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

Table of Contents

Table of Contents

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.

2

Table of Contents

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.

Table of Contents

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.

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.

Table of Contents

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

	Nine Months Ended June 30,	
(Dollars in Thousands)	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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

	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

11

Table of Contents

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.

Table of Contents

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.

13

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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

22

Table of Contents

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)

Table of Contents

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
At September 30, 2017	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)

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
At September 30, 2017	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.

Table of Contents

Available For Sale	AMORTIZED COST	FAIR 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 COST	FAIR 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 COST	FAIR 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 COST	FAIR 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

Table of Contents

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.

Table of Contents

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

27

Table of Contents

(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

Table of Contents

	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		