The allowance for credit losses represents the estimate of lifetime losses in our loan portfolio and off-balance sheet commitments. The allowance for credit losses is assessed on a quarterly basis and provisions

(releases) for credit losses are made accordingly. The allowance is established using relevant available information, relating to past events, current conditions and supportable economic forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency status or likely recovery of previous loan charge-offs. The allowance for credit losses is increased by recoveries and decreased by charge-offs. At September 30, 2021, there remains some uncertainty around the economic impacts related to COVID-19 and how recovery will advance. This can negatively impact the economic and housing markets and borrower performance within our loan portfolios. Since this event is unique to historical recessions, with affected borrowers reported as current under their forbearance plans, inherent losses are not fully captured within our historical loan loss experience from which the quantitative portion of our allowance for credit losses is derived. At September 30, 2021, a qualitative adjustment was made to align economic forecast results with management's view of the future. Also, qualitative adjustments were made to reflect expected recovery of loan amounts previously charged-off, beyond what the model is able to project. At September 30, 2021, our allowance for credit losses totaled $89,259, with $64,289 allocated to credit losses on loans and $24,970 to credit losses on off-balance sheet commitments. Management believes the allowance is adequate.

For further discussion on the allowance for credit losses, non-accrual, impairment, and TDRs, see Note *5. LOANS AND ALLOWANCE FOR CREDIT LOSSES*.

Real Estate Owned, net—Real estate owned, net represents real estate acquired through foreclosure or deed in lieu of foreclosure and is initially recorded at fair value, less estimated costs to sell. Subsequent to acquisition, real estate owned is carried at the lower of cost or fair value, less estimated selling costs. Management performs periodic valuations and a valuation allowance is established by a charge to income for any excess of the carrying value over the fair value less estimated costs to sell the property. Recoveries in fair value during the holding period are recognized until the valuation allowance is reduced to zero. Costs related to holding and maintaining the property are charged to expense.

Premises, Equipment, and Software, net—Depreciation and amortization of premises, equipment and software is computed on a straight-line basis over the estimated useful lives of the related assets. Estimated lives are 31.5 years for office facilities and three to 10 years for equipment and software. Amortization of leasehold or building improvements is computed on a straight-line basis over the lesser of the economic useful life of the improvement or term of the lease, typically 10 years.

Leases—At inception, all contracts are evaluated to determine if the arrangement contains a lease based on the terms and conditions. As a lessee, the Company recognizes leases with terms greater than one year on the *CONSOLIDATED STATEMENTS OF CONDITION* as lease assets (a right-of-use asset) and lease liabilities (a liability to make lease payments), measured on a discounted basis. For further discussion on leases, see Note 8. *LEASES*.

Bank Owned Life Insurance Contracts—Life insurance is provided under both whole and split dollar life insurance agreements. Policy premiums were prepaid and the Company will recover the premiums paid from the proceeds of the policies. The Company recognizes death benefits and growth in the cash surrender value of the policies in other non-interest income.

Goodwill—The excess of purchase price over the fair value of net assets of acquired companies is classified as goodwill and reported in Other Assets. Goodwill was $9,732 at September 30, 2021 and 2020. Goodwill is reviewed for impairment on an annual basis as of September 30. It was also assessed for impairment as of March 31, 2020 due to the economic downturn at the onset of the COVID-19 pandemic with no impairment identified. No impairment was identified as of September 30, 2021 or 2020.

Taxes on Income—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Additional information about policies related to income taxes is included in Note *12. INCOME TAXES*.

Deposits—Interest on deposits is accrued and charged to expense monthly and is paid or credited in accordance with the terms of the accounts.

Treasury Stock—Acquisitions of treasury stock are recorded at cost using the cost method of accounting. Repurchases may be made through open market purchases, block trades and in negotiated private transactions, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. Repurchased shares will be available for general corporate purposes.

Accumulated Other Comprehensive Income (Loss)—Accumulated other comprehensive income (loss) consists of changes in pension obligations and changes in unrealized gains (losses) on securities available for sale and cash flow hedges,

each of which is net of the related income tax effects. The Company's policy is to release income tax effects from accumulated other comprehensive income only when then entire portfolio to which the underlying transactions relate to is liquidated, sold or extinguished.

Revenue from Contracts with Customers— The core principle of the guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. Three of the Company's revenue streams within scope of Topic 606 are the sales of REO, interchange income and deposit account and other transaction-based service fee income. Those streams are immaterial and therefore quantitative information regarding these streams is not disclosed.

Pension Benefits—The determination of our obligations and expense for pension benefits is dependent upon certain assumptions used in calculating such amounts. Key assumptions used in the actuarial valuations include the discount rate and expected long-term rate of return on plan assets. Actual results could differ from the assumptions and market driven rates may fluctuate. Significant differences in actual experience or significant changes in the assumptions could materially affect future pension obligations and expense.

Share-Based Compensation—Compensation expense for awards of equity instruments is recognized on a straight-line basis over the requisite service period based on the grant date fair value estimated in accordance with the provisions of FASB ASC 718 "Compensation—Stock Compensation". Forfeitures are recognized as they occur. Share-based compensation expense is included in Salaries and employee benefits in the *CONSOLIDATED STATEMENTS OF INCOME*. Tax benefits or deficiencies recognized for the difference between realized deductions and cumulative book compensation cost on share-based compensation awards are included in operating cash flows on the *CONSOLIDATED STATEMENTS OF CASH FLOW*.

The grant date fair value of stock options is estimated using the Black-Scholes option-pricing model using assumptions for the expected option term, expected stock price volatility, risk-free interest rate, and expected dividend yield. Due to limited historical data on exercise of share options, the simplified method is used to estimate expected option term.

Marketing Costs—Marketing costs are expensed as incurred.

Earnings per Share—Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding. Outstanding shares include shares sold to subscribers, shares held by the Third Federal Foundation, shares of the Employee Stock Ownership Plan which have been allocated or committed to be released for allocation to participants, and shares held by Third Federal Savings, MHC. Unvested shares awarded in the Company's share-based compensation plan are treated as participating securities for purposes of the two-class method when they contain nonforfeitable rights to dividends, but are not included in the number of shares in the computation of basic EPS. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security.

Diluted earnings per share is computed using the same method as basic earnings per share, but the weighted-average number of shares reflects the potential dilution, if any, of unexercised stock options, unvested shares of performance share units and unvested shares of restricted stock units that could occur if stock options were exercised and performance share units and restricted stock units were issued and converted into common stock. These potentially dilutive shares would then be included in the number of weighted-average shares outstanding for the period using the treasury stock method. At September 30, 2021, 2020 and 2019, potentially dilutive shares include stock options, restricted stock units and performance share units issued through share-based compensation plans.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

2. STOCK TRANSACTIONS

TFS Financial Corporation completed its initial public stock offering on April 20, 2007 and sold 100,199,618 shares, or 30.16% of its post-offering outstanding common stock, to subscribers in the offering. Third Federal Savings, MHC, the Company's mutual holding company parent, holds 227,119,132 shares of TFS Financial Corporation's outstanding common stock. TFS Financial Corporation issued 5,000,000 shares of common stock, or 1.50% of its post-offering outstanding common stock, to Third Federal Foundation.

Pursuant to the eighth repurchase program for the repurchase of 10,000,000 shares authorized by the Board of Directors in October, 2016, no shares were repurchased during the year ended September 30, 2021, 20,500 shares were repurchased during the year ended September 30, 2020 and 555,400 shares were repurchased during the year ended September 30, 2019. At September 30, 2021, there were 5,891,079 shares remaining to be purchased under the eighth repurchase program. The Company previously repurchased 51,300,000 shares of the Company's common stock as part of the previous seven Board of

Directors-approved share repurchase programs. In total, the Company has repurchased 55,408,921 shares of the Company's common stock as of September 30, 2021.

3. REGULATORY MATTERS

The Association 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 financial statements of the Association. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Association must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications 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 Association to maintain minimum amounts and ratios (set forth in table below) of common equity Tier 1, Tier 1, and Total capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 capital (as defined) to net average assets (as defined). 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 assets to broad risk categories. In 2019, a final rule adopted by the federal banking agencies provided banking organizations with the option to phase in, over a three-year period, the adverse day-one regulatory capital effects of the adoption of the CECL accounting standard. In 2020, as part of its response to the impact of COVID-19, U.S. federal banking regulatory agencies issued a final rule which provides banking organizations that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period, which the Association and Company have adopted. During the two-year delay, the Association and Company will add back to common equity tier 1 capital ("CET1") 100% of the initial adoption impact of CECL plus 25% of the cumulative quarterly changes in the allowance for credit losses. After two years the quarterly transitional amounts along with the initial adoption impact of CECL will be phased out of CET1 capital over the three-year period. At September 30, 2021, the Association exceeded all regulatory capital requirements and is considered "well capitalized" under regulatory guidelines.

The Association operates under the capital requirements for the standardized approach of the Basel III capital framework for U.S. banking organizations ("Basel III Rules"), which limits capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% in addition to the minimum capital requirements. At September 30, 2021, the Association exceeded the fully phased-in regulatory requirement for the "capital conservation buffer".

The following table summarizes the actual capital amounts and ratios of the Association as of September 30, 2021 and 2020, compared to the minimum capital adequacy requirements and the requirements for classification as a well capitalized institution.

			Minimum Requirements			
	Actual		For Capital Adequacy Purposes		To be "Well Capitalized" Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2021						
Total Capital to Risk-Weighted Assets	$1,629,192	21.00 %	$ 620,637	8.00 %	$ 775,796	10.00 %
Tier 1 (Leverage) Capital to Net Average Assets	1,585,124	11.15 %	568,751	4.00 %	710,939	5.00 %
Tier 1 Capital to Risk-Weighted Assets	1,585,124	20.43 %	465,478	6.00 %	620,637	8.00 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	1,585,124	20.43 %	349,108	4.50 %	504,268	6.50 %
September 30, 2020						
Total Capital to Risk-Weighted Assets	$1,595,007	19.96 %	$ 639,408	8.00 %	$ 799,260	10.00 %
Tier 1 (Leverage) Capital to Net Average Assets	1,548,070	10.39 %	595,731	4.00 %	744,663	5.00 %
Tier 1 Capital to Risk-Weighted Assets	1,548,070	19.37 %	479,556	6.00 %	639,408	8.00 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	1,547,908	19.37 %	359,667	4.50 %	519,519	6.50 %

The Association paid dividends of $55,000 and $57,000 to the Company during the years ended September 30, 2021 and 2020, respectively.

On July 13, 2021, as permitted under interim final rules issued by the FRS on August 12, 2011, a majority of Third Federal Savings, MHC's members eligible to vote approved Third Federal Savings, MHC waiving its right to receive dividends on the Company's stock that Third Federal Savings, MHC owns, up to $1.13 per share during the four quarters ending June 30, 2022. Unless the FRS amends its interim rule, a member vote will be required for Third Federal Savings, MHC to waive its right to receive dividends beyond June 30, 2022.

4. INVESTMENT SECURITIES

Investments available for sale are summarized in the tables below. Accrued interest in the periods presented is $852 and $1,121 as of September 30, 2021 and September 30, 2020, respectively, and is reported in accrued interest receivable on the *CONSOLIDATED STATEMENTS OF CONDITION*.

	September 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
REMICs	$415,149	$ 2,420	$ (1,328)	$416,241
Fannie Mae certificates	5,393	149	—	5,542
Total	$420,542	$ 2,569	$ (1,328)	$421,783

	September 30, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
REMICs	$441,419	$ 6,043	$ (259)	$447,203
Fannie Mae certificates	5,965	270	—	6,235
Total	$447,384	$ 6,313	$ (259)	$453,438

Gross unrealized losses on available for sale securities and the estimated fair value of the related securities, aggregated by the length of time the securities have been in a continuous loss position, at September 30, 2021 and 2020, were as follows:

	September 30, 2021					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	$ 201,279	$ 1,290	$ 6,261	$ 38	$ 207,540	$ 1,328

	September 30, 2020					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—						
REMICs	$ 105,566	$ 259	$ —	$ —	$ 105,566	$ 259

The unrealized losses on investment securities were attributable to changes in market interest rates. The contractual terms of U.S. government and agency obligations do not permit the issuer to settle the security at a price less than the par value of the investment. The contractual cash flows of mortgage-backed securities are guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. REMICs are issued by or backed by securities issued by these governmental agencies. It is expected that the securities would not be settled at a price substantially less than the amortized cost of the investment. The U.S. Treasury Department established financing agreements in 2008 to ensure Fannie Mae and Freddie Mac meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed.

Since the decline in value is attributable to changes in market interest rates and not credit quality and because the Company has neither the intent to sell the securities nor is it more likely than not the Company will be required to sell the securities for the time periods necessary to recover the amortized cost, the Company expects to receive all contractual cash

flows from these investments. Therefore, no allowance for credit losses is recorded with respect to securities as of September 30, 2021.

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans held for investment consist of the following:

	September 30,	
	2021	2020
Real estate loans:		
Residential Core	$ 10,215,275	$ 10,774,845
Residential Home Today	63,823	75,166
Home equity loans and lines of credit	2,214,252	2,232,236
Construction	80,537	47,985
Real estate loans	12,573,887	13,130,232
Other loans	2,778	2,581
Add (deduct):		
Deferred loan expenses, net	44,859	42,459
Loans-in-process	(48,200)	(25,273)
Allowance for credit losses on loans	(64,289)	(46,937)
Loans held for investment, net	$ 12,509,035	$ 13,103,062

Loans are carried at amortized cost, which includes outstanding principal balance adjusted for any unamortized premiums or discounts, net of deferred fees and expenses. Accrued interest on loans is $30,255 and $35,513 as of September 30, 2021 and September 30, 2020, respectively, and is reported in accrued interest receivable on the *CONSOLIDATED STATEMENTS OF CONDITION.*

A large concentration of the Company's lending is in Ohio and Florida. As of September 30, 2021 and September 30, 2020, the percentage of aggregate Residential Core, Home Today and Construction loans held in Ohio was 55% and 56%, respectively, and the percentage held in Florida was 18% and 17%, respectively. As of September 30, 2021 and September 30, 2020, home equity loans and lines of credit were concentrated in the states of Ohio (29% as of both dates), Florida (20% and 19%, respectively), and California (15% and 16%, respectively).

Residential Core mortgage loans represent the largest portion of the residential real estate portfolio. While the Company believes overall credit risk is low based on the nature, composition, collateral, products, lien position and performance of the portfolio, it could be affected by the duration and depth of the impact from COVID-19. The portfolio does not include loan types or structures that have experienced severe performance problems at other financial institutions (sub-prime, no documentation or pay-option adjustable-rate mortgages). The portfolio contains "Smart Rate" adjustable-rate mortgage loans whereby the interest rate is locked initially for mainly three or five years then resets annually, subject to various re-lock options available to the borrower. Although the borrower is qualified for its loan at a higher rate than the initial rate offered, the adjustable-rate feature may impact a borrower's ability to afford the higher payments upon rate reset during periods of rising interest rates while this repayment risk may be reduced in a declining or low rate environment. With limited historical loss experience compared to other types of loans in the portfolio, judgment is required by management in assessing the allowance required on adjustable-rate mortgage loans. The principal amount of adjustable-rate mortgage loans included in the Residential Core portfolio was $4,646,760 and $5,122,266 at September 30, 2021 and September 30, 2020, respectively.

Home Today was an affordable housing program targeted to benefit low- and moderate-income home buyers and most loans under the program were originated prior to 2009. No new loans were originated under the Home Today program after September 30, 2016. Home Today loans have greater credit risk than traditional residential real estate mortgage loans. At September 30, 2021 and September 30, 2020, approximately 11% and 12%, respectively, of Home Today loans include private mortgage insurance coverage. The majority of the coverage on these loans was provided by PMI Mortgage Insurance Co. (PMIC), which was seized by the Arizona Department of Insurance in 2011 and currently pays all claim payments at 77.5%. Appropriate adjustments have been made to the Company's affected valuation allowances and charge-offs, and estimated loss severity factors were adjusted accordingly for loans evaluated collectively. The amount of loans in the Company's owned residential portfolio covered by mortgage insurance provided by PMIC as of September 30, 2021 and September 30, 2020, respectively, was $14,697 and $20,649, of which $13,818 and $19,681 was current. The amount of loans in the Company's owned residential portfolio covered by mortgage insurance provided by Mortgage Guaranty Insurance Corporation (MGIC) as of September 30, 2021 and September 30, 2020, respectively, was $8,192 and $12,381, of which $8,010 and $12,381 was current. As of September 30, 2021, MGIC's long-term debt rating, as published by the major credit rating agencies, did not meet

the requirements to qualify as "high credit quality"; however, MGIC continues to make claim payments in accordance with its contractual obligations and the Company has not increased its estimated loss severity factors related to MGIC's claim paying ability. No other loans were covered by mortgage insurers that were deferring claim payments or which were assessed as being non-investment grade.

Loans held for sale include loans originated within the parameters of programs established by Fannie Mae, for sale to Fannie Mae, and loans originated for the held for investment portfolio that are later identified for sale. During the years ended September 30, 2021 and September 30, 2020, reclassifications to the held for sale portfolio included loans that were sold during the period, including those in contracts pending settlement at the end of the period, and loans originated for the held for investment portfolio that were later identified for sale. At September 30, 2021 and September 30, 2020, respectively, mortgage loans held for sale totaled $8,848 and $36,871. During the years ended September 30, 2021 and September 30, 2020, respectively, the principal balance of loans sold was $762,332 and $844,296, including $0 and $34,179 in contracts pending settlement.

Home equity loans and lines of credit, which are comprised primarily of home equity lines of credit, represent a significant portion of the residential real estate portfolio and include monthly principal and interest payments throughout the entire term. Once the draw period on lines of credit has expired, the accounts are included in the home equity loan balance. The full credit exposure on home equity lines of credit is secured by the value of the collateral real estate at the time of origination. The impact of COVID-19 on employment, the general economy and, potentially, housing prices may adversely affect credit performance within the home equity loans and lines of credit portfolio.

The Company originates construction loans to individuals for the construction of their personal single-family residence by a qualified builder (construction/permanent loans). The Company’s construction/permanent loans generally provide for disbursements to the builder or sub-contractors during the construction phase as work progresses. During the construction phase, the borrower only pays interest on the drawn balance. Upon completion of construction, the loan converts to a permanent amortizing loan without the expense of a second closing. The Company offers construction/permanent loans with fixed or adjustable-rates, and a current maximum loan-to-completed-appraised value ratio of 85%. The Company also has one loan outstanding to a non-profit organization for a multi-use building project.

Other loans are comprised of loans secured by certificate of deposit accounts, which are fully recoverable in the event of non-payment, and forgivable down payment assistance loans, which are unsecured loans used as down payment assistance to borrowers qualified through partner housing agencies. The Company records a liability for the loans which are forgiven in equal increments over a pre-determined term, subject to residency requirements.

COVID-19

Regulatory agencies have encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19, as set forth in the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (initially issued on March 22, 2020 and revised on April 7, 2020). FASB confirmed the foregoing regulatory agencies' view, that such short-term modifications (e.g., six months) made on a good-faith basis to borrowers who were current as of the implementation date of a relief program in response to COVID-19 are not TDRs. The regulatory agencies stated that performing loans granted payment deferrals due to COVID-19 in accordance with this interagency statement are not generally considered past due or non-accrual. The revised statement provides that eligible loan modifications related to COVID-19 may also be accounted for under section 4013 of the CARES Act or in accordance with ASC 310-40. The CARES Act offers temporary relief from TDRs on modifications made as a result of COVID-19 that were not more than 30 days past due as of December 31, 2019. The Company has elected to apply the temporary suspension of TDR requirements provided by the revised interagency statement for eligible loan modifications. For loan modifications that are not eligible for the suspension offered by the revised interagency statement, the Company considers the CARES Act to evaluate loan modifications within its scope, or existing TDR evaluation policies if the modification does not fall within the scope of these Acts.

As of September 30, 2021, some of our borrowers have experienced unemployment or reduced income as a result of the COVID-19 global pandemic and have requested some type of loan payment forbearance. At September 30, 2021 and September 30, 2020, respectively, active forbearance plans offered to borrowers affected by COVID-19 totaled $21,784 and $165,642, of which $4,971 and $15,623 are classified as troubled debt restructurings due to either their classification as a TDR prior to the COVID-19 forbearance or not meeting the criteria to be exempt from TDR classification. Forbearance plans allow borrowers experiencing temporary financial hardship to defer a limited number of payments to a later time and are initially offered for a three-month period, which may be extended for borrowers that continue to be affected by COVID-19. The majority of active COVID-19 forbearance plans have been extended to at least 12 months with a weighted average term of 12.9 months.

The following table summarizes, as of September 30, 2021 and September 30, 2020, for each portfolio by geographic location, active forbearance plans by amortized cost and as a percent of total loans. The majority of our Home Today forbearance portfolio is secured by properties located in Ohio and therefore was not segregated by geographic location.

	September 30, 2021	Forbearance plans as % of respective Portfolio	September 30, 2020	Forbearance plans as % of respective Portfolio
Real estate loans:				
Residential Core				
Ohio	$ 7,638		$ 45,926	
Florida	3,781		38,804	
Other	7,326		56,107	
Total	18,745	0.18 %	140,837	1.31 %
Total Residential Home Today	701	1.11 %	5,391	7.21 %
Home equity loans and lines of credit				
Ohio	329		2,352	
Florida	241		6,298	
California	840		4,974	
Other	928		5,790	
Total	2,338	0.10 %	19,414	0.86 %
Total real estate loans in active forbearance plans	$ 21,784	0.17 %	$ 165,642	1.26 %

The following table summarizes, as of September 30, 2021, the recorded investment of active forbearance plans according to the month during which the payment deferrals are currently scheduled to end. Forbearance plan term extensions are available upon request.

Month ending	Total
October 31, 2021	$ 11,159
November 30, 2021	2,860
December 31, 2021	2,868
January 31, 2022	2,091
February 28, 2022	1,676
March 31, 2022	887
April 30, 2022	243
Total active forbearance plans	$ 21,784

A COVID-19 forbearance plan is generally resolved through payment in full at termination of the forbearance; through a non-TDR repayment plan, where a portion of the forbearance is paid in addition to the original contractual payment over 12 months or less; or through a non-TDR capitalization, where the total of forborne payments are added to the principal balance of the account, either with or without an extension of the maturity date. If additional concessions are required beyond resolving the forbearance, the account will be considered for further modification in a troubled debt restructuring. At September 30, 2021 and September 30, 2020, there were $111 and $1,725, respectively, in short-term repayment plans and $98,754 and $31,467 of residential mortgages and $8,852 and $0 equity loans and lines of credit, respectively, whose forbearance amounts were capitalized, subsequent to COVID-19 forbearance plans, that did not require TDR classification. The amortized cost of loan modifications eligible for TDR relief, including non-TDR forbearance plans, subsequent non-TDR repayment plans and non-TDR modifications, including capitalization, was $126,494 and $194,601 at September 30, 2021 and September 30, 2020, respectively. At September 30, 2021 and September 30, 2020, forbearance plans that have subsequently required further modification in a troubled debt restructuring total $6,101 and $1,306, respectively.

Real estate loans in COVID-19 forbearance plans and those that are subsequently placed in non-TDR short-term repayment plans are reported as current and accruing when they are current in accordance with their revised contractual terms and were less than 30 days past due as of the implementation date of the relief program, March 13, 2020, per the revised interagency statement, or not more than 30 days past due as of December 31, 2019 per the CARES Act. Otherwise, the

delinquency and resulting accrual status of these loans are determined by the lowest number of days the loan was past due on either the two aforementioned measurement dates (March 13, 2020 or December 31, 2019) or, considering the loan's revised contractual terms, the current reporting date. The uncertain and potentially tumultuous impact of COVID-19 on the economic and housing markets, as well as the risk profiles of accounts in COVID-19 forbearance plans granted by the Company, were considered in the determination of the allowance for credit losses as of September 30, 2021, as described later in this footnote.

DELINQUENCY and NON-ACCRUAL

An aging analysis of the amortized cost in loan receivables that are past due at September 30, 2021 and September 30, 2020 is summarized in the following tables. When a loan is more than one month past due on its scheduled payments, the loan is considered 30 days or more past due, regardless of the number of days in each month. Balances are adjusted for deferred loan fees and expenses and any applicable loans-in-process.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
September 30, 2021						
Real estate loans:						
Residential Core	$ 3,642	$ 2,263	$ 9,370	$ 15,275	$10,218,347	$10,233,622
Residential Home Today	948	961	2,068	3,977	59,432	63,409
Home equity loans and lines of credit	938	300	4,231	5,469	2,236,449	2,241,918
Construction	—	—	—	—	31,597	31,597
Total real estate loans	5,528	3,524	15,669	24,721	12,545,825	12,570,546
Other loans	—	—	—	—	2,778	2,778
Total	$ 5,528	$ 3,524	$ 15,669	$ 24,721	$12,548,603	$12,573,324

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
September 30, 2020						
Real estate loans:						
Residential Core	$ 4,543	$ 2,344	$ 9,958	$ 16,845	$10,774,323	$10,791,168
Residential Home Today	1,406	651	2,480	4,537	70,277	74,814
Home equity loans and lines of credit	1,521	1,064	4,260	6,845	2,252,155	2,259,000
Construction	—	—	—	—	22,436	22,436
Total real estate loans	7,470	4,059	16,698	28,227	13,119,191	13,147,418
Other loans	—	—	—	—	2,581	2,581
Total	$ 7,470	$ 4,059	$ 16,698	$ 28,227	$13,121,772	$13,149,999

At September 30, 2021, reported delinquencies above include $128, $0 and $225 of active COVID-19 forbearance plans and subsequent short-term repayment plans in 30-59 days past due, 60-89 days past due, and 90 days or more past due, respectively. At September 30, 2020, reported delinquencies above include $1,125, $353 and $1,361 of active COVID-19 forbearance plans and subsequent short-term repayment plans in 30-59 days past due, 60-89 days past due, and 90 days or more past due, respectively. The remaining balance of active COVID-19 forbearance and subsequent short-term repayment plans are reported as current. As forbearance plans expire, those borrowers that do not enter subsequent workout plans or repay the deferred amounts in full are reported as 90 days or more past due.

At September 30, 2021 and September 30, 2020, real estate loans include $2,296 and $6,479, respectively, of loans that were in the process of foreclosure. Pursuant to the CARES Act and extensions by the Federal Housing Administration, most foreclosure proceedings have restrictions or are deferred until January 1, 2022 or later. The Consumer Financial Protection Bureau has amended federal mortgage servicing regulations to help ensure that borrowers have time before foreclosure to explore their options, including loan modifications and selling their homes, to prevent avoidable foreclosures.

Loans are placed in non-accrual status when they are contractually 90 days or more past due. The number of days past due is determined by the number of scheduled payments that remain unpaid, assuming a period of 30 days between each scheduled payment. Loans with a partial charge-off are placed in non-accrual and will remain in non-accrual status until, at a minimum, the loss is recovered. Loans restructured in TDRs that were in non-accrual status prior to the restructurings and loans with

forbearance plans that were subsequently restructured are reported in non-accrual status for a minimum of six months after restructuring. Loans restructured in TDRs with a high debt-to-income ratio at the time of modification are placed in non-accrual status for a minimum of 12 months. Additionally, home equity loans and lines of credit where the customer has a severely delinquent first mortgage loan and loans in Chapter 7 bankruptcy status where all borrowers have filed, and not reaffirmed or been dismissed, are placed in non-accrual status.

The amortized cost of loan receivables in non-accrual status is summarized in the following table. Non-accrual with no ACL describes non-accrual loans which have no quantitative or individual valuation allowance, primarily because they have already been collaterally reviewed and any required charge-offs have been taken, but may be included in consideration of qualitative allowance factors. Balances are adjusted for deferred loan fees and expenses. There are no loans 90 or more days past due and still accruing at September 30, 2021 or September 30, 2020.

	September 30, 2021		September 30, 2020
	Non-accrual with No ACL	Total Non-accrual	Total Non-accrual
Real estate loans:			
Residential Core	$ 23,748	$ 24,892	$ 31,823
Residential Home Today	7,730	8,043	10,372
Home equity loans and lines of credit	9,992	11,110	11,174
Total non-accrual loans	$ 41,470	$ 44,045	$ 53,369

At September 30, 2021 and September 30, 2020, respectively, the amortized cost in non-accrual loans includes $28,385 and $36,835 which are performing according to the terms of their agreement, of which $16,495 and $20,334 are loans in Chapter 7 bankruptcy status, primarily where all borrowers have filed, and have not reaffirmed or been dismissed.

Interest on loans in accrual status is recognized in interest income as it accrues, on a daily basis. Accrued interest on loans in non-accrual status is reversed by a charge to interest income no later than 90 days past due and income is subsequently recognized only to the extent cash payments are received. The Company has elected not to measure an allowance for credit losses on accrued interest receivable amounts since amounts are written off timely. Cash payments on loans in non-accrual status are applied to the oldest scheduled, unpaid payment first. The amount of interest income recognized on non-accrual loans was $929, and $1,070 for the years ended September 30, 2021 and September 30, 2020, respectively. At September 30, 2021 and September 30, 2020, the balance of accrued interest receivable includes $648 and $2,540 of unpaid interest on active COVID-19 forbearance plans, respectively. Cash payments on loans with a partial charge-off are applied fully to principal, then to recovery of the charged off amount prior to interest income being recognized, except cash payments may be applied to interest capitalized in a restructuring when collection of remaining amounts due is considered probable. A non-accrual loan is generally returned to accrual status when contractual payments are less than 90 days past due. However, a loan may remain in non-accrual status when collectability is uncertain, such as a TDR that has not met minimum payment requirements, a loan with a partial charge-off, an equity loan or line of credit with a delinquent first mortgage greater than 90 days past due, or a loan in Chapter 7 bankruptcy status where all borrowers have filed, and have not reaffirmed or been dismissed.

ALLOWANCE FOR CREDIT LOSSES

For all classes of loans, a loan is considered collateral-dependent when, based on current information and events, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the sale of the collateral or foreclosure is probable. Factors considered in determining that a loan is collateral-dependent may include the deteriorating financial condition of the borrower indicated by missed or delinquent payments, a pending legal action, such as bankruptcy or foreclosure, or the absence of adequate security for the loan.

Charge-offs on residential mortgage loans, home equity loans and lines of credit and construction loans are recognized when triggering events, such as foreclosure actions, short sales, or deeds accepted in lieu of repayment, result in less than full repayment of the amortized cost in the loans.

Partial or full charge-offs are also recognized for the amount of credit losses on loans considered collateral-dependent when the borrower is experiencing financial difficulty as described by meeting the conditions below.

- For residential mortgage loans, payments are greater than 180 days delinquent;
- For home equity lines of credit, equity loans, and residential loans restructured in a TDR, payments are greater than 90 days delinquent;

- For all classes of loans in a TDR COVID-19 forbearance plan, original payments are greater than 150 days delinquent;
- For all classes of loans restructured in a TDR with a high debt-to-income ratio at time of modification;
- For all classes of loans, a sheriff sale is scheduled within 60 days to sell the collateral securing the loan;
- For all classes of loans, all borrowers have been discharged of their obligation through a Chapter 7 bankruptcy;
- For all classes of loans, within 60 days of notification, all borrowers obligated on the loan have filed Chapter 7 bankruptcy and have not reaffirmed or been dismissed;
- For all classes of loans, a borrower obligated on a loan has filed bankruptcy and the loan is greater than 30 days delinquent;
- For all classes of loans, a COVID-19 forbearance plan has been extended greater than 12 months;
- For all classes of loans in a COVID-19 repayment plan, revised payments are greater than 90 days delinquent; and
- For all classes of loans, it becomes evident that a loss is probable.

Collateral-dependent residential mortgage loans and construction loans are charged-off to the extent the amortized cost in the loan, net of anticipated mortgage insurance claims, exceeds the fair value, less estimated costs to dispose of the underlying property. Management can determine if the loan is uncollectible for reasons such as foreclosures exceeding a reasonable time frame and recommend a full charge-off. Home equity loans or lines of credit are charged-off to the extent the amortized cost in the loan plus the balance of any senior liens exceeds the fair value, less estimated costs to dispose of the underlying property, or management determines the collateral is not sufficient to satisfy the loan. A loan in any portfolio identified as collateral-dependent will continue to be reported as such until it is no longer considered collateral-dependent, is less than 30 days past due and does not have a prior charge-off. A loan in any portfolio that has a partial charge-off will continue to be individually evaluated for credit loss until, at a minimum, the loss has been recovered.

Residential mortgage loans, home equity loans and lines of credit and construction loans restructured in TDRs that are not evaluated based on collateral are separately evaluated for credit losses on a loan by loan basis at the time of restructuring and at each subsequent reporting date for as long as they are reported as TDRs. The credit loss evaluation is based on the present value of expected future cash flows discounted at the effective interest rate of the original loan. Expected future cash flows include a discount factor representing a potential for default. Valuation allowances are recorded for the excess of the amortized costs over the result of the cash flow analysis. Loans discharged in Chapter 7 bankruptcy are reported as TDRs and also evaluated based on the present value of expected future cash flows unless evaluated based on collateral. We evaluate these loans using the expected future cash flows because we expect the borrower, not liquidation of the collateral, to be the source of repayment for the loan. Other loans are not considered for restructuring.

At September 30, 2021, individually evaluated loans that required an allowance were comprised only of loans evaluated for credit losses based on the present value of cash flows, such as performing TDRs, and, prior to October 1, 2020, loans with an indication of further deterioration in the fair value of the property not yet supported by a full review and collateral evaluation. All other individually evaluated loans received a charge-off, if applicable. At September 30, 2021 and September 30, 2020, respectively, allowances on individually reviewed loans evaluated for credit losses (IVAs) included those based on the present value of cash flows, such as performing TDRs, were $12,073 and $12,830, and quantitative allowances on loans with further deterioration in the fair value of the property not yet supported by a full review were $0 and $20.

The Company adopted the CECL allowance methodology as of October 1, 2020 using the modified retrospective approach, replacing the previous incurred loss methodology. The allowance for credit losses now represents the estimate of lifetime loss in our loan portfolio and unfunded loan commitments. An allowance is established using relevant available information, relating to past events, current conditions and supportable forecasts. The Company utilizes loan level regression models with forecasted economic data to derive the probability of default and loss given default factors. These factors are used to calculate the loan level credit loss over a 24-month period with an immediate reversion to historical mean loss rates for the remaining life of the loans.

Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency status or likely recovery of previous loan charge-offs. Qualitative adjustments for expected changes in environmental conditions, such as changes in unemployment rates, property values or other relevant factors are recognized when forecasted economic data used in the model differs from management's view or contains significant unobservable changes within a short period, particularly when those changes are directionally positive. Identifiable model limitations may also lead to qualitative adjustments. For the year ended September 30, 2021, a qualitative adjustment was made to the allowance for credit losses to align forecasted model results with management's view of the future. The published economic forecasts were more optimistic than management felt was appropriate due to the continued uncertainty in the economy related to the COVID-19 pandemic. A qualitative adjustment was also made to reflect the expected recovery of

loan amounts previously charged-off, beyond what the model is able to project. The net qualitative adjustment at September 30, 2021 was a net reduction of $3,755. Adjustments are evaluated quarterly based on current facts and circumstances.

Activity in the allowance for credit losses by portfolio segment is summarized as follows. See Note *15. COMMITMENTS AND CONTINGENT LIABILITIES* for further details on the allowance for unfunded commitments.

	For the Year Ended September 30, 2021					
	Beginning Balance	Adoption of ASU 2016-13	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance
Real estate loans:						
Residential Core	$ 22,381	$ 23,927	$ (2,205)	$ (1,965)	$ 2,385	$ 44,523
Residential Home Today	5,654	(5,217)	(2,232)	(552)	2,362	15
Home equity loans and lines of credit	18,898	5,258	(7,627)	(2,696)	5,621	19,454
Construction	4	127	146	—	20	297
Total real estate loans	46,937	24,095	(11,918)	(5,213)	10,388	64,289
Total Unfunded Loan Commitments (1)	$ —	$ 22,052	$ 2,918	$ —	$ —	$ 24,970
Total Allowance for Credit Losses	$ 46,937	$ 46,147	$ (9,000)	$ (5,213)	$ 10,388	$ 89,259

(1) Total allowance for unfunded loan commitments is recorded in other liabilities on the *CONSOLIDATED STATEMENTS OF CONDITION* and primarily relates to undrawn home equity lines of credit.

	For the Year Ended September 30, 2020				
	Beginning Balance	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	$ 19,753	$ 1,370	$ (1,525)	$ 2,783	$ 22,381
Residential Home Today	4,209	112	(897)	2,230	5,654
Home equity loans and lines of credit	14,946	1,546	(3,103)	5,509	18,898
Construction	5	(28)	—	27	4
Total real estate loans	$ 38,913	$ 3,000	$ (5,525)	$ 10,549	$ 46,937

	For the Year Ended September 30, 2019				
	Beginning Balance	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	$ 18,288	$ 401	$ (1,250)	$ 2,314	$ 19,753
Residential Home Today	3,204	(144)	(761)	1,910	4,209
Home equity loans and lines of credit	20,921	(10,257)	(2,975)	7,257	14,946
Construction	5	—	—	—	5
Total real estate loans	$ 42,418	$ (10,000)	$ (4,986)	$ 11,481	$ 38,913

CLASSIFIED LOANS

The following tables provide information about the credit quality of residential loan receivables by an internally assigned grade. Revolving loans reported at amortized cost include equity lines of credit currently in their draw period. Revolving loans converted to term are equity lines of credit that are in repayment. Equity loans and bridge loans are segregated by origination year. Loans, or the portions of loans, classified as loss are fully charged-off in the period in which they are determined to be uncollectible; therefore they are not included in the following table. No Home Today loans are classified Special Mention. No construction loans are classified Substandard. Balances are adjusted for deferred loan fees and expenses and any applicable loans-in-process.

	By fiscal year of origination						Revolving Loans Amortized	Revolving Loans Converted	
	2021	2020	2019	2018	2017	Prior	Cost Basis	To Term	Total
September 30, 2021									
Real estate loans:									
Residential Core									
Pass	$ 2,637,782	$ 1,807,652	$ 784,462	$ 860,150	$ 1,016,853	$ 3,042,398	$ —	$ —	$10,149,297
Special Mention	22,711	703	110	709	300	759	—	—	25,292
Substandard	—	4,029	4,470	4,860	4,813	40,861	—	—	59,033
Total Residential Core	2,660,493	1,812,384	789,042	865,719	1,021,966	3,084,018	—	—	10,233,622
Residential Home Today [1]									
Pass	—	—	—	—	—	53,076	—	—	53,076
Substandard	—	—	—	—	—	10,333	—	—	10,333
Total Residential Home Today	—	—	—	—	—	63,409	—	—	63,409
Home equity loans and lines of credit									
Pass	48,427	14,488	12,325	11,891	10,423	$ 6,478	1,990,195	129,336	2,223,563
Special Mention	—	—	13	—	—	10	1,182	292	1,497
Substandard	—	—	148	57	304	33	4,746	11,570	16,858
Total Home equity loans and lines of credit	48,427	14,488	12,486	11,948	10,727	6,521	1,996,123	141,198	2,241,918
Construction									
Pass	26,587	3,890	—	—	—	—	—	—	30,477
Special Mention	1,120	—	—	—	—	—	—	—	1,120
Total Construction	27,707	3,890	—	—	—	—	—	—	31,597
Total real estate loans									
Pass	2,712,796	1,826,030	796,787	872,041	1,027,276	3,101,952	1,990,195	129,336	12,456,413
Special Mention	23,831	703	123	709	300	769	1,182	292	27,909
Substandard	—	$ 4,029	$ 4,618	$ 4,917	$ 5,117	$ 51,227	$ 4,746	$ 11,570	$ 86,224
Total real estate loans	$ 2,736,627	$ 1,830,762	$ 801,528	$ 877,667	$ 1,032,693	$ 3,153,948	$ 1,996,123	$ 141,198	$12,570,546

(1) No new originations of Home Today loans since fiscal 2016.

The following table provides the credit risk rating by portfolio as of the date presented.

	Pass	Special Mention	Substandard	Loss	Total
September 30, 2020					
Real estate loans:					
Residential Core	$ 10,748,284	$ 3,535	$ 39,349	$ —	$ 10,791,168
Residential Home Today	62,462	—	12,352	—	74,814
Home equity loans and lines of credit	2,241,434	3,057	14,509	—	2,259,000
Construction	22,436	—	—	—	22,436
Total real estate loans	$ 13,074,616	$ 6,592	$ 66,210	$ —	$ 13,147,418

The home equity lines of credit converted from revolving to term loans during the year ended September 30, 2021 totaled $6,088.

Residential loans are internally assigned a grade that complies with the guidelines outlined in the OCC's Handbook for Rating Credit Risk. Pass loans are assets well protected by the current paying capacity of the borrower. Special Mention loans have a potential weakness, as evaluated based on delinquency status or nature of the product, that the Company deems to deserve management's attention and may result in further deterioration in their repayment prospects and/or the Company's credit position. Substandard loans are inadequately protected by the current payment capacity of the borrower or the collateral pledged with a defined weakness that jeopardizes the liquidation of the debt. Also included in Substandard are performing home equity loans and lines of credit where the customer has a severely delinquent first mortgage to which the performing home equity loan or line of credit is subordinate and all loans in Chapter 7 bankruptcy status where all borrowers have filed, and have not reaffirmed or been dismissed. Loss loans are considered uncollectible and are charged-off when identified. Loss loans are of such little value that their continuance as bankable assets is not warranted even though partial recovery may be affected in the future.

At September 30, 2021 and September 30, 2020, respectively, $83,708 and $92,439 of TDRs individually evaluated for credit loss have adequately performed under the terms of the restructuring and are classified as pass loans. At September 30, 2021 and September 30, 2020, respectively, $24,042 and $0 of loans classified special mention are residential mortgage loans and home equity lines of credit identified, after origination, as being underwritten with inaccurate income documentation, that have not yet demonstrated repayment performance over a minimum period. At September 30, 2021 and September 30, 2020, respectively, $1,878 and $3,535 of loans classified special mention are residential mortgage loans purchased which were current and performing at the time of purchase. These loans are designated special mention due to the absence of mortgage insurance coverage and potentially weaker repayment prospects when compared with the Company's originated residential Core portfolio. Substandard loans increased between the periods presented primarily due to loans with forbearance plans extended greater than 12 months that are considered collateral dependent and classified substandard, for a minimum of one year, until a sustained period of repayment performance is satisfied. Loans classified substandard includes $28,029 of loans that had their forbearance term extended greater than 12 months regardless of forbearance plan status at September 30, 2021.

Other loans are internally assigned a grade of non-performing when they become 90 days or more past due. At September 30, 2021 and September 30, 2020, no other loans were graded as non-performing.

TROUBLED DEBT RESTRUCTURINGS

Initial concessions granted for loans restructured as TDRs may include reduction of interest rate, extension of amortization period, forbearance or other actions. Some TDRs have experienced a combination of concessions. TDRs also may occur as a result of bankruptcy proceedings. Loans discharged in Chapter 7 bankruptcy are classified as multiple restructurings if the loan's original terms had also been restructured by the Company. The amortized cost in TDRs by category as of September 30, 2021 and September 30, 2020 is shown in the tables below.

September 30, 2021	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core	$ 33,394	$ 20,499	$ 12,962	$ 66,855
Residential Home Today	12,640	13,409	2,556	28,605
Home equity loans and lines of credit	26,550	3,424	1,675	31,649
Total	$ 72,584	$ 37,332	$ 17,193	$ 127,109

September 30, 2020	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core	$ 32,095	$ 22,689	$ 16,021	$ 70,805
Residential Home Today	15,023	15,315	3,113	33,451
Home equity loans and lines of credit	31,679	2,954	2,411	37,044
Total	$ 78,797	$ 40,958	$ 21,545	$ 141,300

TDRs may be restructured more than once. Among other requirements, a subsequent restructuring may be available for a borrower upon the expiration of temporary restructuring terms if the borrower is unable to resume contractually scheduled loan payments. If the borrower is experiencing an income curtailment that temporarily has reduced their capacity to repay, such as loss of employment, reduction of work hours, non-paid leave or short-term disability, a temporary restructuring is considered. If the borrower lacks the capacity to repay the loan at the current terms due to a permanent condition, a permanent restructuring is considered. In evaluating the need for a subsequent restructuring, the borrower's ability to repay is generally assessed utilizing a debt to income and cash flow analysis.

For all TDRs restructured during the years ended September 30, 2021 and September 30, 2020 (set forth in the tables below), the pre-restructured outstanding amortized cost was not materially different from the post-restructured outstanding amortized cost.

New TDRs increased during recent periods presented due to forbearance plan extensions that do not qualify for TDR suspension and subsequent modifications on loans with forbearance plans, but were outpaced by paydowns, payoffs and refinances as total TDRs continued to decrease. The following tables set forth the amortized cost in TDRs restructured during the periods presented.

	For the Year Ended September 30, 2021			
	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core	$ 9,364	$ 1,981	$ 1,614	$ 12,959
Residential Home Today	362	1,432	103	1,897
Home equity loans and lines of credit	1,466	1,223	417	3,106
Total	$ 11,192	$ 4,636	$ 2,134	$ 17,962

	For the Year Ended September 30, 2020			
	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core	$ 4,334	$ 3,233	$ 1,831	$ 9,398
Residential Home Today	1,112	1,962	610	3,684
Home equity loans and lines of credit	1,984	815	454	3,253
Total	$ 7,430	$ 6,010	$ 2,895	$ 16,335

	For the Year Ended September 30, 2019			
	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core	$ 6,395	$ 6,301	$ 2,063	$ 14,759
Residential Home Today	716	2,910	397	4,023
Home equity loans and lines of credit	6,814	1,205	403	8,422
Total	$ 13,925	$ 10,416	$ 2,863	$ 27,204

The table below summarizes information about TDRs restructured within 12 months of the period presented for which there was a subsequent payment default, at least 30 days past due on one scheduled payment, during the periods presented.

TDRs That Subsequently Defaulted	For the Year Ended September 30, 2021		For the Year Ended September 30, 2020		For the Year Ended September 30, 2019	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Residential Core	6	$ 948	9	$ 1,394	15	$ 2,232
Residential Home Today	7	194	9	441	22	722
Home equity loans and lines of credit	1	42	4	282	13	1,039
Total	14	$ 1,184	22	$ 2,117	50	$ 3,993

DISCLOSURE FOR PERIODS PRIOR TO ASU 2016-13 ADOPTION

The recorded investment in total real estate loans and an analysis of the allowance for loan losses at September 30, 2020 is summarized in the following table, under previously applicable GAAP. The table provides details of the recorded balances and the allowance for loan losses according to the method of evaluation used for determining the allowance for loan losses, distinguishing between determinations made by evaluating individual loans and determinations made by evaluating groups of loans collectively. Balances of recorded investments are adjusted for deferred loan fees and expenses and any applicable loans-in-process. Other loans are all collectively reviewed and do not require an allowance.

September 30, 2020	Recorded Investment			Allowance for Loan Loss		
	Individually	Collectively	Total	Individually	Collectively	Total
Real estate loans:						
Residential Core	$ 79,200	$10,711,968	$10,791,168	$ 6,963	$ 15,418	22,381
Residential Home Today	34,261	40,553	74,814	2,085	3,569	5,654
Home equity loans and lines of credit	41,756	2,217,244	2,259,000	3,802	15,096	18,898
Construction	—	22,436	22,436	—	4	4
Total real estate loans	$ 155,217	$12,992,201	$13,147,418	$ 12,850	$ 34,087	$ 46,937

The recorded investment, unpaid principal balance, related allowance, average recorded investment over the fiscal year and income recognized over the fiscal year for impaired loans, including those reported as TDRs, as of September 30, 2020, are summarized as follows. Balances of recorded investments are adjusted for deferred loan fees and expenses.

September 30, 2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment (YTD)	Interest Income Recognized (YTD)
With no related IVA recorded:					
Residential Core	$ 41,164	$ 53,957	$ —	$ 42,643	$ 1,405
Residential Home Today	11,963	30,603	—	12,364	204
Home equity loans and lines of credit	13,989	18,617	—	16,259	321
Total	$ 67,116	$ 103,177	$ —	$ 71,266	$ 1,930
With an IVA recorded:					
Residential Core	$ 38,036	$ 38,103	$ 6,963	$ 40,492	$ 1,172
Residential Home Today	22,298	22,272	2,085	23,247	1,086
Home equity loans and lines of credit	27,767	27,809	3,802	27,842	663
Total	$ 88,101	$ 88,184	$ 12,850	$ 91,581	$ 2,921
Total impaired loans:					
Residential Core	$ 79,200	$ 92,060	$ 6,963	$ 83,135	$ 2,577
Residential Home Today	34,261	52,875	2,085	35,611	1,290
Home equity loans and lines of credit	41,756	46,426	3,802	44,101	984
Total	$ 155,217	$ 191,361	$ 12,850	$ 162,847	$ 4,851

6. MORTGAGE LOAN SERVICING RIGHTS

The Company sells certain types of loans through whole loan sales and through securitizations. In each case, the Company retains a servicing interest in the loans or securitized loans. Certain assumptions and estimates are used to determine the fair value allocated to these retained interests at the date of transfer and at subsequent measurement dates. These assumptions and estimates include loan repayment rates and discount rates.

Changes in interest rates can affect the average life of loans and mortgage-backed securities and the related servicing rights. A reduction in interest rates normally results in increased prepayments, as borrowers refinance their debt in order to reduce their borrowing costs. This creates reinvestment risk, which is the risk that the Company may not be able to reinvest the proceeds of loan and securities prepayments at rates that are comparable to the rates earned on the loans or securities prior to receipt of the repayment.

During 2021, 2020 and 2019, $796,512, $810,116 and $117,346, respectively, of mortgage loans were securitized and/or sold including accrued interest thereon. In these transactions, the Company retained residual interests in the form of mortgage loan servicing rights. Primary economic assumptions used to measure the value of the Company's retained interests at the date of sale resulting from the completed transactions were as follows (per annum):

	2021	2020
Primary prepayment speed assumptions (weighted average annual rate)	13.9 %	32.1 %
Weighted average life (years)	22.9	23.2
Amortized cost to service loans (weighted average)	0.12 %	0.12 %
Weighted average discount rate	12 %	12 %

Key economic assumptions and the sensitivity of the current fair value of mortgage loan servicing rights to immediate 10% and 20% adverse changes in those assumptions are as presented in the following table. The three key economic assumptions that impact the valuation of the mortgage loan servicing rights are: (1) the prepayment speed, or how long the mortgage servicing right will be outstanding; (2) the estimate of servicing costs that will be incurred in fulfilling the mortgage servicing right responsibilities; and (3) the discount factor applied to future net cash flows to convert them to present value. The Company established these factors based on independent analysis of our portfolio and reviews these assumptions periodically to ensure that they reasonably reflect current market conditions and our loan portfolio experience.

	September 30, 2021
Fair value of mortgage loan servicing rights	$ 17,454
Prepayment speed assumptions (weighted average annual rate)	24.3 %
Impact on fair value of 10% adverse change	$ (665)
Impact on fair value of 20% adverse change	$ (1,270)
Estimated prospective annual cost to service loans (weighted average)	0.12 %
Impact on fair value of 10% adverse change	$ (1,557)
Impact on fair value of 20% adverse change	$ (3,114)
Discount rate	12.0 %
Impact on fair value of 10% adverse change	$ (616)
Impact on fair value of 20% adverse change	$ (1,185)

These sensitivities are hypothetical and should be used with caution. As indicated in the table above, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship in the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which could magnify or counteract the sensitivities.

Servicing rights are evaluated periodically for impairment based on the fair value of those rights. Twenty-two risk tranches are used in evaluating servicing rights for impairment, segregated primarily by interest rate stratum within original term to maturity categories with additional strata for less uniform account types.

Activity in mortgage servicing rights is summarized as follows:

	Year Ended September 30,		
	2021	2020	2019
Balance—beginning of year	$ 7,860	$ 8,080	$ 8,840
Additions from loan securitizations/sales	3,836	1,613	497
Amortization [(1)]	(2,764)	(1,824)	(1,257)
Net change in valuation allowance	9	(9)	—
Balance—end of year	$ 8,941	$ 7,860	$ 8,080
Fair value of capitalized amounts	$ 17,454	$ 12,487	$ 13,384

(1) Year ended September 30, 2021 and 2020 amounts include $199 and $1,063 respectively, related to the repurchase of loans previously sold and serviced by the Company.

The Company receives annual servicing fees ranging from 0.02% to 0.98% of the outstanding loan balances. Servicing income, net of amortization of capitalized servicing rights, included in Non-interest income, amounted to $3,260 in 2021, $3,365 in 2020 and $4,225 in 2019. The unpaid principal balance of mortgage loans serviced for others was approximately $2,262,875, $2,007,319 and $1,796,519 at September 30, 2021, 2020 and 2019, respectively. The ratio of capitalized servicing rights to the unpaid principal balance of mortgage loans serviced for others was 0.40%, 0.39%, and 0.45% at September 30, 2021, 2020 and 2019, respectively.

7. PREMISES, EQUIPMENT AND SOFTWARE, NET

Premises, equipment and software at cost are summarized as follows:

	September 30,	
	2021	2020
Land	$ 8,688	$ 8,688
Office buildings	60,661	61,119
Furniture, fixtures and equipment	39,266	38,641
Software	19,962	19,942
Leasehold improvements	10,768	10,328
	139,345	138,718
Less: accumulated depreciation and amortization	(101,925)	(97,124)
Total	$ 37,420	$ 41,594

During the years ended September 30, 2021, 2020 and 2019, depreciation and amortization expense on premises, equipment, and software was $5,422, $5,435 and $5,885, respectively.

The Company, as lessor, previously leased certain commercial office buildings. The office buildings and land, which had a net book value of $17,680 at September 30, 2019, were sold during the year ended September 30, 2020. The Company's share of the gain on the sale was $4,665. During the years ended September 30, 2020 and 2019, rental income was $5 and $2,180 respectively, and appears in other non-interest income in the accompanying statements. Depreciation expense on the buildings during fiscal 2020 was $48. There was no activity for 2021.

8. LEASES

As a lessee, the Company enters into leases of buildings and land. The Company occupies certain banking branches, loan production and customer service offices and a disaster recovery site through non-cancellable operating leases with remaining terms ranging from less than one year to 15 years. The Company does not have financing leases. Most of the leases have fixed payment terms with annual fixed-escalation clauses. Certain leases have annual rent escalations based on subsequent year-to-year changes in the consumer price index. These year-to-year changes in the consumer price index are excluded from the calculation of right-of-use assets and lease liabilities and recognized as expense in the period in which they are incurred. Additionally, all variable lease costs that are not based on an index or rate, such as "common area maintenance" costs, are expensed as incurred. Most of the Company's leases include options to extend for periods that range from five to 10 years. The leases do not have early-termination options. The Company has not included term extensions in the calculation of the lease term, as the Company does not consider it reasonably certain that the options will be exercised. As the interest rate implicit in all of the Company's lease contracts is not readily determinable, the Company utilized its incremental borrowing rate, which is the rate that would be incurred to borrow on a collateralized basis over a similar term on an amount equal to the total contractual lease payments in a similar economic environment. The incremental borrowing rate utilized for all the Company's leases is the FHLB Advance rate based on the lease term at commencement in determining the present value of lease payments.

Operating lease expense for the year ended September 30, 2021 and 2020, totaled $5,351 and $5,127, respectively. Variable lease expense for the year ended September 30, 2021 and 2020, totaled $1,374 and $1,258, respectively. During the year ended September 30, 2021 and 2020, the Company paid $5,354 and $5,071,respectively, in cash for amounts included in the measurement of lease liabilities. As of September 30, 2021 and 2020, the Company has not entered into any material leases that have not yet commenced.

The following table summarizes information relating to the Company's operating leases:

	September 30,	
	2021	**2020**
Right-of-use assets (a)	$ 27,923	$ 20,784
Lease liabilities (b)	$ 18,461	$ 16,391
Weighted Average Remaining Lease Term	5.51 years	6.12 years
Weighted Average Discount Rate	1.51 %	1.88 %

(a) Included in Other assets in the *CONSOLIDATED STATEMENTS OF CONDITION*
(b) Included in Accrued expenses and other liabilities in the *CONSOLIDATED STATEMENTS OF CONDITION*

The following table summarizes the maturities of lease liabilities at the periods presented:

	September 30,	
	2021	**2020**
Maturing in:		
12 months or less	$ 5,128	$ 4,582
13 to 24 months	4,334	3,610
25 to 36 months	3,400	2,806
37 to 48 months	2,570	2,023
49 to 60 months	1,321	1,235
over 60 months	2,640	3,232
Total minimum lease payments	19,393	17,488
Less imputed interest	932	1,097
Total lease liabilities	$ 18,461	$ 16,391

9. DEPOSITS

Deposit account balances are summarized by interest rate as follows:

	Stated Interest Rate	September 30, 2021 Amount	2021 Percent	2020 Amount	2020 Percent
Checking accounts	0.00–0.15%	$ 1,132,910	12.6 %	$ 996,682	10.8 %
Savings accounts, excluding money market accounts	0.00–0.20	1,263,309	14.0	1,106,243	12.0
Money market accounts	0.00–0.50	563,931	6.3	520,422	5.6
Subtotal		2,960,150	32.9	2,623,347	28.4
Certificates of deposit	0.00–0.99	3,335,102	37.1	2,108,691	22.9
	1.00–1.99	808,105	9.0	1,854,052	20.1
	2.00–2.99	1,574,939	17.5	2,285,521	24.8
	3.00 and above	313,457	3.5	350,875	3.8
		6,031,603	67.1	6,599,139	71.6
Subtotal		8,991,753	100.0	9,222,486	100.0
Accrued interest		1,852	—	3,068	—
Total deposits		$ 8,993,605	100.0 %	$9,225,554	100.0 %

At September 30, 2021 and 2020, the weighted average interest rate was 0.09% and 0.12% on checking accounts; 0.12% and 0.14% on savings accounts, excluding money market accounts; 0.19% and 0.44% on money market accounts; 1.26% and 1.71% on certificates of deposit, respectively; and 0.89% and 1.28% on total deposits, respectively.

The aggregate amount of certificates of deposit in denominations of $100 or more totaled approximately $3,155,804 and $3,414,697 at September 30, 2021 and 2020, respectively. In accordance with the DFA, the maximum amount of deposit insurance is $250 per depositor.

Brokered certificates of deposit (exclusive of acquisition costs and subsequent amortization), which are used as a cost effective funding alternative, totaled $491,994 and $553,860 at September 30, 2021 and 2020, respectively. The FDIC places restrictions on banks with regard to issuing brokered deposits based on the bank's capital classification. As a well-capitalized institution at September 30, 2021 and September 30, 2020, the Association may accept brokered deposits without FDIC restrictions.

The scheduled maturity of certificates of deposit is as follows:

	September 30, 2021 Amount	Percent	Weighted Average Rate
12 months or less	$ 3,469,929	57.5 %	1.04 %
13 to 24 months	1,207,606	20.0 %	1.56 %
25 to 36 months	824,471	13.7 %	1.75 %
37 to 48 months	206,133	3.4 %	1.63 %
49 to 60 months	282,580	4.7 %	1.08 %
Over 60 months	40,884	0.7 %	1.28 %
Total	$ 6,031,603	100.0 %	1.26 %

Interest expense on deposits is summarized as follows:

	Year Ended September 30,		
	2021	2020	2019
Certificates of deposit	$ 93,187	$130,990	$128,489
Checking accounts	1,140	1,477	3,188
Savings and Money Market accounts	2,992	7,775	11,676
Total	$ 97,319	$140,242	$143,353

10. BORROWED FUNDS

Federal Home Loan Bank borrowings at September 30, 2021 are summarized in the table below:

	Amount	Weighted Average Rate
Maturing in:		
12 months or less	$ 2,450,000	0.23 %
13 to 24 months	50,703	1.80 %
25 to 36 months	325,000	1.68 %
37 to 48 months	150,000	1.69 %
49 to 60 months	101,048	0.92 %
over 60 months	13,631	1.57 %
Total FHLB Advances	3,090,382	0.51 %
Accrued interest	1,433	
Total	$ 3,091,815	

All borrowings have fixed rates during their term ranging up to 240 months. Interest is payable monthly for long-term advances and at maturity for FHLB swap based three-month advances. For the years ended September 30, 2021, 2020 and 2019, net interest expense related to Federal Home Loan Bank short-term borrowings was $50,975, $61,058 and $61,757, respectively.

Through the use of interest rate swaps discussed in Note *17. DERIVATIVE INSTRUMENTS*, $2,450,000 of FHLB advances included in the table above as maturing in 12 months or less, have effective maturities, assuming no early terminations of the swap contracts, as shown below:

Effective Maturity:	Amount	Swap Adjusted Weighted Average Rate
12 months or less	$ 900,000	1.90 %
13 to 24 months	150,000	2.22 %
25 to 36 months	350,000	1.43 %
37 to 48 months	400,000	1.36 %
49 to 60 months	350,000	2.26 %
Over 60 months	300,000	2.47 %
Total FHLB Advances under swap contracts	$2,450,000	1.88 %

During fiscal year 2020, $115,000 of FHLB advances and $100,000 of swap contracts related to those advances, with original maturity dates in fiscal 2023, were terminated, resulting in the immediate recognition of $8,905 of interest expense and prepayment related fees. The weighted average interest rate, including the impact of the swap contracts, on those advances repaid was 2.92%.

The following table sets forth certain information, excluding the impact of swap contracts, relating to Federal Home Loan Bank short-term borrowings at or for the periods indicated.

	At or For the Fiscal Years Ended September 30,		
	2021	2020	2019
Balance at end of year	$ 2,450,000	$ 2,975,000	$ 3,250,000
Maximum outstanding at any month-end	$ 2,925,000	$ 3,695,000	$ 3,425,000
Average balance during year	$ 2,693,533	$ 3,086,314	$ 3,002,307
Average interest rate during the fiscal year	0.23 %	1.14 %	2.43 %
Weighted average interest rate at end of year	0.23 %	0.28 %	2.23 %
Interest expense	$ 6,441	$ 36,300	$ 74,742

The Association's maximum borrowing capacity at the FHLB, under the most restrictive measure, was $7,431,135 at September 30, 2021. Pursuant to collateral agreements with FHLB of Cincinnati, advances are secured by a blanket lien on qualifying first mortgage loans. The Association's borrowing capacity at the FRB-Cleveland Discount Window was $245,723 at September 30, 2021. In March 2021, the Association received a second consecutive "Needs to Improve" rating on its Community Reinvestment Act (CRA) examination covering the period ending December 31, 2019. The FHFA practice is to place member institutions in this situation on restriction. When this restriction is established, the Association will not have access to FHLB long-term advances (maturities greater than one year) until the rating improves. However, the Association has not received the notice of this restriction as of November 24, 2021. Existing advances and future advances with less than a one year term, including 90 day advances used to facilitate longer term interest rate swap agreements, will not be affected. The Association does not expect any impact to its ability to access funding.

11. OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) by component is as follows:

	Unrealized Gains (Losses) on Securities Available for Sale	Cash Flow Hedges	Defined Benefit Plan	Total
Fiscal year 2019 activity				
Balance at September 30, 2018	$ (13,624)	$ 51,914	$ (15,068)	$ 23,222
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of $(22,171)	11,459	(86,570)	(8,287)	(83,398)
Amounts reclassified, net of tax expense (benefit) of $(2,446)	—	(10,259)	1,056	(9,203)
Other comprehensive income (loss)	11,459	(96,829)	(7,231)	(92,601)
Balance at September 30, 2019	$ (2,165)	$ (44,915)	$ (22,299)	$ (69,379)
Fiscal year 2020 activity				
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of $(22,316)	6,859	(88,948)	(1,862)	(83,951)
Amounts reclassified, net of tax expense (benefit) of $5,680	—	19,557	1,808	21,365
Other comprehensive income (loss)	6,859	(69,391)	(54)	(62,586)
Balance at September 30, 2020	$ 4,694	$ (114,306)	$ (22,353)	$ (131,965)
Fiscal year 2021 activity				
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of $8,656	(3,733)	20,914	9,937	27,118
Amounts reclassified, net of tax expense (benefit) of $9,907	—	35,182	1,864	37,046
Other comprehensive income (loss)	(3,733)	56,096	11,801	64,164
Balance at September 30, 2021	$ 961	$ (58,210)	$ (10,552)	$ (67,801)

The following table presents the reclassification adjustment out of accumulated other comprehensive income (loss) included in net income and the corresponding line item on the *CONSOLIDATED STATEMENTS OF INCOME* for the periods indicated:

Details about Accumulated Other Comprehensive Income Components	**For the Years Ended September 30,**			**Line Item in the Statement of Income**
	2021	**2020**	**2019**	
Cash flow hedges:				
Interest (income) expense	$ 44,534	$ 24,757	$ (12,985)	Interest expense
Net income tax effect	(9,352)	(5,200)	2,726	Income tax expense
Net of income tax expense (benefit)	$ 35,182	$ 19,557	$ (10,259)	
Amortization of defined benefit plan:				
Actuarial loss	$ 2,419	$ 2,288	$ 1,336	(a)
Net income tax effect	(555)	(480)	(280)	Income tax expense
Net of income tax expense	1,864	1,808	1,056	
Total reclassifications for the period	$ 37,046	$ 21,365	$ (9,203)	

(a) These items are included in the computation of net period pension cost. See Note *13. EMPLOYEE BENEFIT PLANS* for additional disclosure.

12. INCOME TAXES

The components of the income tax provision are as follows:

	Year Ended September 30,		
	2021	2020	2019
Current tax expense (benefit):			
Federal	$ 31,043	$ (5,237)	$ 184
State	2,230	473	(145)
Deferred tax expense (benefit):			
Federal	(13,548)	20,487	20,252
State	(638)	1,205	1,684
Income tax provision	$ 19,087	$ 16,928	$ 21,975

Reconciliation from tax at the statutory rate to the income tax provision is as follows:

	Year Ended September 30,		
	2021	2020	2019
Tax at statutory rate	21.0 %	21.0 %	21.0 %
State tax, net	1.3	1.3	1.2
Non-taxable income from bank owned life insurance contracts	(2.1)	(1.5)	(1.4)
Non-deductible compensation	0.9	1.1	1.6
Equity based compensation	(1.3)	(0.5)	(0.3)
NOL carryback claim rate benefit under CARES Act	—	(3.6)	—
Other, net (1)	(0.7)	(0.9)	(0.6)
Income tax provision	19.1 %	16.9 %	21.5 %

(1) Amounts related to equity based compensation in prior periods have been reclassified for consistency with current year presentation.

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that gave rise to significant portions of net deferred taxes relate to the following:

	September 30,	
	2021	2020
Deferred tax assets:		
Loan loss reserve	$ 25,728	$ 16,324
Deferred compensation	4,159	5,155
Pension	—	724
Lease liability	4,227	3,755
Property, equipment and software basis difference	1,263	—
Other	2,259	3,306
Total deferred tax assets	37,636	29,264
Deferred tax liabilities:		
FHLB stock basis difference	5,036	5,037
Mortgage servicing rights	1,699	1,327
Pension	2,220	—
Property, equipment and software basis difference	—	49
Goodwill	2,137	2,136
Lease ROU asset	4,142	3,670
Deferred loan costs, net of fees	11,606	11,599
Other	2,051	2,708
Total deferred tax liabilities	28,891	26,526
Net deferred tax asset	$ 8,745	$ 2,738

In the accompanying *CONSOLIDATED STATEMENTS OF CONDITION* the net deferred tax asset is included in Other assets.

A valuation allowance is established to reduce deferred tax assets if it is more likely than not that the related tax benefits 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. There was no valuation allowance required at September 30, 2021 or 2020.

Retained earnings at September 30, 2021 and 2020 included approximately $104,861 for which no provision for federal or state income tax has been made. This amount represents allocations of income during years prior to 1988 to bad debt deductions for tax purposes only. These qualifying and nonqualifying base year reserves and supplemental reserves will be recaptured into income in the event of certain distributions and redemptions. Such recapture would create income for tax purposes only, which would be subject to the then current corporate income tax rate. However, recapture would not occur upon the reorganization, merger, or acquisition of the Association, nor if the Association is merged or liquidated tax-free into a bank or undergoes a charter change. If the Association fails to qualify as a bank or merges into a nonbank entity, these reserves will be recaptured into income.

The provisions of Accounting for Uncertainty in Income Taxes, codified within FASB ASC 740 "Income Taxes," prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement for a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Tax positions must meet a more-likely-than-not recognition threshold in order for the related tax benefit to be recognized or continue to be recognized. As of September 30, 2021 and 2020, the Company had no unrecognized tax benefits. The Company does not anticipate the total amount of unrecognized tax benefits to significantly change within the next twelve months.

The Company recognizes interest and penalties on income tax assessments or income tax refunds, where applicable, in the financial statements as a component of its provision for income taxes. The Company recognized $9, $0, and $0 interest expense or penalties on income tax assessments, and $116, $0, and $0 of interest on income tax refunds related to net operating loss carrybacks during the years ended September 30, 2021, 2020 and 2019, respectively. There was no interest related to income tax assessments accrued at September 30, 2021 or 2020.

The Company’s effective income tax rate was 19.1%, 16.9% and 21.5% for the years ended September 30, 2021, 2020 and 2019, respectively. The increase in the effective rate for the year ended September 30, 2021 compared to the same period during fiscal 2020 is primarily due to the impact of a CARES Act provision, which permitted a carry back of net tax operating losses to years taxed at higher rates, and resulted in a tax benefit of $3,607 during the year ended September 30, 2020. This is offset by an increase in permanent tax benefits from BOLI contracts. Additionally, there was an increase in excess tax benefits associated with equity compensation as compared to fiscal 2020 and 2019.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and city jurisdictions. With few exceptions, the Company is no longer subject to income tax examinations in its major jurisdictions for tax years prior to 2018.

The Company makes certain investments in limited partnerships which invest in affordable housing projects that qualify for the Low Income Housing Tax Credit. The Company acts as a limited partner in these investments and does not exert control over the operating or financial policies of the partnership. The Company accounts for its interests in LIHTCs using the proportional amortization method. The impact of the Company's investments in tax credit entities on the provision for income taxes was not material for the years ended September 30, 2021, 2020 and 2019.

13. EMPLOYEE BENEFIT PLANS

Defined Benefit Plan**—**The Third Federal Savings Retirement Plan (the "Plan") is a defined benefit pension plan. Effective December 31, 2002, the Plan was amended to limit participation to employees who met the Plan's eligibility requirements on that date. Effective December 31, 2011, the Plan was amended to freeze future benefit accruals for participants in the Plan. After December 31, 2002, employees not participating in the Plan, upon meeting the applicable eligibility requirements, and those eligible participants who no longer receive service credits under the Plan, participate in a separate tier of the Company's defined contribution 401(k) Savings Plan. Benefits under the Plan are based on years of service and the employee's average annual compensation (as defined in the Plan) through December 31, 2011. The funding policy of the Plan is consistent with the funding requirements of U.S. federal and other governmental laws and regulations. During the fiscal years ending 2021 and 2020, a settlement adjustment was recognized as a result of lump sum payments exceeding the interest costs for the year.

The following table sets forth the change in projected benefit obligation for the defined benefit plan:

	September 30,	
	2021	**2020**
Projected benefit obligation at beginning of year	$ 94,941	$ 90,069
Interest cost	2,536	2,797
Actuarial (gain) loss and other	(2,273)	7,691
Settlement	(5,112)	(3,860)
Benefits paid	(1,816)	(1,756)
Projected benefit obligation at end of year	$ 88,276	$ 94,941

The following table reconciles the beginning and ending balances of the fair value of Plan assets and presents the funded status of the Plan recognized in the *CONSOLIDATED STATEMENTS OF CONDITION* at the September 30 measurement dates:

	September 30,	
	2021	**2020**
Fair value of plan assets at beginning of year	$ 89,275	$ 81,627
Actual return on plan assets	15,624	8,264
Employer contributions	—	5,000
Benefits paid	(1,816)	(1,756)
Settlement	(5,112)	(3,860)
Fair value of plan assets at end of year	$ 97,971	$ 89,275
Funded status of the plan—asset (liability)	$ 9,695	$ (5,666)

The components of net periodic cost recognized in the *CONSOLIDATED STATEMENTS OF INCOME* are as follows:

	Year Ended September 30,		
	2021	**2020**	**2019**
Interest Cost	$ 2,536	$ 2,797	$ 3,229
Expected return on plan assets	(4,997)	(4,652)	(4,584)
Amortization of net loss and other	1,466	2,288	1,336
Recognized net loss due to settlement	792	1,174	—
Net periodic benefit (income) cost	$ (203)	$ 1,607	$ (19)

There were no contributions, required minimum or voluntary, made during the fiscal year ended September 30, 2021.

Plan assets consist of investments in pooled separate accounts that invest in mutual funds, equity securities, debt securities, or real estate investments. Pooled separate accounts are valued at net asset value per share at the reporting date. The fair values of the underlying investments used to determine net asset value of the pooled separate accounts are primarily publicly quoted prices or quoted prices for similar assets in active or non-active markets. In accordance with Subtopic 820-10,

certain investments measured at fair value using the net asset value per share practical expedient are not classified in the fair value hierarchy described in Note *16. FAIR VALUE.*

The following table presents the fair value of Plan assets:.

	September 30,							
	2021				2020			
	Fair Value (in thousands)	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**	**Fair Value (in thousands)**	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Pooled Separate Accounts	$ 97,971	N/A	Daily	7 days	$ 89,275	N/A	Daily	7 days

There are no redemption restrictions on Plan assets at September 30, 2021. Redemptions may be deferred for a longer period if conditions do not permit an orderly transfer or for certain investments of an illiquid nature.

The following additional information is provided with respect to the Plan:

	September 30,		
	2021	**2020**	**2019**
Assumptions and dates used to determine benefit obligations:			
Discount rate	2.85 %	2.65 %	3.20 %
Rate of compensation increase	n/a	n/a	n/a
Assumptions used to determine net periodic benefit cost:			
Discount rate	2.80 %	3.20 %	4.15 %
Long-term rate of return on plan assets	5.50 %	6.00 %	6.25 %
Rate of compensation increase (graded scale)	n/a	n/a	n/a

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions for the corresponding fiscal year end. Management evaluates the historical performance of the various asset categories, as well as current expectations in determining the adequacy of the assumed rates of return in meeting Plan obligations. If warranted, the assumption is modified.

The following table provides estimates of expected future benefit payments during each of the next five fiscal years, as well as in the aggregate for years six through ten. Additionally, the table includes the minimum employer contributions expected during the next fiscal year:

Expected Benefit Payments During the Fiscal Years Ending September 30:	
2022	$ 5,140
2023	4,940
2024	4,770
2025	4,650
2026	4,620
Aggregate expected benefit payments during the five fiscal year period beginning October 1, 2026, and ending September 30, 2031	23,610
Minimum employer contributions expected to be paid during the fiscal year ending September 30, 2022	—

For the fiscal years ended September 30, 2021, 2020, and 2019, AOCI includes pretax net actuarial losses of $13,686, $28,843, and $28,227, respectively, which have not been recognized as components of net periodic benefit costs as of the measurement date. The Company expects that $495 of net actuarial losses will be recognized as AOCI components of net periodic benefit cost during the fiscal year ended September 30, 2022.

401(k) Savings Plan—The Company maintains a 401(k) savings plan that is comprised of three tiers. The first tier allows eligible employees to contribute up to 75% of their compensation to the plan, subject to limitations established by the Internal Revenue Service, with the Company matching 100% of up to 4% on funds contributed. The second tier permits the Company to make a profit-sharing contribution at its discretion. The first and second tiers cover substantially all employees who have

reached age 21 and have worked 1,000 hours in one year of service. The third tier permits the Company to make discretionary contributions allocable to eligible employees including those eligible employees who are participants, but no longer receiving service credits, under the Company's defined benefit pension plan. Voluntary contributions made by employees are vested at all times whereas Company contributions and Company matching contributions are subject to various vesting periods which range from immediately vested to fully vesting upon five years of service.

The total of the Company's matching and discretionary contributions related to the 401(k) savings plan for the years ended September 30, 2021, 2020 and 2019 was $4,187, $4,042 and $3,827, respectively.

Employee (Associate) Stock Ownership Plan—The Company established an ESOP for its employees effective January 1, 2006. The ESOP is a tax-qualified plan designed to invest primarily in the Company's common stock and provides employees with an opportunity to receive a funded retirement benefit, based primarily on the value of the Company's common stock. The ESOP covers all eligible employees of the Company and its wholly-owned subsidiaries. Employees are eligible to participate in the ESOP after attainment of age 18, completion of 1,000 hours of service, and employment on the last day of the plan's calendar year. Company contributions to the plan are at the discretion of the Board of Directors. The ESOP is accounted for in accordance with the provisions for stock compensation in FASB ASC 718. Compensation expense for the ESOP is based on the market price of the Company's stock and is recognized as shares are committed to be released to participants. The total compensation expense related to this plan in the 2021, 2020 and 2019 fiscal years was $8,270, $7,367 and $7,268, respectively.

The ESOP was authorized to purchase, and did purchase, 11,605,824 shares of the Company's common stock at a price of $10 per share with a 2006 plan year cash contribution and the proceeds of a loan from the Company to the ESOP. The outstanding loan principal balance as of September 30, 2021 and 2020 was $46,454 and $50,517, respectively. Shares of the Company's common stock pledged as collateral for the loan are released from the pledge for allocation to participants as loan payments are made. At September 30, 2021, 7,705,768 shares have been allocated to participants and 325,005 shares were committed to be released. Shares that are committed to be released will be allocated to participants at the end of the plan year (December 31). ESOP shares that are unallocated or not yet committed to be released totaled 3,575,051 at September 30, 2021, and had a fair market value of $68,140. Participants have the option to receive dividends on allocated shares in cash or leave the dividend in the ESOP. Dividends are reinvested in Company stock for those participants who choose to leave their dividends in the ESOP or who do not make an election. The purchase of Company stock for reinvestment of dividends is made in the open market on or about the date of the cash disbursement to the participants who opt to take dividends in cash. Dividends on unallocated shares held in the Employer Stock fund were paid to the trustee to be used to make payments on the outstanding loan obligation.

14. EQUITY INCENTIVE PLAN

The TFS Financial Corporation Amended and Restated 2008 Equity Incentive Plan, approved by shareholders in February 2018 and the 2008 Equity Incentive Plan, approved by shareholders in May 2008, are collectively referred to as the "Equity Plan". The amended and restated plan is substantially similar to the previous plan, except that the number of future shares eligible to be granted has been reduced to 8,450,000 shares, of which 7,579,009 shares remain available for future award, and the term to grant shares has been extended to February 21, 2028.

The Company recorded excess tax benefits of $1,331, $485, and $296 related to share-based compensation awards for the years ended September 30, 2021, 2020 and 2019, respectively.

The following table presents share-based compensation expense and the related tax benefit recognized during the periods presented:

	Year Ended September 30,		
	2021	2020	2019
Restricted stock units expense	$ 4,160	$ 3,303	$ 3,260
Performance share units expense	1,214	917	413
Stock option expense	68	531	838
Total stock-based compensation expense	$ 5,442	$ 4,751	$ 4,511
Tax benefit related to share-based compensation expense	$ 999	$ 824	$ 792

Restricted stock units vest over a one to ten year service period. The product of the number of units granted and the grant date market price of the Company's common stock determines the fair value of restricted stock units under the Equity Plan. The Company recognizes compensation expense for the fair value of restricted stock units on a straight-line basis over the requisite service period.

The following is a summary of the status of the Company's restricted stock units as of September 30, 2021 and changes therein during the year then ended:

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Outstanding at September 30, 2020	1,292,339	$ 13.40
Granted	433,850	$ 17.77
Released	(442,379)	$ 15.32
Forfeited	(1,900)	$ 17.77
Outstanding at September 30, 2021 (1)	1,281,910	$ 14.21

(1) Includes 765,748 shares with a weighted average grant date fair value of $11.87 that have vested but will not be issued until the recipients are no longer employed by the Company.

The weighted average grant date fair value of restricted stock units granted during the years ended September 30, 2021, 2020 and 2019 was $17.77, $19.76 and $15.54 per share, respectively. The total fair value of restricted stock units vested during the years ended September 30, 2021, 2020 and 2019 was $6,981, $1,676, and $1,465, respectively. Expected future compensation expense relating to the non-vested restricted stock units at September 30, 2021 is $5,011 over a weighted average period of 2.06 years.

Performance share units vest in the form of Company common stock issued at the end of a three-year period, based on the pro-rata achievement of performance based metrics over a two-year period. The range of payout is zero to 150% of the number of share units granted. The Company recognizes compensation expense for the fair value of performance share units on a straight-line basis over the requisite service period, based on the performance condition that is probable of achievement. Probability of achievement is reassessed at each reporting period and the cumulative effect of a change in estimate, if any, is recognized in the period of change. Cash dividend equivalents are accrued and paid only if and when the underlying units become vested and payable.

The following is a summary of the status of the Company's performance share units as of September 30, 2021 and changes therein during the year then ended:

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Outstanding at September 30, 2020	116,300	17.42
Granted	59,900	17.77
Released	(872)	15.54
Forfeited	(1,323)	17.77
Performance adjustment	8,064	15.54
Outstanding at September 30, 2021	182,069	17.46

The weighted average grant date fair value of performance share units granted during the year ended September 30, 2021, 2020 and 2019 was $17.77, $19.76, and $15.54, respectively. No performance share units vested during the years ended September 30, 2020 and 2019, There were 872 shares released during the year ended September 30, 2021 to satisfy participant tax withholding requirements. Expected future compensation expense relating to the non-vested performance share units at September 30, 2021 is $781 over a weighted average period of 1.86 years.

Stock options have a contractual term of ten years and vest over a one to seven year service period. The Company recognizes compensation expense for the fair values of these awards, which have installment vesting, on a straight-line basis over the requisite service period of the awards.

The following is a summary of the Company's stock option activity and related information for the Equity Plan for the year ended September 30, 2021:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding at September 30, 2020	3,689,900	$ 13.78	4.33	$ 6,172
Granted	—	$ —		
Exercised	(1,226,600)	$ 11.38		$ 8,605
Forfeited	—	$ —		$ —
Outstanding at September 30, 2021	2,463,300	$ 14.98	4.25	$ 10,095
Vested and exercisable, at September 30, 2021	2,463,300	$ 14.98	4.25	$ 10,095
Vested or expected to vest, at September 30, 2021	2,463,300	$ 14.98	4.25	$ 10,095

The fair values of the stock options are estimated on the date of grant using the Black-Scholes option-pricing model. There were no stock options granted during 2021, 2020 and 2019.

There were no non-vested options outstanding as of September 30, 2021. Upon exercise of vested options, management expects to draw on treasury stock as the source of the shares.

15. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Company enters into commitments with off-balance-sheet risk to meet the financing needs of its customers. 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 to originate loans generally have fixed expiration dates of 60 to 360 days or other termination clauses and may require payment of a fee. Unfunded commitments related to home equity lines of credit generally expire from five to 10 years following the date that the line of credit was established, subject to various conditions including compliance with payment obligation, adequacy of collateral securing the line and maintenance of a satisfactory credit profile by the borrower. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Off-balance sheet commitments to extend credit involve elements of credit risk and interest rate risk in excess of the amount recognized in the *CONSOLIDATED STATEMENTS OF CONDITION*. The Company's exposure to credit loss in the event of nonperformance by the other party to the commitment is represented by the contractual amount of the commitment. The Company generally uses the same credit policies in making commitments as it does for on-balance-sheet instruments. The allowance for credit losses related to off-balance sheet commitments is recorded in other liabilities in the *CONSOLIDATED STATEMENTS OF CONDITION*. Refer to Note *5. LOANS AND ALLOWANCES FOR CREDIT LOSSES* for discussion on credit loss methodology. Interest rate risk on commitments to extend credit results from the possibility that interest rates may have moved unfavorably from the position of the Company since the time the commitment was made.

At September 30, 2021, the Company had commitments to originate loans and related allowances as follows:

	Commitment	Allowance
Fixed-rate mortgage loans	$ 424,665	$ 1,694
Adjustable-rate mortgage loans	166,469	699
Equity loans and lines of credit	358,780	3,656
Total	$ 949,914	$ 6,049

At September 30, 2021, the Company had unfunded commitments outstanding and related allowances as follows:

	Commitment	Allowance
Equity lines of credit	$ 3,201,025	$ 18,312
Construction loans	49,700	609
Total	$ 3,250,725	$ 18,921

At September 30, 2021, the unfunded commitment on home equity lines of credit, including commitments for accounts suspended as a result of material default or a decline in equity, is $3,225,931.

At September 30, 2021 and 2020, the Company had $0 and $36,078, respectively, in commitments to securitize and sell mortgage loans.

The above commitments are expected to be funded through normal operations.

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's consolidated financial condition, results of operation, or statements of cash flows.

16. FAIR VALUE

Under U.S. GAAP, fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date under current market conditions. A fair value framework is established whereby assets and liabilities measured at fair value are grouped into three levels of a fair value hierarchy, based on the transparency of inputs and the reliability of assumptions used to estimate fair value. The three levels of inputs are defined as follows:

Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with few transactions, or model-based valuation techniques using assumptions that are observable in the market.

Level 3 – a company's own assumptions about how market participants would price an asset or liability.

As permitted under the fair value guidance in U.S. GAAP, the Company elects to measure at fair value mortgage loans classified as held for sale that are subject to pending agency contracts to securitize and sell loans. This election is expected to reduce volatility in earnings related to market fluctuations between the contract trade and settlement dates. At September 30, 2021 and September 30, 2020, respectively, there were $0 and $36,078 of loans held for sale, all of which were current, with unpaid principal balances of $0 and $34,179, subject to pending agency contracts for which the fair value option was elected. For the years ended September 30, 2021, 2020, and 2019, net gain (loss) on the sale of loans includes $134, $2,026 and $0, respectively, related to unrealized gains or losses during the period due to changes in the fair value of loans held for sale subject to pending agency contracts.

Presented below is a discussion of the methods and significant assumptions used by the Company to estimate fair value.

Investment Securities Available for Sale—Investment securities available for sale are recorded at fair value on a recurring basis. At September 30, 2021 and 2020, respectively, this includes $421,783 and $453,438 of investments in U.S. government and agency obligations including highly liquid collateralized mortgage obligations issued by Fannie Mae, Freddie Mac, and Ginnie Mae, measured using the market approach. The fair values of investment securities represent unadjusted price estimates obtained from third party independent nationally recognized pricing services using pricing models or quoted prices of securities with similar characteristics and are included in Level 2 of the hierarchy. Third party pricing is reviewed on a monthly basis for reasonableness based on the market knowledge and experience of company personnel that interact daily with the markets for these types of securities.

Mortgage Loans Held for Sale—The fair value of mortgage loans held for sale is estimated on an aggregate basis using a market approach based on quoted secondary market pricing for loan portfolios with similar characteristics. Loans held for sale are carried at the lower of cost or fair value except, as described above, the Company elects the fair value measurement option for mortgage loans held for sale subject to pending agency contracts to securitize and sell loans. Loans held for sale are included in Level 2 of the hierarchy. At September 30, 2021 and 2020, there were $0 and $36,078, respectively, of loans held for sale measured at fair value and $8,848 and $793, respectively, of loans held for sale carried at cost. Interest income on mortgage loans held for sale is recorded in interest income on loans.

Collateral-dependent Loans—Collateral-dependent loans represent certain loans held for investment that are subject to a fair value measurement under U.S. GAAP because they are individually evaluated using a fair value measurement, such as the fair value of the underlying collateral. Credit loss is measured using a market approach based on the fair value of the collateral, less estimated costs to dispose, for loans the Company considers to be collateral-dependent due to a delinquency status or other adverse condition severe enough to indicate that the borrower can no longer be relied upon as the continued source of repayment. These conditions are described more fully in Note *5. LOANS AND ALLOWANCES FOR CREDIT LOSSES*. To calculate the credit loss of collateral-dependent loans, the fair market values of the collateral, estimated using exterior appraisals

in the majority of instances, are reduced by calculated estimated costs to dispose, derived from historical experience and recent market conditions. Any indicated credit loss is recognized by a charge to the allowance for credit losses. Subsequent increases in collateral values or principal pay downs on loans with recognized credit loss could result in a collateral-dependent loan being carried below its fair value. When no credit loss is indicated, the carrying amount is considered to approximate the fair value of that loan to the Company because contractually that is the maximum repayment the Company can expect. The amortized cost of loans individually evaluated for credit loss based on the fair value of the collateral are included in Level 3 of the hierarchy with assets measured at fair value on a non-recurring basis. The range and weighted average impact of estimated costs to dispose on fair values is determined at the time of credit loss or when additional credit loss is recognized and is included in quantitative information about significant unobservable inputs later in this note.

Loans held for investment that have been restructured in TDRs, are performing according to the restructured terms of the loan agreement and are not evaluated based on collateral, are individually evaluated for credit loss using the present value of future cash flows based on the loan's effective interest rate, which is not a fair value measurement. At September 30, 2021 and 2020, respectively, this included $84,594 and $94,495 in amortized costs of TDRs with related allowances for loss of $12,073 and $12,830.

***Real Estate Owned*—**Real estate owned includes real estate acquired as a result of foreclosure, or by deed in lieu of foreclosure, and is carried at the lower of the cost basis or fair value, less estimated costs to dispose. The carrying amounts of real estate owned at September 30, 2021 and September 30, 2020 were $289 and $185, respectively. Fair value is estimated under the market approach using independent third party appraisals. As these properties are actively marketed, estimated fair values may be adjusted by management to reflect current economic and market conditions. At September 30, 2021 and 2020, these adjustments were not significant to reported fair values. At September 30, 2021 and 2020, respectively, $66 and $213 of real estate owned is included in Level 3 of the hierarchy with assets measured at fair value on a non-recurring basis where the cost basis equals or exceeds the estimate of fair values less costs to dispose of these properties. Real estate owned, included in Other assets in the *CONSOLIDATED STATEMENTS OF CONDITION*, includes estimated costs to dispose of $9 and $28 related to properties measured at fair value and $231 and $0 of properties carried at their original or adjusted cost basis at September 30, 2021 and 2020, respectively.

***Derivatives*—**Derivative instruments include interest rate locks on commitments to originate loans for the held for sale portfolio, forward commitments on contracts to deliver mortgage loans, and interest rate swaps designated as cash flow hedges. Derivatives not designated as cash flow hedges are reported at fair value in Other assets or Other liabilities on the *CONSOLIDATED STATEMENT OF CONDITION* with changes in value recorded in current earnings. Derivatives qualifying as cash flow hedges are settled daily, bringing their fair value to $0. Refer to Note *17. DERIVATIVE INSTRUMENTS* for additional information on cash flow hedges. The fair value of interest rate lock commitments is adjusted by a closure rate based on the estimated percentage of commitments that will result in closed loans. The range and weighted average impact of the closure rate is included in quantitative information about significant unobservable inputs later in this note. A significant change in the closure rate may result in a significant change in the ending fair value measurement of these derivatives relative to their total fair value. Because the closure rate is a significantly unobservable assumption, interest rate lock commitments are included in Level 3 of the hierarchy. Forward commitments on contracts to deliver mortgage loans are included in Level 2 of the hierarchy.

Assets and liabilities carried at fair value on a recurring basis in the *CONSOLIDATED STATEMENTS OF CONDITION* at September 30, 2021 and 2020 are summarized below. There are no liabilities carried at fair value at September 30, 2021.

		Recurring Fair Value Measurements at Reporting Date Using		
	September 30, 2021	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Investment securities available for sale:				
REMIC's	$ 416,241	$ —	$ 416,241	$ —
Fannie Mae certificates	5,542	—	5,542	—
Derivatives:				
Interest rate lock commitments	525	—	—	525
Total	$ 422,308	$ —	$ 421,783	$ 525

	September 30, 2020	Recurring Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment securities available for sale:				
REMIC's	$ 447,203	$ —	$ 447,203	$ —
Fannie Mae certificates	6,235	—	6,235	—
Mortgage loans held for sale	36,078	—	36,078	—
Derivatives:				
Interest rate lock commitments	1,194	—	—	1,194
Total	$ 490,710	$ —	$ 489,516	$ 1,194
Liabilities				
Derivatives:				
Forward commitments for the sale of mortgage loans	134	—	134	—
Total	$ 134	$ —	$ 134	$ —

The table below presents a reconciliation of the beginning and ending balances and the location within the *CONSOLIDATED STATEMENTS OF INCOME* where gains (losses) due to changes in fair value are recognized on interest rate lock commitments which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Interest Rate Lock Commitments		
	Year Ended September 30,		
	2021	2020	2019
Beginning balance	$ 1,194	$ 44	$ (2)
(Loss)/Gain during the period due to changes in fair value:			
Included in other non-interest income	(669)	1,150	46
Ending balance	$ 525	$ 1,194	$ 44
Change in unrealized gains for the period included in earnings for assets held at end of the reporting date	$ 525	$ 1,194	$ 44

Summarized in the tables below are those assets measured at fair value on a nonrecurring basis.

	September 30, 2021	Nonrecurring Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent loans, net of allowance	$ 83,854	$ —	$ —	$ 83,854
Real estate owned[(1)]	66	—	—	66
Total	$ 83,920	$ —	$ —	$ 83,920

(1) Amounts represent fair value measurements of properties before deducting estimated costs to dispose.

	September 30, 2020	Nonrecurring Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent loans, net of allowance	$ 60,702	$ —	$ —	$ 60,702
Real estate owned[(1)]	213	—	—	213
Total	$ 60,915	$ —	$ —	$ 60,915

(1) Amounts represent fair value measurements of properties before deducting estimated costs to dispose.

The following provides quantitative information about significant unobservable inputs categorized within Level 3 of the Fair Value Hierarchy. The interest rate lock commitments at September 30, 2021 include commitments on both mortgage origination applications and preapprovals. Preapprovals generally have a much lower closure rate than origination applications which is reflected in the aggregate weighted average closure rates shown below..

	Fair Value September 30, 2021	**Valuation Technique(s)**	**Unobservable Input**	**Range**	**Weighted Average**
Collateral-dependent loans, net of allowance	$83,854	Market comparables of collateral discounted to estimated net proceeds	Discount appraised value to estimated net proceeds based on historical experience:		
			• Residential Properties	0 - 34%	4.0%
Interest rate lock commitments	$525	Quoted Secondary Market pricing	Closure rate	0 - 100%	66.1%

	Fair Value September 30, 2020	**Valuation Technique(s)**	**Unobservable Input**	**Range**	**Weighted Average**
Collateral-dependent loans, net of allowance	$60,702	Market comparables of collateral discounted to estimated net proceeds	Discount appraised value to estimated net proceeds based on historical experience:		
			• Residential Properties	0 - 34%	6.0%
Interest rate lock commitments	$1,194	Quoted Secondary Market pricing	Closure rate	0 - 100%	69.7%

The following tables present the estimated fair value of the Company's financial instruments and their carrying amounts as reported in the *CONSOLIDATED STATEMENTS OF CONDITION.*

	September 30, 2021				
	Carrying	Estimated Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
Assets:					
Cash and due from banks	$ 27,346	$ 27,346	$ 27,346	$ —	$ —
Interest earning cash equivalents	460,980	460,980	460,980	—	—
Investment securities available for sale	421,783	421,783	—	421,783	—
Mortgage loans held for sale	8,848	8,982	—	8,982	—
Loans, net:					
Mortgage loans held for investment	12,506,257	12,777,375	—	—	12,777,375
Other loans	2,778	2,778	—	—	2,778
Federal Home Loan Bank stock	162,783	162,783	N/A	—	—
Accrued interest receivable	31,107	31,107	—	31,107	—
Cash collateral received from or held by counterparty	24,236	24,236	24,236	—	—
Derivatives	525	525	—	—	525
Liabilities:					
Checking and passbook accounts	$ 2,960,150	$ 2,960,150	$ —	$ 2,960,150	$ —
Certificates of deposit	6,033,455	6,118,018	—	6,118,018	—
Borrowed funds	3,091,815	3,106,277	—	3,106,277	—
Borrowers' advances for taxes and insurance	109,633	109,633	—	109,633	—
Principal, interest and escrow owed on loans serviced	41,476	41,476	—	41,476	—

	September 30, 2020				
	Carrying	Estimated Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
Assets:					
Cash and due from banks	$ 25,270	$ 25,270	$ 25,270	$ —	$ —
Interest earning cash equivalents	472,763	472,763	472,763	—	—
Investment securities available for sale	453,438	453,438	—	453,438	—
Mortgage loans held for sale	36,871	36,926	—	36,926	—
Loans, net:					
Mortgage loans held for investment	13,100,481	13,299,261	—	—	13,299,261
Other loans	2,581	2,594	—	—	2,594
Federal Home Loan Bank stock	136,793	136,793	N/A	—	—
Accrued interest receivable	36,634	36,634	—	36,634	—
Cash collateral received from or held by counterparty	41,824	41,824	41,824	—	—
Derivatives	1,194	1,194	—	—	1,194
Liabilities:					
Checking and passbook accounts	$ 2,623,347	$ 2,623,347	$ —	$ 2,623,347	$ —
Certificates of deposit	6,602,207	6,739,561	—	6,739,561	—
Borrowed funds	3,521,745	3,550,120	—	3,550,120	—
Borrowers' advances for taxes and insurance	111,536	111,536	—	111,536	—
Principal, interest and escrow owed on loans serviced	45,895	45,895	—	45,895	—
Derivatives	134	134	—	134	—

Presented below is a discussion of the valuation techniques and inputs used by the Company to estimate fair value.

Cash and Due from Banks, Interest Earning Cash Equivalents, Cash Collateral Received from or Held by Counterparty—The carrying amount is a reasonable estimate of fair value.

Investment Securities Available for Sale—Estimated fair value for investment and mortgage-backed securities is based on quoted market prices, when available. If quoted prices are not available, management will use as part of their estimation process fair values which are obtained from third party independent nationally recognized pricing services using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Mortgage Loans Held for Sale—Fair value of mortgage loans held for sale is based on quoted secondary market pricing for loan portfolios with similar characteristics.

Loans—For mortgage loans held for investment and other loans, fair value is estimated by discounting contractual cash flows adjusted for prepayment estimates using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term. The use of current rates to discount cash flows reflects current market expectations with respect to credit exposure. Collateral-dependent loans are measured at the lower of cost or fair value as described earlier in this footnote.

Federal Home Loan Bank Stock—It is not practical to estimate the fair value of FHLB stock due to restrictions on its transferability. The fair value is estimated to be the carrying value, which is par. All transactions in capital stock of the FHLB Cincinnati are executed at par.

Deposits—The fair value of demand deposit accounts is estimated as the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using discounted cash flows and rates currently offered for deposits of similar remaining maturities.

Borrowed Funds—Fair value for borrowed funds is estimated using discounted cash flows and rates currently charged for borrowings of similar remaining maturities.

***Accrued Interest Receivable, Borrowers' Advances for Insurance and Taxes, and Principal, Interest and Related Escrow Owed on Loans Serviced*—**The carrying amount is a reasonable estimate of fair value.

***Derivatives*—**Fair value is estimated based on the valuation techniques and inputs described earlier in this footnote.

17. DERIVATIVE INSTRUMENTS

The Company enters into interest rate swaps to add stability to interest expense and manage exposure to interest rate movements as part of an overall risk management strategy. For hedges of the Company's borrowing program, interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed payments. These derivatives are used to hedge the forecasted cash outflows associated with the Company's FHLB borrowings. At September 30, 2021 and 2020, the interest rate swaps used in the Company's asset/liability management strategy have weighted average terms of 2.5 years and 3.0 years and weighted average fixed-rate interest payments of 1.88% and 1.76%, respectively.

Cash flow hedges are initially assessed for effectiveness using regression analysis. Changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in OCI and is subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Quarterly, a qualitative analysis is preformed to monitor the ongoing effectiveness of the hedging instrument. All derivative positions were initially and continue to be highly effective at September 30, 2021.

The Company enters into forward commitments for the sale of mortgage loans principally to protect against the risk of lost revenue from adverse interest rate movements on net income. The Company recognizes the fair value of such contracts when the characteristics of those contracts meet the definition of a derivative. These derivatives are not designated in a hedging relationship; therefore, gains and losses are recognized immediately in the *CONSOLIDATED STATEMENTS OF INCOME*.

In addition, the Company is party to derivative instruments when it enters into interest rate lock commitments to originate a portion of its loans, which when funded, are classified as held for sale. Such commitments are not designated in a hedging relationship; therefore, gains and losses are recognized immediately in the *CONSOLIDATED STATEMENTS OF INCOME*.

The following tables provide the locations within the *CONSOLIDATED STATEMENTS OF CONDITION*, notional values and fair values, at the reporting dates, for all derivative instruments.

	September 30, 2021		September 30, 2020	
	Notional Value	**Fair Value**	**Notional Value**	**Fair Value**
Derivatives designated as hedging instruments				
Cash flow hedges: Interest rate swaps				
Other Assets	$ 250,000	$ —	$ —	$ —
Other Liabilities	2,200,000	—	2,975,000	—
Total cash flow hedges: Interest rate swaps	$2,450,000	$ —	$ 2,975,000	$ —
Derivatives not designated as hedging instruments				
Interest rate lock commitments				
Other Assets	$ 24,826	$ 525	$ 21,755	$ 1,194
Forward Commitments for the sale of mortgage loans				
Other Liabilities	—	—	34,179	(134)
Total derivatives not designated as hedging instruments	$ 24,826	$ 525	$ 55,934	$ 1,060

The following tables present the net gains and losses recorded within the *CONSOLIDATED STATEMENTS OF INCOME* and the *CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME* relating to derivative instruments.

	Location of Gain or (Loss) Recognized in Income	Year Ended September 30,		
		2021	2020	2019
Cash flow hedges				
Amount of gain/(loss) recognized	Other comprehensive income	$ 27,848	$(115,396)	$ (109,583)
Amount of gain/(loss) reclassified from AOCI	Interest expense: Borrowed funds	(44,534)	(16,982)	12,985
Amount of gain/(loss) reclassified from AOCI-Due to discontinuance of cash flow hedge	Interest expense: Borrowed funds	—	(7,775)	—
Derivatives not designated as hedging instruments				
Interest rate lock commitments	Other non-interest income	$ (669)	$ 1,150	$ 46
Forward commitments for the sale of mortgage loans	Net gain/(loss) on the sale of loans	134	(134)	—

The Company estimates that $35,700 of the amounts reported in AOCI will be reclassified as a debit to interest expense during the fiscal year ending September 30, 2022.

The economic lockdowns precipitated by the COVID-19 pandemic of 2020 caused unprecedented economic conditions resulting in extended low rates across the entire maturity spectrum, in which the Company decided to take advantage of this market condition. In the 2020 fiscal year the Company terminated four high cost interest rate swaps prior to their maturity. For the early termination of these swaps, the Company incurred $7,775 in additional interest rate expense and $48 in prepayment penalties. This additional interest rate expense is loss reclassified from AOCI during the year ended September 30, 2020 as a result of the discontinuance of the cash flow hedges because it was probable that the original forecasted transactions would not occur. These selected swaps were deemed beneficial to terminate as the Company would lower interest rate expense for future periods.

Derivatives contain an element of credit risk which arises from the possibility that the Company will incur a loss because a counterparty fails to meet its contractual obligations. The Company's exposure is limited to the replacement value of the contracts rather than the notional or principal amounts. Credit risk is minimized through counterparty margin payments, transaction limits and monitoring procedures. All of the Company's swap transactions are cleared through a registered clearing broker to a central clearing organization. The clearing organization establishes daily cash and upfront cash or securities margin requirements to cover potential exposure in the event of default. This process shifts the risk away from the counterparty, since the clearing organization acts as the middleman on each cleared transaction. At September 30, 2021 and 2020, there was $24,236 and $41,824, respectively, included in other assets related to initial margin requirements held by the central clearing organization. For derivative transactions cleared through certain clearing parties, variation margin payments are recognized as settlements on a daily basis. The fair value of derivative instruments are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. As of October 16, 2020, the price alignment interest (PAI) is discounted based on the US Secured Overnight Rate (SOFR), replacing the Federal Funds Rate. At transition, the Company received three basis swaps which were concurrently sold as part of a mandatory re-hedging process with no material impact to net income. This change in the price alignment interest discount is part of an initiative to establish a more risk-free rate.

18. PARENT COMPANY ONLY FINANCIAL STATEMENTS

The following condensed financial statements for TFS Financial Corporation (parent company only) reflect the investments in, and transactions with, its wholly-owned subsidiaries. Intercompany activity is eliminated in the consolidated financial statements.

Statements of Condition

	September 30,	
	2021	2020
Assets:		
Cash and due from banks	$ 5,357	$ 5,356
Other loans:		
Demand loan due from Third Federal Savings and Loan	185,076	172,854
ESOP loan receivable	46,454	50,517
Investments in:		
Third Federal Savings and Loan	1,487,284	1,422,277
Non-thrift subsidiaries	6,381	4,273
Prepaid federal and state taxes	655	12,178
Deferred income taxes	285	489
Accrued receivables and other assets	9,397	10,467
Total assets	$ 1,740,889	$ 1,678,411
Liabilities and shareholders' equity:		
Line of credit due non-thrift subsidiary	$ 5,836	$ 4,049
Accrued expenses and other liabilities	2,773	2,509
Total liabilities	8,609	6,558
Preferred stock, $0.01 par value, 100,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 280,761,299 and 280,150,006 outstanding at September 30, 2021 and September 30, 2020, respectively	3,323	3,323
Paid-in capital	1,746,887	1,742,714
Treasury stock, at cost; 51,557,451 and 52,168,744 shares at September 30, 2021 and September 30, 2020, respectively	(768,035)	(767,649)
Unallocated ESOP shares	(35,751)	(40,084)
Retained earnings—substantially restricted	853,657	865,514
Accumulated other comprehensive income (loss)	(67,801)	(131,965)
Total shareholders' equity	1,732,280	1,671,853
Total liabilities and shareholders' equity	$ 1,740,889	$ 1,678,411

Statements of Comprehensive Income (Loss)

	Years Ended September 30,		
	2021	2020	2019
Interest income:			
Demand loan due from Third Federal Savings and Loan	$ 164	$ 1,412	$ 3,784
ESOP loan	1,732	2,548	2,889
Other interest income	1	43	33
Investment securities available for sale	—	—	79
Total interest income	1,897	4,003	6,785
Interest expense:			
Borrowed funds from non-thrift subsidiaries	7	291	1,476
Total interest expense	7	291	1,476
Net interest income	1,890	3,712	5,309
Non-interest income:			
Intercompany service charges	85	77	36
Dividend from Third Federal Savings and Loan	55,000	57,000	85,000
Dividend from non-thrift subsidiary	—	16,000	—
Total other income	55,085	73,077	85,036
Non-interest expenses:			
Salaries and employee benefits	4,917	5,012	4,921
Professional services	1,566	1,323	879
Office property and equipment	3	10	—
Other operating expenses	176	254	247
Total non-interest expenses	6,662	6,599	6,047
Income before income tax benefit	50,313	70,190	84,298
Income tax benefit	(3,848)	(4,404)	(2,047)
Income before undistributed earnings of subsidiaries	54,161	74,594	86,345
Equity in undistributed earnings of subsidiaries (dividend in excess of earnings):			
Third Federal Savings and Loan	24,738	19,418	(7,775)
Non-thrift subsidiaries	2,108	(10,695)	1,667
Net income	81,007	83,317	80,237
Change in net unrealized gain (loss) on securities available for sale	(3,733)	6,859	11,459
Change in cash flow hedges	56,096	(69,391)	(96,829)
Change in pension obligation	11,801	(54)	(7,231)
Total other comprehensive income (loss)	64,164	(62,586)	(92,601)
Total comprehensive income (loss)	$ 145,171	$ 20,731	$ (12,364)

Statements of Cash Flows	Years Ended September 30, 2021	2020	2019
Cash flows from operating activities:			
Net income	$ 81,007	$ 83,317	$ 80,237
Adjustments to reconcile net income to net cash provided by operating activities:			
(Equity in undistributed earnings of subsidiaries) dividend in excess of earnings:			
Third Federal Savings and Loan	(24,738)	(19,418)	7,775
Non-thrift subsidiaries	(2,108)	10,695	(1,667)
Deferred income taxes	204	2,114	(1,739)
ESOP and stock-based compensation expense	1,843	1,893	1,668
Net decrease (increase) in interest receivable and other assets	12,593	(3,337)	(8,997)
Net increase (decrease) in accrued expenses and other liabilities	(200)	241	(600)
Net cash provided by operating activities	68,601	75,505	76,677
Cash flows from investing activities:			
Proceeds from maturity of securities available for sale	—	—	4,000
Increase in balances lent to Third Federal Savings and Loan	(12,222)	(31,899)	(20,718)
Repayment of capital contributions from non-thrift subsidiaries	—	69,000	—
Net cash provided by (used in) investing activities	(12,222)	37,101	(16,718)
Cash flows from financing activities:			
Principal reduction of ESOP loan	4,063	3,719	3,750
Purchase of treasury shares	—	(413)	(9,087)
Dividends paid to common shareholders	(56,637)	(55,465)	(50,465)
Acquisition of treasury shares through net settlement	(5,591)	(1,907)	(1,538)
Net increase (decrease) in borrowings from non-thrift subsidiaries	1,787	(58,497)	1,479
Net cash used in financing activities	(56,378)	(112,563)	(55,861)
Net increase (decrease) in cash and cash equivalents	1	43	4,098
Cash and cash equivalents—beginning of year	5,356	5,313	1,215
Cash and cash equivalents—end of year	$ 5,357	$ 5,356	$ 5,313

19. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. For purposes of computing earnings per share amounts, outstanding shares include shares held by the public, shares held by the ESOP that have been allocated to participants or committed to be released for allocation to participants and the 227,119,132 shares held by Third Federal Savings, MHC. For purposes of computing dilutive earnings per share, stock options and restricted and performance share units with a dilutive impact are added to the outstanding shares used in the basic earnings per share calculation. Unvested shares awarded pursuant to the Company's restricted stock plans are treated as participating securities in the computation of EPS pursuant to the two-class method as they contain nonforfeitable rights to dividends. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security. Performance share units, determined to be contingently issuable and not participating securities, are excluded from the calculation of basic EPS. At September 30, 2021 and 2020, respectively, the ESOP held 3,575,051 and 4,008,391 shares, respectively that were neither allocated to participants nor committed to be released to participants.

The following is a summary of the Company's earnings per share calculations.

	For the Year Ended September 30, 2021		
	Income	Shares	Per share amount
	(Dollars in thousands, except per share data)		
Net income	$ 81,007		
Less: income allocated to restricted stock units	1,555		
Basic earnings per share:			
Income available to common shareholders	79,452	276,694,594	$ 0.29
Diluted earnings per share:			
Effect of dilutive potential common shares		1,881,660	
Income available to common shareholders	$ 79,452	278,576,254	$ 0.29

	For the Year Ended September 30, 2020		
	Income	Shares	Per share amount
	(Dollars in thousands, except per share data)		
Net income	$ 83,317		
Less: income allocated to restricted stock units	1,579		
Basic earnings per share:			
Income available to common shareholders	81,738	275,859,660	$ 0.30
Diluted earnings per share:			
Effect of dilutive potential common shares		1,943,398	
Income available to common shareholders	$ 81,738	277,803,058	$ 0.29

	For the Year Ended September 30, 2019		
	Income	Shares	Per share amount
	(Dollars in thousands, except per share data)		
Net income	$ 80,237		
Less: income allocated to restricted stock units	1,522		
Basic earnings per share:			
Income available to common shareholders	78,715	275,395,529	$ 0.29
Diluted earnings per share:			
Effect of dilutive potential common shares		1,978,897	
Income available to common shareholders	$ 78,715	277,374,426	$ 0.28

The following is a summary of outstanding stock options and restricted and performance share units that are excluded from the computation of diluted earnings per share because their inclusion would be anti-dilutive.

	For the Year Ended September 30,		
	2021	2020	2019
Options to purchase shares	133,800	573,500	710,100
Restricted and performance share units	—	44,030	—

20. RECENT ACCOUNTING PRONOUNCEMENTS

Adopted in fiscal year ended September 30, 2021

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The amendments in this Update replace the existing incurred loss impairment methodology with a methodology that reflects the expected credit losses for the remaining life of the asset. The FASB has also issued additional ASU's to clarify the scope and provide additional guidance for ASU 2016-13. The amendments expand disclosures of credit quality indicators, requiring disaggregation by year of origination (vintage). Additionally, credit losses on available for sale debt securities will be recognized as an allowance rather than a write-down, with reversals permitted as credit loss estimates decline.

The Company adopted ASU 2016-13 and all related amendments on October 1, 2020 using the modified-retrospective approach. Results for reporting periods beginning after October 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the amendments resulted in a cumulative-effect reduction to opening retained earnings of $35,763, net of income taxes, resulting from a pretax increase to the allowance for credit losses on loans, including the liability for unfunded commitments, of $46,147. A 24-month reasonable and supportable period using economic forecasts is used with immediate reversion to the historical mean loss rates to derive loss estimates on loans and off-balance sheet credit exposures. ASC 326 also made changes to the accounting for available for sale debt securities, by requiring credit losses be presented as an allowance rather than as a write-down when management does not intend to sell or believe that it is more likely than not they will be required to sell the securities. The adoption did not have a material impact on available for sale securities, which are composed of agency-backed mortgage securities. Additionally, the Association elected the option to phase-in, over a five-year period, the initial impact of this standard's update on regulatory capital as permitted by the regulatory transition rules. Refer to *NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSSES*, for additional disclosures required by ASC 326.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update add, remove and modify the disclosure requirements on fair value measurements in Topic 820. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of this Update. The Company adopted the amendments effective October 1, 2020. The Update did not have a material impact on the Company's consolidated financial statements or disclosures.

In August 2018, the FASB issued ASU 2018-15, Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. Current U.S. GAAP does not specifically address the accounting for implementation costs of a hosting arrangement that is a service contract. Accordingly, the amendments in this Update improve current U.S. GAAP because they clarify and align the accounting for implementation costs for hosting arrangements, regardless of whether they convey a license to the hosted software. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, for all entities. The Company adopted the amendments effective October 1, 2020. The Update did not have a material impact on the Company's consolidated financial statements or disclosures.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848) - Scope. The amendments clarify the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. The Company has elected to apply the amendments on a full retrospective basis as of March 12, 2020, which is when the Company adopted ASU 2020-04, Reference Rate Reform (Topic 848). The amendments did not have a material impact on the Company's consolidated financial statements or disclosures.

Issued but not yet adopted as of September 30, 2021

In November of 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832). The amendments in this update requires additional disclosures regarding government grants and money contributions. These disclosures require information on the following three items about these government transactions to be provided: information on the nature of transactions and related accounting policies used to account for transactions, detail on the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions including commitments and contingencies. This update goes into affect for fiscal years beginning after December 15, 2021, with early adoption permitted. Third Federal plans to adopt this provision as of October 1, 2022. This update is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

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.

21. RELATED PARTY TRANSACTIONS

The Company has made loans and extensions of credit, in the ordinary course of business, to certain directors and executive officers. These loans were originated with normal credit terms, including interest rate and collateralization, and do not represent more than the normal risk of collection. The aggregate amount of loans to such related parties at September 30, 2021 and 2020 was $64 and $377, respectively.

FORM 10-K EXHIBIT INDEX

Exhibit Number	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previous Filed with SEC
3.1	Amended and Restated Charter of TFS Financial Corporation, dated January 16, 2007	Amendment No. 2 to Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on February 9, 2006; Exhibit 3.2 therein)
3.2	Amended and Restated Bylaws of TFS Financial Corporation	Current Report on Form 8-K No. 001-33390 (filed with the SEC on April 28, 2008; Exhibit 3.2 therein)
3.3	Amendment to Bylaws of TFS Financial Corporation	Current Report on Form 8-K No. 001-33390 (filed with the SEC on October 29, 2018; Exhibit 3 therein)
4.1	Form of Common Stock Certificate of TFS Financial Corporation	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 4 therein)
4.2	Description of Registrant's Securities	Annual Report on Form 10-K No. 001-33390 (filed with the SEC on November 24, 2020; Exhibit 4.2 therein)
10.1	[Intentionally omitted]	
10.2	Financial, Retirement & Estate Planning Program as amended and restated January 1, 2006	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 10.2 therein)
10.3	Resolution Regarding Executive Physical Program, dated May 16, 2002	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 10.3 therein)
10.4	Company Car Program, dated February 24, 1995	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 10.4 therein)
10.5	Executive Retirement Benefit Plan I, dated January 1, 2006	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 10.5 therein)
10.6	Benefit Equalization Plan, dated January 1, 2005	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 10.6 therein)
10.7	Split Dollar Agreement, dated January 29, 2002	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 10.7 therein)
10.8	Resolution Regarding Supplemental Split Dollar Life Insurance Plan, dated August 22, 2002	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 10.8 therein)
10.9	[Intentionally omitted]	
10.10	TFS Financial Corporation Amended and Restated 2008 Equity Incentive Plan (incorporated by reference to Appendix B to the definitive proxy statement for the 2018 Annual Meeting of Stockholders)	Proxy Statement on Schedule 14A, No. 001-33390 (filed with the SEC on January 9, 2018)
10.11	TFS Financial Corporation Management Incentive Compensation Plan (incorporated by reference to Appendix A to the definitive proxy statement for the 2018 Annual Meeting of Stockholders)	Proxy Statement on Schedule 14A, No. 001-33390 (filed with the SEC on January 9, 2018)
10.12	First Amendment to the Restricted Stock Unit Award Agreement (August 11, 2008 award), dated August 9, 2012	Current Report on Form 8-K No. 001-33390 (filed with the SEC on August 9, 2012; Exhibit 10.1 therein)

Exhibit Number	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previous Filed with SEC
10.13	First Amendment to the Restricted Stock Unit Award Agreement (May 12, 2009 award), dated August 9, 2012	Current Report on Form 8K No. 001-33390 (filed with the SEC on August 9, 2012; Exhibit 10.2 therein)
10.14	First Amendment to the Restricted Stock Unit Award Agreement (May 14, 2010 award), dated August 9, 2012	Current Report on Form 8K No. 001-33390 (filed with the SEC on August 9, 2012; Exhibit 10.3 therein)
14	Code of Ethics	Available on our website, www.thirdfederal.com
21.1	Subsidiaries of Registrant	Registration Statement on Form S-1 No. 333-139295 (filed with the SEC on December 13, 2006; Exhibit 21 therein)
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of chief executive officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	Filed herewith
31.2	Certification of chief financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	Filed herewith
32	Certification of chief executive officer and chief financial officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350	Filed herewith
100	XBRL related documents	The following financial statements from TFS Financial Corporation's Annual Report on Form 10-K for the year ended September 30, 2021 filed on November 24, 2021 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) Consolidated Statements of Condition, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements.
101.INS	Interactive datafile	XBRL Instance Document
101.SCH	Interactive datafile	XBRL Taxonomy Extension Schema Document
101.CAL	Interactive datafile	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Interactive datafile	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Interactive datafile	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Interactive datafile	XBRL Taxonomy Extension Presentation Linkbase Document
104	Interactive datafile	Cover Page Interactive Datafile (embedded within the Inline XBRL document and included in Exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TFS Financial Corporation

Dated: November 24, 2021	/S/ MARC A. STEFANSKI
	Marc A. Stefanski **Chairman of the Board, President and Chief Executive Officer** **(Principal Executive Officer)**

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.

Dated: November 24, 2021	/S/ MARC A. STEFANSKI
	Marc A. Stefanski **Chairman of the Board, President and Chief Executive Officer** **(Principal Executive Officer)**
Dated: November 24, 2021	/S/ PAUL J. HUML
	Paul J. Huml **Chief Financial Officer** **(Principal Financial Officer)**
Dated: November 24, 2021	/S/ SUSANNE N. MILLER
	Susanne N. Miller **Chief Accounting Officer** **(Principal Accounting Officer)**
Dated: November 24, 2021	/S/ BARBARA J. ANDERSON
	Barbara J. Anderson, Director
Dated: November 24, 2021	/S/ ANTHONY J. ASHER
	Anthony J. Asher, Director
Dated: November 24, 2021	/S/ MARTIN J. COHEN
	Martin J. Cohen, Director
Dated: November 24, 2021	/S/ ROBERT A. FIALA
	Robert A. Fiala, Director
Dated: November 24, 2021	/S/ WILLIAM C. MULLIGAN
	William C. Mulligan, Director
Dated: November 24, 2021	/S/ TERRENCE R. OZAN
	Terrence R. Ozan, Director
Dated: November 24, 2021	/S/ JOHN P. RINGENBACH
	John P. Ringenbach, Director
Dated: November 24, 2021	/S/ BEN S. STEFANSKI III
	Ben S. Stefanski III, Director
Dated: November 24, 2021	/S/ MEREDITH S. WEIL
	Meredith S. Weil, Director
Dated: November 24, 2021	/S/ ASHLEY H. WILLIAMS
	Ashley H. Williams, Director

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THIRD FEDERAL MANAGEMENT TEAM

BOARD OF DIRECTORS

Marc A. Stefanski
Chairman

Ben S. Stefanski III
Secretary

Barbara J. Anderson

Anthony J. Asher

Martin J. Cohen

Robert A. Fiala

William C. Mulligan

Terrence R. Ozan

John P. Ringenbach

Meredith S. Weil

Ashley H. Williams

In Loving Memory of
Paul W. Stefanik,
Director Emeritus

Paul W. Stefanik joined Third Federal in 1963
as manager of our Ridge Road branch.
"A Man for Others," he served on the
Board of Directors until 2021.

MANAGEMENT TEAM

Marc A. Stefanski
Chairman and Chief Executive Officer

Kathleen (Kitty) Danckers
Chief Risk Officer

Russell C. Holmes
Chief Retail Officer

Paul J. Huml
Chief Financial Officer

Susanne N. Miller
Chief Accounting Officer

Timothy W. Mulhern
Finance Manager

Andrew J. Rubino
Chief Information Officer

Ben S. Stefanski III
Chief Marketing Officer

Meredith S. Weil
Chief Operating Officer

Cathy W. Zbanek
Chief Synergy Officer

INVESTOR RELATIONS

Paul J. Huml

TFS Financial Corporation
7007 Broadway Avenue
Cleveland, Ohio 44105-1441
(216) 429-5325
(877) 513-2318 toll free
paul.huml@thirdfederal.com

CORPORATE HEADQUARTERS

Third Federal Savings and Loan Association
7007 Broadway Avenue
Cleveland, Ohio 44105-1441
(216) 441-6000
(800) 844-7333 toll free
www.thirdfederal.com

CONTACT INFORMATION

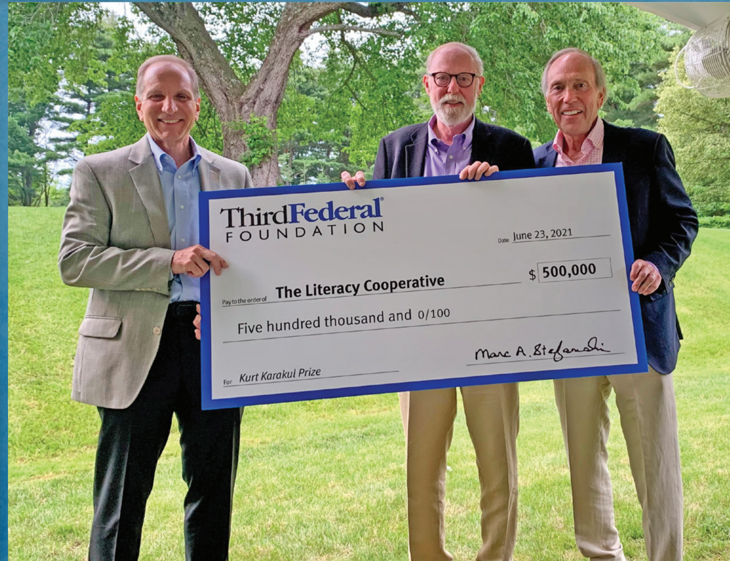
TFS Financial Corporation
7007 Broadway Avenue
Cleveland, Ohio 44105-1441
(877) 513-2318 toll free

TRANSFER AGENT

Broadridge Corporate Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717
(888) 314-4808 toll free
www.shareholder.broadridge.com/tfs

TFS Financial Corporation®

LOVE · TRUST
RESPECT · EXCELLENCE



2021 at a glance. *Top left:* We marked the 20th anniversary of 9/11 by placing 2,977 flags and having a memorial service on the front lawn of our Corporate Campus for all those lost that day. *Top right:* Associates share information about Third Federal at community events throughout the year in our retail markets. *Middle left:* Corporate Campus departments celebrate special milestones and events. *Middle right:* Our Southern Ohio team hosts realtors and their families at the Riverfest event in Cincinnati. *Lower left:* Associates box up to-go Thanksgiving meals for those in need in Slavic Village. Since we started the holiday meal program in 2014, nearly 2,000 meals have been distributed to residents. *Bottom right:* The Third Federal Foundation donated $500,000 to the Literacy Cooperative in Northeast Ohio to recognize and celebrate the retirement of the Foundation's first Executive Director, Kurt Karakul. *Bottom left:* Nearly 700 residents received COVID-19 vaccinations at our Corporate Campus in May and June. At the time, Slavic Village had one of the lowest vaccination rates in Cuyahoga County. Hosting in such a centralized location in the neighborhood allowed residents easy access to the clinic site.

TFS Financial Corporation®