Risk Factors Comparison 2023-11-21 to 2022-11-22 Form: 10-K

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The material risks and uncertainties that management believes affect us are described below. You should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference herein, as well as in other documents we file with the SEC. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on, or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors. See also, " Forward- Looking Statements. " Risks Related to **Economic Conditions Our financial condition, results of operation, and stock price may be negatively impacted by unrelated bank failures and negative depositor confidence in depository institutions. Further, if we are unable to adequately manage our liquidity, deposits, capital levels, and interest rate risk, which have come under greater scrutiny in light of recent bank failures, it may have a material adverse effect on our financial condition and results of operations. On March 8, 2023, Silvergate Bank, La Jolla, CA, announced its decision to voluntarily liquidate its assets and wind down operations. On March 10, 2023, Silicon Valley Bank, Santa Clara, CA, was closed by the California Department of Financial Protection and Innovation, and on March 12, 2023, Signature Bank, New York, NY, was closed by the New York State Department of Financial Services. Additionally, on May 1, 2023, First Republic Bank, San Francisco, CA, was closed by the FDIC and sold to JP Morgan Chase & Co. These events led to volatility and declines in the market for bank stocks and questions about depositor confidence in depository institutions. Notably, the liquidation of Silvergate Bank and the failures of Silicon Valley Bank and Signature Bank were not generally related to the credit quality of** ~~the~~ **their** ~~COVID~~ **assets, but to poor liquidity management, mismatched funding of long** - ~~19 Pandemic~~ **term assets with short- term funds, and unique business models.** The ~~economic~~ **financial distress these banks experienced appears to have been caused in large part by high exposure to certain industries, including cryptocurrency and venture capital and start- up companies operating in the technology space, which have experienced significant volatility and fluctuations in cash flows over the past several years. These banks also had high levels of uninsured deposits, which may be less likely to remain at the bank over time and less stable as a source of funding than insured deposits. Silicon Valley Bank in particular appears to have experienced a severe lack of liquidity, forcing it to sell long- term investment securities at significant losses. Ultimately, it was unable to meet its financial commitments and satisfy the cash requirements of its customers. These bank failures led to volatility and declines in the market for bank stocks and questions about depositor confidence in depository institutions, which in turn led to a greater focus by institutions, investors, and regulators on the on- balance sheet liquidity of and funding sources for financial institutions and the composition of its deposits. Notwithstanding, our efforts to promote deposit insurance coverage with our customers and otherwise effectively manage our liquidity, deposit portfolio retention, and other related matters, our financial condition, results of operation, and stock price may be adversely affected by future negative events within the banking sector and adverse customer or investor responses to such events. Inflation can have an adverse** impact **on our business and on our customers. Inflation risk is the risk that the value** of **assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently,** ~~the~~ **there** ~~COVID~~ **has been a rise in inflation and the Federal Reserve Board has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our non** - ~~19 outbreak~~ **interest expense. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which** could ~~continue~~ **have a negative impact on their ability** to **repay their loans with us. The reversal of the historically low interest rate environment may further** adversely affect our ~~financial condition~~ **net interest income** and **profitability** ~~results of operations~~. ~~Although U. S. and global economies have begun~~ **The Federal Reserve Board decreased benchmark interest rates significantly,** to ~~recover from~~ **near zero, in response to** the COVID- 19 pandemic **. The Federal Reserve Board is reversing its policy of near zero interest rates given its concerns over inflation. Market interest rates have risen in response to the Federal Reserve Board' s recent rate increases. The increase in market interest rates has had and,** as ~~Risks Related~~ **discussed below,is expected** to ~~Economic Conditions~~ **continue to have an adverse effect on our net interest income and profitability.** 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.Generally, ~~in~~ **during** 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.~~ many ~~health and safety restrictions~~ **savings institutions, our liabilities generally** have ~~been lifted and vaccine distribution has~~ **shorter contractual maturities than our assets. An example of this occurs when interest rates paid on certificates of deposit experience a significant** ~~increased~~ - **increase. In this circumstance** , ~~certain adverse consequences of ,~~ 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 ~~the~~ **then** ~~pandemic continue to~~ **- 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 ~~the macroeconomic environment~~ **on us. Changes in interest rates can also have** ~~and~~ - **an unfavorable impact on our net interest income if mortgage interest rates decline. Our customers** may ~~persist~~ **seek to refinance, without penalty, their mortgage loans with us** ~~for~~ - **or repay** ~~some time, including labor shortages and disruptions of global supply chains. The growth in economic activity and demand for goods and services, alongside labor shortages and supply chain complications, has also contributed to rising inflationary pressures. The extent to which the~~ **their mortgage loans with us** ~~COVID- 19 pandemic impacts our business, financial condition, liquidity,~~ and **borrow from another lender** ~~results of operations will depend on future developments, which are highly uncertain and cannot be predicted~~ . **When that happens, either the yield** ~~We continue to have many associates working hybrid schedules and may take further actions as may be required by government authorities or~~ that we ~~determine~~ **earn on the customer' s loan is reduced (if the customer refinances with us), or the mortgage is paid off and we** are ~~in~~ **faced with** the ~~best~~ **challenge of reinvesting the cash received to repay the mortgage in a lower** ~~interests~~ - **interest rate environment** ~~of our associates, customers and business partners~~ . **This is frequently referred to** ~~We did not participate in, or offer loans,~~ as **reinvestment** ~~part of the Payroll Protection Program. Table of Contents The length of the adverse consequences of the pandemic and the impact to the macroeconomic environment are unknown. Until the consequences subside, we could be subject to any of the following risks~~ - **risk** , ~~any of~~ which **is** ~~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; • 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~~ -- **the** ~~ability to honor commitments to us; • 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~~ - **risk that** ~~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; •~~ **able to reinvest the proceeds of loan prepayments at rates that are comparable to the rates** we ~~rely~~ **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, ~~2022~~ **2023** ,we held $ 2. ~~47~~ **70** billion of home equity lines of credit loans and $ 2. ~~85~~ **61** 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, ~~2022~~ **2023** ,we serviced $ ~~2~~ **1** . ~~05~~ **93** billion of loans sold to ~~third~~ third ~~party vendors~~ **parties** ,and the mortgage servicing rights associated with such loans had an amortized cost of $ 7. ~~9~~ **4** million and an estimated fair value,at that date,of $ 15. ~~3~~ **9** 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~~ for ~~certain~~ **the amount by which** amortized cost exceeds estimated fair market value.Our securities portfolio may be impacted by fluctuations in market value,potentially reducing **AOCI** ~~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~~ **effects** 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 **EVE** ~~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, ~~2022~~ **2023** ,in the event of an immediate 200 basis point increase in all interest rates,our model projects that we would experience a $ ~~397~~ **324** . ~~3~~ **7** million,or ~~29~~ **31** . ~~92~~ **45** %,decrease in EVE.Our calculations further project that,at

September 30, ~~2022~~ **2023** ,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, ~~2023~~ **2024** to decrease by ~~0~~ **2** . ~~29~~ **71** %.See Item 7A.Quantitative and Qualitative Disclosures about Market Risk.A worsening of economic conditions could reduce demand for our **products and** services and ~~the unavailability~~ **/ or result in increases in our level** of **non** ~~a critical service due to the COVID - 19 outbreak~~ **performing loans, which** could have an adverse effect on ~~us; 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 **:** • ~~Federal Deposit Insurance Corporation premiums~~ **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 ~~increase~~ **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** ~~agency experiences additional resolution costs;~~ and **approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors.** • ~~as a~~ **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** ~~the temporary recession experienced by the U~~ . ~~S. due~~ **• Our ability** to ~~the pandemic,~~ **engage in sales of mortgage loans to third parties (including mortgage loan securitization transactions with governmental entities) on favorable terms** ~~our~~ - **or** ~~business~~ **at all** could be ~~materially and~~ adversely affected by **further disruptions in the capital markets or** ~~another~~ -- **other events, including deteriorating investor expectations. • Competition in** ~~recession should the effects of the pandemic continue for a period of time or~~ **our** ~~worsen~~ **industry could intensify as a result of increasing consolidation of financial services companies in connection with current market conditions** . 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. Thus, any borrowing of funds needed to raise capital required to make a 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~~ **If our allowance for credit losses is not sufficient to cover actual loan losses, our earnings** could ~~restrict our ability to originate~~ **decrease. We make various assumptions** and ~~sell~~ **judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our** loans. **In determining the amount of the allowance** ~~The Consumer Financial Protection Bureau issued a rule designed to clarify~~ for ~~lenders how~~ **credit losses, we review our loans, our loss and delinquency experience, and evaluate economic conditions. If our assumptions or** ~~they~~ - **the results of our analyses are incorrect** ~~can avoid legal liability under the Dodd- Frank Act~~ , **our allowance** ~~which holds lenders accountable~~ for **credit losses may** ~~ensuring a borrower' s ability to repay a mortgage. Loans that meet this " qualified mortgage " definition will be presumed to have complied with the ability- to- repay standard. A " qualified mortgage " 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. Under the rule, a " qualified mortgage " loan must not contain certain specified features, including: •~~ not be **sufficient to cover future losses** ~~higher- priced as defined by the FRB in 2008; • excessive upfront points and fees (those exceeding 3 % of the total loan amount~~ , ~~less " bona fide discount points "~~ **resulting in additions to our allowance. Material additions to our allowance would materially decrease our net income. See Note 5. LOANS AND ALLOWANCES FOR CREDIT LOSSES** for **additional information on** ~~prime loans); • interest- only payments; • negative amortization; • balloon payments; • terms of longer than 30 years; and • cannot be a' no doc' loan where~~ the **CECL methodology** ~~creditor does not verify income or assets~~ . In addition ~~to the above exclusions~~ , **bank regulators periodically review our allowance for credit losses and,** ~~a newly defined" qualified mortgage" APR must be within a certain tolerance of APOR in order to qualify~~ as a **result** ~~" qualified mortgage" loan under the final rule. These tolerances have the ability to impact certain products, but does not preclude TFS from originating non-qualified mortgage loans. TFS has been delivering fixed- rate loans to government sponsored entities over the past year, which required implementation~~ of **such reviews** ~~the Final" Qualified Mortgage" General Rule that went into effect on October 1~~ , **we may decide** ~~2022. In September of 2022, internal systems were updated at TFS in order~~ to **increase our provision** ~~calculate" qualified mortgage" status for all closed end products (i. e. Fixed, ARM, HELOANs). The regulatory agencies have issued a rule in response to requirements within the Dodd- Frank Act that requires securitizers of loans to retain not less than 5 % of the credit risk for any asset that is not a qualified residential mortgage. The final rule also 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 General Qualified Mortgage Final Rule could have a significant effect on the secondary market~~ for loans **losses** ~~. The Consumer Financial Protection Bureau' s rule on qualified mortgages could limit our~~ - **or recognize further** ~~desire to make certain types of loans or~~ loan **charge- offs. Any increase in** ~~to certain borrowers, which could limit our growth or~~ **our** ~~profitability. The foreclosure process~~ **allowance for credit losses or loan charge- offs as a result of such review or otherwise,** may ~~adversely impact our recoveries on non- performing loans The judicial foreclosure process is protracted, which delays our ability to resolve non- performing loans through the sale of the underlying collateral. The longer timelines~~ have ~~been the result of the economic crisis, additional consumer protection initiatives related to the foreclosure process, increased documentary requirements and judicial scrutiny, and both voluntary and mandatory programs under which lenders may consider loan modifications or other alternatives to foreclosure. These reasons, as well as the legal and regulatory responses, have impacted the foreclosure process and completion time of foreclosures for residential mortgage lenders. This may result in~~ a material adverse effect on ~~collateral values and~~ our ~~ability to minimize its losses~~ **financial condition and results of operation** . 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. Competitive factors driven by consumer sentiment or otherwise can also reduce our ability to generate fee income, such as through overdraft fees. Troubled financial institutions may not 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. **A number of our associates work at remote locations, increasing the number of surfaces that require protection.** 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~~ **, as well as** 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 **to** , 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~~ **risks** 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 **that** 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 **. Our board of directors relies to a large degree on management and outside consultants in overseeing cybersecurity risk management. The Association has a standing Technology Steering Committee, consisting of several senior managers (CFO, CIO, CSO, CXO, and CRO / ISO). The Committee meets quarterly, or more frequently if needed, and reports to the Board of Directors after each meeting through Committee minutes. The Association also engages outside consultants to support its cybersecurity efforts. The directors of the Association do not have significant experience in cybersecurity risk management in other business entities comparable to the Association and rely on the Information Security Officer (ISO) and Chief Information Officer (CIO) for cybersecurity guidance. Our funding sources may prove insufficient to replace deposits at maturity and support our future growth. A lack of liquidity could adversely affect our financial condition and results of operations and result in regulatory limits being placed on us. We must maintain funds to respond to the needs of depositors and borrowers. As a part of our liquidity management, we use a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These sources may include FHLB advances, federal funds purchased, and brokered certificates of deposits. While we emphasize the generation of low- cost core deposits as a source of funding, there is strong competition for such deposits in our market area. Additionally, deposit balances can decrease if customers perceive alternative investments as providing a better risk / return trade- off. Adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Further, if we are required to rely more heavily on more expensive funding sources to support liquidity and future growth, our revenues may not increase proportionately to cover our increased costs. In this case, our operating margins and profitability would be adversely affected. Alternatively, we may need to sell a portion or our investment and / or loan portfolio in order to raise funds, which, depending upon market conditions, could result in us realizing a loss on the sale of such assets. A lack of liquidity could also attract increased regulatory scrutiny and potential restraints imposed on us by regulators. Depending on the capitalization status and regulatory treatment of depository institutions, including whether an institution is subject to a supervisory prompt corrective action directive, certain additional regulatory restrictions and prohibitions may apply, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends, and restrictions on the acceptance of brokered deposits** . 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 Association 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 Company **,** which is dependent on the Association having sufficient earnings 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 **rule** ~~rulemaking~~ ---- **making** 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 ~~nine~~ **10** separate meetings (held in either July or August of each year from 2014 through ~~2022~~ **2023**) 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~~ **are** 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 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 are 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 LIBOR index will be discontinued for U. S. Dollar settings effective June 30, 2023. The language in our LIBOR- based contracts and financial instruments has developed over time 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. Additionally, since alternative rates are calculated differently, the transition may change our market risk profile, requiring changes to risk and pricing models.~~ 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 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. **A protracted government shutdown may result in reduced loan originations and related gains on sales and could negatively affect our financial condition and results of operations. During any protracted federal government shutdown, we may not be able to close certain loans and we may not be able to recognize non- interest income on the sale of loans. Some of the loans we originate are sold directly to government agencies, and some of these sales may be unable to be consummated during a shutdown. In addition, we believe that some borrowers may decide not to proceed with their home purchase and not close on their loans, which would result in a permanent loss of the related non- interest income. A federal government shutdown could also result in reduced income for government employees or employees of companies that engage in business with the federal government, which could result in greater loan delinquencies, increased in our non- performing, criticized, and classified assets, and a decline in demand for our products and services.** Item 1B. Unresolved Staff Comments