META FINANCIAL GROUP INC
Form 10-Q
August 08, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2018

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

For the transition period from to

Commission File Number: 0-22140

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

Delaware	42-1406262
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5501 South Broadband Lane, Sioux Falls, South Dakota 57108
(Address of principal executive offices and Zip Code)

(605) 782-1767
(Registrant's telephone number, including area code)

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at August 7, 2018:
Common Stock, $.01 par value	13,059,722 shares
Nonvoting Common Stock, $.01 par value	0 Nonvoting shares

META FINANCIAL GROUP, INC.
FORM 10-Q

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.
META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) June 30, 2018	September 30, 2017
Cash and cash equivalents	$71,276	$ 1,267,586
Investment securities available for sale	1,351,538	1,106,977
Mortgage-backed securities available for sale	575,999	586,454
Investment securities held to maturity	216,160	449,840
Mortgage-backed securities held to maturity	8,218	113,689
Loans receivable	1,597,294	1,325,371
Allowance for loan losses	(21,950)	(7,534)
Federal Home Loan Bank Stock, at cost	7,446	61,123
Accrued interest receivable	17,825	19,380
Premises, furniture, and equipment, net	20,374	19,320
Bank-owned life insurance	86,655	84,702
Foreclosed real estate and repossessed assets	29,922	292
Goodwill	98,723	98,723
Intangible assets	46,098	52,178
Prepaid assets	23,211	28,392
Deferred taxes	23,025	9,101
Other assets	17,345	12,738
Total assets	$4,169,159	$ 5,228,332
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest-bearing checking	$2,637,987	$ 2,454,057
Interest-bearing checking	103,065	67,294
Savings deposits	57,356	53,505
Money market deposits	45,115	48,758
Time certificates of deposit	57,151	123,637
Wholesale deposits	620,959	476,173
Total deposits	3,521,633	3,223,424
Short-term debt	27,290	1,404,534
Long-term debt	85,580	85,533
Accrued interest payable	3,705	2,280
Accrued expenses and other liabilities	87,038	78,065
Total liabilities	3,725,246	4,793,836
STOCKHOLDERS' EQUITY		
Preferred stock, 3,000,000 shares authorized, no shares issued or outstanding at June 30, 2018 and September 30, 2017, respectively	—	—

Common stock, $.01 par value; 90,000,000 and 15,000,000 shares authorized, 9,721,526 and 9,626,431 shares issued, 9,700,535 and 9,622,595 shares outstanding at June 30, 2018 and September 30, 2017, respectively	97	96
Common stock, Nonvoting, $.01 par value; 3,000,000 shares authorized, no shares issued or outstanding at June 30, 2018 and September 30, 2017, respectively	—	—
Additional paid-in capital	267,804	258,336
Retained earnings	206,284	167,164
Accumulated other comprehensive (loss) income	(28,601)	9,166
Treasury stock, at cost, 20,991 and 3,836 common shares at June 30, 2018 and September 30, 2017, respectively	(1,671)	(266)
Total stockholders' equity	443,913	434,496
Total liabilities and stockholders' equity	$4,169,159	$ 5,228,332

See Notes to Condensed Consolidated Financial Statements.

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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in Thousands, Except Share and Per Share Data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Interest and dividend income:				
Loans receivable, including fees	$19,056	$14,089	$53,344	$37,540
Mortgage-backed securities	3,950	4,544	11,755	12,345
Other investments	11,098	10,228	33,234	29,269
	34,104	28,861	98,333	79,154
Interest expense:				
Deposits	2,264	1,039	7,106	4,161
FHLB advances and other borrowings	3,429	2,879	9,215	6,251
	5,693	3,918	16,321	10,412
Net interest income	28,411	24,943	82,012	68,742
Provision for loan losses	5,315	1,240	24,726	10,732
Net interest income after provision for loan losses	23,096	23,703	57,286	58,010
Non-interest income:				
Refund transfer product fees	7,358	5,785	41,353	38,448
Tax advance product fees	(46)	(108)	35,739	31,460
Card fees	22,807	23,052	74,910	68,013
Loan fees	1,111	982	3,445	3,034
Bank-owned life insurance	633	656	1,952	1,548
Deposit fees	1,134	190	2,964	508
(Loss) gain on sale of securities available-for-sale, net (Includes ($22) and $47 reclassified from accumulated other comprehensive income (loss) for net gains (losses) on available for sale securities for the three months ended June 30, 2018 and 2017, respectively and ($1,198) and ($1,331) for the nine months ended June 30, 2018 and 2017, respectively)	(22)	47	(1,198)	(1,331)
Gain (loss) on foreclosed real estate	—	—	(19)	7
Other income	250	216	766	652
Total non-interest income	33,225	30,820	159,912	142,339
Non-interest expense:				
Compensation and benefits	24,439	22,193	78,951	66,809
Refund transfer product expense	1,694	1,623	11,665	11,852
Tax advance product expense	(19)	72	1,736	3,239
Card processing	7,068	5,755	20,798	18,377
Occupancy and equipment	4,720	4,034	14,087	12,202
Legal and consulting	2,781	1,375	8,436	5,603
Marketing	416	381	1,637	1,461
Data processing	301	344	958	1,099

Intangible amortization expense	1,664	1,887	6,077	10,494
Other expense	5,988	4,555	17,247	14,782
Total non-interest expense	49,053	42,219	161,592	145,918
Income before income tax expense	7,268	12,304	55,606	54,431
Income tax expense (Includes ($6) and $18 reclassified from accumulated other comprehensive income (loss) for the three months ended June 30, 2018 and 2017, respectively and ($335) and ($499) for the nine months ended June 30, 2018 and 2017, respectively)	476	2,517	12,708	11,258
Net income	$6,792	$9,787	$42,898	$43,173
Earnings per common share				
Basic	$0.70	$1.05	$4.43	$4.69
Diluted	$0.70	$1.04	$4.41	$4.66

See Notes to Condensed Consolidated Financial Statements.

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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(Dollars in Thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Net income	$6,792	$9,787	$42,898	$43,173
Other comprehensive (loss) income:				
Change in net unrealized (loss) gain on securities	(9,905)	11,902	(53,377)	(25,398)
Losses (gains) realized in net income	22	(47)	1,198	1,331
	(9,883)	11,855	(52,179)	(24,067)
LESS: Deferred income tax effect	(2,447)	4,472	(14,412)	(8,544)
Total other comprehensive (loss) income	(7,436)	7,383	(37,767)	(15,523)
Total comprehensive (loss) income	$(644)	$17,170	$5,131	$27,650

See Notes to Condensed Consolidated Financial Statements.

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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Nine Months Ended June 30, 2018 and 2017
(Dollars in Thousands, Except Share and Per Share Data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, September 30, 2016	$ 85	$ 184,780	$ 127,190	$ 22,920	$ —	$ 334,975
Adoption of Accounting Standards Update 2016-09	—	104	(104)	—	—	—
Cash dividends declared on common stock ($0.39 per share)	—	—	(3,625)	—	—	(3,625)
Issuance of common shares due to exercise of stock options	—	529	—	—	—	529
Issuance of common shares due to restricted stock	4	—	—	—	—	4
Issuance of common shares due to ESOP	—	1,174	—	—	—	1,174
Issuance of common shares due to acquisition	5	37,291	—	—	—	37,296
Contingent consideration equity earnout due to acquisition	—	24,142	—	—	—	24,142
Shares repurchased for tax withholdings on stock compensation	—	(337)	—	—	—	(337)
Stock compensation	—	8,405	—	—	—	8,405
Net change in unrealized losses on securities, net of income taxes	—	—	—	(15,523)	—	(15,523)
Net income	—	—	43,173	—	—	43,173
Balance, June 30, 2017	$ 94	$ 256,088	$ 166,634	$ 7,397	$ —	$ 430,213
Balance, September 30, 2017	$ 96	$ 258,336	$ 167,164	$ 9,166	$ (266)	$ 434,496
Cash dividends declared on common stock ($0.39 per share)	—	—	(3,778)	—	—	(3,778)
Issuance of common shares due to exercise of stock options	—	147	—	—	—	147

Issuance of common shares due to restricted stock	1	—	—	—	—	1
Issuance of common shares due to ESOP	—	1,606	—	—	—	1,606
Shares repurchased for tax withholdings on stock compensation	—	(726)	—	—	(1,405)	(2,131)
Stock compensation	—	8,441	—	—	—	8,441
Net change in unrealized losses on securities, net of income taxes	—	—	—	(37,767)	—	(37,767)
Net income	—	—	42,898	—	—	42,898
Balance, June 30, 2018	$ 97	$ 267,804	$ 206,284	$ (28,601)	$ (1,671)	$ 443,913

See Notes to Condensed Consolidated Financial Statements.

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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Thousands)	Nine Months Ended June 30, 2018	2017
Cash flows from operating activities:		
Net income	$42,898	$43,173
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	27,995	35,002
Stock-based compensation expense	8,441	8,405
Provision for loan losses	24,726	10,732
(Recovery) provision for deferred taxes	488	(2,914)
Gain on other assets	(1)	(21)
Loss (gain) on sale of foreclosed real estate	19	(7)
Loss on sale of securities available for sale, net	1,198	1,331
Net change in accrued interest receivable	1,555	(4,632)
Fair value adjustment of foreclosed real estate	29	—
Originations of loans held for sale	—	(685,934)
Proceeds from sales of loans held for sale	—	685,934
Change in bank-owned life insurance value	(1,952)	(1,549)
Net change in other assets	577	(24,179)
Net change in accrued interest payable	1,425	1,588
Excess contingent consideration paid	—	(248)
Net change in accrued expenses and other liabilities	4,879	16,080
Net cash provided by operating activities	112,277	82,761
Cash flows from investing activities:		
Purchase of securities available-for-sale	(418,699)	(782,169)
Proceeds from sales of securities available-for-sale	312,863	317,099
Proceeds from maturities and principal repayments of securities available for sale	115,878	86,516
Purchase of securities held to maturity	—	(932)
Proceeds from maturities and principal repayments of securities held to maturity	29,752	34,242
Purchase of bank owned life insurance	—	(25,000)
Loans purchased	(95,169)	(136,172)
Loans sold	19,961	2,141
Net change in loans receivable	(238,679)	(168,537)
Proceeds from sales of foreclosed real estate or other assets	244	97
Net cash paid for acquisitions	—	(29,425)
Federal Home Loan Bank stock purchases	(713,444)	(468,291)
Federal Home Loan Bank stock redemptions	767,120	499,480
Proceeds from the sale of premises and equipment	—	57
Purchase of premises and equipment	(5,176)	(5,699)
Net cash used in investing activities	(225,349)	(676,593)
Cash flows from financing activities:		
Net change in checking, savings, and money market deposits	219,909	320,512
Net change in time deposits	(66,486)	(42,232)

Net change in wholesale deposits	144,786	444,857
Net change in FHLB and other borrowings	(415,000)	(100,000)
Net change in federal funds	(963,000)	(717,000)
Net change in securities sold under agreements to repurchase	754	(938)
Principal payments on capital lease obligations	(46)	(59)
Cash dividends paid	(3,778)	(3,625)
Purchase of shares by ESOP	1,606	1,174
Issuance of restricted stock	1	4
Proceeds from exercise of stock options and issuance of common stock	147	529
Shares repurchased for tax withholdings on stock compensation	(2,131)	(337)
Contingent consideration - cash paid	—	(17,253)
Net cash used in financing activities	(1,083,238)	(114,368)
Net change in cash and cash equivalents	(1,196,310)	(708,200)
Cash and cash equivalents at beginning of period	1,267,586	773,830
Cash and cash equivalents at end of period	$71,276	$65,630

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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Con't.)

	Nine Months Ended June 30,	
	2018	2017
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$17,746	$8,824
Income taxes	8,211	19,947
Franchise taxes	199	156
Other taxes	129	289
Supplemental schedule of non-cash investing activities:		
Loans transferred to foreclosed real estate and repossessed assets	$(29,922)	$(378)
Securities transferred from held to maturity to available for sale	(306,000)	—
Contingent consideration - equity	—	(24,142)
Stock issued for acquisition	—	(37,296)
Purchase of available-for-sale securities accrued, not paid	(4,117)	—

See Notes to Condensed Consolidated Financial Statements.

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NOTE 1. BASIS OF PRESENTATION

The interim unaudited Condensed Consolidated Financial Statements contained herein should be read in conjunction with the audited consolidated financial statements and accompanying notes to the consolidated financial statements for the fiscal year ended September 30, 2017 included in Meta Financial Group, Inc.'s ("Meta" or the "Company") Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on November 29, 2017. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the audited consolidated financial statements have been omitted.

The financial information of the Company included herein has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of the three and nine month periods ended June 30, 2018 are not necessarily indicative of the results expected for the fiscal year ending September 30, 2018.

NOTE 2. CREDIT DISCLOSURES

The allowance for loan losses represents management's estimate of probable loan losses which have been incurred as of the date of the consolidated financial statements. The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Estimating the risk of loss and the amount of loss on any loan is necessarily subjective. Management's periodic evaluation of the appropriateness of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management may periodically allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge-offs that occur.

Loans are generally considered impaired if full principal or interest payments are not probable in accordance with the contractual loan terms. Impaired loans are carried at the present value of expected future cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance.

The allowance consists of specific, general and unallocated components. The specific component relates to impaired loans. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers loans not considered impaired and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Homogeneous loan populations are collectively evaluated for impairment. These loan populations may include commercial insurance premium finance loans, residential first mortgage loans secured by one-to-four family residences, residential construction loans, home equity and second mortgage loans, and tax product loans. Commercial and agricultural loans as well as mortgage loans secured by other properties are monitored regularly by the Bank given the larger balances. When analysis of the borrower's operating results and financial condition indicates

that underlying cash flows of the borrower’s business is not adequate to meet its debt service requirements, the individual loan or loan relationship is evaluated for impairment.

Loans, or portions thereof, are charged off when collection of principal becomes doubtful. Generally, this is associated with a delay or shortfall in payments of 210 days or more for commercial insurance premium finance, 180 days or more for the purchased student loan portfolios, 120 days or more for consumer credit products, and 90 days or more for community banking loans. Action is taken to charge off ERO loans if such loans have not been collected by the end of June and taxpayer advance loans if such loans have not been collected by the end of the calendar year. Non-accrual loans and troubled debt restructurings are generally considered impaired.

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Loans receivable at June 30, 2018 and September 30, 2017 were as follows:

	June 30, 2018	September 30, 2017
	(Dollars in Thousands)	
1-4 Family Real Estate	$214,754	$ 196,706
Commercial and Multi-Family Real Estate	716,495	585,510
Agricultural Real Estate	35,475	61,800
Consumer	258,158	163,004
Commercial Operating	46,069	35,759
Agricultural Operating	24,621	33,594
Commercial Insurance Premium Finance	303,603	250,459
Total Loans Receivable	1,599,175	1,326,832
Allowance for Loan Losses	(21,950)	(7,534)
Net Deferred Loan Origination Fees	(1,881)	(1,461)
Total Loans Receivable, Net	$1,575,344	$ 1,317,837

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Activity in the allowance for loan losses and balances of loans receivable by portfolio segment for the three and nine months ended June 30, 2018 and 2017 was as follows:

	1-4 Family Real Estate	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	CML Insurance Premium Finance	Unallocated	Total
	(Dollars in Thousands)								
Three Months Ended June 30, 2018									
Allowance for loan losses:									
Beginning balance	$ 883	$ 3,904	$ 146	$ 18,074	$ 1,716	$ 619	$ 746	$ 990	$ 27,078
Provision (recovery) for loan losses	(231)	711	51	4,476	(26)	(102)	304	132	5,315
Charge offs	—	—	—	(9,000)	(1,507)	—	(243)	—	(10,750)
Recoveries	—	—	—	—	1	207	99	—	307
Ending balance	$ 652	$ 4,615	$ 197	$ 13,550	$ 184	$ 724	$ 906	$ 1,122	$ 21,950
Nine Months Ended June 30, 2018									
Allowance for loan losses:									
Beginning balance	$ 803	$ 2,670	$ 1,390	$ 6	$ 158	$ 1,184	$ 796	$ 527	$ 7,534
Provision (recovery) for loan losses	(123)	1,945	(1,193)	22,174	1,480	(721)	569	595	24,726
Charge offs	(31)	—	—	(9,000)	(1,507)	—	(711)	—	(11,249)
Recoveries	3	—	—	370	53	261	252	—	939
Ending balance	$ 652	$ 4,615	$ 197	$ 13,550	$ 184	$ 724	$ 906	$ 1,122	$ 21,950
Ending balance: individually evaluated for impairment	25	—	—	—	—	—	—	—	25
Ending balance: collectively	627	4,615	197	13,550	184	724	906	1,122	21,925

evaluated for impairment									
Total	$652	$4,615	$197	$13,550	$184	$724	$906	$1,122	$21,950
Loans:									
Ending balance: individually evaluated for impairment	229	409	—	47	—	2,135	—	—	2,820
Ending balance: collectively evaluated for impairment	214,525	716,086	35,475	258,111	46,069	22,486	303,603	—	1,596,355
Total	$214,754	$716,495	$35,475	$258,158	$46,069	$24,621	$303,603	$—	$1,599,175

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	1-4 Family Real Estate	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	CML Insurance Premium Finance	Unallocated	Total
	(Dollars in Thousands)								
Three Months Ended June 30, 2017									
Allowance for loan losses:									
Beginning balance	$296	$1,742	$1,524	$7,706	$767	$1,349	$597	$621	$14,602
Provision (recovery) for loan losses	510	386	(80)	142	249	(44)	187	(110)	1,240
Charge offs	—	—	—	(1)	(799)	—	(94)	—	(894)
Recoveries	—	—	—	—	5	—	15	—	20
Ending balance	$806	$2,128	$1,444	$7,847	$222	$1,305	$705	$511	$14,968
Nine Months Ended June 30, 2017									
Allowance for loan losses:									
Beginning balance	$654	$2,198	$142	$51	$117	$1,332	$588	$553	$5,635
Provision (recovery) for loan losses	152	(70)	1,302	7,773	1,244	(39)	412	(42)	10,732
Charge offs	—	—	—	(1)	(1,149)	—	(352)	—	(1,502)
Recoveries	—	—	—	24	10	12	57	—	103
Ending balance	$806	$2,128	$1,444	$7,847	$222	$1,305	$705	$511	$14,968
Ending balance: individually evaluated for impairment	—	—	—	—	—	—	—	—	—
Ending balance: collectively evaluated for impairment	806	2,128	1,444	7,847	222	1,305	705	511	14,968
Total	$806	$2,128	$1,444	$7,847	$222	$1,305	$705	$511	$14,968
Loans:									
	133	1,301	—	—	—	—	—	—	1,434

Ending balance: individually evaluated for impairment									
Ending balance: collectively evaluated for impairment	190,598	492,558	62,521	172,151	39,076	35,471	231,587	—	1,223,962
Total	$ 190,731	$ 493,859	$ 62,521	$ 172,151	$ 39,076	$ 35,471	$ 231,587	$ —	$ 1,225,396

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Federal regulations promulgated by the Office of the Comptroller of the Currency (the "OCC"), which is the primary federal regulator of the Company's wholly-owned subsidiary, MetaBank (the "Bank"), provide for the classification of loans and other assets such as debt and equity securities. The loan classification and risk rating definitions for the Company and the Bank are generally as follows:

Pass- A pass asset is of sufficient quality in terms of repayment, collateral and management to preclude a special mention or an adverse rating.

Watch- A watch asset is generally credit performing well under current terms and conditions but with identifiable weakness meriting additional scrutiny and corrective measures. Watch is not a regulatory classification but can be used to designate assets that are exhibiting one or more weaknesses that deserve management’s attention. These assets are of better quality than special mention assets.

Special Mention- Special mention assets are credits with potential weaknesses deserving management’s close attention and if left uncorrected, may result in deterioration of the repayment prospects for the asset. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Special mention is a temporary status with aggressive credit management required to garner adequate progress and move to watch or higher.

Substandard- A substandard asset is inadequately protected by the net worth and/or repayment ability or by a weak collateral position. Assets so classified have well-defined weaknesses creating a distinct possibility that the Bank will sustain some loss if the weaknesses are not corrected. Loss potential does not have to exist for an asset to be classified as substandard.

Doubtful- A doubtful asset has weaknesses similar to those classified substandard, with the degree of weakness causing the likely loss of some principal in any reasonable collection effort. Due to pending factors the asset’s classification as loss is not yet appropriate.

Loss- A loss asset is considered uncollectible and of such little value that the asset’s continuance on the Company's balance sheet is no longer warranted. This classification does not necessarily mean an asset has no recovery or salvage value leaving room for future collection efforts.

General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When assets are classified as “loss,” the Company is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. The Company's determinations as to the classification of its assets and the amount of its valuation allowances are subject to review by its regulatory authorities, which may order the establishment of additional general or specific loss allowances.

The Company recognizes that concentrations of credit may naturally occur and may take the form of a large volume of related loans to an individual, a specific industry, or a geographic location. Credit concentration is a direct, indirect, or contingent obligation that has a common bond where the aggregate exposure equals or exceeds a certain percentage of the Company’s Tier 1 Capital plus the Allowance for Loan Losses.

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The asset classification of loans at June 30, 2018 and September 30, 2017 were as follows:

June 30, 2018	1-4 Family Real Estate	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	CML Insurance Premium Finance	Total
	(Dollars in Thousands)							
Pass	$214,176	$ 705,347	$ 27,456	$258,090	$ 46,069	$ 15,210	$302,022	$1,568,370
Watch	123	10,953	—	68	—	2,487	1,581	15,212
Special Mention	241	195	4,222	—	—	535	—	5,193
Substandard	214	—	3,797	—	—	6,389	—	10,400
Doubtful	—	—	—	—	—	—	—	—
	$214,754	$ 716,495	$ 35,475	$258,158	$ 46,069	$ 24,621	$303,603	$1,599,175

September 30, 2017	1-4 Family Real Estate	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	CML Insurance Premium Finance	Total
	(Dollars in Thousands)							
Pass	$195,838	$ 574,730	$ 27,376	$163,004	$ 35,759	$ 18,394	$250,459	$1,265,560
Watch	525	10,200	2,006	—	—	4,541	—	17,272
Special Mention	247	201	2,939	—	—	—	—	3,387
Substandard	96	379	29,479	—	—	10,659	—	40,613
Doubtful	—	—	—	—	—	—	—	—
	$196,706	$ 585,510	$ 61,800	$163,004	$ 35,759	$ 33,594	$250,459	$1,326,832

One-to-Four Family Residential Mortgage Lending. One-to-four family residential mortgage loan originations are generated by the Company's marketing efforts, its present customers, walk-in customers and referrals. The Company offers fixed-rate and adjustable rate mortgage ("ARM") loans for both permanent structures and those under construction. The Company's one-to-four family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas.

The Company originates one-to-four family residential mortgage loans with terms up to a maximum of 30 years and with loan-to-value ratios up to 100% of the lesser of the appraised value of the security property or the contract price. The Company generally requires that private mortgage insurance be obtained in an amount sufficient to reduce the Company's exposure to at or below the 80% loan to value level. Residential loans generally do not include prepayment penalties. Due to consumer demand, the Company offers fixed-rate mortgage loans with terms up to 30 years, most of which conform to secondary market standards, such as Fannie Mae, Ginnie Mae, and Freddie Mac standards. The Company typically holds all fixed-rate mortgage loans and does not engage in secondary market sales. Interest rates charged on these fixed-rate loans are competitively priced according to market conditions.

The Company also offers five- and ten-year ARM loans. These loans have a fixed-rate for the stated period and, thereafter, adjust annually. These loans generally provide for an annual cap of up to 200 basis points and a lifetime cap of 600 basis points over the initial rate. As a consequence of using an initial fixed-rate and caps, the interest rates on these loans may not be as rate sensitive as the Company's cost of funds. The Company's ARMs do not permit negative amortization of principal and are not convertible into fixed-rate loans. The Company's delinquency experience on its ARM loans has generally been similar to its experience on fixed-rate residential loans. The current low mortgage interest rate environment makes ARM loans relatively unattractive and very few are currently being originated.

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In underwriting one-to-four family residential real estate loans, the Company evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. Properties securing real estate loans made by the Company are appraised by independent appraisers approved by the Board of Directors of the Company. The Company generally requires borrowers to obtain an attorney's title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. Real estate loans originated by the Company generally contain a "due on sale" clause allowing the Company to declare the unpaid principal balance due and payable upon the sale of the security property. The Company has not engaged in sub-prime residential mortgage originations.

Commercial and Multi-Family Real Estate Lending. The Company engages in commercial and multi-family real estate lending in its primary market area and surrounding areas and, in order to supplement its loan portfolio, has purchased whole loan and participation interests in loans from other financial institutions. The purchased loans and loan participation interests are generally secured by properties primarily located in the Midwest.

The Company's commercial and multi-family real estate loan portfolio is secured primarily by apartment buildings, office buildings and hotels. Commercial and multi-family real estate loans generally are underwritten with terms not exceeding 20 years, have loan-to-value ratios of up to 80% of the appraised value of the security property, and are typically secured by guarantees of the borrowers. The Company has a variety of rate adjustment features and other terms in its commercial and multi-family real estate loan portfolio. Commercial and multi-family real estate loans provide for a margin over a number of different indices. In underwriting these loans, the Company analyzes the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Company are performed by independent appraisers.

Commercial and multi-family real estate loans generally present a higher level of risk than loans secured by one-to-four family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by commercial and multi-family real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed, or a bankruptcy court modifies a lease term, or a major tenant is unable to fulfill its lease obligations), the borrower's ability to repay the loan may be impaired.

Agricultural Lending. The Company originates loans to finance the purchase of farmland, livestock, farm machinery and equipment, seed, fertilizer and other farm-related products. Agricultural operating loans are originated at either an adjustable or fixed rate of interest for up to a one year term or, in the case of livestock, upon sale. Such loans provide for payments of principal and interest at least annually or a lump sum payment upon maturity if the original term is less than one year. Loans secured by agricultural machinery are generally originated as fixed-rate loans with terms of up to seven years.

Agricultural real estate loans are frequently originated with adjustable rates of interest. Generally, such loans provide for a fixed rate of interest for the first five to ten years, after which the loan will balloon or the interest rate will adjust annually. These loans generally amortize over a period of 20 to 25 years. Fixed-rate agricultural real estate loans generally have terms up to ten years. Agricultural real estate loans are generally limited to 75% of the value of the property securing the loan.

Agricultural lending affords the Company the opportunity to earn yields higher than those obtainable on one-to-four family residential lending, but involves a greater degree of risk than one-to-four family residential mortgage loans because of the typically larger loan amount. In addition, payments on loans are dependent on the successful operation

or management of the farm property securing the loan or for which an operating loan is utilized. The success of the loan may also be affected by many factors outside the control of the borrower.

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Weather presents one of the greatest risks as hail, drought, floods, or other conditions can severely limit crop yields and thus impair loan repayments and the value of the underlying collateral. This risk can be reduced by the farmer with a variety of insurance coverages which can help to ensure loan repayment. Government support programs and the Company generally require that farmers procure crop insurance coverage. Grain and livestock prices also present a risk as prices may decline prior to sale, resulting in a failure to cover production costs. These risks may be reduced by the farmer with the use of futures contracts or options to mitigate price risk. The Company frequently requires borrowers to use futures contracts or options to reduce price risk and help ensure loan repayment. Another risk is the uncertainty of government programs and other regulations. During periods of low commodity prices, the income from government programs can be a significant source of cash for the borrower to make loan payments, and if these programs are discontinued or significantly changed, cash flow problems or defaults could result. Finally, many farms are dependent on a limited number of key individuals whose injury or death may result in an inability to successfully operate the farm.

Consumer Lending. The Bank originates a variety of secured consumer loans, including home equity, home improvement, automobile and boat loans and loans secured by savings deposits. In addition, the Bank offers other secured and unsecured consumer loans and originates most of its community banking consumer loans in its primary market areas and surrounding areas. In addition, the Bank’s consumer lending portfolio includes two purchased student loan portfolios, consumer lending products, and taxpayer advance loans.

The Bank's community banking consumer loan portfolio consists primarily of home equity loans and lines of credit. Substantially all of the Bank's home equity loans and lines of credit are secured by second mortgages on principal residences. The Bank will lend amounts which, together with all prior liens, may be up to 90% of the appraised value of the property securing the loan. Home equity loans and lines of credit generally have maximum terms of five years.

The Bank primarily originates automobile loans on a direct basis to the borrower, as opposed to indirect loans, which are made when the Bank purchases loan contracts, often at a discount, from automobile dealers which have extended credit to their customers. The Bank’s automobile loans typically are originated at fixed interest rates with terms of up to 60 months for new and used vehicles. Loans secured by automobiles are generally originated for up to 80% of the N.A.D.A. book value of the automobile securing the loan.

Consumer loan terms vary according to the type and value of collateral, length of contract and creditworthiness of the borrower. The underwriting standards employed by the Bank for consumer loans include an application, a determination of the applicant’s payment history on other debts and an assessment of ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also may include a comparison of the value of the security, if any, in relation to the proposed loan amount.

Consumer loans may entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower’s continuing financial stability, and thus more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

The Bank's purchased student loan portfolios are seasoned, floating rate, private portfolios that are serviced by ReliaMax Lending Services LLC. The portfolio purchased during the first quarter of fiscal year 2018 is indexed to the one-month LIBOR, while the portfolio purchased in the first quarter of fiscal year 2017 is indexed to the three-month

LIBOR plus various margins. The Company received written notification on June 18, 2018 from ReliaMax Surety Company ("ReliaMax"), which informed policy holders that the South Dakota Division of Insurance filed a petition to have ReliaMax declared insolvent and to adopt a plan of liquidation. ReliaMax provided insurance coverage for the Company’s purchased, floating rate, seasoned student loan portfolios. In light of the potential impact to the Company’s insurance coverage with respect to the purchased student loan portfolios, the Company adjusted the allowance for loan losses attributable to the purchased student loan portfolios by $3.0 million for the third quarter of fiscal 2018.

Through the acquisition of Specialty Consumer Services (“SCS”), the Bank acquired a platform that provides a total solution for marketplace lending, including underwriting and loan management in the direct-to-consumer credit business. The acquired platform allows the Bank to provide innovative lending solutions to the unbanked and under-banked segment through innovative consumer credit products.

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The Company designs and structures its credit programs in an effort to insulate the Company from program losses and to potentially increase the liquidity attributes of such lending program’s marketability to potential bank or other purchasers. While each program is different, all contain one or more types of credit enhancements, loss protections, or trigger events. When determining the applicable program enhancement, generally, the Company uses proprietary data provided by the Company’s partner, with respect to such program, supplemented with public data to design appropriate loss curves, shape of the curves, as well as implement stresses significantly higher than base to provide protection in changing credit cycles. Credit enhancements are typically built through holding excess program interest and fees in a reserve account to pay program credit losses. Waterfall positioning allows under certain circumstances for losses and Company program principal and interest to be paid before servicing or other program expenses. Trigger events allow programs and originations to be suspended if certain vintage loss limits are triggered or if cumulative loss percentages are triggered. These triggers are designed to allow the Company to address potential issues quickly. Other trigger events in certain programs provide for excess credit or reserve enhancements, which could be beyond excess interest amounts, should certain loss triggers be breached.

Through June 30, 2018, the Bank has launched two consumer credit programs. The Bank, including SCS, continues its development of new alternative portfolio lending products.

During the second quarter of fiscal 2018, the Company entered into a three-year program agreement with Liberty Lending whereby the Bank provides personal loans to Liberty Lending customers. Meta and Liberty Lending market the program jointly through a wide variety of marketing channels. The loan products under this agreement are closed-end installment loans ranging from $3,500 to $45,000 in initial principal amount with durations of between 13 and 60 months. The Company expects to apply a provision of approximately 1% on outstanding loan balances within this program.

The Company entered into a three-year agreement with Health Credit Services ("HCS") during the third quarter of fiscal 2018. The Bank approves and originates loans for elective medical procedures for select HCS provider offices throughout the United States. HCS works with its provider partners to market the loans, as well as provide servicing for them. The loan products offered are unsecured, closed-end installment loans with terms between 12 and 84 months and revolving lines of credit with durations between six and 60 months. The Company expects to apply a provision of approximately 1% on outstanding loan balances within this program.

The Bank's tax services division provides short-term taxpayer advance loans. Taxpayers are underwritten to determine eligibility for the unsecured loans. Due to the nature of taxpayer advance loans, it typically takes no more than three e-file cycles (the period of time between scheduled IRS payments) from when the return is accepted by the IRS to collect from the borrower. In the event of default, the Bank has no recourse against the tax consumer. Generally, the Company will charge off the balance of a taxpayer advance loan if there is a balance at the end of the calendar year, or when collection of principal becomes doubtful.

Commercial Operating Lending. The Company also originates commercial operating loans. Most of the Company’s commercial operating loans have been extended to finance local and regional businesses and include short-term loans to finance machinery and equipment purchases, inventory and accounts receivable. Commercial loans also may involve the extension of revolving credit for a combination of equipment acquisitions and working capital in expanding companies. The Company also extends short-term commercial Electronic Return Originator ("ERO") advance loans through its tax services division as described in more detail below.

The maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Generally, the maximum term on non-mortgage commercial lines of credit is one year. The loan-to-value ratio on such loans and lines of credit generally may not exceed 80% of the value of the collateral securing the loan. The Company’s commercial operating lending policy includes credit file documentation and analysis

of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Company's credit analysis. As described further below, such loans are believed to carry higher credit risk than more traditional lending activities.

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Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial operating loans typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial operating loans may be substantially dependent on the success of the business itself (which, in turn, is likely to be dependent upon the general economic environment). The Company's commercial operating loans are usually, but not always, secured by business assets and personal guarantees. However, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Through its tax services division, the Company provides short-term ERO advance loans on a nationwide basis. These loans are typically utilized to purchase tax preparation software and to prepare tax offices for the upcoming tax season. EROs go through an underwriting process to determine eligibility for the unsecured advances. ERO loans are not collateralized. Collection on ERO advances begins once the ERO begins to process refund transfers. Generally, the Company will charge off the balance of an ERO advance loan if there is a balance at the end of June, or when collection of principal becomes doubtful.

Commercial Insurance Premium Finance Lending. Through its AFS/IBEX division, the Bank provides short-term and primarily collateralized financing to facilitate the commercial customers' purchase of insurance for various forms of risk otherwise known as commercial insurance premium financing. This includes, but is not limited to, policies for commercial property, casualty and liability risk. The AFS/IBEX division markets itself to the insurance community as a competitive option based on service, reputation, competitive terms, cost and ease of operation.

Commercial insurance premium financing is the business of extending credit to a policyholder to pay for insurance premiums when the insurance carrier requires payment in full at inception of coverage. Premiums are advanced either directly to the insurance carrier or through an intermediary/broker and repaid by the policyholder with interest during the policy term. The policyholder generally makes a 20% to 25% down payment to the insurance broker and finances the remainder over nine to ten months on average. The down payment is set such that if the policy is canceled, the unearned premium is typically sufficient to cover the loan balance and accrued interest.

Due to the nature of collateral for commercial insurance premium finance receivables, it customarily takes 60-210 days to convert the collateral into cash. In the event of default, AFS/IBEX, by statute and contract, has the power to cancel the insurance policy and establish a first position lien on the unearned portion of the premium from the insurance carrier. In the event of cancellation, the cash returned in payment of the unearned premium by the insurer has typically been sufficient to cover the receivable balance, the interest and other charges due. Due to notification requirements and processing time by most insurance carriers, many receivables will become delinquent beyond 90 days while the insurer is processing the return of the unearned premium. Generally, when a loan becomes delinquent for 210 days or more, or when collection of principal or interest becomes doubtful, the Company will charge off the loan balance and any remaining interest and fees after applying any collection from the insurance company.

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Past due loans at June 30, 2018 and September 30, 2017 were as follows:

	Accruing and Non-accruing Loans						Non-performing Loans		
June 30, 2018	30-59 Days Past Due	60-89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans Receivable	> 89 Days Past Due and Accruing	Non-accrual balance	Total
	(Dollars in Thousands)								
1-4 Family Real Estate	$—	$—	$214	$214	$214,540	214,754	79	$ 135	$214
Commercial and Multi-Family Real Estate	—	—	—	—	716,495	716,495	—	—	—
Agricultural Real Estate	—	—	—	—	35,475	35,475	—	—	—
Consumer	2,657	15,461	1,846	19,964	238,194	258,158	1,846	—	1,846
Commercial Operating	—	—	—	—	46,069	46,069	—	—	—
Agricultural Operating	—	—	—	—	24,621	24,621	—	—	—
CML Insurance Premium Finance	1,111	561	3,669	5,341	298,262	303,603	3,669	—	3,669
Total	$3,768	$16,022	$5,729	$25,519	$1,573,656	1,599,175	5,594	$ 135	$5,729

	Accruing and Non-accruing Loans						Non-performing Loans		
September 30, 2017	30-59 Days Past Due	60-89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans Receivable	> 89 Days Past Due and Accruing	Non-accrual balance	Total
	(Dollars in Thousands)								
1-4 Family Real Estate	$370	$79	$—	$449	$196,257	$196,706	—	$ —	$—
Commercial and Multi-Family Real Estate	295	—	390	685	584,825	585,510	—	685	685
Agricultural Real Estate	—	—	34,198	34,198	27,602	61,800	34,198	—	34,198
Consumer	2,512	558	1,406	4,476	158,528	163,004	1,406	—	1,406
Commercial Operating	—	—	—	—	35,759	35,759	—	—	—
Agricultural Operating	—	—	97	97	33,497	33,594	97	—	97
CML Insurance Premium Finance	1,509	2,442	1,205	5,156	245,303	250,459	1,205	—	1,205
Total	$4,686	$3,079	$37,296	$45,061	$1,281,771	$1,326,832	36,906	$ 685	$37,591

Total loans past due decreased $19.6 million to $25.5 million at June 30, 2018 from $45.1 million at September 30, 2017. This decrease was due to a $31.6 million decrease in loans greater than 89 days past due. The primary driver of the decrease in loans greater than 89 days past due was a large, well-collateralized agricultural loan relationship for which the Company took ownership of the properties serving as collateral upon execution of a deed in lieu of foreclosure and transferred the loans to foreclosed real estate and repossessed assets on January 2, 2018. Also contributing to the decrease in loans past due was the payment in full of a previously disclosed $7.0 million non-performing agricultural loan during the first quarter of fiscal 2018. Partially offsetting the decrease in loans greater than 89 days past due was an increase of $12.9 million in loans 60-89 days past due, primarily driven by tax services loans. Due to demonstrated repayments in previous tax seasons, the Company will charge off the balance of taxpayer advance loans if they are delinquent at the end of the calendar year, or when collection of principal becomes doubtful. As of June 30, 2018, there was a $1.6 million commercial insurance premium finance loan greater than 210

days past due. The Bank's AFS/IBEX division has filed a lawsuit seeking its rights to a refund of the unearned insurance premiums related to the loan. A discovery schedule has been established and is scheduled to proceed until January 31, 2019. The Bank is seeking recovery of all amounts to which it is entitled and intends to vigorously pursue its claims against the defendants. See "Legal Proceedings" under Note 6 to the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference, for further details.

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When analysis of borrower operating results and financial condition indicates that underlying cash flows of the borrower's business are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Often, this is associated with a delay or shortfall in scheduled payments, as described above.

Impaired loans at June 30, 2018 and September 30, 2017 were as follows:

	Recorded Balance	Unpaid Principal Balance	Specific Allowance
June 30, 2018	(Dollars in Thousands)		
Loans without a specific valuation allowance			
1-4 Family Real Estate	$94	$ 94	$ —
Commercial and Multi-Family Real Estate	409	409	—
Consumer	47	47	—
Agricultural Operating	2,135	2,135	—
Total	$2,685	$ 2,685	$ —
Loans with a specific valuation allowance			
1-4 Family Real Estate	$135	$ 135	$ 25
Total	$135	$ 135	$ 25

	Recorded Balance	Unpaid Principal Balance	Specific Allowance
September 30, 2017	(Dollars in Thousands)		
Loans without a specific valuation allowance			
1-4 Family Real Estate	$72	$ 72	$ —
Commercial and Multi-Family Real Estate	1,109	1,109	—
Total	$1,181	$ 1,181	$ —

The following table provides the average recorded investment in impaired loans for the three and nine month periods ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment
	(Dollars in Thousands)			
1-4 Family Real Estate	$230	$ 210	$150	$ 197
Commercial and Multi-Family Real Estate	604	1,196	761	765
Agricultural Real Estate	—	388	—	194
Consumer	112	—	74	—
Commercial Operating	—	201	—	269
Agricultural Operating	2,670	715	1,567	358
Total	$3,616	$ 2,710	$2,552	$ 1,783

The Company's troubled debt restructurings ("TDR") typically involve forgiving a portion of interest or principal on existing loans, making loans at a rate materially less than current market rates, or extending the term of the loan. There were no loans modified in a TDR during the three month period ended June 30, 2018 or during the three and nine month periods ended June 30, 2017. There were $3.8 million of loans modified in a TDR during the nine month

period ended June 30, 2018.

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During the nine months ended June 30, 2018, new TDRs consisted of five agricultural operating loans, one one-to-four family residential mortgage loan, and one consumer loan. All of the TDRs that were added during the nine month period ended June 30, 2018 were modified to extend the term of the loan.

During the nine months ended June 30, 2018, the Company had one one-to-four family residential mortgage loan with a balance of $0.1 million that was modified as a TDR within the previous 12 months and for which there was a payment default. There were no TDR loans for which there was a payment default during the three month period ended June 30, 2018. For the three and nine month periods ended June 30, 2017, there were no TDR loans for which there was a payment default.

NOTE 3. ALLOWANCE FOR LOAN LOSSES

At June 30, 2018, the Company’s allowance for loan losses increased to $22.0 million from $7.5 million at September 30, 2017. The increase in the allowance for loan losses from September 30, 2017 to June 30, 2018 was primarily due to the additional provision expense of $20.3 million related to tax services loans due to the Company retaining all tax services loans on its balance sheet, as compared to the previous year when a majority of these loans were sold. Also contributing to the increase was a $3.0 million provision on the Company's purchased student loan portfolios. During the nine months ended June 30, 2018, the Company recorded a provision for loan losses of $24.7 million compared to $10.7 million for the same period of the prior year. The Company had $10.3 million of net charge-offs for the nine months ended June 30, 2018, of which $8.6 million was related to a portion of the Company's taxpayer advances and $1.5 million was related to the charge offs of the Company's remaining ERO advance balances. This compared to $1.4 million of net charge-offs for the nine months ended June 30, 2017. See “Consumer Lending” under Note 2 to the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference, for further details on the Company's purchased student loan portfolios.

The allowance for loan losses is established through the provision for loan losses based on management’s evaluation of the risk inherent in its loan portfolio and changes in the nature and volume of its loan activity, including those loans which are being specifically monitored by management. Such evaluation, which includes a review of loans for which full collectability may not be reasonably assured, considers, among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an appropriate loan loss allowance.

Management closely monitors economic developments both regionally and nationwide and considers these factors when assessing the appropriateness of its allowance for loan losses. Management believes that, based on a detailed review of the loan portfolio, historic loan losses, current economic conditions, the size of the loan portfolio and other factors, the level of the allowance for loan losses at June 30, 2018, reflected an appropriate allowance against probable losses from the loan portfolio. Although the Company maintains its allowance for loan losses at a level it considers to be appropriate, investors and others are cautioned that there can be no assurance that future losses will not exceed estimated amounts, or that additional provisions for loan losses will not be required in future periods. In addition, the Company’s determination of the allowance for loan losses is subject to review by the OCC, which can require the establishment of additional general or specific allowances.

Real estate properties acquired through foreclosure are recorded at the lesser of fair value or the recorded investment. If fair value at the date of foreclosure is lower than the balance of the related loan, the difference will be charged to the allowance for loan losses at the time of transfer. Valuations are periodically updated by management and, if the value declines, a specific provision for losses on such property is established by a charge to operations.

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NOTE 4. EARNINGS PER COMMON SHARE

Earnings per share is computed after deducting dividends. The Company has granted restricted share awards with dividend rights that are considered to be participating securities. Accordingly, a portion of the Company’s earnings is allocated to those participating securities in the earnings per share calculation. Basic earnings per share is computed by dividing income available to common stockholders after the allocation of dividends and undistributed earnings to the participating securities by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, and is computed after giving consideration to the weighted average dilutive effect of the Company’s stock options and after the allocation of earnings to the participating securities. Antidilutive options are disregarded in earnings per share calculations.

A reconciliation of net income and common stock share amounts used in the computation of basic and diluted earnings per share for the three and nine months ended June 30, 2018 and 2017 is presented below.

Three Months Ended June 30,	2018	2017
(Dollars in Thousands, Except Share and Per Share Data)		
Basic income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 6,792	$ 9,787
Weighted average common shares outstanding	9,699,824	9,349,989
Basic income per common share	0.70	1.05
Diluted income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 6,792	$ 9,787
Weighted average common shares outstanding	9,699,824	9,349,989
Outstanding options - based upon the two-class method	39,836	60,320
Weighted average diluted common shares outstanding	9,739,660	9,410,309
Diluted income per common share	0.70	1.04

Nine Months Ended June 30,	2018	2017
(Dollars in Thousands, Except Share and Per Share Data)		
Basic income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 42,898	$ 43,173
Weighted average common shares outstanding	9,681,103	9,208,867
Basic income per common share	4.43	4.69
Diluted income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 42,898	$ 43,173
Weighted average common shares outstanding	9,681,103	9,208,867
Outstanding options - based upon the two-class method	38,892	60,524
Weighted average diluted common shares outstanding	9,719,995	9,269,391
Diluted income per common share	4.41	4.66

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NOTE 5. SECURITIES

During the first quarter of fiscal 2018, the Company early adopted Accounting Standard Update ("ASU") 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." Due to the early adoption of the ASU, the Company transferred $204.7 million of investment securities and $101.3 million of MBS from Held to Maturity ("HTM") to Available for Sale ("AFS") during the first quarter of fiscal 2018. This change allows for enhanced balance sheet management and provides the opportunity for more liquidity, should it be needed.

The amortized cost, gross unrealized gains and losses and estimated fair values of available for sale and held to maturity securities at June 30, 2018 and September 30, 2017 are presented below.

Available For Sale

At June 30, 2018	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Small business administration securities	51,785	27	(853)	50,959
Obligations of states and political subdivisions	14,472	60	(162)	14,370
Non-bank qualified obligations of states and political subdivisions	1,105,310	2,594	(24,430)	1,083,474
Asset-backed securities	199,400	1,784	(345)	200,839
Mortgage-backed securities	593,454	—	(17,455)	575,999
Total debt securities	1,964,421	4,465	(43,245)	1,925,641
Common equities and mutual funds	1,347	550	(1)	1,896
Total available for sale securities	$1,965,768	$ 5,015	$ (43,246)	$1,927,537

At September 30, 2017	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Small business administration securities	57,046	825	—	57,871
Non-bank qualified obligations of states and political subdivisions	938,883	14,983	(3,037)	950,829
Asset-backed securities	94,451	2,381	—	96,832
Mortgage-backed securities	588,918	1,259	(3,723)	586,454
Total debt securities	1,679,298	19,448	(6,760)	1,691,986
Common equities and mutual funds	1,009	436	—	1,445
Total available for sale securities	$1,680,307	$ 19,884	$ (6,760)	$1,693,431

Held to Maturity

At June 30, 2018	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Obligations of states and political subdivisions	$3,831	$ 16	$ (21)	$3,826
Non-bank qualified obligations of states and political subdivisions	212,329	73	(9,916)	202,486
Mortgage-backed securities	8,218	—	(372)	7,846
Total held to maturity securities	$224,378	$ 89	$ (10,309)	$214,158

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At September 30, 2017	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Obligations of states and political subdivisions	$19,247	$ 157	$ (36)	$19,368
Non-bank qualified obligations of states and political subdivisions	430,593	4,744	(2,976)	432,361
Mortgage-backed securities	113,689	—	(1,233)	112,456
Total held to maturity securities	$563,529	$ 4,901	$ (4,245)	$564,185

Management has implemented a process to identify securities with potential credit impairment that are other-than-temporary. This process involves evaluation of the length of time and extent to which the fair value has been less than the amortized cost basis, review of available information regarding the financial position of the issuer, monitoring the rating, watch, and outlook of the security, monitoring changes in value, cash flow projections, and the Company's intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost which, in some cases, may extend to maturity. To the extent the Company determines that a security is deemed to be other-than-temporarily impaired, an impairment loss is recognized.

For all securities considered temporarily impaired, the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost, which may occur at maturity. The Company believes it will collect all principal and interest due on all investments with amortized cost in excess of fair value and considered only temporarily impaired.

GAAP requires that, at acquisition, an enterprise classify debt securities into one of three categories: Available for Sale ("AFS"), Held to Maturity ("HTM") or trading. AFS securities are carried at fair value on the consolidated statements of financial condition, and unrealized holding gains and losses are excluded from earnings and recognized as a separate component of equity in accumulated other comprehensive income ("AOCI"). HTM debt securities are measured at amortized cost. Both AFS and HTM are subject to review for other-than-temporary impairment. The Company did not have any trading securities at June 30, 2018 or September 30, 2017.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2018 and September 30, 2017, were as follows:

Available For Sale	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
At June 30, 2018	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Small business administration securities	$47,646	$(853)	$—	$—	$47,646	$(853)
Obligations of states and political subdivisions	8,443	(162)	—	—	8,443	(162)
Non-bank qualified obligations of states and political subdivisions	786,022	(23,032)	25,062	(1,398)	811,084	(24,430)
Asset-backed securities	107,027	(345)	—	—	107,027	(345)
Mortgage-backed securities	306,713	(6,289)	265,169	(11,166)	571,882	(17,455)
Total debt securities	1,255,851	(30,681)	290,231	(12,564)	1,546,082	(43,245)
Common equities and mutual funds	1,896	(1)	—	—	1,896	(1)

Total available for sale securities	$1,257,747	$(30,682)	$290,231	$(12,564)	$1,547,978	$(43,246)

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At September 30, 2017	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Non-bank qualified obligations of states and political subdivisions	280,900	(2,887)	5,853	(150)	286,753	(3,037)
Mortgage-backed securities	237,897	(1,625)	100,287	(2,098)	338,184	(3,723)
Total debt securities	518,797	(4,512)	106,140	(2,248)	624,937	(6,760)
Total available for sale securities	$518,797	$(4,512)	$106,140	$(2,248)	$624,937	$(6,760)

Held To Maturity	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
At June 30, 2018	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Obligations of states and political subdivisions	$1,407	$(2)	$1,342	$(19)	$2,749	$(21)
Non-bank qualified obligations of states and political subdivisions	118,237	(5,141)	79,222	(4,775)	197,459	(9,916)
Mortgage-backed securities	—	—	7,847	(372)	7,847	(372)
Total held to maturity securities	$119,644	$(5,143)	$88,411	$(5,166)	$208,055	$(10,309)

At September 30, 2017	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Obligations of states and political subdivisions	$1,364	$(6)	$4,089	$(30)	$5,453	$(36)
Non-bank qualified obligations of states and political subdivisions	202,018	(2,783)	6,206	(193)	208,224	(2,976)
Mortgage-backed securities	112,456	(1,233)	—	—	112,456	(1,233)
Total held to maturity securities	$315,838	$(4,022)	$10,295	$(223)	$326,133	$(4,245)

At June 30, 2018, the investment portfolio included securities with current unrealized losses which have existed for longer than one year. All of these securities are considered to be acceptable credit risks. Because the declines in fair value were due to changes in market interest rates, not in estimated cash flows, and because the Company does not intend to sell these securities (has not made a decision to sell) and it is not more likely than not that the Company will be required to sell the securities before recovery of their amortized cost basis, which may occur at maturity, no other-than-temporary impairment was recorded at June 30, 2018.

The amortized cost and fair value of debt securities by contractual maturity as of the dates set forth below are shown below. Certain securities have call features which allow the issuer to call the security prior to maturity. Expected maturities may differ from contractual maturities in mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, mortgage-backed securities are not included in the maturity categories in the following maturity summary. The expected maturities of certain housing related municipal securities, Small Business Administration and asset-backed securities may differ from contractual maturities because the borrowers may have the right to prepay the obligation. However, certain prepayment penalties may apply.

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Available For Sale	AMORTIZED	FAIR
	COST	VALUE
At June 30, 2018	(Dollars in Thousands)	
Due in one year or less	$100	$100
Due after one year through five years	29,352	29,688
Due after five years through ten years	348,304	348,680
Due after ten years	993,211	971,174
	1,370,967	1,349,642
Mortgage-backed securities	593,454	575,999
Common equities and mutual funds	1,347	1,896
Total available for sale securities	$1,965,768	$1,927,537

	AMORTIZED	FAIR
	COST	VALUE
At September 30, 2017	(Dollars in Thousands)	
Due in one year or less	$—	$—
Due after one year through five years	36,586	37,674
Due after five years through ten years	347,831	358,198
Due after ten years	705,963	709,660
	1,090,380	1,105,532
Mortgage-backed securities	588,918	586,454
Common equities and mutual funds	1,009	1,445
Total available for sale securities	$1,680,307	$1,693,431

Held To Maturity	AMORTIZED	FAIR
	COST	VALUE
At June 30, 2018	(Dollars in Thousands)	
Due in one year or less	$2,395	$2,390
Due after one year through five years	18,829	18,761
Due after five years through ten years	20,335	20,175
Due after ten years	174,601	164,986
	216,160	206,312
Mortgage-backed securities	8,218	7,846
Total held to maturity securities	$224,378	$214,158

	AMORTIZED	FAIR
	COST	VALUE
At September 30, 2017	(Dollars in Thousands)	
Due in one year or less	$1,483	$1,480
Due after one year through five years	17,926	18,160
Due after five years through ten years	144,996	147,832
Due after ten years	285,435	284,257
	449,840	451,729
Mortgage-backed securities	113,689	112,456
Total held to maturity securities	$563,529	$564,185

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NOTE 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments to extend credit which are not reflected in the accompanying consolidated financial statements.

At June 30, 2018 and September 30, 2017, unfunded loan commitments approximated $282.8 million and $233.2 million, respectively, excluding undisbursed portions of loans in process. Commitments, which are disbursed subject to certain limitations, extend over various periods of time. Generally, unused commitments are canceled upon expiration of the commitment term as outlined in each individual contract.

The Company had two commitments totaling $4.1 million to purchase a security at June 30, 2018 and none at September 30, 2017. The Company had no commitments to sell securities at June 30, 2018 or September 30, 2017.

At June 30, 2018, Meta Capital, LLC, a wholly-owned subsidiary of MetaBank, had $0.5 million in outstanding investment commitments.

The exposure to credit loss in the event of non-performance by other parties to financial instruments for commitments to extend credit is represented by the contractual amount of those instruments. The same credit policies and collateral requirements are used in making commitments and conditional obligations as are used for on-balance-sheet instruments.

Since certain commitments to make loans and to fund lines of credit and loans in process expire without being used, the amount does not necessarily represent future cash commitments. In addition, commitments used to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract.

Legal Proceedings

The Bank was served on April 15, 2013, with a lawsuit captioned Inter National Bank v. NetSpend Corporation, MetaBank, BDO USA, LLP d/b/a BDO Seidman, Cause No. C-2084-12-I filed in the District Court of Hidalgo County, Texas. The Plaintiff's Second Amended Original Petition and Application for Temporary Restraining Order and Temporary Injunction adds both MetaBank and BDO Seidman to the original causes of action against NetSpend. NetSpend acts as a prepaid card program manager and processor for both Inter National Bank ("INB") and MetaBank. According to the Petition, NetSpend has informed INB that the depository accounts at INB for the NetSpend program supposedly contained $10.5 million less than they should. INB alleges that NetSpend has breached its fiduciary duty by making affirmative misrepresentations to INB about the safety and stability of the program, and by failing to timely disclose the nature and extent of any alleged shortfall in settlement of funds related to cardholder activity and the nature and extent of NetSpend's systemic deficiencies in its accounting and settlement processing procedures. To the extent that an accounting reveals that there is an actual shortfall, INB alleges that MetaBank may be liable for portions or all of said sum due to the fact that funds have been transferred from INB to MetaBank, and thus MetaBank would have been unjustly enriched. The Bank is vigorously contesting this matter. In January 2014, NetSpend was granted summary judgment in this matter which is under appeal. Because the theory of liability against both NetSpend and the Bank is the same, the Bank views the NetSpend summary judgment as a positive in support of its position. An estimate of a range of reasonably possible loss cannot be made at this stage of the litigation because discovery is still being conducted.

The Bank was served, on October 14, 2016, with a lawsuit captioned Card Limited, LLC v. MetaBank dba Meta Payment Systems, Civil No. 2:16-cv-00980 in the United States District Court for the District of Utah. This action was initiated by a former prepaid program manager of the Bank, which was terminated by the Bank in fiscal year 2016. Card Limited alleges that after all of the programs were wound down, there were two accounts with a positive balance to which they are entitled. The Bank's position is that Card Limited is not entitled to the funds contained in said accounts. The total amount to which Card Limited claims it is entitled is $4.0 million. The Bank intends to vigorously

defend this claim. An estimate of a range of reasonably possible loss cannot be made at this stage of the litigation because discovery is still being conducted.

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On February 9, 2018, the Bank’s AFS/IBEX division filed a lawsuit in the United States District Court for the Eastern District of New York captioned AFS/IBEX, a division of MetaBank v. Aegis Managing Agency Limited ("AMA"), Aegis Syndicate 1225 (together with AMA, the "Aegis defendants"), CRC Insurance Services, Inc. ("CRC"), and Transportation Underwriters, Inc. The suit was filed against commercial insurance underwriters and brokers that facilitated the issuance of commercial insurance policies to Red Hook Construction Group-II, LLC (“Red Hook”). The Bank’s position is that both CRC and Transportation Underwriters represented to the Bank that, upon cancellation of the insurance policies prior to their stated terms, any unearned premiums would be refunded. The Bank then provided insurance premium financing to Red Hook, and Red Hook executed a written premium finance agreement pursuant to which Red Hook assigned its rights to any unearned premiums to the Bank. After the policies were cancelled, the Aegis defendants failed to return the unearned insurance premiums totaling just over $1.6 million owed to the Bank under the insurance policies and the premium finance agreement. A discovery schedule has been established and is scheduled to proceed until January 31, 2019. The Bank is seeking recovery of all amounts to which it is entitled at law or equity and intends to vigorously pursue its claims against the defendants.
From time to time, the Company or its subsidiaries are subject to certain legal proceedings and claims in the ordinary course of business. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While management currently believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company’s financial position or its results of operations, legal proceedings are inherently uncertain and unfavorable resolution of some or all of these matters could, individually or in the aggregate, have a material adverse effect on the Company’s and its subsidiaries’ respective businesses, financial condition or results of operations.

NOTE 7. STOCK COMPENSATION

The Company maintains the amended and restated Meta Financial Group, Inc. 2002 Omnibus Incentive Plan, as amended (the "2002 Omnibus Incentive Plan"), which, among other things, provides for the awarding of stock options and nonvested (restricted) shares to certain officers and directors of the Company. Awards are granted by the Compensation Committee of the Board of Directors based on the performance of the award recipients or other relevant factors.

Compensation expense for share-based awards is recorded over the vesting period at the fair value of the award at the time of the grant. The exercise price of options or fair value of non-vested (restricted) shares granted under the Company’s incentive plan is equal to the fair market value of the underlying stock at the grant date. The Company has elected, with the adoption of ASU 2016-09, to record forfeitures as they occur.

The following tables show the activity of options and nonvested (restricted) shares granted, exercised, or forfeited under the 2002 Omnibus Incentive Plan for the nine months ended June 30, 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
	(Dollars in Thousands, Except Per Share Data)			
Options outstanding, September 30, 2017	75,757	$ 22.62	2.28	$ 4,225
Granted	—	—	—	—
Exercised	(23,770)	16.45	—	1,909
Forfeited or expired	—	—	—	—
Options outstanding, June 30, 2018	51,987	$ 25.45	2.04	$ 3,741

Options exercisable, June 30, 2018	51,987	$ 25.45	2.04	$ 3,741

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(Dollars in Thousands, Except Per Share Data)	Number of Shares	Weighted Average Fair Value at Grant
Nonvested (restricted) shares outstanding, September 30, 2017	304,526	$ 86.96
Granted	64,071	92.58
Vested	(71,881)	86.17
Forfeited or expired	(1,191)	79.06
Nonvested (restricted) shares outstanding, June 30, 2018	295,525	$ 88.40

During the first and second quarters of fiscal 2017, stock awards were granted to the Company's three highest paid executive officers in connection with their signing of employment agreements with the Company. These stock awards vest over eight years.

At June 30, 2018, stock-based compensation expense not yet recognized in income totaled $14.9 million, which is expected to be recognized over a weighted average remaining period of 3.63 years.

NOTE 8. SEGMENT INFORMATION

An operating segment is generally defined as a component of a business for which discrete financial information is available and whose results are reviewed by the chief operating decision-maker. Operating segments are aggregated into reportable segments if certain criteria are met.

The Company reports its results of operations through the following three business segments: Payments, Banking, and Corporate Services/Other. Meta Payments Systems ("MPS"), Refund Advantage, EPS Financial ("EPS"), SCS, and other tax businesses are reported in the Payments segment. Community Banking and the Company's other lending divisions are reported in the Banking segment. Certain shared services, including the investment portfolio, wholesale deposits and borrowings, are included in Corporate Services/Other.

The Company reclassified goodwill, intangibles, related intangible amortization expense, and certain acquisition related expenses during fiscal year 2017 from the Corporate Services / Other segment to Payments and Banking based on how annual impairment testing is performed. Prior period amounts have also been reclassified to conform to the current year presentation.

The following tables present segment data for the Company for the three and nine months ended June 30, 2018 and 2017, respectively.

	Payments	Banking	Corporate Services/Other	Total
Three Months Ended June 30, 2018				
Interest income	$ 6,298	$ 19,085	$ 8,721	$ 34,104
Interest expense	—	1,008	4,685	5,693
Net interest income	6,298	18,077	4,036	28,411
Provision for loan losses	1,189	4,126	—	5,315
Non-interest income	31,307	1,318	600	33,225
Non-interest expense	27,796	7,172	14,085	49,053
Income (loss) before income tax expense (benefit)	8,620	8,097	(9,449)	7,268

Total assets	190,437	1,623,715	2,355,007	4,169,159
Total goodwill	87,145	11,578	—	98,723
Total deposits	2,641,838	241,572	638,223	3,521,633

	Payments	Banking	Corporate Services/Other	Total
Nine Months Ended June 30, 2018				
Interest income	$ 17,545	$ 52,615	$ 28,173	$ 98,333
Interest expense	1,645	2,821	11,855	16,321
Net interest income	15,900	49,794	16,318	82,012
Provision for loan losses	20,335	4,391	—	24,726
Non-interest income	155,082	4,044	786	159,912
Non-interest expense	99,592	20,723	41,277	161,592
Income (loss) before income tax expense (benefit)	51,055	28,724	(24,173)	55,606
Total assets	190,437	1,623,715	2,355,007	4,169,159
Total goodwill	87,145	11,578	—	98,723
Total deposits	2,641,838	241,572	638,223	3,521,633

	Payments	Banking	Corporate Services/Other	Total
Three Months Ended June 30, 2017				
Interest income	$ 3,576	$ 14,092	$ 11,193	$ 28,861
Interest expense	—	717	3,201	3,918
Net interest income	3,576	13,375	7,992	24,943
Provision for loan losses	352	888	—	1,240
Non-interest income	28,934	1,190	696	30,820
Non-interest expense	26,570	6,020	9,629	42,219
Income (loss) before income tax expense (benefit)	5,588	7,657	(941)	12,304
Total assets	196,717	1,245,840	2,577,136	4,019,693
Total goodwill	87,145	11,578	—	98,723
Total deposits	2,443,332	224,886	485,001	3,153,219

	Payments	Banking	Corporate Services/Other	Total
Nine Months Ended June 30, 2017				
Interest income	$ 9,800	$ 37,654	$ 31,700	$ 79,154
Interest expense	503	1,932	7,977	10,412
Net interest income	9,297	35,722	23,723	68,742
Provision for loan losses	8,566	2,166	—	10,732
Non-interest income	138,420	3,648	271	142,339
Non-interest expense	97,927	18,114	29,877	145,918
Income (loss) before income tax expense (benefit)	41,224	19,090	(5,883)	54,431
Total assets	196,717	1,245,840	2,577,136	4,019,693
Total goodwill	87,145	11,578	—	98,723
Total deposits	2,443,332	224,886	485,001	3,153,219

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NOTE 9. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

This ASU requires organizations to replace the incurred loss impairment methodology with a methodology reflecting expected credit losses with considerations for a broader range of reasonable and supportable information to substantiate credit loss estimates. This ASU is effective for annual reporting periods beginning after December 15, 2019. The Company has been analyzing its data and has taken measures to ensure its systems capture data applicable to the standard. In addition, the Company is undergoing a readiness assessment with an external consultant that began in the first quarter of fiscal 2018. The Company has chosen a vendor for a software solution and has begun the implementation of the software.

ASU No. 2016-02, Leases (Topic 842): Amendments to the Leases Analysis

This ASU requires organizations to recognize lease assets and lease liabilities on the balance sheet, along with disclosing key information about leasing arrangements. This update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The Company is expanding its initial assessment of the ASU due to the Crestmark acquisition and the Company still expects that the standard will be immaterial to its consolidated financial statements with the Company's leases.

ASU No. 2014-09, Revenue Recognition - Revenue from Contracts with Customers (Topic 606)

This ASU provides guidance on when to recognize revenue from contracts with customers. The objective of this ASU is to eliminate diversity in practice related to this topic and to provide guidance that would streamline and enhance revenue recognition requirements. The ASU defines five steps to recognize revenue, including identify the contract with a customer, identify the performance obligations in the contract, determine a transaction price, allocate the transaction price to the performance obligations and then recognize the revenue when or as the entity satisfies a performance obligation. This update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and the Company is currently assessing all income streams, including different prepaid card programs, so as to ascertain how revenues, including breakage, will be recognized under the standard.

ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

This ASU addresses eight classification issues related to the statement of cash flows including: debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and the Company expects the impact to its consolidated financial statements to be minimal.

ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities

This ASU requires entities to shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments in this update require the premium to be amortized to the earliest call date. The

amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and will not have a material impact on the Company's consolidated financial statements.

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ASU 2017-12, Receivables - Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities
This ASU targets improving the accounting treatment for hedging activities and provides more flexibility in defining what can be hedged, while reducing earnings volatility due to ineffective hedges, and minimizing documentation requirements. The ASU also offers the ability to reclassify prepayable debt securities from HTM to AFS and subsequently sell the securities, as long as the securities are eligible to be hedged. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted in any interim period or fiscal year before the effective date. The Company early adopted ASU 2017-12 as of October 1, 2017. The Company reclassified certain prepayable debt securities from HTM to AFS during the first quarter of fiscal 2018. See Note 5 to the Notes to Condensed Consolidated Financial Statements for additional information on the securities reclassified.

ASU 2016-01, Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities

This ASU allows equity investments that do not have a readily determinable fair value to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The ASU also requires enhanced disclosure about those investments. The ASU simplifies the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. Entities that are required to disclose the fair value of financial instruments measured at amortized cost on the balance sheet are required to use the exit price notion consistent with Topic 820, Fair Value Measurement. This update will be effective for annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the potential impact of ASU 2016-01 on its consolidated financial statements and does not deem impact will be material.

NOTE 10. FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, Fair Value Measurements defines fair value, establishes a framework for measuring the fair value of assets and liabilities using a hierarchy system and requires disclosures about fair value measurement. It clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts.

The fair value hierarchy is as follows:

Level 1 Inputs - Valuation is based upon quoted prices for identical instruments traded in active markets that the Company has the ability to access at measurement date.

Level 2 Inputs - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which significant assumptions are observable in the market.

Level 3 Inputs - Valuation is generated from model-based techniques that use significant assumptions not observable in the market and are used only to the extent that observable inputs are not available. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Securities Available for Sale and Held to Maturity. Securities available for sale are recorded at fair value on a recurring basis and securities held to maturity are carried at amortized cost. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using an independent pricing service. For both Level 1 and Level 2 securities, management uses various methods and techniques to corroborate prices obtained from the pricing service, including but not limited to reference to dealer or other market quotes, and by reviewing valuations of comparable instruments. The Company's Level 1 securities include equity securities and mutual funds. Level 2 securities include U.S. Government agency and instrumentality securities, U.S. Government agency and instrumentality mortgage-backed securities, municipal bonds and corporate debt securities. The Company had no Level 3 securities at June 30, 2018 or September 30, 2017.

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The fair values of securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs), or valuation based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model based valuation techniques for which significant assumptions are observable in the market (Level 2 inputs). The Company considers these valuations supplied by a third party provider which utilizes several sources for valuing fixed-income securities. These sources include Interactive Data Corporation, Reuters, Standard and Poor's, Bloomberg Financial Markets, Street Software Technology, and the third party provider's own matrix and desk pricing. The Company, no less than annually, reviews the third party's methods and source's methodology for reasonableness and to ensure an understanding of inputs utilized in determining fair value. Sources utilized by the third party provider include but are not limited to pricing models that vary based by asset class and include available trade, bid, and other market information. This methodology includes but is not limited to broker quotes, proprietary models, descriptive terms and conditions databases, as well as extensive quality control programs. Monthly, the Company receives and compares prices provided by multiple securities dealers and pricing providers to validate the accuracy and reasonableness of prices received from the third party provider. On a monthly basis, the Investment Committee reviews mark-to-market changes in the securities portfolio for reasonableness.

The following table summarizes the fair values of securities available for sale and held to maturity at June 30, 2018 and September 30, 2017. Securities available for sale are measured at fair value on a recurring basis, while securities held to maturity are carried at amortized cost in the consolidated statements of financial condition.

	Fair Value At June 30, 2018							
	Available For Sale				Held to Maturity			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Debt securities								
Small business administration securities	50,959	—	50,959	—	—	—	—	—
Obligations of states and political subdivisions	14,370	—	14,370	—	3,826	—	3,826	—
Non-bank qualified obligations of states and political subdivisions	1,083,474	—	1,083,474	—	202,486	—	202,486	—
Asset-backed securities	200,839	—	200,839	—	—	—	—	—
Mortgage-backed securities	575,999	—	575,999	—	7,846	—	7,846	—
Total debt securities	1,925,641	—	1,925,641	—	214,158	—	214,158	—
Common equities and mutual funds	1,896	1,896	—	—	—	—	—	—
Total securities	$1,927,537	$1,896	$1,925,641	$ —	$214,158	$ —	$214,158	$ —

	Fair Value At September 30, 2017							
	Available For Sale				Held to Maturity			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Debt securities								
Small business administration securities	57,871	—	57,871	—	—	—	—	—
Obligations of states and political subdivisions	—	—	—	—	19,368	—	19,368	—
Non-bank qualified obligations of states and political subdivisions	950,829	—	950,829	—	432,361	—	432,361	—
Asset-backed securities	96,832	—	96,832	—	—	—	—	—
Mortgage-backed securities	586,454	—	586,454	—	112,456	—	112,456	—
Total debt securities	1,691,986	—	1,691,986	—	564,185	—	564,185	—
Common equities and mutual funds	1,445	1,445	—	—	—	—	—	—
Total securities	$1,693,431	$1,445	$1,691,986	$ —	$564,185	$ —	$564,185	$ —

Loans. The Company does not record loans at fair value on a recurring basis. However, if a loan is considered impaired, an allowance for loan losses is established. Once a loan is identified as individually impaired, management measures impairment in accordance with ASC 310, Receivables.

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The following table summarizes the assets of the Company that were measured at fair value in the consolidated statements of financial condition on a non-recurring basis as of June 30, 2018 and September 30, 2017.

	Fair Value At June 30, 2018			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3
Impaired Loans, net				
1-4 family residential mortgage loans	$110	$ —	$ —	$110
Total Impaired Loans	110	—	—	110
Foreclosed Assets, net	$29,922	$ —	$ —	$29,922
Total	$30,032	$ —	$ —	$30,032

	Fair Value At September 30, 2017			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3
Foreclosed Assets, net	292	—	—	292
Total	$292	$ —	$ —	$292

	Quantitative Information About Level 3 Fair Value Measurements				
(Dollars in Thousands)	Fair Value at June 30, 2018	Fair Value at September 30, 2017	Valuation Technique	Unobservable Input	Range of Inputs
Impaired Loans, net	$110	—	Market approach	Appraised values [(1)]	4.00 - 10.00%
Foreclosed Assets, net	$29,922	292	Market approach	Appraised values [(1)]	4.00 - 10.00%

(1) The Company generally relies on external appraisers to develop this information. Management reduced the appraised value by estimating selling costs in a range of 4% to 10%.

The following table discloses the Company’s estimated fair value amounts of its financial instruments as of the dates set forth below. It is management’s belief that the fair values presented below are reasonable based on the valuation techniques and data available to the Company as of June 30, 2018 and September 30, 2017, as more fully described below. The operations of the Company are managed from a going concern basis and not a liquidation basis. As a result, the ultimate value realized for the financial instruments presented could be substantially different when actually recognized over time through the normal course of operations. Additionally, a substantial portion of the Company’s inherent value is the Bank’s capitalization and franchise value. Neither of these components have been given consideration in the presentation of fair values below.

The following presents the carrying amount and estimated fair value of the financial instruments held by the Company at June 30, 2018 and September 30, 2017.

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	June 30, 2018				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)				
Financial assets					
Cash and cash equivalents	$ 71,276	$ 71,276	$ 71,276	$ —	$ —
Securities available for sale	1,927,537	1,927,537	1,896	1,925,641	—
Securities held to maturity	224,378	214,158	—	214,158	—
Total securities	2,151,915	2,141,695	1,896	2,139,799	—
Loans receivable:					
One to four family residential mortgage loans	214,754	213,285	—	—	213,285
Commercial and multi-family real estate loans	716,495	706,662	—	—	706,662
Agricultural real estate loans	35,475	34,821	—	—	34,821
Consumer loans	258,158	274,871	—	—	274,871
Commercial operating loans	46,069	45,505	—	—	45,505
Agricultural operating loans	24,621	24,423	—	—	24,423
CML insurance premium finance loans	303,603	302,898	—	—	302,898
Total loans receivable	1,599,175	1,602,465	—	—	1,602,465
Federal Home Loan Bank stock	7,446	7,446	—	7,446	—
Accrued interest receivable	17,825	17,825	17,825	—	—
Financial liabilities					
Non-interest bearing demand deposits	2,637,987	2,637,987	2,637,987	—	—
Interest bearing demand deposits, savings, and money markets	205,536	205,536	205,536	—	—
Certificates of deposit	57,151	56,381	—	56,381	—
Wholesale non-maturing deposits	74,061	74,061	74,061	—	—
Wholesale certificates of deposit	546,898	546,155	—	546,155	—
Total deposits	3,521,633	3,520,120	2,917,584	602,536	—
Federal funds purchased	24,000	24,000	24,000	—	—
Securities sold under agreements to repurchase	3,226	3,226	—	3,226	—
Capital lease	1,892	1,892	—	1,892	—
Trust preferred securities	10,310	10,464	—	10,464	—
Subordinated debentures	73,442	75,188	—	75,188	—
Accrued interest payable	3,705	3,705	3,705	—	—

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	September 30, 2017				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)				
Financial assets					
Cash and cash equivalents	$1,267,586	$1,267,586	$1,267,586	$ —	$ —
Securities available for sale	1,693,431	1,693,431	1,445	1,691,986	—
Securities held to maturity	563,529	564,185	—	564,185	—
Total securities	2,256,960	2,257,616	1,445	2,256,171	—
Loans receivable:					
One to four family residential mortgage loans	196,706	196,970	—	—	196,970
Commercial and multi-family real estate loans	585,510	576,330	—	—	576,330
Agricultural real estate loans	61,800	61,584	—	—	61,584
Consumer loans	163,004	163,961	—	—	163,961
Commercial operating loans	35,759	35,723	—	—	35,723
Agricultural operating loans	33,594	32,870	—	—	32,870
CML insurance premium finance loans	250,459	250,964	—	—	250,964
Total loans receivable	1,326,832	1,318,402	—	—	1,318,402
Federal Home Loan Bank stock	61,123	61,123	—	61,123	—
Accrued interest receivable	19,380	19,380	19,380	—	—
Financial liabilities					
Non-interest bearing demand deposits	2,454,057	2,454,057	2,454,057	—	—
Interest bearing demand deposits, savings, and money markets	169,557	169,557	169,557	—	—
Certificates of deposit	123,637	123,094	—	123,094	—
Wholesale non-maturing deposits	18,245	18,245	18,245	—	—
Wholesale certificates of deposits	457,928	457,509	—	457,509	—
Total deposits	3,223,424	3,222,462	2,641,859	580,603	—
Advances from Federal Home Loan Bank	415,000	415,003	—	415,003	—
Federal funds purchased	987,000	987,000	987,000	—	—
Securities sold under agreements to repurchase	2,472	2,472	—	2,472	—
Capital lease	1,938	1,938	—	1,938	—
Trust preferred securities	10,310	10,447	—	10,447	—
Subordinated debentures	73,347	76,500	—	76,500	—
Accrued interest payable	2,280	2,280	2,280	—	—

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company's financial instruments at June 30, 2018 and September 30, 2017.

CASH AND CASH EQUIVALENTS

The carrying amount of cash and short-term investments is assumed to approximate the fair value.

SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY

Securities available for sale are recorded at fair value on a recurring basis and securities held to maturity are carried at amortized cost. Fair values for investment securities are based on obtaining quoted prices on nationally recognized securities exchanges, or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities.

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LOANS RECEIVABLE, NET
The fair value of loans is estimated using a historical or replacement cost basis concept (i.e., an entrance price concept). The fair value of loans was estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers and for similar remaining maturities. When using the discounting method to determine fair value, homogeneous loans with similar terms and conditions were grouped together and discounted at a target rate at which similar loans would be made to borrowers at June 30, 2018 or September 30, 2017. In addition, when computing the estimated fair value for all loans, allowances for loan losses have been subtracted from the calculated fair value as a result of the discounted cash flow which approximates the fair value adjustment for the credit quality component.

FEDERAL HOME LOAN BANK ("FHLB") STOCK
The fair value of FHLB stock is assumed to approximate book value since the Company is only able to redeem this stock at par value.

ACCRUED INTEREST RECEIVABLE
The carrying amount of accrued interest receivable is assumed to approximate the fair value.

DEPOSITS
The carrying values of non-interest bearing checking deposits, interest bearing checking deposits, savings, money markets, and wholesale non-maturing deposits are assumed to approximate fair value, since such deposits are immediately withdrawable without penalty. The fair value of time certificates of deposit and wholesale certificates of deposit were estimated by discounting expected future cash flows by the current rates offered on certificates of deposit with similar remaining maturities.

In accordance with ASC 825, Financial Instruments, no value has been assigned to the Company's long-term relationships with its deposit customers (core value of deposits intangible) since such intangibles are not financial instruments as defined under ASC 825.

ADVANCES FROM FHLB
The fair value of such advances was estimated by discounting the expected future cash flows using current interest rates for advances with similar terms and remaining maturities.

FEDERAL FUNDS PURCHASED
The carrying amount of federal funds purchased is assumed to approximate the fair value.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND SUBORDINATED DEBENTURES
The fair value of these instruments was estimated by discounting the expected future cash flows using derived interest rates approximating market over the contractual maturity of such borrowings.

ACCRUED INTEREST PAYABLE
The carrying amount of accrued interest payable is assumed to approximate the fair value.

LIMITATIONS
Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument. Additionally, fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business, customer relationships and the value of assets and liabilities that are not considered financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time. Furthermore, since no market exists for certain of the Company's financial instruments, fair value

estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with a high level of precision. Changes in assumptions as well as tax considerations could significantly affect the estimates. Accordingly, based on the limitations described above, the aggregate fair value estimates are not intended to represent the underlying value of the Company, on either a going concern or a liquidation basis.

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NOTE 11. GOODWILL AND INTANGIBLE ASSETS

The Company held a total of $98.7 million of goodwill as of June 30, 2018. The recorded goodwill was due to two separate business combinations during fiscal 2015 and two separate business combinations during the first quarter of fiscal 2017. The fiscal 2015 business combinations included $11.6 million of goodwill in connection with the purchase of substantially all of the commercial loan portfolio and related assets of AFS/IBEX on December 2, 2014 and $25.4 million of goodwill in connection with the purchase of substantially all of the assets and liabilities of Refund Advantage on September 8, 2015. The fiscal 2017 business combinations included $30.4 million of goodwill in connection with the purchase of substantially all of the assets of EPS Financial, LLC on November 1, 2016, and $31.4 million of goodwill in connection with the purchase of substantially all of the assets and specified liabilities of Specialty Consumer Services LP on December 14, 2016. The goodwill associated with these transactions is deductible for tax purposes.

The changes in the carrying amount of the Company's goodwill and intangible assets for the nine months ended June 30, 2018 and 2017 were as follows:

Nine Months Ended June 30,	2018	2017
	(Dollars in Thousands)	
Goodwill		
Beginning balance	$98,723	$36,928
Acquisitions during the period	—	61,795
Write-offs during the period	—	—
Ending balance	$98,723	$98,723

	Trademark[1]	Non-Compete[2]	Customer Relationships[3]	All Others[4]	Total
Intangibles					
Balance as of September 30, 2017	$10,051	$ 1,782	$ 31,707	$8,638	$52,178
Acquisitions during the period	—	—	—	85	85
Amortization during the period	(477)	(367)	(4,548)	(685)	(6,077)
Write-offs during the period	—	—	—	(88)	(88)
Balance as of June 30, 2018	$9,574	$ 1,415	$ 27,159	$7,950	$46,098
Gross carrying amount	$10,990	$ 2,480	$ 57,810	$10,587	$81,867
Accumulated amortization	(1,416)	(1,065)	(20,403)	(2,020)	(24,904)
Accumulated impairment	—	—	(10,248)	(617)	(10,865)
Balance as of June 30, 2018	$9,574	$ 1,415	$ 27,159	$7,950	$46,098

[1] Book amortization period of 5-15 years. Amortized using the straight line and accelerated methods.
[2] Book amortization period of 3-5 years. Amortized using the straight line method.
[3] Book amortization period of 10-30 years. Amortized using the accelerated method.
[4] Book amortization period of 3-20 years. Amortized using the straight line method.

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	Trademark[1]	Non-Compete[2]	Customer Relationships[3]	All Others[4]	Total
Intangibles					
Balance as of September 30, 2016	$5,149	$ 127	$ 20,590	$3,055	$28,921
Acquisitions during the period	5,500	2,180	31,770	6,922	46,372
Amortization during the period	(442)	(371)	(9,084)	(598)	(10,495)
Write-offs during the period	—	—	—	—	—
Balance as of June 30, 2017	$10,207	$ 1,936	$ 43,276	$9,379	$64,798
Gross carrying amount	$10,990	$ 2,480	$ 57,810	$10,478	$81,758
Accumulated amortization	(783)	(544)	(14,534)	(1,099)	(16,960)
Balance as of June 30, 2017	$10,207	$ 1,936	$ 43,276	$9,379	$64,798

(1) Book amortization period of 15 years. Amortized using the straight line and accelerated methods.
(2) Book amortization period of 3 years. Amortized using the straight line method.
(3) Book amortization period of 10-30 years. Amortized using the accelerated method.
(4) Book amortization period of 3-20 years. Amortized using the straight line method.

The estimated amortization expense of intangible assets assumes no activities, such as acquisitions, which would result in additional amortizable intangible assets. Estimated amortization expense of intangible assets in the remaining three months of fiscal 2018 and subsequent fiscal years is as follows:

	(Dollars in Thousands)
Remaining in 2018	$ 1,632
2019	7,151
2020	5,753
2021	5,184
2022	4,262
2023	3,624
Thereafter	18,492
Total anticipated intangible amortization	$ 46,098

The Company tests intangible assets for impairment at least annually or more often if conditions indicate a possible impairment. There were no impairments to intangible assets during the three and nine months ended June 30, 2018 or 2017. The annual goodwill impairment test for fiscal 2018 will be conducted at September 30, 2018.

NOTE 12. INCOME TAXES

Income tax expense for the nine months ended June 30, 2018 was $12.7 million, resulting in an effective tax rate of 22.9%, compared to $11.3 million, or an effective tax rate of 20.7%, for the nine months ended June 30, 2017.

The Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017. The Tax Act has a significant impact on the U.S. corporate income tax regime by lowering the U.S. corporate tax rate from 35% to 21% effective for taxable years beginning on or after January 1, 2018 in addition to implementing numerous other changes. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted.

As a result of the Tax Act, the Company remeasured its deferred tax assets and deferred tax liabilities during its fiscal 2018 first quarter, resulting in additional income tax expense of $3.6 million. As the Company’s fiscal year end ends on September 30, the statutory corporate rate for fiscal 2018 will be prorated to 24.53%.

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In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance regarding how a company is to reflect provisional amounts when necessary information is not yet available, prepared or analyzed sufficiently to complete its accounting for the effect of the changes in the Tax Act. The income tax expense of $3.6 million recorded during the fiscal 2018 first quarter represented all then-known and estimable impacts of the Tax Act and is a provisional amount based on the Company's current best estimate. This provisional amount incorporates assumptions made based upon the Company's then-current interpretations of the Tax Act and may change as the Company receives additional clarification and implementation guidance, and as data becomes available allowing for a more accurate scheduling of the deferred tax assets and liabilities, including those related to items potentially impacted by the Tax Act such as fixed assets and employee compensation. Adjustments to this provisional amount through December 22, 2018 will be included in income from operations as an adjustment to tax expense in future periods.

NOTE 13. REGULATORY MATTERS

On January 5, 2015, the Federal Deposit Insurance Corporation ("FDIC") published industry guidance in the form of Frequently Asked Questions ("FAQs") with respect to the categorization of deposit liabilities as "brokered" deposits. On November 13, 2015, the FDIC issued for comment updated and annotated FAQs, and on June 30, 2016, the FDIC finalized the FAQs. The Company believes that the final FAQs do not materially impact the processes that it uses to identify, accept and report brokered deposits. On April 26, 2016, the FDIC issued a final rule to amend how small banks (less than $10 billion in assets that have been FDIC insured for at least five years) are assessed for deposit insurance (the "Final Rule"). The Final Rule imposes higher assessments for banks that the FDIC believes present higher risk profiles. The Final Rule became effective with the Bank's December 2016 assessment invoice, which the Company received in March 2017.

Due to the Bank's status as a "well-capitalized" institution under the FDIC's prompt corrective action regulations, and further with respect to the Bank's financial condition in general, the Company does not at this time anticipate that either the FAQs or the Final Rule will have a material adverse impact on the Company's business operations. However, should the Bank ever fail to be well-capitalized in the future, as a result of failing to meet the well-capitalized requirements, or the imposition of an individual minimum capital requirement or similar formal requirements, then, notwithstanding that the Bank has capital in excess of the well-capitalized minimum requirements, the Bank would be prohibited, absent waiver from the FDIC, from utilizing brokered deposits (i.e., may not accept, renew or rollover brokered deposits), which could produce serious adverse effects on the Company's liquidity, and financial condition and results of operations. Similarly, should the Bank's financial condition in general deteriorate, future FDIC assessments could have a material adverse effect on the Company.

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NOTE 14. SUBSEQUENT EVENTS

In mid-July, 2018, the Company entered into a first-out participation agreement in a highly secured, consumer receivable asset-based warehouse line of credit. The Company holds a senior position providing up to $65.0 million with the subordinate party contributing up to $100.0 million, thereby enhancing the Company’s position with significant subordination.

As previously disclosed, on January 9, 2018, Meta and MetaBank, entered into an Agreement and Plan of Merger (the “merger agreement”), with Crestmark Bancorp, Inc., a Michigan corporation (“Crestmark”), and Crestmark Bank, a Michigan state-chartered bank and a wholly-owned subsidiary of Crestmark (“Crestmark Bank”). On August 1, 2018, pursuant to the merger agreement, upon the terms and subject to the conditions set forth therein, Crestmark merged with and into Meta, with Meta as the surviving entity (the “merger”), and, immediately thereafter, pursuant to the terms of a separate merger agreement between MetaBank and Crestmark Bank, Crestmark Bank merged with and into MetaBank, with MetaBank surviving as Meta’s wholly-owned subsidiary. Under the terms of the merger agreement, at the effective time of the merger, (i) each share of Crestmark common stock converted into the right to receive 2.65 shares of Meta common stock and (ii) each outstanding option to purchase Crestmark common stock was canceled and converted into the right to receive an amount in cash. The aggregate value of the acquisition, based on the closing price of Meta shares on July 31, 2018 of $89.45, was $316.1 million.

Effective as of the closing of the merger, W. David Tull, Crestmark’s Chairman and Chief Executive Officer, and Michael R. Kramer, a member at the law firm Dickinson Wright, PLLC, were appointed to the Board of Directors of Meta and MetaBank, and Mick Goik, President and Chief Operating Officer of Crestmark, was named Executive Vice President of MetaBank and President of the Meta Commercial Finance Division, which includes Crestmark. Crestmark will continue to operate from its headquarters in Troy, Michigan.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

META FINANCIAL GROUP, INC®.
AND SUBSIDIARIES

FORWARD LOOKING STATEMENTS

Meta Financial Group, Inc.®, ("Meta Financial" or "the Company" or "us") and its wholly-owned subsidiary, MetaBank® (the "Bank" or "MetaBank"), may from time to time make written or oral "forward-looking statements," including statements contained in this Quarterly Report on Form 10-Q, in its other filings with the Securities and Exchange Commission ("SEC"), in its reports to stockholders, and in other communications by the Company and the Bank, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

You can identify forward-looking statements by words such as "may," "hope," "will," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," "could," "future," or the negative of those terms, or other wo similar meaning or similar expressions. You should carefully read statements that contain these words because they discuss our future expectations or state other "forward-looking" information. These forward-looking statements are based on information currently available to us and assumptions about future events, and include statements with respect to the Company's beliefs, expectations, estimates, and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. Such risks, uncertainties and other factors may cause our actual growth, results of operations, financial condition, cash flows, performance and business prospects and opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Such statements address, among others, the following subjects: statements regarding the potential benefits of, and other expectations for the Company giving effect to, the merger with Crestmark; future operating results; customer retention; loan and other product demand; important components of the Company's statements of financial condition and operations; the Company's expected recoveries with respect to its purchased student loan portfolios and the estimated impact on the Company's provision for loan losses; anticipated realized pre-tax yields, net of provision for credit losses and direct servicing costs, with respect to its purchased student loan portfolios; growth and expansion; new products and services, such as those offered by MetaBank or MPS, a division of MetaBank; credit quality and adequacy of reserves; technology; and the Company's employees. The following factors, among others, could cause the Company's financial performance and results of operations to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: the risk that the businesses of Meta and MetaBank, on the one hand, and Crestmark and Crestmark Bank, on the other hand, may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected; the expected growth opportunities, beneficial synergies and/or operating efficiencies from the merger with Crestmark may not be fully realized or may take longer to realize than expected; customer losses and business disruption following the merger with Crestmark; potential litigation or regulatory actions relating to the merger transaction; the risk that the Company may incur unanticipated or unknown losses or liabilities as a result of the merger with Crestmark; the risk that the amount of recoveries with respect to the Company's purchased student loan portfolios, whether as a result of the ReliaMax liquidation plan, the state insurance guarantee fund or otherwise, is less than expected (including that the Company does not recover any such amounts at all); the risk that the Company may recognize loan losses or direct servicing costs in excess of the Company's estimates, whether as a result of the ReliaMax liquidation proceeding or otherwise; actual changes in interest rates and the Fed Funds rate; additional changes in tax laws; maintaining our executive management team; the strength of the United States' economy, in general, and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), as well as efforts of the United States Treasury in conjunction with bank regulatory agencies to stimulate the economy and protect the financial system; inflation,

interest rate, market, and monetary fluctuations; the timely development and acceptance of new products and services offered by the Company or its strategic partners, as well as risks (including reputational and litigation) attendant thereto, and the perceived overall value of these products and services by users; the risks of dealing with or utilizing third parties; any actions which may be initiated by our regulators in the future; the impact of changes in financial services laws and regulations, including, but not limited to, laws and regulations relating to the tax refund industry and the insurance premium finance industry; our relationship with our primary regulators, the Office of the Comptroller of the Currency and the Federal Reserve, as well as the Federal Deposit Insurance Corporation, which insures MetaBank's deposit accounts up to applicable limits; technological changes, including, but not limited to, the protection of electronic files or databases; acquisitions; litigation risk, in general, including, but not limited to, those risks involving MetaBank's divisions; the growth of the Company's business, as well as expenses related thereto; continued maintenance by MetaBank of its status as a well-capitalized institution, particularly in light of our growing deposit base, a portion of which has been characterized as "brokered"; changes in consumer spending and saving habits; and the success of the Company at maintaining its high-quality asset level and managing and collecting assets of borrowers in default should problem assets increase.

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The foregoing list of factors is not exclusive. We caution you not to place undue reliance on these forward-looking statements. The forward-looking statements included in this Quarterly Report speak only as of the date hereof. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Additional discussions of factors affecting the Company’s business and prospects are included under the caption "Risk Factors" and in other sections of the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and in other filings made with the SEC. The Company expressly disclaims any intent or obligation to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Company or its subsidiaries, whether as a result of new information, changed circumstances or future events or for any other reason.

GENERAL

The Company, a registered unitary savings and loan holding company, is a Delaware corporation, the principal assets of which are all the issued and outstanding shares of the Bank, a federal savings bank. Unless the context otherwise requires, references herein to the Company include Meta Financial and the Bank, and all direct or indirect subsidiaries of Meta Financial on a consolidated basis.

The Company’s common stock trades on the NASDAQ Global Select Market under the symbol “CASH.”

The following discussion focuses on the consolidated financial condition of the Company at June 30, 2018, compared to September 30, 2017, and the consolidated results of operations for the three and nine months ended June 30, 2018 and 2017. This discussion should be read in conjunction with the Company’s consolidated financial statements, and notes thereto, for the year ended September 30, 2017 and the related management's discussion and analysis of financial condition and results of operations contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Highlights for the 2018 Fiscal Third Quarter Ended June 30, 2018

Total loans receivable, net of allowance for loan losses, increased $366.0 million, or 30%, at June 30, 2018, compared to June 30, 2017.

The Company successfully launched two consumer credit product programs, and loan originations from those programs totaled $27.0 million for the three months ended June 30, 2018. The Company anticipates its consumer credit originations to exceed $45.0 million in the fourth quarter of fiscal 2018. As previously announced, a program with CURO Group Holdings Corp is expected to pilot launch during the latter part of the fiscal fourth quarter of 2018, but the Company anticipates limited volumes from that program for the fourth quarter. In addition, the Company has negotiated a three-year agreement with one of the nation's largest mortgage companies to originate up to $1 billion of consumer installment loans over the term of the contract, and also expects to launch this new program during the fiscal fourth quarter.

Net interest income was $28.4 million in the 2018 fiscal third quarter, an increase of $3.5 million, or 14%, compared to $24.9 million in the 2017 fiscal third quarter.

The Company recorded a provision for loan losses of $5.3 million for the three months ended June 30, 2018, compared to $1.2 million for the same period of the prior year. The provision for the 2018 fiscal third quarter includes a $3.0 million provision for loan losses related to the Company's purchased student loan portfolios. Provision for loan losses related to tax services loans increased $0.8 million to $1.2 million for the three months ended June 30, 2018 compared to the same period of the prior year. For a more detailed discussion of the purchased student loan portfolios

provision for loan losses, see "Business Updates" below.

Tax product fee income increased $1.6 million, or 29%, from $5.7 million for the three months ended June 30, 2017 to $7.3 million for the three months ended June 30, 2018.

Payments division average deposits increased $207.5 million, or 9%, for the 2018 fiscal third quarter when compared to the same quarter of fiscal 2017.

Non-performing assets (“NPAs”) were 0.86% of total assets at June 30, 2018, compared to 1.17% at June 30, 2017.

BUSINESS UPDATES

On June 18, 2018, the Company received written notification from ReliaMax Surety Company ("ReliaMax"), the entity that provided insurance for the Company's purchased student loans, informing policy holders that the South Dakota Division of Insurance filed a petition to have ReliaMax declared insolvent and to adapt a plan of liquidation. An Order of Liquidation was entered on June 27, 2018 by the Sixth Circuit Court in Hughes County, South Dakota, declaring ReliaMax insolvent and appointing the South Dakota Division of Insurance as liquidator to adapt a plan of liquidation. The Company expects to ultimately recover a substantial portion of the unearned premiums and anticipates realized pre-tax yields, net of on-going provision for credit losses and direct servicing costs, for the portfolios to range between 5.50% and 7.50%. However, the Company expects to recognize ongoing provision expense of $0.6 million to $0.8 million per quarter on its purchased student loan portfolios until the recovery is collected, which could be a year or longer.

In mid-July, 2018, the Company entered into a first-out participation agreement in a highly secured, consumer receivable asset-based warehouse line of credit. The Company holds a senior position, providing up to $65.0 million, with the subordinate party contributing up to $100.0 million. The Company expects to realize a variable yield with a floor of 6%.

On August 1, 2018, Meta completed the acquisition of Crestmark and its bank subsidiary, Crestmark Bank. Pursuant to the terms of the transaction, Crestmark shareholders are entitled to receive 2.65 shares of Meta common stock for each share of Crestmark common stock. The aggregate value of the acquisition, based on the closing price of Meta shares on July 31, 2018 of $89.45, was $316.1 million. See Note 14 to the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference, for a more detailed discussion of the completed acquisition of Crestmark.

Meta Capital, LLC, a wholly-owned subsidiary of MetaBank formed in April 2017, was established by the Company to help drive innovation by evaluating and investing primarily in financial technology companies. Through June 30, 2018, Meta Capital, LLC has invested a total of $5.0 million in early-to mid-stage financial technology companies, with an additional $0.5 million in outstanding investment commitments.

Meta believes that the consumer lending agreements will position the Company to capitalize on the Company's national deposit base and distribution channels, as well as allow the Company to leverage its Specialty Consumer Services team and Meta's balance sheet to generate significantly higher margins from these products relative to other Meta lending products. These consumer credit programs are expected to generate positive earnings effects in fiscal 2019, and the Company expects to see further income growth in fiscal 2020 as programs scale and even greater efficiencies are expected to take hold. Accordingly, the new agreements announced in fiscal 2018 are expected to require upfront investment to generate future higher returns. By leveraging the leadership and talent at its Specialty Consumer Services group, as well as its origination and decision science platform, the Company expects to develop channels of consumer loan originations with prudent risk management and credit structuring. Generally, credit structuring may include influence of the seniority of Meta’s position within the cash flow waterfall as well as other credit enhancement protections.

FINANCIAL CONDITION

At June 30, 2018, the Company’s total assets decreased by $1.06 billion, or 20%, to $4.17 billion compared to $5.23 billion at September 30, 2017, due to a significant reduction in cash and cash equivalents that was partially offset by an increase in loans receivables.

Total cash and cash equivalents was $71.3 million at June 30, 2018, a decrease of $1.20 billion, or 94%, from $1.27 billion at September 30, 2017. The decrease was primarily the result of the Company's decreased balances maintained at other banking institutions. The Company maintains its cash investments primarily in interest-bearing overnight deposits with the FHLB of Des Moines and the Federal Reserve Bank. At September 30, 2017 and December 31, 2017, the Company temporarily repositioned the balance sheet to prepare for the upcoming seasonal tax lending activity.

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The total investment portfolio decreased $105.0 million, or 5%, to $2.15 billion at June 30, 2018, compared to $2.26 billion at September 30, 2017, as maturities, sales, and principal pay downs exceeded purchases. The Company's portfolio of investment securities and mortgage-backed securities ("MBS") consists primarily of U.S. Government agency and instrumentality MBS, U.S. Government related asset backed securities, U.S. Government agency or instrumentality collateralized housing related municipal securities, and high quality non-bank qualified obligations of states and political subdivisions ("NBQ"). Of the total MBS, $576.0 million were classified as available for sale, and $8.2 million were classified as held to maturity. Of the total investment securities, $1.35 billion were classified as available for sale and $216.2 million were classified as held to maturity. During the nine month period ended June 30, 2018, the Company purchased $311.6 million of investment securities available for sale, $111.2 million MBS securities, and no investment securities held to maturity.

During the first quarter of fiscal 2018, the Company early adopted Accounting Standard Update ("ASU") 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. Due to the early adoption of the ASU, the Company transferred $204.7 million of investment securities and $101.3 million of MBS from HTM to AFS during the first quarter of fiscal 2018. This change allows for enhanced balance sheet management and provides the opportunity for more liquidity, should it be needed.

The Company's portfolio of net loans receivable increased $257.5 million, or 20%, to $1.58 billion at June 30, 2018, from $1.32 billion at September 30, 2017. This increase was primarily attributable to a $131.0 million, or 22%, increase in commercial real estate loans, a $95.2 million, or 58%, increase in consumer loans, largely due to the purchased student loan portfolios and consumer credit products, a $53.1 million, or 21%, increase in commercial insurance premium finance loans, an $18.0 million, or 9%, increase in residential mortgage loans, and a $10.3 million, or 29%, increase in commercial operating loans, offset in part by a $35.3 million, or 37%, decrease in total agricultural loans. The decrease in the agricultural loan balances was due to two large relationships, one that was paid off in the 2018 fiscal first quarter and the other that was transferred to foreclosed real estate and repossessed assets on January 2, 2018. Community banking loans increased $117.8 million, or 13%, during this period. Of the $716.5 million in commercial and multi-family real estate loans at June 30, 2018, $161.0 million were considered high-volatility commercial real estate ("HVCRE") loans. While such HVCRE loans are risk-weighted at 150% rather than 100%, as is customary for non-HVCRE commercial loans, the increase to the Company's risk-weighted assets was inconsequential in terms of the Company's capital ratios.

Total deposits increased $298.2 million, or 9%, at June 30, 2018, to $3.52 billion from $3.22 billion at September 30, 2017, primarily related to increases of $183.9 million in non-interest bearing deposits, $144.8 million in wholesale deposits, $35.8 million in interest-bearing checking deposits, and $3.9 million in savings deposits. The increase in total deposits was partially offset by a $66.5 million decrease in certificates of deposit. The average balance of total deposits and interest-bearing liabilities was $3.83 billion for the nine month period ended June 30, 2018, compared to $3.48 billion for the same period of the prior year. The average balance of non-interest bearing deposits for the nine month period ended June 30, 2018 increased by $196.0 million, or 9%, to $2.48 billion, compared to the same period in the prior year. Deposits attributable to the Payments segment increased by $204.9 million, or 8%, to $2.64 billion at June 30, 2018, compared to $2.44 billion at September 30, 2017.

Total borrowings decreased $1.38 billion, or 92%, from $1.49 billion at September 30, 2017 to $112.9 million at June 30, 2018, primarily due to a decrease in short-term borrowings. At September 30, 2017 and December 31, 2017, the Company's cash balances were much higher than normal due to a temporary repositioning of the balance sheet at those dates as part of its preparations for the 2018 tax season. The Company's overnight federal funds purchased fluctuates on a daily basis due to the nature of a portion of its non-interest bearing deposit base, primarily related to payroll processing timing with a higher volume of overnight federal funds purchased on Monday through Wednesday, which are typically paid down on Thursday and Friday. Secondarily, a portion of certain programs are pre-funded, typically in the final week of the month and the corresponding deposits are received typically on the first day of the

following month causing a temporary increased need for overnight borrowings. Accordingly, our level of borrowings may fluctuate significantly on any particular quarter end date.

At June 30, 2018, the Company's stockholders' equity totaled $443.9 million, an increase of $9.4 million, from $434.5 million at September 30, 2017. The increase was attributable to net earnings and an increase in additional paid-in capital, partially offset by accumulated other comprehensive income (loss) and cash dividends paid. At June 30, 2018, the Bank continued to exceed all regulatory requirements for classification as a well capitalized institution. See "Liquidity and Capital Resources" for further information.

Non-performing Assets and Allowance for Loan Losses

Generally, for the Company's community banking loans, when a loan becomes delinquent 90 days or more or when the collection of principal or interest becomes doubtful, the Company will place the loan on a non-accrual status and, as a result, previously accrued interest income on the loan is reversed against current income. The loan will remain in non-accrual status until the loan becomes current and has demonstrated a sustained period of satisfactory performance, typically after six months.

For the Company's national lending portfolio, which includes commercial finance, consumer finance and tax services loans, the loan product types are generally not placed into non-accrual status as they are typically charged off when the defined delinquency threshold has been reached, or else when the principal or interest income becomes doubtful. The delinquency threshold for commercial insurance premium finance loans is generally 210 days past due, while the delinquency threshold for consumer finance loans is generally 180 days past due. As of June 30, 2018, there was a $1.6 million commercial insurance premium finance loan greater than 210 days past due. The loan is well-collateralized and the Bank’s AFS/IBEX division has filed a lawsuit seeking its rights to a refund of the unearned insurance premiums. See “Legal Proceedings” under Note 6 to the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference, for further details.

Taxpayer advance loans are originated through the Company's tax divisions. Due to the nature of taxpayer advance loans, it typically takes no more than three e-file cycles, the period of time between scheduled IRS payments, from when the return is accepted to collect. In the event of default, MetaBank has no recourse with the tax consumer. Generally, the Company will charge off the balance of a taxpayer advance loan if there is a balance at the end of the calendar year, or when collection of principal becomes doubtful. The Company's ERO loans are generally charged off if there is a balance at the end of June, or when collection of principal becomes doubtful.

The Company believes that the level of allowance for loan losses at June 30, 2018 was appropriate and reflected probable losses related to these loans; however, there can be no assurance that all loans will be fully collectible or that the present level of the allowance will be adequate in the future. See “Allowance for Loan Losses” below.

The table below sets forth the amounts and categories of non-performing assets in the Company’s portfolio as of the dates set forth below. Foreclosed assets include assets acquired in settlement of loans.

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Non-Performing Loans	Non-Performing Assets As Of June 30, 2018	September 30, 2017
	(Dollars in Thousands)	
Non-Accruing Loans:		
1-4 Family Real Estate	$135	$ —
Commercial and Multi-Family Real Estate	—	685
Total	135	685
Accruing Loans Delinquent Greater Than 89 Days:		
1-4 Family Real Estate	79	—
Agricultural Real Estate	—	34,198
Consumer	1,846	1,406
Agricultural Operating	—	97
CML Insurance Premium Finance	3,669	1,205
Total	5,594	36,906
Total Non-Performing Loans[1]	5,729	37,591
Other Assets		
Foreclosed Assets:		
1-4 Family Real Estate	—	62
Commercial and Multi-Family Real Estate	—	230
Agricultural Real Estate	29,922	—
Total	29,922	292
Total Other Assets	$29,922	$ 292
Total Non-Performing Assets	$35,651	$ 37,883
Total as a Percentage of Total Assets	0.86 %	0.72 %

[1] At June 30, 2018, the Company had one one-to-four family real estate loan with a balance of $0.1 million that was modified as a TDR within the previous 12 months and for which there was a payment default during the nine months ended June 30, 2018. At September 30, 2017, the Company had no TDRs with a payment default.

At June 30, 2018, non-performing loans totaled $5.7 million, representing 0.36% of total loans, compared to $37.6 million, or 2.83% of total loans at September 30, 2017. This decrease in non-performing loans was primarily due to a previously disclosed large well-collateralized agricultural loan relationship for which the Company took ownership upon execution of the deed in lieu of the properties serving as collateral and transferred the loans to foreclosed real estate and repossessed assets on January 2, 2018. Also contributing to the decrease in non-performing loans from September 30, 2017 to June 30, 2018 was the payoff of a previously disclosed $7.0 million non-performing agricultural loan during the first quarter of fiscal 2018.

At June 30, 2018, foreclosed assets totaled $29.9 million, compared to $0.3 million at September 30, 2017. The increase in foreclosed assets was primarily due to the transfer of the aforementioned large well-collateralized agricultural loan relationship. If the properties are sold prior to the end of the agreed-upon receivership period set forth

in the settlement agreement, the Company will be entitled to all principal, note interest, legal and other fees and expenses. After the receivership period ends, if the properties are not sold, the Company will be entitled to the fair value of the properties, which the Company believes to be significantly in excess of all principal, note interest, legal and other fees and expenses.

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Classified Assets. Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered by our regulator, the OCC, to be of lesser quality as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the Bank 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 and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such minimal value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

The Bank’s determinations as to the classification of its assets and the amount of its valuation allowances are subject to review by its regulatory authorities, which may order the establishment of additional general or specific loss allowances. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. Specific allowances represent loss allowances which have been established to recognize the risk associated with particular problem assets. When assets are classified as “loss,” the Bank is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. While management may periodically allocate portions of the allowance for specific classified loans, the entire allowance is available for any loan charge-offs that occur.

On the basis of management’s review of its loans and other assets, at June 30, 2018, the Company had classified $10.4 million of its assets as substandard and did not classify any assets as doubtful or loss. At September 30, 2017, the Company classified $40.6 million of its assets as substandard and did not classify any assets as doubtful or loss.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses based on management’s evaluation of the risk inherent in its loan portfolio and changes in the nature and volume of its loan activity, including those loans which are being specifically monitored by management. Such evaluation, which includes a review of loans for which full collectability may not be reasonably assured, involves consideration of, among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an appropriate loan loss allowance.

Management closely monitors economic developments both regionally and nationwide and considers these factors when assessing the appropriateness of its allowance for loan losses. The current economic environment continues to show signs of improvement across the US as indicated by the unemployment rate and GDP. While there are still areas in the country that are struggling with higher unemployment overall the unemployment rate in the US has been improving. GDP in the first quarter of calendar year 2018 dipped to 2% compared to the prior three quarters but rebounded in the June quarter. The adverse weather conditions in the Midwest and other areas from 2017 have generally improved with recent rainfall, but the adverse conditions could return later this summer should conditions worsen. If drought conditions were to return, it would potentially have an adverse impact on the yields on crops. The Bank’s average loss rates over the past several years for all loan portfolios have been relatively low, compared to peer group data for prior years, in part due to the improving economic and other conditions. Management believes that, based on a detailed review of the Company's loan portfolio, historic loan losses, current economic conditions, the size of the Company's loan portfolio, and other factors, the level of the allowance for loan losses at June 30, 2018 reflected an appropriate allowance against probable losses for the Company's loan portfolio. While management believes the current level of allowance is adequate, changing weather, economic or political conditions could result in losses in excess of the current allowance.

As previously disclosed, the Company received written notification on June 18, 2018 from ReliaMax, which informed policy holders that the South Dakota Division of Insurance filed a petition to have ReliaMax declared insolvent and to

adopt a plan of liquidation. ReliaMax indicated in its notice that the impact on outstanding insurance coverage will be clearer sometime after the hearing and after the Division’s liquidation plan is finalized. An Order of Liquidation was entered on June 27, 2018 by the Sixth Circuit Court in Hughes County, South Dakota, declaring ReliaMax insolvent and appointing the South Dakota Division of Insurance as liquidator to adopt a plan of liquidation. ReliaMax provided insurance coverage for the Company’s purchased, floating rate, seasoned student loan portfolios.

In light of the potential impact to the Company’s insurance coverage, the Company adjusted the allowance for loan losses attributable to its student loan portfolios for the quarterly period ending June 30, 2018. The additional allowance was a $3.0 million pre-tax charge to provision for loan losses.

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At June 30, 2018, the Company had established an allowance for loan losses totaling $22.0 million, compared to $7.5 million at September 30, 2017. This increase was primarily due to additional provision expense related to loans originated by the tax services divisions along with the Company's aforementioned adjustment to the allowance for loan losses attributable to the purchased student loan portfolios. During the nine months ended June 30, 2018, the Company recorded a provision for loan losses of $24.7 million, partially offset by $10.3 million of net charge-offs, of which $8.6 million and $1.5 million were related to taxpayer advances and ERO advances, respectively. During the nine months ended June 30, 2017, the Company recorded a provision for loan losses of $10.7 million and $1.4 million of net charge-offs.

The allowance for loan losses reflects management's best estimate of probable losses inherent in the portfolio based on currently available information. In addition to the factors mentioned above, future additions to the allowance for loan losses may become necessary based upon changing economic conditions, increased loan balances or changes in the underlying collateral of the Company's loan portfolio. In addition, the Company's regulators have the ability to order us to increase our allowance.

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements are prepared in accordance with U.S. GAAP. The financial information contained within these financial statements is, to a significant extent, based on approximate measures of the financial effects of transactions and events that have already occurred. Management has identified the policies described below as Critical Accounting Policies. These policies involve complex and subjective decisions and assessments. Some of these estimates may be uncertain at the time they are made, could change from period to period, and could have a material impact on the financial statements. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented in Part II, Item 8 "Consolidated Financial Statements and Supplementary Data" of its Annual Report on Form 10-K for the year ended September 30, 2017, and information contained herein.

Allowance for Loan Losses. The Company's allowance for loan loss methodology incorporates a variety of risk considerations, both quantitative and qualitative, in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, changes in non-performing loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to interest rate movements. Qualitative factors include the general economic environment in the Company's markets, including economic conditions throughout the Midwest and, in particular, the state of certain industries. Size and complexity of individual credits in relation to loan structure, existing loan policies, and pace of portfolio growth are other qualitative factors that are considered in the methodology. Although management believes the levels of the allowance at both June 30, 2018 and September 30, 2017 were adequate to absorb probable losses inherent in the Company's loan portfolio, a decline in local economic conditions or other factors could result in losses in excess of the applicable allowance.

Goodwill and Intangible Assets. Each quarter, the Company evaluates the estimated useful lives of its amortizable intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization. In accordance with ASC 350, Intangibles - Goodwill and Other, recoverability of these assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

In addition, goodwill and intangible assets are tested annually as of our fiscal year end for impairment or more often if conditions indicate a possible impairment. Determining the fair value of a reporting unit involves the use of

significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate future cash flows, risk-adjusted discount rates, future economic and market conditions, comparison of the Company's market value to book value and determination of appropriate market comparables. Actual future results may differ from those estimates.

Assumptions and estimates about future values and remaining useful lives of the Company's intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy and internal forecasts. Although the Company believes the historical assumptions and estimates used are reasonable and appropriate, different assumptions and estimates could materially impact the reported financial results.

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Customer relationship, trademark, and non-compete intangibles are amortized over the periods in which the asset is expected to meaningfully contribute to the business as a whole, using either the present value of excess earnings or straight line amortization, depending on the nature of the intangible asset. Patents are estimated to have a useful life of 20 years, beginning on the date the patent application is originally filed. Thus, patents are amortized based on the remaining useful life once granted. Periodically, the Company reviews the intangible assets for events or circumstances that may indicate a change in recoverability of the underlying basis.

Deferred Tax Assets. The Company accounts for income taxes according to the asset and liability method. Under this method, 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 basis. Deferred tax assets and liabilities are measured using the enacted tax rates applicable to income for the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized subject to management’s judgment that realization is more-likely-than-not. An estimate of probable income tax benefits that will not be realized in future years is required in determining the necessity for a valuation allowance.

Security Impairment. Management monitors the investment securities portfolio for impairment on a security by security basis. Management has a process in place to identify securities that could potentially have a credit impairment that is other-than-temporary. This process involves the length of time and extent to which the fair value has been less than the amortized cost basis, review of available information regarding the financial position of the issuer, monitoring the rating of the security, monitoring changes in value, cash flow projections, and the Company’s intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost which, in some cases, may extend to maturity. To the extent we determine that a security is deemed to be other-than-temporarily impaired, an impairment loss is recognized. If the Company intends to sell a security or it is more likely than not that the Company would be required to sell a security before the recovery of its amortized cost, the Company recognizes an other-than-temporary impairment in earnings for the difference between amortized cost and fair value. If we do not expect to recover the amortized cost basis, we do not plan to sell the security and if it is not more likely than not that the Company would be required to sell a security before the recovery of its amortized cost, the recognition of the other-than-temporary impairment is bifurcated. For those securities, the Company separates the total impairment into a credit loss component recognized in earnings, and the amount of the loss related to other factors is recognized in other comprehensive income net of taxes.

The amount of the credit loss component of a debt security impairment is estimated as the difference between amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate of cash flows discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete an asset- backed or floating rate security. Cash flow estimates for trust preferred securities are derived from scenario-based outcomes of forecasted default rates, loss severity, prepayment speeds and structural support.

Level 3 Fair Value Measurement. U.S. GAAP requires the Company to measure the fair value of financial instruments under a standard which describes three levels of inputs that may be used to measure fair value. Level 3 measurement includes significant unobservable inputs that reflect the Company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Although management believes that it uses a best estimate of information available to determine fair value, due to the uncertainty of future events, the approach includes a process that may differ significantly from other methodologies and still produce an estimate that is in accordance with U.S. GAAP.

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RESULTS OF OPERATIONS

General. The Company recorded net income of $6.8 million, or $0.70 per diluted share, for the three months ended June 30, 2018, compared to net income of $9.8 million, or $1.04 per diluted share, for the three months ended June 30, 2017. The 2018 fiscal third quarter pre-tax results included a $3.0 million provision for loan losses related to the Company's purchased student loan portfolios, $2.4 million of merger and acquisition related expenses, and $0.8 million of expense related to the Company's early termination of a vendor contract. The 2018 fiscal third quarter pre-tax results also included $1.7 million in amortization of intangible assets and $1.3 million in non-cash stock-related compensation associated with executive officer employment agreements. Total revenue for the fiscal 2018 third quarter was $61.6 million, compared to $55.8 million for the same quarter in fiscal 2017, an increase of $5.8 million, or 11%. This increase was primarily due to growth in interest income.

The Company recorded net income of $42.9 million, or $4.41 per diluted share, for the nine months ended June 30, 2018, compared to $43.2 million, or $4.66 per diluted share, for the same period in fiscal year 2017. The decrease in net earnings for the nine months ended June 30, 2018 was primarily due to increases of $15.7 million in non-interest expense and $14.0 million in provision for loan losses, offset by increases of $17.6 million in non-interest income and $13.3 million in net interest income. Total revenue for the nine months ended June 30, 2018 was $241.9 million, compared to $211.1 million for the same period of the prior year, an increase of $30.8 million, or 15%, driven by growth in loan interest income, tax product fee income, card fee income, and deposit fee income.

Seasonality. In the industries for electronic payments processing and tax refund processing, companies commonly experience seasonal fluctuations in revenue. For example, in recent years, the Company's results of operations for the first half of each fiscal year have been favorably affected by large numbers of taxpayers electing to receive their tax refunds via direct deposit on our pre-paid cards, which caused operating revenues to be higher in the first half of those years than they were in the corresponding second half of those years. Meta's tax business is expected to continue to generate the vast majority of its revenues in the Company's fiscal second quarter, with some additional revenues in the third quarter, while most expenses are spread throughout the year with some elevated expenses in the December and March quarters. Management expects the Company's revenue to continue to be based on seasonal factors that affect the electronic payments processing and tax refund processing industries as a whole. The Company and its tax preparation partners rely on the Internal Revenue Service (the “IRS”), technology, and employees when processing and preparing tax refunds and tax-related products and services.

Net Interest Income. Net interest income for the fiscal 2018 third quarter increased by $3.5 million, or 14%, to $28.4 million from $24.9 million for the same quarter in 2017, primarily due to an enhanced interest-earning asset mix relating to increases in the community banking and national lending loan portfolios and higher corresponding rates when compared to investments, particularly MBS. The quarterly average outstanding balance of loans from all sources as a percentage of interest-earning assets increased from 33% as of the end of the third fiscal quarter of 2017 to 40% as of the end of the third fiscal quarter of 2018. In addition, lower-yielding agency MBS decreased from 22% of interest-earning assets in the fiscal 2017 third quarter to 16% of interest-earning assets for the same quarter in 2018.

For the nine months ended June 30, 2018, net interest income increased 19% to $82.0 million from $68.7 million for the same period in the prior year. This increase was primarily due to increases of volume and overall yields in loans, primarily in the community banking, commercial insurance premium finance, and purchased student loan portfolios.

Net interest margin was 2.94% in the fiscal 2018 third quarter, an increase of 18 basis points from 2.76% in the fiscal 2017 third quarter. Tax equivalent net interest margin ("NIM,TE") was 3.23% in the fiscal 2018 third quarter, a decrease of two basis points from 3.25% in the fiscal 2017 third quarter. The decrease was primarily related to a change in the corporate tax rate resulting from the Tax Cuts and Jobs Act (the "Tax Act"). Excluding changes resulting from the Tax Act, the reported NIM,TE of 3.23% would have been 3.42%.

For the nine months ended June 30, 2018, net interest margin was 2.77%, an increase of 22 basis points from 2.55% for the same period of the prior year. NIM, TE for the nine months ended June 30, 2018 was 3.06%, an increase of four basis points from 3.02% for the same period of the prior year.

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The overall reported tax equivalent yield (“TEY”) on average earning assets increased by 13 basis points to 3.82% when comparing the fiscal 2018 third quarter to the same period of the prior fiscal year, which was driven primarily by the Company's improved earning asset mix, with increased exposure to its commercial insurance premium finance, consumer, and community banking loan portfolios. The reported 3.82% TEY on earning assets reflects the lowered corporate prorated tax rate of the Company's tax-exempt securities portfolio. Excluding changes resulting from the adoption of the Tax Act, reported TEY on earning assets would have been 4.01%.

The fiscal 2018 third quarter TEY on the securities portfolio decreased by nine basis points to 3.11% compared to the same period of the prior year TEY of 3.20%, primarily due to the adoption of the Tax Act, which lowered the TEY on tax-exempt securities. Had corporate tax rates not changed due to the Tax Act, reported securities portfolio TEY yield would have increased to 3.43% due to new investments in higher-yielding investment securities.

The Company’s average interest-earning assets for the fiscal 2018 third quarter increased by $244.9 million, or 7%, to $3.87 billion, from the comparable quarter in 2017. The increase was primarily from growth in the Company's loan portfolio of $356.6 million, of which $212.6 million was related to community banking loans and $144.0 million was related to national lending loans. This increase was partially offset by a decrease in total investment securities of $128.1 million. The Company's management believes it has the flexibility to reasonably manage total balance sheet growth moving forward, if needed.

Average interest-earning assets for the nine months ended June 30, 2018 increased $358.7 million from the comparable prior fiscal year period, while interest-bearing liabilities increased by $150.1 million.

The Company’s average balance of total deposits and interest-bearing liabilities was $3.70 billion for the three-month period ended June 30, 2018, compared to $3.48 billion for the same period in the prior year, representing an increase of 6%. This increase was primarily due to increases in non-interest-bearing deposits of $170.7 million, wholesale deposits of $105.1 million, and interest-bearing checking of $55.8 million, offset by a decrease in total borrowings of $99.1 million.

Overall, the Company's cost of funds for all deposits and borrowings averaged 0.62% during the fiscal 2018 third quarter, compared to 0.45% for the year-ago period. This increase was primarily due to an increase in short-term funding rates. The Company's overall cost of deposits was 0.29% in the 2018 fiscal third quarter, compared to 0.15% in the same quarter of 2017. When excluding wholesale deposits, which the Company utilizes at advantageous rates when compared to the overnight borrowing rates, thereby lowering funding costs, the Company's cost of deposits for the third quarter of fiscal 2018 would have been 0.04%. At June 30, 2018 and 2017, low-cost checking deposits represented 79% and 81% of total deposits, respectively.

The following tables present, for the periods indicated, the Company’s total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. Tax equivalent adjustments have been made in yield on interest bearing assets and net interest margin. Non-accruing loans have been included in the table as loans carrying a zero yield.

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Three Months Ended June 30,	2018			2017		
(Dollars in Thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate [(1)]	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate[(2)]
Interest-earning assets:						
Cash & fed funds sold	$57,164	$388	2.72%	$40,833	$229	2.24%
Mortgage-backed securities	617,815	3,950	2.56%	783,164	4,544	2.33%
Tax exempt investment securities	1,373,444	8,635	3.34%	1,348,589	8,314	3.80%
Asset-backed securities	189,389	1,537	3.25%	117,834	782	2.66%
Other investment securities	74,038	538	2.91%	133,169	903	2.72%
Total investments	2,254,686	14,660	3.11%	2,382,756	14,543	3.20%
Commercial finance loans	299,676	3,813	5.10%	227,160	2,792	4.93%
Consumer finance loans	188,827	3,717	7.89%	129,097	2,072	6.44%
Tax services loans	22,268	—	— %	10,508	—	— %
National lending loans[(3)]	510,771	7,530	5.91%	366,765	4,864	5.32%
Community banking loans[(4)]	1,050,126	11,526	4.40%	837,539	9,225	4.42%
Total loans	1,560,897	19,056	4.90%	1,204,304	14,089	4.69%
Total interest-earning assets	$3,872,747	$34,104	3.82%	$3,627,893	$28,861	3.69%
Non-interest-earning assets	367,543			371,685		
Total assets	$4,240,290			$3,999,578		
Interest-bearing liabilities:						
Interest-bearing checking	$98,235	$54	0.22%	$42,447	$45	0.42%
Savings	59,546	10	0.07%	59,081	8	0.05%
Money markets	46,742	28	0.24%	43,479	19	0.18%
Time deposits	60,373	167	1.11%	75,417	139	0.74%
Wholesale deposits	453,885	2,005	1.77%	348,771	828	0.95%
Total interest-bearing deposits	718,781	2,264	1.26%	569,195	1,039	0.73%
Overnight fed funds purchased	402,088	2,041	2.04%	512,154	1,470	1.15%
FHLB advances	—	—	— %	8,923	125	5.61%
Subordinated debentures	73,430	1,102	6.02%	73,290	1,112	6.09%
Other borrowings	36,408	286	3.15%	16,642	172	4.13%
Total borrowings	511,926	3,429	2.69%	611,009	2,879	1.89%
Total interest-bearing liabilities	1,230,707	5,693	1.86%	1,180,204	3,918	1.33%
Non-Interest Bearing Deposits	2,465,750	—	— %	2,295,046	—	— %
Total deposits and interest-bearing liabilities	$3,696,457	$5,693	0.62%	$3,475,250	$3,918	0.45%
Other non-interest bearing liabilities	98,973			99,919		
Total liabilities	3,795,430			3,575,169		
Shareholders' equity	444,860			424,409		
Total liabilities and shareholders' equity	$4,240,290			$3,999,578		
Net interest income and net interest rate spread including non-interest bearing deposits		$28,411	3.21%		$24,943	3.24%
Net interest margin			2.94%			2.76%
Tax equivalent effect			0.29%			0.49%
Net interest margin, tax equivalent[(5)]			3.23%			3.25%

(1) Tax rate used to arrive at the TEY for the three months ended June 30, 2018 was 24.53%.
(2) Tax rate used to arrive at the TEY for the three months ended June 30, 2017 was 35%.

(3) Previously stated Specialty Finance Loans have been renamed as National Lending Loans. National Lending Loans are comprised of loan portfolios that are not generated by the Community Bank.
(4) Previously stated Retail Bank loans have been renamed as Community Banking Loans.
(5) Net interest margin expressed on a fully taxable equivalent basis ("Net interest margin, tax equivalent") is a non-GAAP financial measure. The tax-equivalent adjustment to net interest income recognizes the estimated income tax savings when comparing taxable and tax-exempt assets and adjusting for federal and state exemption of interest income. We believe that it is a standard practice in the banking industry to present net interest margin expressed on a fully taxable equivalent basis, and accordingly believe the presentation of this non-GAAP financial measure may be useful for peer comparison purposes.

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Nine Months Ended June 30,	2018			2017		
(Dollars in Thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate (1)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate(2)
Interest-earning assets:						
Cash & fed funds sold	$96,496	$1,717	2.38%	$176,336	$1,212	0.92%
Mortgage-backed securities	644,578	11,755	2.44%	745,566	12,345	2.21%
Tax exempt investment securities	1,404,571	26,333	3.32%	1,289,311	23,541	3.76%
Asset-backed securities	131,705	3,522	3.58%	117,901	2,200	2.49%
Other investment securities	77,455	1,662	2.87%	115,188	2,316	2.69%
Total investments	2,258,309	43,272	3.07%	2,267,966	40,402	3.13%
Commercial finance	266,310	9,691	4.87%	202,015	7,220	4.78%
Consumer finance	187,335	10,043	7.17%	92,501	4,627	6.69%
Tax services loans	146,071	833	0.76%	63,796	11	0.02%
National lending loans(3)	599,716	20,567	4.59%	358,312	11,858	4.42%
Community banking loans(4)	1,005,831	32,777	4.36%	799,071	25,682	4.30%
Total loans	1,605,546	53,344	4.44%	1,157,383	37,540	4.34%
Total interest-earning assets	$3,960,351	$98,333	3.61%	$3,601,685	$79,154	3.41%
Non-interest-earning assets	392,873			363,041		
Total assets	$4,353,224			$3,964,726		
Interest-bearing liabilities:						
Interest-bearing checking	$90,055	$155	0.23%	$41,048	$126	0.41%
Savings	57,397	27	0.06%	56,079	23	0.06%
Money markets	47,814	82	0.23%	45,672	61	0.18%
Time deposits	102,636	877	1.14%	102,819	570	0.74%
Wholesale deposits	540,193	5,965	1.48%	561,994	3,381	0.80%
Total interest-bearing deposits	838,095	7,106	1.13%	807,612	4,161	0.69%
Overnight fed funds purchased	315,359	4,244	1.80%	286,212	2,030	0.95%
FHLB advances	91,392	947	1.39%	12,037	388	4.31%
Subordinated debentures	73,394	3,329	6.07%	73,256	3,335	6.09%
Other borrowings	26,343	695	3.53%	15,390	498	4.32%
Total borrowings	506,488	9,215	2.43%	386,895	6,251	2.16%
Total interest-bearing liabilities	1,344,583	16,321	1.62%	1,194,507	10,412	1.17%
Non-Interest Bearing Deposits	2,482,274	—	— %	2,286,266	—	— %
Total deposits and interest-bearing liabilities	$3,826,857	$16,321	0.57%	$3,480,773	$10,412	0.40%
Other non-interest bearing liabilities	85,626			94,842		
Total liabilities	3,912,483			3,575,615		
Shareholders' equity	440,741			389,111		
Total liabilities and shareholders' equity	$4,353,224			$3,964,726		
Net interest income and net interest rate spread including non-interest bearing deposits		$82,012	3.04%		$68,742	3.01%
Net interest margin			2.77%			2.55%
Tax equivalent effect			0.29%			0.47%
Net interest margin, tax equivalent(5)			3.06%			3.02%

(1) Tax rate used to arrive at the TEY for the nine months ended June 30, 2018 was 24.53%.
(2) Tax rate used to arrive at the TEY for the nine months ended June 30, 2017 was 35%.

(3) Previously stated Specialty Finance Loans have been renamed as National Lending Loans. National Lending Loans are comprised of loan portfolios that are not generated by the Community Bank.
(4) Previously stated Retail Bank loans have been renamed as Community Banking Loans.
(5) Net interest margin expressed on a fully taxable equivalent basis ("Net interest margin, tax equivalent") is a non-GAAP financial measure. The tax-equivalent adjustment to net interest income recognizes the estimated income tax savings when comparing taxable and tax-exempt assets and adjusting for federal and state exemption of interest income. We believe that it is a standard practice in the banking industry to present net interest margin expressed on a fully taxable equivalent basis, and accordingly believe the presentation of this non-GAAP financial measure may be useful for peer comparison purposes.

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Provision for Loan Losses. The Company recorded a $5.3 million provision for loan losses during the three month period ended June 30, 2018, as compared to a $1.2 million provision for loan losses during the three month period ended June 30, 2017. The provision for loan losses during the three months ended June 30, 2018 was predominantly driven by a $3.0 million provision for loan losses related to the Company's purchased student loan portfolios. The Company expects to recover a substantial portion of the unearned premiums related to the purchased student loan portfolios in the future. However, the Company expects to recognize ongoing provision expense of $0.6 million to $0.8 million per quarter on its purchased student loan portfolios until the recovery is collected, which could be a year or longer. The period over period increase included a $0.8 million increase in tax services provision. Also see Note 3 to the Condensed Consolidated Financial Statements.

For the nine month period ended June 30, 2018, the Company recorded a provision for loan losses of $24.7 million, as compared to a $10.7 million provision for loan losses during the nine month period ended June 30, 2017.

Non-Interest Income. Non-interest income for the fiscal 2018 third quarter increased by $2.4 million, or 8%, to $33.2 million from $30.8 million for the same period in the prior fiscal year, largely due to an increase in total tax product fee income of $1.6 million, or 29%, and an increase in deposit fee income of $0.9 million, when comparing the current quarter to the same period of the prior fiscal year. Partially offsetting the increases, card fee income decreased $0.2 million, or 1%, to $22.8 million from the same quarter of the prior year.

The increase in total tax product fee income was primarily due to an increase in refund transfer fees of $1.6 million. When comparing pre-tax income for the tax services business, the 2018 fiscal first and third quarters were higher than the same periods of the prior year, while the 2018 fiscal second quarter was lower than the same period of the prior year due to different program and product structures and in part due to payment processing, as anticipated IRS delays flowed into April and shifted some of that revenue into the Company's third quarter. Total fiscal 2018 year-to-date pre-tax income through June 30, 2018 for our tax services business declined approximately $2.9 million, or 6%, compared to the same nine-month period of fiscal 2017. Overall pre-tax income related to the 2018 tax season is still expected to be close to, but less than, the previous year's tax season. As previously disclosed, the Company experienced refund advance margin compression caused largely by an increase in average loan size and change in provider mix, with some partners performing better and others performing below our original expectations. Management views the 2018 overall tax season positively given the loss of a significant tax partner that provided approximately half of the Company's 2017 taxpayer advance loans.

The increase in deposit fee income was related to the transition from card fee income to deposit fee income and growth of certain fees in fiscal year 2018, in each case, from a product in the Company's payments division. This change also contributed to the slight decrease in card fee income. If these particular fees would have remained as card fee income, card fee income would have increased 3% when comparing the fiscal 2018 third quarter to the same period of the prior year.

A reduction in residual fee income related to a wind-down of two of our non-strategic partners also led to the slight decrease in card fee income when comparing the current quarter to the same period of the prior year. When excluding residual fee income, card fee income would have increased 3% when comparing the current quarter to the same period of the prior year. The Company expects growth in card fee income to be moderated by declining residual fee income through fiscal year 2019. The Company expects total 2018 fiscal year card fee income to be between $95 million and $100 million and expects total 2018 fiscal year card fee expense to be between $24 million and $29 million.

Non-interest income for the nine months ended June 30, 2018 was $159.9 million, an increase of $17.6 million, or 12%, from $142.3 million in the same period in the prior fiscal year. This increase was primarily due to increases in total tax product fee income, card fee income, and deposit fee income of $7.2 million, $6.9 million, and $2.5 million,

respectively.

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Non-Interest Expense. Non-interest expense increased $6.8 million, or 16%, to $49.1 million for the 2018 fiscal third quarter, compared to the same quarter in 2017. This increase was primarily caused by increases of $2.2 million in compensation and benefits expense, $1.4 million in legal and consulting expense, $1.4 million in other expenses, $1.3 million in card processing expense and $0.7 million in occupancy and equipment, offset in part by a decrease of $0.2 million in amortization expense. The increase in compensation expense was primarily due to increased staffing to support the Company's growing business initiatives in consumer credit, the business to be conducted following the consummation of the Crestmark acquisition, and growth in other business units. Non-interest expense was also impacted by start-up expenses associated with the new national consumer lending initiatives. The integration of EPS Financial and Specialty Consumer Services allowed the Company to gain scale and cost savings in the tax services divisions this fiscal year, and the Company expects to gain further efficiencies during the remainder of fiscal 2018. During the fiscal 2018 third quarter, the Company had $2.4 million of merger and acquisition related expenses.

Non-interest expense for the nine months ended June 30, 2018 increased by $15.7 million, or 11%, to $161.6 million compared to the same period in the prior fiscal year. Compensation and benefits expense increased $12.1 million, or 18%, for the 2018 nine month period, versus the same period last year due primarily to a 15% increase in overall staffing and synergy severance costs in the Company's tax divisions. Also contributing to the increase period over period were increases in legal and consulting expense of $2.8 million, card processing expense of $2.4 million, other expense of $2.5 million, and occupancy and equipment expense of $1.9 million. These increases were partially offset by decreases in intangible amortization expense of $4.4 million and tax advance product expense of $1.5 million.

Income Tax. Income tax expense for the fiscal 2018 third quarter was $0.5 million, resulting in an effective tax rate of 6.5%, compared to $2.5 million, or an effective tax rate of 20.5%, for the 2017 fiscal third quarter. The income tax expense and effective tax rate decreased primarily due to decreased annual projected earnings for fiscal 2018 from the prior quarter projection and the corresponding adjustment for the prior quarters made in the third quarter of fiscal 2018. Also, contributing to the decrease in income tax expense were the provisions of the Tax Act, which lowered Meta’s statutory federal corporate tax rate from 35% in fiscal year 2017 to 24.53% in fiscal year 2018, and reduced earnings before tax in the third quarter of fiscal year 2018. For the first nine months of fiscal year 2018, the effective tax rate was 22.9%.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s primary sources of funds are deposits, derived principally through its Payments divisions, and to a lesser extent through its Community Banking division borrowings, principal and interest payments on loans and mortgage-backed securities, and maturing investment securities. In addition, the Company utilizes wholesale deposit sources to provide temporary funding when necessary or when favorable terms are available. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan repayments are influenced by the level of interest rates, general economic conditions and competition. The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposits and loan commitments, to maintain liquidity, and to meet operating expenses. At June 30, 2018, the Company had commitments to originate and purchase loans and unused lines of credit totaling $282.8 million. The Company believes that loan repayments and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

In July 2013, the Company’s primary federal regulator, the Federal Reserve and the Bank’s primary federal regulator, the OCC, approved final rules (the “Basel III Capital Rules”) establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules generally implement the Basel Committee on Banking Supervision’s (the “Basel Committee”) December 2010 final capital framework referred to as “Basel III” for strengthening international capital standards. The Basel III Capital Rules substantially revised the risk-based capital requirements applicable to financial institution holding companies and their depository institution subsidiaries, including us and the Bank, as compared to U.S. general risk-based capital rules. The Basel III Capital Rules revised the definitions and the

components of regulatory capital, as well as addressed other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also addressed asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replaced the existing general risk-weighting approach, which was derived from the Basel Committee's 1988 "Basel I" capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the Basel III Capital Rules implemented certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, including the requirements of Section 939A to remove references to credit ratings from the federal agencies' rules. The Basel III Capital Rules became effective for us and the Bank on January 1, 2015, subject to phase-in periods for certain of their components and other provisions.

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Pursuant to the Basel III Capital Rules, the Company and the Bank, respectively, are subject to new regulatory capital adequacy requirements promulgated by the Federal Reserve and the OCC. Failure by the Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by our regulators that could have a material adverse effect on our consolidated financial statements. Prior to January 1, 2015, the Bank was subject to capital requirements under Basel I and there were no capital requirements for the Company. Under the capital requirements and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum ratios (set forth in the table below) of total risk-based capital and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio consisting of Tier 1 capital (as defined) to average assets (as defined). At June 30, 2018, both the Bank and the Company exceeded federal regulatory minimum capital requirements to be classified as well-capitalized under the prompt corrective action requirements. The Company and the Bank took the accumulated other comprehensive income ("AOCI") opt-out election; under the rule, non-advanced approach banking organizations were given a one-time option to exclude certain AOCI components.

The tables below include certain non-GAAP financial measures that are used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews these measures along with other measures of capital as part of its financial analysis.

At June 30, 2018	Company	Bank	Minimum Requirement For Capital Adequacy Purposes	Minimum Requirement to Be Well Capitalized Under Prompt Corrective Action Provisions
Tier 1 leverage ratio	8.29 %	10.16 %	4.00 %	5.00 %
Common equity Tier 1 capital ratio	13.92	17.57	4.50	6.50
Tier 1 capital ratio	14.35	17.57	6.00	8.00
Total qualifying capital ratio	18.37	18.50	8.00	10.00

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

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	Standardized Approach (1) June 30, 2018 (Dollars in Thousands)
Total equity	$ 443,913
Adjustments:	
LESS: Goodwill, net of associated deferred tax liabilities	94,781
LESS: Certain other intangible assets	46,098
LESS: Net unrealized gains (losses) on available-for-sale securities	(28,601)
Common Equity Tier 1 [(1)]	331,635
Long-term debt and other instruments qualifying as Tier 1	10,310
Total Tier 1 capital	341,945
Allowance for loan losses	22,151
Subordinated debentures (net of issuance costs)	73,442
Total qualifying capital	437,538

[(1)] Capital ratios were determined using the Basel III capital rules that became effective on January 1, 2015. Basel III revised the definition of capital, increased minimum capital ratios, and introduced a minimum common equity tier 1 capital ratio; those changes are being fully phased in through the end of 2021.

The following table provides a reconciliation of tangible common equity used in calculating tangible book value data to Total Stockholders' Equity at June 30, 2018.

	June 30, 2018 (Dollars in Thousands)
Total Stockholders' Equity	$ 443,913
LESS: Goodwill	98,723
LESS: Intangible assets	46,098
Tangible common equity	299,092
LESS: AOCI	(28,601)
Tangible common equity excluding AOCI	327,693

Due to the predictable, quarterly cyclicality of non-interest bearing deposits in conjunction with tax season business activity, management believes that a six-month capital calculation is a useful metric to monitor the Company’s overall capital management process. As such, the Bank’s six-month average Tier 1 leverage ratio, Common Equity Tier 1 capital ratio, Tier 1 capital ratio, and Total qualifying capital ratio as of June 30, 2018 were 9.64%, 16.53%, 16.53%, and 17.40%, respectively.

Beginning January 1, 2016, Basel III implemented a requirement for all banking organizations to maintain a capital conservation buffer above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively composed of Common Equity Tier 1 capital, and it applies to each of the three risk-based capital ratios but not the leverage ratio. The implementation of the capital conservation buffer began on January 1, 2016, which increased or will increase the three risk-based capital ratios by 0.625% each year through 2019, at which point the Common Equity Tier 1 risk-based, Tier 1 risk-based and total risk-based capital ratios will be 7.0%, 8.5% and 10.5%, respectively.

Based on current and expected continued profitability and subject to continued access to capital markets, we believe that the Company and the Bank will continue to meet targeted capital ratios required by the revised requirements, as they become effective.

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CONTRACTUAL OBLIGATIONS

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations" in the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 2017 for a summary of our contractual obligations as of September 30, 2017. There were no material changes outside the ordinary course of our business in contractual obligations from September 30, 2017 through June 30, 2018.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

For discussion of the Company's off-balance sheet financing arrangements as of June 30, 2018, see Note 6 to our consolidated financial statements included in Part I, Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q. Depending on the extent to which the commitments or contingencies described in Note 6 occur, the effect on the Company's capital and net income could be significant.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

MARKET RISK

The Company derives a portion of its income from the excess of interest collected over interest paid. The rates of interest the Company earns on assets and pays on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, the Company's results of operations, like those of most financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of its assets and liabilities. The risk associated with changes in interest rates and the Company's ability to adapt to these changes is known as interest rate risk and is the Company's only significant "market" risk.

The Company monitors and measures its exposure to changes in interest rates in order to comply with applicable government regulations and risk policies established by the Board of Directors, and in order to preserve stockholder value. In monitoring interest rate risk, the Company analyzes assets and liabilities based on characteristics including size, coupon rate, repricing frequency, maturity date and likelihood of prepayment.

If the Company's assets mature or reprice more rapidly or to a greater extent than its liabilities, then economic value of equity and net interest income would tend to increase during periods of rising rates and decrease during periods of falling interest rates. Conversely, if the Company's assets mature or reprice more slowly or to a lesser extent than its liabilities, then economic value of equity and net interest income would tend to decrease during periods of rising interest rates and increase during periods of falling interest rates.

The Company currently focuses lending efforts toward originating and purchasing competitively priced adjustable-rate and fixed-rate loan products with short to intermediate terms to maturity, and may originate loans with terms longer than five years for borrowers that have a strong credit profile and typically lower loan-to-value ratios. This approach allows the Company to better maintain a portfolio of loans that will have less sensitivity to changes in the level of interest rates, while providing a reasonable spread to the cost of liabilities used to fund the loans.

The Company's primary objective for its investment portfolio is to provide a source of liquidity for the Company. In addition, the investment portfolio may be used in the management of the Company's interest rate risk profile. The investment policy generally calls for funds to be invested among various categories of security types and maturities based upon the Company's need for liquidity, desire to achieve a proper balance between minimizing risk while maximizing yield, the need to provide collateral for borrowings and to fulfill the Company's asset/liability management goals.

The Company's cost of funds responds to changes in interest rates due to the relatively short-term nature of its wholesale deposit portfolio, and due to the relatively short-term nature of its borrowed funds. The Company believes that its growing portfolio of longer duration, low-cost deposits generated from its prepaid division provides a stable and profitable funding vehicle, but also subjects the Company to greater risk in a falling interest rate environment than it would otherwise have without this portfolio. This risk is due to the fact that, while asset yields may decrease in a falling interest rate environment, the Company cannot significantly reduce interest costs associated with these deposits, which thereby compress the Company's net interest margin. As a result of the Company's interest rate risk exposure in this regard, the Company typically does not enter into any new longer-term wholesale borrowings, and generally has not emphasized longer-term time deposit products.

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The Board of Directors and relevant government regulations establish limits on the level of acceptable interest rate risk at the Company, to which management adheres. There can be no assurance, however, that, in the event of an adverse change in interest rates, the Company’s efforts to limit interest rate risk will be successful.

Interest Rate Risk (“IRR”)

Overview. The Company actively manages interest rate risk, as changes in market interest rates can have a significant impact on reported earnings. The Bank, like other financial institutions, is subject to interest rate risk to the extent that its interest-bearing liabilities mature or reprice more rapidly than its interest-earning assets. The Company's interest rate risk analysis is designed to compare income and economic valuation simulations in market scenarios designed to alter the direction, magnitude and speed of interest rate changes, as well as the slope of the yield curve. The Company does not currently engage in trading activities to control interest rate risk although it may do so in the future, if deemed necessary, to help manage interest rate risk.

Earnings at risk and economic value analyses. As a continuing part of its financial strategy, the Bank considers methods of managing an asset/liability mismatch consistent with maintaining acceptable levels of net interest income. In order to monitor interest rate risk, the Board of Directors has created an Investment Committee whose principal responsibilities are to assess the Bank’s asset/liability mix and implement strategies that will enhance income while managing the Bank’s vulnerability to changes in interest rates.

The Company uses two approaches to model interest rate risk: Earnings at Risk (“EAR analysis”) and Economic Value of Equity (“EVE analysis”). Under EAR analysis, net interest income is calculated for each interest rate scenario to the net interest income forecast in the base case. EAR analysis measures the sensitivity of interest-sensitive earnings over a one-year minimum time horizon. The results are affected by projected rates, prepayments, caps and floors. Management exercises its best judgement in making assumptions regarding events that management can influence, such as non-contractual deposit re-pricing, as well as events outside of management's control, such as customer behavior on loan and deposit activity and the effect that competition has on both loan and deposit pricing. These assumptions are subjective and, as a result, net interest income simulation results will differ from actual results due to the timing, magnitude, and frequency of interest rate changes, changes in market conditions, customer behavior and management strategies, among other factors. We perform various sensitivity analyses on assumptions of deposit attrition and deposit re-pricing. Market-implied forward rates and various likely and extreme interest rate scenarios can be used for EAR analysis. These likely and extreme scenarios can include rapid and gradual interest rate ramps, rate shocks and yield curve twists.

The EAR analysis used in the following table reflects the required analysis used no less than quarterly by management. It models -100, +100, +200, +300, and +400 basis point parallel shifts in market interest rates over the next one-year period. Due to the current low level of interest rates, only a -100 basis point parallel shift is represented.

The Company was within Board policy limits for all rate scenarios using the snapshot as of June 30, 2018 as required by regulation. The table below shows the results of the scenarios as of June 30, 2018:

Net Sensitive Earnings at Risk

Net Sensitive Earnings at Risk

Balances as of June 30, 2018	Standard (Parallel Shift) Year 1				
	Net Interest Income at Risk%				
	-100	+100	+200	+300	+400
Basis Point Change Scenario	-5.8 %	3.6 %	6.7 %	9.6 %	12.5 %
Board Policy Limits	-8.0 %	-8.0 %	-10.0 %	-15.0 %	-20.0 %

The EAR analysis reported at June 30, 2018, shows that in all rising rate scenarios, more assets than liabilities would reprice over the modeled one-year period.

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IRR is a snapshot in time. The Company’s business and deposits are very predictably cyclical on a weekly, monthly and yearly basis. The Company’s static IRR results could vary depending on which day of the week and timing in relation to certain payrolls, as well as time of the month in regard to early funding of certain programs, when this snapshot is taken. The Company’s overnight federal funds purchased fluctuates on a predictable daily and monthly basis due to fluctuations in a portion of its non-interest bearing deposit base, primarily related to payroll processing and timing of when certain programs are prefunded and when the funds are received.

Owing to the snapshot nature of IRR, as is required by regulators, in concert with the Company’s predictable weekly, monthly and yearly fluctuating deposit base and overnight borrowings, the results produced by static IRR analysis are not necessarily representative of what management, the Board of Directors, and others would view as the Company’s true IRR positioning. Management and the Board are aware of and understand these typical borrowing and deposit fluctuations as well as the point in time nature of IRR analysis and as such, has anticipated an outcome where the Company may temporarily be outside of Board policy limits based on a snapshot analysis.

For management to better understand the IRR position of the Bank, an alternative IRR analysis was completed whereby all June 30, 2018 values were utilized with the exception of overnight borrowings, non-interest bearing deposits, brokered deposits, cash due from banks, non-earning assets, and non-paying liabilities. To diminish potential issues documented above, quarterly average balances were utilized for overnight borrowings, non-interest-bearing deposits, brokered deposits and cash due from banks. Non-earning assets and non-paying liabilities were used to balance the balance sheet. Management believes this view on IRR, while still subject to some yearly cyclicality, typically portrays the Bank's IRR position more accurately.

The Company was within policy limits as of June 30, 2018 in all scenarios utilizing the alternative IRR scenario run. The table below highlights those results:

Alternative Net Sensitive Earnings at Risk

Net Sensitive Earnings at Risk

Alternative IRR Results	Standard (Parallel Shift) Year 1 Net Interest Income at Risk%				
	-100	+100	+200	+300	+400
Basis Point Change Scenario	-4.1 %	1.9 %	3.2 %	4.3 %	5.4 %
Board Policy Limits	-8.0 %	-8.0 %	-10.0 %	-15.0 %	-20.0 %

The alternative EAR analysis reported at June 30, 2018 shows that in all rising rate scenarios, more assets than liabilities would reprice over the modeled one-year period.

Net Sensitive Earnings at Risk as of June 30, 2018

Balances as of June 30, 2018

			Change in Interest Income/Expense for a given change in interest rates Over / (Under) Base Case Parallel Shift					
Basis Point Change Scenario	Book Value (in $000's)	% of Total	-100	Base	+100	+200	+300	+400
Total Loans	1,596,050	42.4 %	75,993	81,878	87,628	93,346	98,958	104,794
Total Investments (non-TEY) and other Earning Assets	2,164,008	57.6 %	55,098	61,807	66,189	69,887	73,429	76,758
Total Interest-Sensitive Income	3,760,057	100.0%	131,092	143,684	153,816	163,233	172,388	181,552
Total Interest-Bearing Deposits	883,649	96.8 %	8,489	13,266	18,400	23,534	28,669	33,803
Total Borrowings	29,117	3.2 %	455	749	1,044	1,338	1,633	1,928
Total Interest-Sensitive Expense	912,766	100.0%	8,944	14,015	19,444	24,873	30,302	35,731

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Alternative Net Sensitive Earnings at Risk
Alternative IRR Results

Basis Point Change Scenario	Book Value (in $000's)	% of Total	Change in Interest Income/Expense for a given change in interest rates Over / (Under) Base Case Parallel Shift -100	Base	+100	+200	+300	+400
Total Loans	1,727,668	43.6 %	76,132	82,111	87,956	93,769	99,476	105,407
Total Investments (non-TEY) and other Earning Assets	2,235,543	56.4 %	56,128	63,540	68,624	73,024	77,268	81,312
Total Interest-Sensitive Income	3,963,212	100.0%	132,260	145,651	156,580	166,793	176,744	186,718
Total Interest-Bearing Deposits	742,521	63.7 %	6,917	10,825	15,092	19,358	23,625	27,892
Total Borrowings	423,238	36.3 %	4,848	9,138	13,429	17,719	22,013	26,321
Total Interest-Sensitive Expense	1,165,759	100.0%	11,764	19,963	28,520	37,077	45,638	54,213

The Company believes that its growing portfolio of non-interest bearing deposits provides a stable and profitable funding vehicle and a significant competitive advantage in a rising interest rate environment as the Company’s cost of funds would likely remain relatively low, with less increase expected relative to many other banks.
Under EVE analysis, the economic value of financial assets, liabilities and off-balance sheet instruments, is derived under each rate scenario. The economic value of equity is calculated as the difference between the estimated market value of assets and liabilities, net of the impact of off-balance sheet instruments.
The EVE analysis used in the following table reflects the required analysis used no less than quarterly by management. It models immediate -100, +100, +200, +300 and +400 basis point parallel shifts in market interest rates. Due to the current low level of interest rates, only a -100 basis point parallel shift is represented.
The Company was within Board policy limits for all scenarios. The table below shows the results of the scenarios as of June 30, 2018:

Economic Value Sensitivity as of June 30, 2018

Balances as of June 30, 2018	Standard (Parallel Shift) Economic Value of Equity at Risk% -100	+100	+200	+300	+400
Basis Point Change Scenario	-1.0 %	-2.6 %	-6.6 %	-11.5 %	-15.3 %
Board Policy Limits	-10.0 %	-10.0 %	-20.0 %	-30.0 %	-40.0 %

The EVE at risk reported at June 30, 2018 shows that as interest rates increase, the economic value of equity position will decrease from the base, primarily due to the degree of the economic value of its base asset size in relation to the economic value of its base liability size. When viewing total asset versus total liability economic value, projected total assets are affected similarly on a percentage basis as compared to projected total liabilities in a rising rate environment.

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The Company was within policy limits in all scenarios utilizing the alternative IRR scenario run for management purposes. The table below highlights those results:

Alternative Economic Value Sensitivity

Alternative IRR Results	Standard (Parallel Shift)				
	Economic Value of Equity at Risk%				
	-100	+100	+200	+300	+400
Basis Point Change Scenario	-0.4 %	-3.3 %	-8.0 %	-13.6 %	-17.9 %
Board Policy Limits	-10.0 %	-10.0 %	-20.0 %	-30.0 %	-40.0 %

The EVE at risk reported using the alternative methodology used for management purposes shows that if interest rates increase immediately, the economic value of equity position will decrease from the base, partially due to the degree of the economic value of its base asset size in relation to the economic value of its base liabilities size.

Detailed Economic Value Sensitivity

The following table details the economic value sensitivity to changes in market interest rates at June 30, 2018, for loans, investments, deposits, borrowings, and other assets and liabilities (dollars in thousands). The analysis reflects that in all rising rate scenarios, total assets are marginally less sensitive than total liabilities. Asset sensitivity is offset by the non-interest bearing deposits.

Balances as of June 30, 2018

			Change in Economic Value for a given change in interest rates Over / (Under) Base Case Parallel Shift				
Basis Point Change Scenario	Book Value (in $000's)	% of Total	-100	+100	+200	+300	+400
Total Loans	1,596,050	38.4 %	2.0%	-2.0 %	-3.9 %	-5.8 %	-7.6 %
Total Investment	2,159,052	52.0 %	3.8%	-4.9 %	-10.1 %	-15.2 %	-19.6 %
Other Assets	400,146	9.6 %	0.0%	0.0 %	0.0 %	0.0 %	0.0 %
Assets	4,155,247	100.0%	2.7%	-3.3 %	-6.7 %	-10.1 %	-13.0 %
Interest Bearing Deposits	883,649	24.4 %	1.1%	-1.1 %	-2.1 %	-3.0 %	-3.9 %
Non-Interest Bearing Deposits	2,638,762	72.8 %	5.2%	-4.7 %	-8.9 %	-12.7 %	-16.2 %
Total Borrowings & Other Liabilities	102,492	2.8 %	0.0%	0.0 %	0.0 %	0.0 %	0.0 %
Liabilities	3,624,903	100.0%	3.9%	-3.5 %	-6.8 %	-9.7 %	-12.3 %

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Detailed Alternative Economic Value Sensitivity

The following is EVE at risk reported using the alternative methodology used for management purposes, for loans, investments, deposits, borrowings, and other assets and liabilities (dollars in thousands). The analysis reflects that in rising interest rate scenarios, the total assets are slightly more sensitive in regard to economic value sensitivity.
Alternative IRR Results

			Change in Economic Value for a given change in interest rates Over / (Under) Base Case Parallel Shift				
Basis Point Change Scenario	Book Value (in $000's)	% of Total	-100	+100	+200	+300	+400
Total Loans	1,727,668	41.6 %	1.8 %	-1.8 %	-3.6 %	-5.4 %	-7.0 %
Total Investment	2,173,407	52.3 %	3.8 %	-4.9 %	-10.0 %	-15.1 %	-19.4 %
Other Assets	254,172	6.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Assets	4,155,247	100.0 %	2.7 %	-3.3 %	-6.7 %	-10.1 %	-13.0 %
Interest Bearing Deposits	742,521	20.5 %	1.3 %	-1.2 %	-2.3 %	-3.3 %	-4.3 %
Non-Interest Bearing Deposits	2,486,865	68.6 %	5.2 %	-4.7 %	-9.0 %	-12.8 %	-16.3 %
Total Borrowings & Other Liabilities	395,518	10.9 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Liabilities	3,624,904	100.0 %	3.7 %	-3.3 %	-6.3 %	-9.1 %	-11.6 %

Certain shortcomings are inherent in the method of analysis discussed above and as presented in the tables above. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Furthermore, although management has estimated changes in the levels of prepayments and early withdrawal in these rate environments, such levels would likely deviate from those assumed in calculating the tables above. Finally, the ability of some borrowers to service their debt may decrease in the event of an interest rate increase.

Item 4. Controls and Procedures.

CONTROLS AND PROCEDURES

Any control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that its objectives will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s “disclosure controls and procedures”, as such term is defined

in Rules 13a - 15(e) and 15d - 15(e) of the Securities Exchange Act of 1934 ("Exchange Act") as of the end of the period covered by this quarterly report.

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Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at June 30, 2018, the Company's disclosure controls and procedures were effective to provide reasonable assurance that (i) the information required to be disclosed by us 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, and (ii) information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

With the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the Company's fiscal quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on such evaluation, management concluded that, as of the end of the period covered by this report, there have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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META FINANCIAL GROUP, INC.
PART II - OTHER INFORMATION

FORM 10-Q

Item 1. Legal Proceedings. - See “Legal Proceedings” under Note 6 to the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors. - A description of our risk factors can be found in "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. There were no material changes to those risk factors during the nine months ended June 30, 2018, except that the following risk factors are hereby added:

There are risks associated with the transaction with Crestmark and Crestmark Bank.

We recently announced that, on August 1, 2018, we and MetaBank consummated the transactions contemplated by a definitive agreement and plan of merger with Crestmark and its wholly-owned subsidiary, Crestmark Bank, whereby we acquired Crestmark in an all-stock transaction. Following the Crestmark merger, the Company is subject to a number of risks and uncertainties related to the Crestmark merger, including, but not limited to, the following:

- the businesses may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected;
- the risk that the expected growth opportunities, beneficial synergies and/or operating efficiencies from the Crestmark merger may not be fully realized or may take longer to realize than expected;
- customer losses and business disruption in connection with and following the merger with Crestmark;
- potential litigation or regulatory actions relating to the Crestmark transaction;
- the risk that the Company may incur unanticipated or unknown losses or liabilities following completion of the Crestmark merger; and
- potential adverse effects on the market price of our common stock caused by the sale of such stock held by former Crestmark shareholders following the transaction.

Any of the foregoing risks or similar risks could have an adverse impact on our business. We have also incurred, and will incur, significant expenses associated with the Crestmark merger, including fees of professional advisors and integration costs.
Additional information regarding the risks and uncertainties associated with the Crestmark merger are contained in the registration statement on Form S-4, which includes a joint proxy statement and prospectus, that was filed with the SEC in connection with the Crestmark merger.

Program agreements that the Company and the Bank have entered into, and expect to enter into from time to time in the future, with third parties to market and service consumer loans originated by the Bank may subject the Bank to claims from regulatory agencies and other third parties that, if successful, could negatively impact MetaBank’s ongoing and future business.

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The Bank has entered into various agreements with unaffiliated third parties ("Marketers"), whereby the Marketers will market and service unsecured consumer loans underwritten and originated by the Bank. The Company expects the Bank to enter into additional similar program agreements with other third parties to market and service loans originated by the Bank, from time to time in the future. Certain types of these arrangements have been challenged both in the courts and in regulatory actions. In these actions, plaintiffs have generally argued that the "true lender" is the marketer and that the intent of such lending program is to evade state usury and loan licensing laws. Other cases have also included other claims, including racketeering and other state law claims, in their challenge of such programs. There can be no assurance that lawsuits or regulatory actions in connection with any such lending programs the Bank enters into will not be brought in the future. If a regulatory agency, consumer advocate group or other third party were to bring an action against the Bank or any of the third parties with which the Bank operates such lending programs, and such actions were successful, such an outcome could have a material adverse effect on the Bank and the Company.

Agreements with Marketers whereby the Bank will originate and hold unsecured consumer loans, may result in increased exposure to credit risk and fraud and may present certain additional risks.

Although the Bank has offered unsecured consumer loans to its customers through its brick-and-mortar branch network, the Bank's entry into program agreements with other third parties to market and service loans originated by the Bank, such as its recently announced program agreement with Liberty Lending, LLC, represents a new area of the consumer credit market for the Bank, which presents potential increased credit risks. As a result of the loans originated under such program being unsecured, in the event a borrower does not repay the loan in accordance with its terms or otherwise defaults on the loan, the Bank may not be able to recover from the borrower an amount sufficient to pay any remaining balance on the loan. See "If the Company's actual loan losses exceed the Company's allowance for loan losses, the Company's net income will decrease." We may also become subject to claims by regulatory agencies or other third parties due to the conduct of the third parties with which the Bank operates such lending programs if such conduct does not comply with applicable laws in connection with marketing and servicing loans under the program.

The student loan portfolio purchases present certain risks to the Bank.

The Bank purchased two separate student loan portfolios in fiscal year 2017 and the beginning of fiscal year 2018. The first of which portfolios included seasoned loans that were taken by medical school students who enrolled in non-U.S. medical schools and the second included more traditional loans made to higher education students. The servicing of these loans remains with ReliaMax Lending Services, LLC. To the extent there are any issues raised in connection with the origination, transfer or servicing of the loans constituting these portfolios, including the Company's incurrence of direct servicing costs in excess of its estimates, and to the extent any related losses were not deemed to be insured losses pursuant to the surety agreement and other insurance applicable to these loans, such a determination could have a material adverse effect on the Bank and the Company.

As previously disclosed, the Company received written notification from ReliaMax Surety Company ("ReliaMax Surety"), which provided insurance coverage for the Company's purchased student loan portfolios, on June 18, 2018 informing policy holders that the South Dakota Division of Insurance filed a petition to have ReliaMax Surety declared insolvent and to adopt a plan of liquidation. An Order of Liquidation was entered on June 27, 2018 by the Sixth Circuit Court in Hughes County, South Dakota, declaring ReliaMax Surety insolvent and appointing the South Dakota Division of Insurance as liquidator to adopt a plan of liquidation. As a result of these proceedings, the Company's purchased student loan portfolios are no longer insured. Accordingly, at June 30, 2018 the Company recorded a $3.0 million provision on the Company's purchased student loan portfolios, and the Company expects to recognize additional ongoing provision expense on the purchased student loan portfolios until recovery of unearned premiums is collected. The Company cannot provide any assurances whether or to what extent it will be able to recover all or any portion of unearned premiums relating to its purchased student loan portfolios, whether as a result

of the ReliaMax Surety liquidation plan, the state insurance guarantee fund or otherwise. If the Company's recovery of unearned premiums is less than expected (including if the Company does not recover any such amounts at all), the Company may recognize loan losses in the future in excess of its estimates, which may adversely affect the Company's realized pre-tax yields on its purchased student loan portfolios and may otherwise have a material adverse impact on the Company's financial condition and results of operations.

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Item 6. Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation, as amended
31.1	Section 302 certification of Chief Executive Officer.
31.2	Section 302 certification of Chief Financial Officer.
32.1	Section 906 certification of Chief Executive Officer.
32.2	Section 906 certification of Chief Financial Officer.
101.INS	Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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META FINANCIAL GROUP, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	META FINANCIAL GROUP, INC.
Date: August 8, 2018	By: /s/ J. Tyler Haahr J. Tyler Haahr, Chairman of the Board and Chief Executive Officer
Date: August 8, 2018	By: /s/ Glen W. Herrick Glen W. Herrick, Executive Vice President and Chief Financial Officer