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 March 31, 2017

☐ 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) 361-4347
(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 May 1, 2017:
Common Stock, $.01 par value	9,349,989 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 (Unaudited)
(Dollars in Thousands, Except Share and Per Share Data)

ASSETS	March 31, 2017	September 30, 2016
Cash and cash equivalents	$ 67,293	$ 773,830
Investment securities available for sale	1,184,440	910,309
Mortgage-backed securities available for sale	642,833	558,940
Investment securities held to maturity	474,306	486,095
Mortgage-backed securities held to maturity	122,497	133,758
Loans receivable	1,151,192	925,105
Allowance for loan losses	(14,602)	(5,635)
Federal Home Loan Bank Stock, at cost	25,043	47,512
Accrued interest receivable	20,902	17,199
Premises, furniture, and equipment, net	20,019	18,626
Bank-owned life insurance	58,378	57,486
Foreclosed real estate and repossessed assets	—	76
Goodwill	98,723	36,928
Intangible assets	66,633	28,921
Prepaid assets	34,596	9,443
Deferred taxes	10,589	—
Meta Payment Systems accounts receivable	6,005	6,334
Other assets	16,749	1,492
Total assets	$ 3,985,596	$ 4,006,419
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest-bearing checking	$ 2,637,167	$ 2,167,522
Interest-bearing checking	44,264	38,077
Savings deposits	65,367	50,742
Money market deposits	42,340	47,749
Time certificates of deposit	61,170	125,992
Wholesale deposits	21,923	—
Total deposits	2,872,231	2,430,082
Short-term debt	494,919	1,095,118
Long-term debt	92,497	92,460
Accrued interest payable	722	875
Deferred taxes	—	4,600
Accrued expenses and other liabilities	113,479	48,309
Total liabilities	3,573,848	3,671,444
STOCKHOLDERS' EQUITY		
Preferred stock, 3,000,000 shares authorized, no shares issued or outstanding at March 31, 2017 and September 30, 2016, respectively	—	—
Common stock, $.01 par value; 15,000,000 shares authorized, 9,349,989 shares issued and outstanding at March 31, 2017 and 8,523,641 shares issued and outstanding at September 30, 2016	94	85
Common stock, Nonvoting, $.01 par value; 3,000,000 shares authorized, no shares issued or outstanding at March 31, 2017 and September 30, 2016, respectively	—	—
Additional paid-in capital	253,473	184,780
Retained earnings	158,167	127,190
Accumulated other comprehensive income	14	22,920
Total stockholders' equity	411,748	334,975
Total liabilities and stockholders' equity	$ 3,985,596	$ 4,006,419

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Interest and dividend income:				
Loans receivable, including fees	$ 12,773	$ 8,548	$ 23,451	$ 16,867
Mortgage-backed securities	4,481	4,768	7,801	8,481
Other investments	10,464	7,313	19,041	13,556
	27,718	20,629	50,293	38,904
Interest expense:				
Deposits	2,184	135	3,122	298
FHLB advances and other borrowings	1,568	556	3,372	1,113
	3,752	691	6,494	1,411
Net interest income	23,966	19,938	43,799	37,493
Provision for loan losses	8,649	1,173	9,492	1,959
Net interest income after provision for loan losses	15,317	18,765	34,307	35,534
Non-interest income:				
Tax product fees	63,606	21,071	64,231	21,206
Card fees	26,547	18,579	44,961	33,835
Loan fees	1,182	674	2,052	1,467
Bank-owned life insurance	444	380	892	754
Deposit fees	168	151	318	313
Gain (loss) on sale of securities available for sale, net (includes ($144) and $29 reclassified from accumulated other comprehensive income (loss) for net gains (losses) on available for sale securities for the three months ended March 31, 2017 and 2016, respectively and ($1,378) and $50 for the six months ended March 31, 2017 and 2016, respectively)	(144)	29	(1,378)	50
Gain on foreclosed real estate	7	—	7	—
Other income	360	17	436	110
Total non-interest income	92,170	40,901	111,519	57,735
Non-interest expense:				
Compensation and benefits	26,766	17,110	44,616	31,765
Tax product	13,318	8,238	13,396	8,256
Card processing	7,043	6,017	12,622	11,251
Occupancy and equipment	4,191	3,659	8,168	7,038
Legal and consulting	1,505	859	4,228	1,990
Marketing	610	539	1,080	1,041
Data processing	392	357	755	698
Amortization expense	7,082	1,215	8,607	2,428
Other expense	6,039	3,796	10,227	7,331
Total non-interest expense	66,946	41,790	103,699	71,798
Income before income tax expense	40,541	17,876	42,127	21,471
Income tax expense (includes ($54) and $11 income tax expense (benefit) reclassified from accumulated other comprehensive income (loss) for the three months ended March 31, 2017 and 2016, respectively and ($517) and $18 for the six months ended March 31, 2017 and 2016, respectively)	8,399	3,593	8,741	3,130
Net income	$ 32,142	$ 14,283	$ 33,386	$ 18,341
Earnings per common share				
Basic	$ 3.44	$ 1.68	$ 3.65	$ 2.19
Diluted	$ 3.42	$ 1.67	$ 3.63	$ 2.17

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	**2016**	**2017**	**2016**
Net income	$ 32,142	$ 14,283	$ 33,386	$ 18,341
Other comprehensive income (loss):				
Change in net unrealized gain (loss) on securities	7,969	16,216	(37,300)	18,837
Losses (gains) realized in net income	144	(29)	1,378	(50)
	8,113	16,187	(35,922)	18,787
LESS: Deferred income tax effect	3,076	5,938	(13,016)	6,913
Total other comprehensive income (loss)	5,037	10,249	(22,906)	11,874
Total comprehensive income	$ 37,179	$ 24,532	$ 10,480	$ 30,215

See Notes to Condensed Consolidated Financial Statements.

META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Six Months Ended March 31, 2017 and 2016
(Dollars in Thousands, Except Share and Per Share Data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance, September 30, 2015	$ 82	$ 170,749	$ 98,359	$ 2,455	$ (310)	$ 271,335
Cash dividends declared on common stock ($0.26 per share)	—	—	(2,174)	—	—	(2,174)
Issuance of common shares from the sales of equity securities	2	11,520	—	—	—	11,522
Issuance of common shares due to issuance of stock options, restricted stock and ESOP	1	1,412	—	—	310	1,723
Stock compensation	—	666	—	—	—	666
Net change in unrealized gains on securities, net of income taxes	—	—	—	11,874	—	11,874
Net income	—	—	18,341	—	—	18,341
Balance, March 31, 2016	$ 85	$ 184,347	$ 114,526	$ 14,329	$ —	$ 313,287
Balance, September 30, 2016	$ 85	$ 184,780	$ 127,190	$ 22,920	$ —	$ 334,975
Cash dividends declared on common stock ($0.26 per share)	—	—	(2,409)	—	—	(2,409)
Issuance of common shares due to issuance of stock options, restricted stock and ESOP	4	6,767	—	—	—	6,771
Issuance of common shares due to acquisitions	5	37,291	—	—	—	37,296
Contingent consideration equity earnout due to SCS acquisition	—	24,142	—	—	—	24,142
Stock compensation	—	493	—	—	—	493
Net change in unrealized gains on securities, net of income taxes	—	—	—	(22,906)	—	(22,906)
Net income	—	—	33,386	—	—	33,386
Balance, March 31, 2017	$ 94	$ 253,473	$ 158,167	$ 14	$ —	$ 411,748

See Notes to Condensed Consolidated Financial Statements.

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

(Dollars in Thousands)	Six Months Ended March 31, 2017	2016
Cash flows from operating activities:		
Net income	$ 33,386	$ 18,341
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion, net	24,843	17,569
Provision for loan losses	9,492	1,959
(Recovery) for deferred taxes	(2,172)	(703)
(Gain) loss on other assets	(14)	10
(Gain) on foreclosed real estate	(7)	—
(Gain) loss on sale of securities available for sale, net	1,378	(50)
Capital lease obligations interest expense	61	(63)
Net change in accrued interest receivable	(3,703)	(2,431)
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	(892)	(754)
Net change in other assets	(40,079)	(6,092)
Net change in accrued interest payable	(153)	(105)
Net change in accrued expenses and other liabilities	47,872	14,454
Net cash provided by (used in) operating activities	70,012	42,135
Cash flows from investing activities:		
Purchase of securities available-for-sale	(577,967)	(454,450)
Proceeds from sales of securities available-for-sale	113,647	100,298
Proceeds from maturities and principal repayments of securities available-for-sale	59,383	52,991
Purchase of securities held to maturity	(931)	(147,906)
Proceeds from maturities and principal repayments of securities held to maturity	21,112	6,059
Purchase of bank owned life insurance	—	(10,000)
Purchase of student loan portfolio	(136,172)	—
Proceeds from loan sales	11,205	88
Net change in loans receivable	(102,576)	(73,243)
Proceeds from sales of foreclosed real estate	83	—
Net cash paid for acquisitions	(29,425)	—
Federal Home Loan Bank stock purchases	(243,971)	(403,981)
Federal Home Loan Bank stock redemptions	266,440	405,960
Proceeds from the sale of premises and equipment	58	13
Purchase of premises and equipment	(4,210)	(3,663)
Net cash provided by (used in) investing activities	(623,324)	(527,834)
Cash flows from financing activities:		
Net change in checking, savings, and money market deposits	485,048	602,597
Net change in time deposits	(64,822)	(39,370)
Net change in wholesale deposits	21,923	—
Net change in FHLB and other borrowings	(100,000)	—
Net change in federal funds	(499,000)	(75,000)
Net change in securities sold under agreements to repurchase	(1,191)	(2,381)
Principal payments on capital lease obligations	(38)	(62)
Cash dividends paid	(2,409)	(2,174)
Stock compensation	493	666
Proceeds from issuance of common stock	6,771	13,245
Net cash provided by (used in) financing activities	(153,225)	497,521
Net change in cash and cash equivalents	(706,537)	11,822
Cash and cash equivalents at beginning of period	773,830	27,658
Cash and cash equivalents at end of period	$ 67,293	$ 39,480

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

	Six Months Ended March 31,	
	2017	2016
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 6,341	$ 1,516
Income taxes	2,371	1,789
Franchise taxes	95	39
Other taxes	260	58
Supplemental schedule of non-cash investing activities:		
Stock issued for acquisitions	$ (37,296)	$ —
Contingent consideration - cash	(17,252)	—
Contingent consideration - equity	(24,142)	—
Sale of available-for-sale securities accrued	—	10,499

See Notes to Condensed Consolidated Financial Statements.

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, 2016 included in Meta Financial Group, Inc.'s ("Meta Financial" or the "Company") Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on December 14, 2016. 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 six month periods ended March 31, 2017 are not necessarily indicative of the results expected for the fiscal year ending September 30, 2017.

The Company reclassified insignificant electronic return originator ("ERO") and taxpayer advance fee income and related expenses during the first quarter of fiscal year 2017 from loan fees and other income to tax product fees and other expenses to tax product expense. Prior period amounts have also been reclassified.

As of March 31, 2017, certain insignificant adjustments to previously reported Earnings Per Share ("EPS") have been made to correctly reflect the effect of participating securities on basic and diluted EPS calculations in accordance with ASC 260. These changes were immaterial to the overall EPS calculation.

NOTE 2. ACQUISITIONS

EPS Financial

On November 1, 2016, the Company, through its wholly-owned subsidiary, MetaBank, completed the acquisition of substantially all of the assets and certain liabilities of EPS Financial, LLC ("EPS") from privately-held Drake Enterprises, Ltd. ("Drake"). The assets acquired by MetaBank in the EPS acquisition include the EPS trade name, operating platform, and other assets. EPS is a leading provider of comprehensive tax-related financial transaction solutions for over 10,000 ERO's nationwide, offering a one-stop-shop for all tax preparer financial transactions. These solutions include a full-suite of refund settlement products, prepaid payroll card solutions and merchant services.

Under the terms of the purchase agreement, the aggregate purchase price, which was based upon the November 1, 2016 tangible book value of EPS, included the payment of $21.9 million in cash, after adjustments, and 369,179 shares of Meta Financial common stock. The Company acquired assets with approximate fair values of $17.9 million of intangible assets, including customer relationships, trademark, and non-compete agreements, and $0.1 million of other assets, resulting in $30.4 million of goodwill.

The following table represents the approximate fair value of assets acquired and liabilities assumed of EPS on the consolidated statement of financial condition as of November 1, 2016.

	As of November 1, 2016	
	(Dollars in Thousands)	
Fair value of consideration paid		
Cash	$	21,877
Stock issued		26,507
Total consideration paid		48,384
Fair value of assets acquired		
Intangible assets		17,930
Other assets		79
Total assets		18,009
Fair value of net assets acquired		18,009
Goodwill resulting from acquisition	$	30,375

The Company included the financial results of EPS in its consolidated financial statements subsequent to the acquisition date. The EPS transaction has been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the transaction date. The Company made significant estimates and exercised judgment in estimating fair values and accounting for such acquired assets and liabilities.

The Company recognized goodwill of $30.4 million, which is calculated as the excess of both the consideration exchanged and the liabilities assumed, which were negligible, as compared to the fair value of identifiable assets acquired. Goodwill resulted from expected operational synergies and expanded product lines and is expected to be deductible for tax purposes. See Note 12 to the Condensed Consolidated Financial Statements for further information on goodwill.

The Company recognized $0.5 million of pre-tax transaction related expenses during the first six months of fiscal year 2017. The transaction expenses are reflected on the consolidated statement of operations primarily under legal and consulting.

SCS

On December 14, 2016, the Company, through MetaBank, completed the acquisition of substantially all of the assets and specified liabilities of Specialty Consumer Services LP ("SCS"). The assets acquired by MetaBank in the SCS acquisition include the SCS trade name, propriety underwriting model and loan management system and other assets. SCS primarily provides consumer tax advance and other consumer credit services through its loan management services and other financial products.

Under the terms of the purchase agreement, the aggregate purchase price paid at closing, which was based upon the December 14, 2016 tangible book value of SCS, was approximately $7.5 million in cash and 113,328 shares of Meta Financial common stock. In addition, cash contingent consideration of up to $17.3 million (estimated fair value), payable in cash, and equity contingent consideration of up to 264,431 shares of Meta Financial common stock, will be paid if certain performance benchmarks are achieved subsequent to closing (described more fully below). The Company acquired assets with approximate fair values of $28.3 million of intangible assets, including customer relationships, trademark, and non-compete agreements, and negligible other assets, resulting in goodwill of $31.4 million. All amounts are at estimated fair market values.

Subject to the equity earn-out terms of the purchase agreement, SCS will be eligible to receive up to an aggregate of 264,431 shares of Meta Financial common stock within 20 days after the applicable equity earn-out statement is deemed final if certain targets are achieved. The equity earn-out measurements are as follows; 1) if, as of an equity earn-out measurement date, the anticipated 2018 measured gross profit meets or exceeds the statement amount, MetaBank will deliver to SCS a stated number of shares of Meta common stock; 2) if, as of an equity earn-out measurement date, the aggregate anticipated loan volume under all 2018 eligible contracts is greater than or equal to the agreed upon volume amount, then MetaBank will deliver to SCS a stated number of shares of Meta common stock; and 3) if, as of an equity earn-out measurement date, each agreement specified in the contract is in effect and each such agreement is not amended or modified as of such time (except as approved in writing by the President of MetaBank, in his or her sole discretion), then MetaBank will deliver to SCS a stated number of shares of Meta common stock. None of the equity earn-out payments are contingent on the achievement of any of the other equity earn-out targets.

Subject to the cash earn-out terms of the purchase agreement, MetaBank agreed to pay to SCS an amount equal to 100% of the 2017 measured business gross profit up to a maximum of $17.5 million within 20 days after the date on which each determination of the cash earn-out payment is deemed final.

The Company included the financial results of SCS in its consolidated financial statements subsequent to the acquisition date. The fair value of the liability for the cash contingent consideration was approximately $17.3 million and was included in other liabilities in the Company's consolidated statement of financial condition. The fair value of the equity contingent consideration was approximately $24.1 million at closing and was included in additional paid-in capital in the Company's consolidated statement of financial condition. The respective fair values of the liability and equity were estimated using an option based income valuation method with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in the FASB's Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures. The significant inputs in the Level 3 measurement not supported by market activity included our probability assessments of the expected future cash flows related to our acquisition of SCS during the earn-out period.

The following table represents the approximate fair value of assets acquired and liabilities recorded of SCS on the consolidated statement of financial condition as of December 14, 2016.

	As of December 14, 2016
	(Dollars in Thousands)
Fair value of transaction consideration	
Cash	7,548
Stock issued	10,789
Paid consideration	18,337
Contingent consideration - cash	17,252
Contingent consideration - equity	24,142
Contingent consideration payable	41,394
Total consideration paid	59,731
Fair value of assets acquired	
Intangible assets	28,310
Other assets	2
Total assets	28,312
Fair value of net assets acquired	28,312
Goodwill resulting from acquisition	31,419

The SCS transaction has been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the transaction date. The Company made significant estimates and exercised judgment in estimating fair values and accounting for such acquired assets and liabilities. Upon receipt of final fair value estimates on certain assets, liabilities, and contingent considerations, which must be within one year of the acquisition date, the Company made final adjustments to the purchase price allocation and retrospectively adjusted the recorded goodwill. The Company recorded a contingent liability in the amount of $17.3 million to reflect the fair market value of the potential cash earn-out payment.

The Company recognized goodwill of $31.4 million, which is calculated as the excess of both the adjusted consideration exchanged and the liabilities recorded as compared to the fair value of identifiable assets acquired. Goodwill resulted from expected operational synergies and expanded product lines and is expected to be deductible for tax purposes. See Note 12 to the Condensed Consolidated Financial Statements for further information on goodwill.

The Company recognized $0.6 million of pre-tax transaction related expenses during the first six months of fiscal year 2017. The transaction expenses are reflected on the consolidated statement of operations primarily under legal and consulting.

NOTE 3. 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 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 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 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. Often this is associated with a delay or shortfall in payments of 210 days or more for premium finance loans and 90 days or more for other loan categories. Non-accrual loans and all troubled debt restructurings are considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Loans receivable at March 31, 2017 and September 30, 2016 were as follows:

	March 31, 2017	**September 30, 2016**
	(Dollars in Thousands)	
1-4 Family Real Estate	$ 178,310	$ 162,298
Commercial and Multi-Family Real Estate	473,058	422,932
Agricultural Real Estate	62,422	63,612
Consumer	182,156	37,094
Commercial Operating	33,894	31,271
Agricultural Operating	35,493	37,083
Premium Finance	187,049	171,604
Total Loans Receivable	1,152,382	925,894
Allowance for Loan Losses	(14,602)	(5,635)
Net Deferred Loan Origination Fees	(1,190)	(789)
Total Loans Receivable, Net	$ 1,136,590	$ 919,470

Activity in the allowance for loan losses and balances of loans receivable by portfolio segment for the three and six months ended March 31, 2017 and 2016 was as follows:

	1-4 Family Real Estate	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	Premium Finance	Unallocated	Total
	(Dollars in Thousands)								
Three Months Ended March 31, 2017									
Allowance for loan losses:									
Beginning balance	$ 654	$ 1,912	$ 476	$ 47	$ 813	$ 1,341	$ 594	$ 578	$ 6,415
Provision (recovery) for loan losses	(358)	(170)	1,048	7,658	304	8	115	43	8,648
Charge offs	—	—	—	—	(350)	—	(140)	—	(490)
Recoveries	—	—	—	1	—	—	28	—	29
Ending balance	$ 296	$ 1,742	$ 1,524	$ 7,706	$ 767	$ 1,349	$ 597	$ 621	$ 14,602
Six Months Ended March 31, 2017									
Allowance for loan losses:									
Beginning balance	$ 654	$ 2,198	$ 142	$ 51	$ 117	$ 1,332	$ 588	$ 553	$ 5,635
Provision (recovery) for loan losses	(358)	(456)	1,382	7,631	995	4	226	68	9,492
Charge offs	—	—	—	—	(350)	—	(259)	—	(609)
Recoveries	—	—	—	24	5	13	42	—	84
Ending balance	$ 296	$ 1,742	$ 1,524	$ 7,706	$ 767	$ 1,349	$ 597	$ 621	$ 14,602
Ending balance: individually evaluated for impairment	12	—	—	—	53	—	—	—	65
Ending balance: collectively evaluated for impairment	284	1,742	1,524	7,706	714	1,349	597	621	14,537
Total	$ 296	$ 1,742	$ 1,524	$ 7,706	$ 767	$ 1,349	$ 597	$ 621	$ 14,602
Loans:									
Ending balance: individually evaluated for impairment	248	1,144	582	—	302	1,072	—	—	3,348
Ending balance: collectively evaluated for impairment	178,062	471,914	61,840	182,156	33,592	34,421	187,049	—	1,149,034
Total	$ 178,310	$ 473,058	$ 62,422	$ 182,156	$ 33,894	$ 35,493	$ 187,049	$ —	$ 1,152,382

	1-4 Family Real Estate	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	Premium Finance	Unallocated	Total
	(Dollars in Thousands)								
Three Months Ended March 31, 2016									
Allowance for loan losses:									
Beginning balance	$ 285	$ 1,194	$ 171	$ 20	$ 107	$ 3,856	$ 424	$ 609	$ 6,666
Provision (recovery) for loan losses	42	790	(17)	1,039	(62)	(529)	171	(261)	1,173
Charge offs	—	(290)	—	—	—	—	(137)	—	(427)
Recoveries	—	—	—	—	—	—	19	—	19
Ending balance	$ 327	$ 1,694	$ 154	$ 1,059	$ 45	$ 3,327	$ 477	$ 348	$ 7,431
Six Months Ended March 31, 2016									
Allowance for loan losses:									
Beginning balance	$ 278	$ 1,187	$ 163	$ 20	$ 28	$ 3,537	$ 293	$ 749	$ 6,255
Provision (recovery) for loan losses	49	797	(9)	1,039	17	(210)	677	(401)	1,959
Charge offs	—	(290)	—	—	—	—	(527)	—	(817)
Recoveries	—	—	—	—	—	—	34	—	34
Ending balance	$ 327	$ 1,694	$ 154	$ 1,059	$ 45	$ 3,327	$ 477	$ 348	$ 7,431
Ending balance: individually evaluated for impairment	—	40	—	—	—	2,846	—	—	2,886
Ending balance: collectively evaluated for impairment	327	1,654	154	1,059	45	481	477	348	4,545
Total	$ 327	$ 1,694	$ 154	$ 1,059	$ 45	$ 3,327	$ 477	$ 348	$ 7,431
Loans:									
Ending balance: individually evaluated for impairment	114	1,091	—	—	6	3,421	—	—	4,632
Ending balance: collectively evaluated for impairment	139,886	353,703	64,111	35,937	26,903	38,660	121,572	—	780,772
Total	$ 140,000	$ 354,794	$ 64,111	$ 35,937	$ 26,909	$ 42,081	$ 121,572	$ —	$ 785,404

Federal regulations promulgated by the Company's primary federal regulator, the Office of the Comptroller of the Currency (the "OCC"), 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 its wholly-owned subsidiary, MetaBank (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, a geographic location, or an occupation. 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.

The asset classification of loans at March 31, 2017 and September 30, 2016 were as follows:

March 31, 2017	**1-4 Family Real Estate**	**Commercial and Multi-Family Real Estate**	**Agricultural Real Estate**	**Consumer**	**Commercial Operating**	**Agricultural Operating**	**Premium Finance**	**Total**
	(Dollars in Thousands)							
Pass	$ 176,844	$ 471,748	$ 28,828	$ 182,156	$ 33,572	$ 18,893	$ 187,049	$ 1,099,090
Watch	537	72	—	—	21	40	—	670
Special Mention	660	204	2,965	—	—	—	—	3,829
Substandard	269	1,034	30,629	—	248	16,560	—	48,740
Doubtful	—	—	—	—	53	—	—	53
	$ 178,310	$ 473,058	$ 62,422	$ 182,156	$ 33,894	$ 35,493	$ 187,049	$ 1,152,382

September 30, 2016	1-4 Family Real Estate	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	Premium Finance	Total
	(Dollars in Thousands)							
Pass	$ 161,255	$ 421,577	$ 34,421	$ 37,094	$ 30,574	$ 19,669	$ 171,604	$ 876,194
Watch	200	72	2,934	—	184	4,625	—	8,015
Special Mention	666	962	25,675	—	—	5,407	—	32,710
Substandard	177	321	582	—	513	7,382	—	8,975
Doubtful	—	—	—	—	—	—	—	—
	$ 162,298	$ 422,932	$ 63,612	$ 37,094	$ 31,271	$ 37,083	$ 171,604	$ 925,894

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 currently 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.

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. 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, which then balloon or adjust annually thereafter. In addition, such 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.

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. The Bank also offers other secured and unsecured consumer loans and currently originates most of its consumer loans in its primary market area and surrounding areas. In addition, the Bank’s consumer lending portfolio includes a purchased student loan portfolio, along with consumer lending products offered through its payments segment.

The Bank's consumer loan portfolio includes 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 private student loan portfolio is a seasoned portfolio that is serviced by ReliaMax Lending Services, LLC and insured by ReliaMax Surety Company. All loans in this portfolio are floating rate and indexed to the three-month LIBOR plus various margins.

Through its payments segment, the Bank strives to offer consumers innovative payment products, including credit products. Most credit products have fallen into the category of portfolio lending. Meta Payments Systems ("MPS") continues its development of new alternative portfolio lending products primarily to serve its customer base and to provide innovative lending solutions to the unbanked and under-banked segment.

The payments segment also provides short-term consumer refund advance loans. Taxpayers are underwritten to determine eligibility for the unsecured advances. These consumer loans are interest and fee free to the consumer. Due to the nature of consumer 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, when the refund advance loan becomes delinquent for 90 days or more, or when collection of principal becomes doubtful, the Company will charge off the loan balance.

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, and operating costs for the Company's network of tax ERO's. Commercial loans also may involve the extension of revolving credit for a combination of equipment acquisitions and working capital in expanding companies.

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 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. ERO loans are not collateralized. 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. Nonetheless, such loans are believed to carry higher credit risk than more traditional lending activities.

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 payments segment, the Bank also provides short-term ERO advance loans on a nation-wide basis. These loans are typically utilized to purchase tax preparation software and to prepare tax offices for the upcoming season. EROs go through an underwriting process to determine eligibility for the unsecured advances. Collection activities on ERO advances begin once the ERO begins to process refund transfers. Generally, when the ERO advance loan becomes delinquent for 90 days or more, or when collection of principal becomes doubtful, the Company will charge off the loan balance.

Premium Finance Lending. Through its AFS/IBEX division, MetaBank provides short-term and primarily collateralized financing to facilitate the commercial customers' purchase of insurance for various forms of risk otherwise known as 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.

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 returned is typically sufficient to cover the loan balance, accrued interest and other charges due.

Due to the nature of collateral for commercial 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. 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 premium finance 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.
Past due loans at March 31, 2017 and September 30, 2016 were as follows:

March 31, 2017	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days**	**Total Past Due**	**Current**	**Non-Accrual Loans**	**Total Loans Receivable**
	(Dollars in Thousands)						
1-4 Family Real Estate	$ 42	$ 59	$ —	$ 101	$ 178,097	$ 112	$ 178,310
Commercial and Multi-Family Real Estate	2,864	315	—	3,179	469,724	155	473,058
Agricultural Real Estate	35,058	—	—	35,058	23,903	3,461	62,422
Consumer	8,009	1,329	284	9,622	172,534	—	182,156
Commercial Operating	—	—	—	—	33,747	147	33,894
Agricultural Operating	—	—	—	—	35,396	97	35,493
Premium Finance	1,029	954	723	2,706	184,343	—	187,049
Total	$ 47,002	$ 2,657	$ 1,007	$ 50,666	$ 1,097,744	$ 3,972	$ 1,152,382

September 30, 2016	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days**	**Total Past Due**	**Current**	**Non-Accrual Loans**	**Total Loans Receivable**
	(Dollars in Thousands)						
1-4 Family Real Estate	$ —	$ 30	$ —	$ 30	$ 162,185	$ 83	$ 162,298
Commercial and Multi-Family Real Estate	—	—	—	—	422,932	—	422,932
Agricultural Real Estate	—	—	—	—	63,612	—	63,612
Consumer	—	—	53	53	37,041	—	37,094
Commercial Operating	151	354	—	505	30,766	—	31,271
Agricultural Operating	—	—	—	—	37,083	—	37,083
Premium Finance	1,398	275	965	2,638	168,966	—	171,604
Total	$ 1,549	$ 659	$ 1,018	$ 3,226	$ 922,585	$ 83	$ 925,894

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 payments of 210 days or more for premium finance loans and 90 days or more for other loan categories. As of March 31, 2017, there were no Premium Finance loans greater than 210 days past due.

Total loans past due increased $47.5 million to $50.7 million at March 31, 2017 from $3.2 million at September 30, 2016. The majority of this increase was due to a $45.5 million rise in loans 30-59 days past due. The primary drivers of the increase in loans 30-59 days past due included three well collateralized agricultural loan relationships and the expected seasonal increase in refund advance loans.

Impaired loans at March 31, 2017 and September 30, 2016 were as follows:

	Recorded Balance	Unpaid Principal Balance	Specific Allowance
March 31, 2017	(Dollars in Thousands)		
Loans without a specific valuation allowance			
1-4 Family Real Estate	$ 170	$ 170	$ —
Commercial and Multi-Family Real Estate	1,144	1,144	—
Agricultural Real Estate	$ 582	$ 582	$ —
Agricultural Operating	$ 1,072	$ 1,072	$ —
Total	$ 2,968	$ 2,968	$ —
Loans with a specific valuation allowance			
1-4 Family Real Estate	$ 78	$ 78	$ 12
Commercial Operating	$ 302	$ 302	$ 53
Total	$ 380	$ 380	$ 65

	Recorded Balance	Unpaid Principal Balance	Specific Allowance
September 30, 2016	(Dollars in Thousands)		
Loans without a specific valuation allowance			
1-4 Family Real Estate	$ 84	$ 84	$ —
Commercial and Multi-Family Real Estate	433	433	—
Total	$ 517	$ 517	$ —
Loans with a specific valuation allowance			
1-4 Family Real Estate	$ 78	$ 78	$ 10
Total	$ 78	$ 78	$ 10

The following table provides the average recorded investment in impaired loans for the three and six month periods ended March 31, 2017 and 2016.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment
	(Dollars in Thousands)			
1-4 Family Real Estate	$ 210	$ 116	$ 191	$ 118
Commercial and Multi-Family Real Estate	668	1,257	550	1,302
Agricultural Real Estate	194	—	97	—
Consumer	—	—	—	—
Commercial Operating	437	7	302	8
Agricultural Operating	357	4,362	179	4,697
Premium Finance	—	—	—	—
Total	$ 1,866	$ 5,742	$ 1,319	$ 6,125

The Company's troubled debt restructurings ("TDR") typically involve forgiving a portion of interest or principal on existing loans or making loans at a rate materially less than current market rates. There were no loans modified in a TDR during the three or six month periods ended March 31, 2017 or 2016. Additionally, there were no TDR loans for which there was a payment default during the three or six month periods ended March 31, 2017 or 2016 that had been modified during the 12-month period prior to the default.

NOTE 4. ALLOWANCE FOR LOAN LOSSES

At March 31, 2017, the Company's allowance for loan losses increased to $14.6 million from $5.6 million at September 30, 2016.
The increase in allowance was primarily driven by a $8.2 million reserve related to a substantial increase in tax season loans. In addition, the downgrade of a significant agriculture relationship during the quarter contributed to an increased provision and allowance. Downgrades in agricultural loans were related primarily to losses incurred due to lower commodity prices in recent years, notwithstanding record yields for many producers in our markets. Given underlying collateral values related to our agricultural loans, we believe we have minimal loss exposure in the portfolio at this time. During the six months ended March 31, 2017, the Company recorded a provision for loan losses of $9.5 million compared to $2.0 million for the same period of the prior year. The Company had $0.5 million of net charge offs for the six months ended March 31, 2017, compared to $0.8 million for the six months ended March 31, 2016.

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. The current economic environment continues to show signs of improvement in the Bank's markets. The Bank's average loss rates over the past three years were low, offset with a higher agricultural loss rate in fiscal year 2016 driven by the charge off of one relationship. The Bank does not believe it is likely that these low loss conditions will continue indefinitely. Although the Bank's four market areas have indirectly benefited from a stable agricultural market, the market has become slightly stressed as commodity prices have remained lower than a few years ago. Management expects that future losses in the agriculture operations and agriculture real estate loan portfolios could be higher than recent historical experience. Management believes the low commodity prices and high land rents have the potential to negatively impact the economies of our agricultural markets.

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 current level of the allowance for loan losses at March 31, 2017, reflects 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 fair value. 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.

NOTE 5. 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 EPS 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 the EPS calculations.

A reconciliation of net income and common stock share amounts used in the computation of basic and diluted EPS for the three and six months ended March 31, 2017 and 2016 is presented below.

Three Months Ended March 31,	**2017**	**2016 [1]**
(Dollars in Thousands, Except Share and Per Share Data)		
Basic income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 32,142	$ 14,283
Less income allocated to dividends for common stock and nonvested restricted stock	1,214	1,105
Net income allocated to common shareholders for basic EPS	30,928	13,178
Weighted average common shares outstanding	9,345,277	8,496,357
Basic income per common share	3.44	1.68
Diluted income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 32,142	$ 14,283
Less income allocated to dividends for common stock and nonvested restricted stock	1,214	1,105
Net income allocated to common stock for diluted EPS	30,928	13,178
Weighted average common shares outstanding	9,345,277	8,496,357
Outstanding options - based upon the two-class method	54,674	61,176
Weighted average diluted common shares outstanding	9,399,951	8,557,533
Diluted income per common share	3.42	1.67

Six Months Ended March 31,	2017	2016 [1]
(Dollars in Thousands, Except Share and Per Share Data)		
Basic income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 33,386	$ 18,341
Less income allocated to dividends for common stock and nonvested restricted stock	1,187	1,088
Net income allocated to common shareholders for basic EPS	32,199	17,253
Average common shares outstanding	9,138,692	8,369,523
Basic income per common share	3.65	2.19
Diluted income per common share:		
Net income attributable to Meta Financial Group, Inc.	$ 33,386	$ 18,341
Less income allocated to dividends for common stock and nonvested restricted stock	1,187	1,088
Net income allocated to common stock for diluted EPS	32,199	17,253
Average common shares outstanding	9,138,692	8,369,523
Outstanding options - based upon the two-class method	53,790	63,551
Average diluted common shares outstanding	9,192,482	8,433,074
Diluted income per common share	3.63	2.17

(1) See Note 1 Basis of Presentation for additional information describing adjustments made to the Company's EPS calculation. March 2016 QTD basic EPS of $1.69 was corrected to $1.68 and diluted EPS of $1.68 was corrected to $1.67. March 2016 YTD basic EPS of $2.20 was corrected to $2.19 and diluted EPS of $2.18 was corrected to $2.17.

NOTE 6. SECURITIES

The amortized cost, gross unrealized gains and losses and estimated fair values of available for sale and held to maturity securities at March 31, 2017 and September 30, 2016 are presented below.

Available For Sale At March 31, 2017	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Small business administration securities	130,175	1,173	—	131,348
Non-bank qualified obligations of states and political subdivisions	927,959	7,914	(3,863)	932,010
Asset-backed securities	118,011	1,516	—	119,527
Mortgage-backed securities	651,784	—	(8,951)	642,833
Total debt securities	1,827,929	10,603	(12,814)	1,825,718
Common equities and mutual funds	1,127	439	(11)	1,555
Total available for sale securities	$ 1,829,056	$ 11,042	$ (12,825)	$ 1,827,273

At September 30, 2016	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Trust preferred securities	$ 14,935	$ —	$ (1,957)	$ 12,978
Small business administration securities	78,431	2,288	—	80,719
Non-bank qualified obligations of states and political subdivisions	668,628	30,141	(97)	698,672
Asset-backed securities	117,487	73	(745)	116,815
Mortgage-backed securities	555,036	4,382	(478)	558,940
Total debt securities	1,434,517	36,884	(3,277)	1,468,124
Common equities and mutual funds	755	373	(3)	1,125
Total available for sale securities	$ 1,435,272	$ 37,257	$ (3,280)	$ 1,469,249

Held to Maturity

At March 31, 2017	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Obligations of states and political subdivisions	$ 20,177	$ 71	$ (143)	$ 20,105
Non-bank qualified obligations of states and political subdivisions	454,129	2,397	(3,188)	453,338
Mortgage-backed securities	122,497	—	(1,517)	120,980
Total held to maturity securities	$ 596,803	$ 2,468	$ (4,848)	$ 594,423

At September 30, 2016	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
	(Dollars in Thousands)			
Debt securities				
Obligations of states and political subdivisions	$ 20,626	$ 355	$ (44)	$ 20,937
Non-bank qualified obligations of states and political subdivisions	465,469	11,744	(11)	477,202
Mortgage-backed securities	133,758	708	(31)	134,435
Total held to maturity securities	$ 619,853	$ 12,807	$ (86)	$ 632,574

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 March 31, 2017 or September 30, 2016.

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 March 31, 2017 and September 30, 2016, were as follows:

Available For Sale	**LESS THAN 12 MONTHS**		**OVER 12 MONTHS**		**TOTAL**	
At March 31, 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	239,208	(3,722)	2,594	(141)	241,802	(3,863)
Mortgage-backed securities	609,681	(8,065)	33,152	(886)	642,833	(8,951)
Total debt securities	848,889	(11,787)	35,746	(1,027)	884,635	(12,814)
Common equities and mutual funds	—	—	373	(11)	373	(11)
Total available for sale securities	$ 848,889	$ (11,787)	$ 36,119	$ (1,038)	$ 885,008	$ (12,825)

	LESS THAN 12 MONTHS		**OVER 12 MONTHS**		**TOTAL**	
At September 30, 2016	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Trust preferred securities	$ —	$ —	$ 12,978	$ (1,957)	$ 12,978	$ (1,957)
Non-bank qualified obligations of states and political subdivisions	8,481	(58)	2,688	(39)	11,169	(97)
Asset-backed securities	89,403	(745)	—	—	89,403	(745)
Mortgage-backed securities	54,065	(230)	36,979	(248)	91,044	(478)
Total debt securities	151,949	(1,033)	52,645	(2,244)	204,594	(3,277)
Common equities and mutual funds	—	—	125	(3)	125	(3)
Total available for sale securities	$ 151,949	$ (1,033)	$ 52,770	$ (2,247)	$ 204,719	$ (3,280)

Held To Maturity	**LESS THAN 12 MONTHS**		**OVER 12 MONTHS**		**TOTAL**	
At March 31, 2017	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Obligations of states and political subdivisions	$ 12,902	$ (123)	$ 1,329	$ (20)	$ 14,231	$ (143)
Non-bank qualified obligations of states and political subdivisions	283,033	(3,188)	—	—	283,033	(3,188)
Mortgage-backed securities	120,980	(1,517)	—	—	120,980	(1,517)
Total held to maturity securities	$ 416,915	$ (4,828)	$ 1,329	$ (20)	$ 418,244	$ (4,848)

	LESS THAN 12 MONTHS		**OVER 12 MONTHS**		**TOTAL**	
At September 30, 2016	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Obligations of states and political subdivisions	$ 2,909	$ (13)	$ 2,256	$ (31)	$ 5,165	$ (44)
Non-bank qualified obligations of states and political subdivisions	1,294	(11)	—	—	1,294	(11)
Mortgage-backed securities	20,061	(31)	—	—	20,061	(31)
Total held to maturity securities	$ 24,264	$ (55)	$ 2,256	$ (31)	$ 26,520	$ (86)

At March 31, 2017, 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 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 security before recovery of its amortized cost basis, which may occur at maturity, no other-than-temporary impairment was recorded at March 31, 2017.

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.

Available For Sale	**AMORTIZED COST**	**FAIR VALUE**
At March 31, 2017	(Dollars in Thousands)	
Due in one year or less	$ —	$ —
Due after one year through five years	18,662	19,134
Due after five years through ten years	444,661	450,446
Due after ten years	712,822	713,305
	1,176,145	1,182,885
Mortgage-backed securities	651,784	642,833
Common equities and mutual funds	1,127	1,555
Total available for sale securities	$ 1,829,056	$ 1,827,273

At September 30, 2016	AMORTIZED COST	FAIR VALUE
	(Dollars in Thousands)	
Due in one year or less	$ —	$ —
Due after one year through five years	17,370	17,897
Due after five years through ten years	426,034	446,771
Due after ten years	436,077	444,516
	879,481	909,184
Mortgage-backed securities	555,036	558,940
Common equities and mutual funds	755	1,125
Total available for sale securities	$ 1,435,272	$ 1,469,249

Held To Maturity

At March 31, 2017	AMORTIZED COST	FAIR VALUE
	(Dollars in Thousands)	
Due in one year or less	$ 341	$ 340
Due after one year through five years	17,723	17,814
Due after five years through ten years	152,790	153,428
Due after ten years	303,452	301,861
	474,306	473,443
Mortgage-backed securities	122,497	120,980
Total held to maturity securities	$ 596,803	$ 594,423

At September 30, 2016	AMORTIZED COST	FAIR VALUE
	(Dollars in Thousands)	
Due in one year or less	$ 472	$ 471
Due after one year through five years	12,502	12,696
Due after five years through ten years	157,944	163,806
Due after ten years	315,177	321,166
	486,095	498,139
Mortgage-backed securities	133,758	134,435
Total held to maturity securities	$ 619,853	$ 632,574

NOTE 7. 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 March 31, 2017 and September 30, 2016, unfunded loan commitments approximated $236.3 million and $182.9 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 no commitments to purchase securities at March 31, 2017 or September 30, 2016.

The exposure to credit loss in the event of nonperformance 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 INB and MetaBank. According to the Petition, NetSpend has informed Inter National Bank ("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 our 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 commenced action against C&B Farms, LLC, Dakota River Farms, LLC, Dakota Grain Farms, LLC, Heather Swenson and Tracy Clement in early July, 2015, in the Third Judicial Circuit Court of the State of South Dakota, seeking to collect upon certain delinquent loans made in connection with the 2014 farming operations of the three identified limited liability companies and the personal guaranties of Swenson and Clement. The three companies and Clement answered the Complaint and asserted a counterclaim against the Bank and a third-party claim against the Bank's loan officer, alleging fraud and misrepresentation, as well as promissory estoppel. On January 7, 2016, the Bank obtained a judgment for $6.1 million, the full amount due and owing on the delinquent loans, together with attorneys' fees, costs and post-judgment interest. On February 25, 2016, the Court entered an order and judgment in favor of the Bank granting the Bank's renewed motion for summary judgment as to counterclaims and third party claim. Tracy Clement, the primary guarantor of the C&B Farms, Dakota Grain Farms, and Dakota River Farms indebtedness has filed a Chapter 11 bankruptcy proceeding in Minnesota. The Bank is an unsecured creditor in the bankruptcy proceeding. The Bank still has the right to collect from the three limited liability company debtors (C&B, Dakota Grain, and Dakota River). However, the Bank believes each entity is now insolvent and the collateral recovered and liquidated to the extent possible. The Bank has also settled with the other personal guarantor, Heather Swenson. The Bank commenced action against Interstate Commodities, Inc., on February 1, 2016, in the United States District Court for the District of South Dakota, Central Division. This matter arises out of the Bank's loans to C&B Farms, which were guaranteed by Tracy Clement. The case alleges that Interstate Commodities has breached the terms of a subordination agreement entered into between Interstate Commodities and the Bank relating to the 2015 crops of C&B Farms, LLC. In March 2015, the Bank sent a letter to C&B Farms and Interstate Commodities agreeing that the Bank would subordinate its first position lien in the farm products of C&B Farms once the Bank's 2015 input advances in an agreed upon sum had been paid in full. Interstate Commodities entered into various agreements with C&B Farms in which they agreed to purchase grain at a future date and provided purchase price advance financing to C&B Farms. Interstate Commodities also partially performed under the subordination agreement by paying or allowing certain sums to flow back to the Bank to pay on the agreed upon inputs. Interstate Commodities terminated the payments to the Bank before allowing full repayment of the 2015 inputs financed by the Bank before the subordination agreement was reached. This large, non-performing agricultural relationship was partially charged off during fiscal year 2016 and has no remaining loan balance.

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 earlier this year. 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 $1,579,398. 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.

Other than the matters set forth above and litigation routine to the Company's or its subsidiaries' respective businesses, there are no other new material pending legal proceedings or updates to which the Company or its subsidiaries is a party.

NOTE 8. STOCK COMPENSATION

The Company maintains the 2002 Omnibus Incentive Plan, as amended and restated, 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 grant. The exercise price of options or fair value of nonvested shares granted under the Company's incentive plans is equal to the fair market value of the underlying stock at the grant date.

The following tables show the activity of options and nonvested (restricted) shares granted, exercised, or forfeited under the Company's 2002 Omnibus Incentive Plan for the six months ended March 31, 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
	(Dollars in Thousands, Except Share and Per Share Data)			
Options outstanding, September 30, 2016	125,560	$ 25.73	2.68	$ 4,379
Granted	—	—		
Exercised	(26,352)	32.63		1,682
Forfeited or expired	(16,252)	24.61		1,272
Options outstanding, March 31, 2017	82,956	$ 23.76	2.58	$ 5,371
Options exercisable, March 31, 2017	82,956	$ 23.76	2.58	$ 5,371

	Number of Shares	Weighted Average Fair Value at Grant
(Dollars in Thousands, Except Share and Per Share Data)		
Nonvested shares outstanding, September 30, 2016	20,656	$ 41.37
Granted	306,603	87.91
Vested	(20,629)	72.34
Forfeited or expired	(442)	56.25
Nonvested shares outstanding, March 31, 2017	306,188	$ 85.86

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 March 31, 2017, stock-based compensation expense not yet recognized in income totaled $21.4 million, which is expected to be recognized over a weighted average remaining period of 4.05 years.

NOTE 9. 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 following tables present segment data for the Company for the three and six months ended March 31, 2017 and 2016, respectively.

	Payments	Banking	Corporate Services/Other	Total
Three Months Ended March 31, 2017				
Interest income	$ 3,312	$ 12,807	$ 11,599	$ 27,718
Interest expense	503	672	2,577	3,752
Net interest income	2,809	12,135	9,022	23,966
Provision for loan losses	7,883	766	—	8,649
Non-interest income	90,462	1,387	321	92,170
Non-interest expense	41,452	5,958	19,536	66,946
Income (loss) before income tax expense (benefit)	43,936	6,798	(10,193)	40,541
Total assets	74,194	1,145,054	2,766,348	3,985,596
Total deposits	2,606,674	228,805	36,752	2,872,231

	Payments	Banking	Corporate Services/Other	Total
Six Months Ended March 31, 2017				
Interest income	$ 6,224	$ 23,562	$ 20,507	$ 50,293
Interest expense	503	1,215	4,776	6,494
Net interest income	5,721	22,347	15,731	43,799
Provision for loan losses	8,214	1,278	—	9,492
Non-interest income	109,487	2,458	(426)	111,519
Non-interest expense	62,324	11,514	29,861	103,699
Income (loss) before income tax expense (benefit)	44,670	12,013	(14,556)	42,127
Total assets	74,194	1,145,054	2,766,348	3,985,596
Total deposits	2,606,674	228,805	36,752	2,872,231

Three Months Ended March 31, 2016	Payments	Banking	Corporate Services/Other	Total
Interest income	$ 2,633	$ 8,949	$ 9,047	$ 20,629
Interest expense	54	316	321	691
Net interest income	2,579	8,633	8,726	19,938
Provision for loan losses	953	220	—	1,173
Non-interest income	39,591	899	411	40,901
Non-interest expense	25,720	5,218	10,852	41,790
Income (loss) before income tax expense (benefit)	15,497	4,094	(1,715)	17,876
Total assets	53,020	781,380	2,237,342	3,071,742
Total deposits	2,014,548	206,213	—	2,220,761

Six Months Ended March 31, 2016	Payments	Banking	Corporate Services/Other	Total
Interest income	$ 4,597	$ 17,800	$ 16,507	$ 38,904
Interest expense	94	569	748	1,411
Net interest income	4,503	17,231	15,759	37,493
Provision for loan losses	1,033	926	—	1,959
Non-interest income	54,943	1,955	837	57,735
Non-interest expense	41,737	10,646	19,415	71,798
Income (loss) before income tax expense (benefit)	16,676	7,614	(2,819)	21,471
Total assets	53,020	781,380	2,237,342	3,071,742
Total deposits	2,014,548	206,213	—	2,220,761

NOTE 10. 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, and the Company is currently undertaking a data analysis and taking measures so that its systems capture data applicable to the standard.

ASU No. 2016-04, *Extinguishment of liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products*

This ASU requires organizations to derecognize the deposit liabilities for unredeemed prepaid stored-value products (i.e. – breakage) consistent with breakage guidance in Topic 606, *Revenue from Contracts with Customers.* This ASU is effective for annual reporting periods beginning after December 15, 2017, and the Company expects the impact to the consolidated financial statements to be minimal.

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, and the Company is currently taking inventory of all leases and analyzing what their treatment will be under the new guidance.

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 its different prepaid card programs and income streams to ascertain how breakage will be recognized under the standard.

ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*

This ASU requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. This update is effective for annual and interim periods in fiscal years beginning after December 15, 2016, and does not have an impact on the consolidated financial statements .

ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*

This ASU provides guidance to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. The ASU changes seven aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes; (6) practical expedient - expected term (nonpublic companies only); and (7) intrinsic value (nonpublic companies only). This update is effective for annual and interim periods in fiscal years beginning after December 15, 2016, and the Company is currently assessing the potential impact to the consolidated financial statements.

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 annual and interim periods in fiscal years beginning after December 15, 2017, and the Company is currently assessing the potential impact to the consolidated financial statements.

NOTE 11. 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, corporate debt securities and trust preferred securities. The Company had no Level 3 securities at March 31, 2017 or September 30, 2016.

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 March 31, 2017 and September 30, 2016. 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 March 31, 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	131,348	—	131,348	—	—	—	—	—
Obligations of states and political subdivisions	—	—	—	—	20,105	—	20,105	—
Non-bank qualified obligations of states and political subdivisions	932,010	—	932,010	—	453,338	—	453,338	—
Asset-backed securities	119,527	—	119,527	—	—	—	—	—
Mortgage-backed securities	642,833	—	642,833	—	120,980	—	120,980	—
Total debt securities	1,825,718	—	1,825,718	—	594,423	—	594,423	—
Common equities and mutual funds	1,555	1,555	—	—	—	—	—	—
Total securities	$ 1,827,273	$ 1,555	$ 1,825,718	$ —	$ 594,423	$ —	$ 594,423	$ —

(Dollars in Thousands)	Fair Value At September 30, 2016							
	Available For Sale				Held to Maturity			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Debt securities								
Trust preferred securities	$ 12,978	$ —	$ 12,978	$ —	$ —	$ —	$ —	$ —
Small business administration securities	80,719	—	80,719	—	—	—	—	—
Obligations of states and political subdivisions	—	—	—	—	20,937	—	20,937	—
Non-bank qualified obligations of states and political subdivisions	698,672	—	698,672	—	477,202	—	477,202	—
Asset-backed securities	116,815	—	116,815	—	—	—	—	—
Mortgage-backed securities	558,940	—	558,940	—	134,435	—	134,435	—
Total debt securities	1,468,124	—	1,468,124	—	632,574	—	632,574	—
Common equities and mutual funds	1,125	1,125	—	—	—	—	—	—
Total securities	$ 1,469,249	$ 1,125	$ 1,468,124	$ —	$ 632,574	$ —	$ 632,574	$ —

Contingent Consideration. The fair value of the cash contingent consideration liability in the SCS acquisition was estimated using an option based income valuation method with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in the FASB's ASC 820, *Fair Value Measurements and Disclosures*. The significant inputs in the Level 3 measurement not supported by market activity included the Company's probability assessments of expected future cash flows related to its acquisition of SCS during the earn-out period.

(Dollars in Thousands)	March 31, 2017 Fair Value Measurements Using Input Types				September 30, 2016 Fair Value Measurements Using Input Types			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities:								
Contingent Consideration	$ —	$ —	$ 17,252	$ 17,252	$ —	$ —	$ —	$ —
Total liabilities	$ —	$ —	$ 17,252	$ 17,252	$ —	$ —	$ —	$ —

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*.

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 March 31, 2017 and September 30, 2016.

(Dollars in Thousands)	Fair Value At March 31, 2017			
	Total	Level 1	Level 2	Level 3
Impaired Loans, net				
1-4 family residential mortgage loans	$ 67	$ —	$ —	$ 67
Commercial operating loans	$ 248	$ —	$ —	$ 248
Total Impaired Loans	$ 315	$ —	$ —	$ 315
Foreclosed Assets, net	$ —	$ —	$ —	$ —
Total	$ 315	$ —	$ —	$ 315

(Dollars in Thousands)	Fair Value At September 30, 2016			
	Total	Level 1	Level 2	Level 3
Impaired Loans, net				
1-4 family residential mortgage loans	$ 68	$ —	$ —	$ 68
Total Impaired Loans	68	—	—	68
Foreclosed Assets, net	76			76
Total	$ 144	$ —	$ —	$ 144

	Quantitative Information About Level 3 Fair Value Measurements				
(Dollars in Thousands)	Fair Value at March 31, 2017	Fair Value at September 30, 2016	Valuation Technique	Unobservable Input	Range of Inputs
Impaired Loans, net	$ 315	68	Market approach	Appraised values [1]	4.00 - 10.00%
Foreclosed Assets, net	$ —	76	Market approach	Appraised values [1]	4.00 - 10.00%
Contingent Consideration	$ 17,252	—	Option based income	Discount rate	7.20%
				Risk-free rate	1.02%
				Company specific discount rate	1.76%

(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 March 31, 2017 and September 30, 2016, 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 March 31, 2017 and September 30, 2016.

	March 31, 2017				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)				
Financial assets					
Cash and cash equivalents	$ 67,293	$ 67,293	$ 67,293	$ —	$ —
Securities available for sale	1,827,273	1,827,273	1,555	1,825,718	—
Securities held to maturity	596,803	594,423	—	594,423	—
Total securities	2,424,076	2,421,696	1,555	2,420,141	—
Loans receivable:					
One to four family residential mortgage loans	178,310	176,879	—	—	176,879
Commercial and multi-family real estate loans	473,058	464,071	—	—	464,071
Agricultural real estate loans	62,422	58,829	—	—	58,829
Consumer loans	182,156	181,687	—	—	181,687
Commercial operating loans	33,894	34,004	—	—	34,004
Agricultural operating loans	35,493	35,394	—	—	35,394
Premium finance loans	187,049	190,327	—	—	190,327
Total loans receivable	1,152,382	1,141,191	—	—	1,141,191
Federal Home Loan Bank stock	25,043	25,043	—	25,043	—
Accrued interest receivable	20,902	20,902	20,902	—	—
Financial liabilities					
Noninterest bearing demand deposits	2,637,167	2,637,167	2,637,167	—	—
Interest bearing demand deposits, savings, and money markets	151,971	151,971	151,971	—	—
Certificates of deposit	61,170	60,689	—	60,689	—
Wholesale non-maturing deposits	21,923	21,923	21,923	—	—
Total deposits	2,872,231	2,871,750	2,811,061	60,689	—
Advances from Federal Home Loan Bank	7,000	7,891	—	7,891	—
Federal funds purchased	493,000	493,000	493,000	—	—
Securities sold under agreements to repurchase	1,848	1,848	—	1,848	—
Capital lease	1,980	1,980	—	1,980	—
Trust preferred securities	10,310	10,446	—	10,446	—
Subordinated debentures	73,278	75,375	—	75,375	—
Accrued interest payable	722	722	722	—	—

	September 30, 2016				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)				
Financial assets					
Cash and cash equivalents	$ 773,830	$ 773,830	$ 773,830	$ —	$ —
Securities available for sale	1,469,249	1,469,249	1,125	1,468,124	—
Securities held to maturity	619,853	632,574	—	632,574	—
Total securities	2,089,102	2,101,823	1,125	2,100,698	—
Loans receivable:					
One to four family residential mortgage loans	162,298	163,886	—	—	163,886
Commercial and multi-family real estate loans	422,932	422,307	—	—	422,307
Agricultural real estate loans	63,612	63,868	—	—	63,868
Consumer loans	37,094	36,738	—	—	36,738
Commercial operating loans	31,271	31,108	—	—	31,108
Agricultural operating loans	37,083	36,897	—	—	36,897
Premium finance loans	171,604	172,000	—	—	172,000
Total loans receivable	925,894	926,803	—	—	926,803
Federal Home Loan Bank stock	47,512	47,512	—	47,512	—
Accrued interest receivable	17,199	17,199	17,199	—	—
Financial liabilities					
Noninterest bearing demand deposits	2,167,522	2,167,522	2,167,522	—	—
Interest bearing demand deposits, savings, and money markets	136,568	136,568	136,568	—	—
Certificates of deposit	125,992	125,772	—	125,772	—
Total deposits	2,430,082	2,429,862	2,304,090	125,772	—
Advances from Federal Home Loan Bank	107,000	108,168	—	108,168	—
Federal funds purchased	992,000	992,000	992,000	—	—
Securities sold under agreements to repurchase	3,039	3,039	—	3,039	—
Capital lease	2,018	2,018	—	2,018	—
Trust preferred securities	10,310	10,437	—	10,437	—
Subordinated debentures	73,211	77,250	—	77,250	—
Accrued interest payable	875	875	875	—	—

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company's financial instruments at March 31, 2017 and September 30, 2016.

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.

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 March 31, 2017 or September 30, 2016. 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.

NOTE 12. GOODWILL AND INTANGIBLE ASSETS

The Company held a total of $98.7 million of goodwill as of March 31, 2017. 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: $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; $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; $30.4 million of goodwill in connection with the purchase of substantially all of the assets of EPS 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 SCS 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 six months ended March 31, 2017 and 2016 were as follows:

	2017	2016
	(Dollars in Thousands)	
Goodwill		
Balance as of September 30,	$ 36,928	$ 36,928
Acquisitions during the period	61,795	—
Write-offs during the period	—	—
Balance as of March 31,	$ 98,723	$ 36,928

	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	6,869	46,319
Amortization during the period	(282)	(228)	(7,735)	(362)	(8,607)
Write-offs during the period	—	—	—	—	—
Balance as of March 31, 2017	$ 10,367	$ 2,079	$ 44,625	$ 9,562	$ 66,633
Gross carrying amount	$ 10,990	$ 2,480	$ 57,810	$ 10,426	$ 81,706
Accumulated amortization	$ (623)	$ (401)	$ (13,185)	$ (864)	$ (15,073)
Balance as of March 31, 2017	$ 10,367	$ 2,079	$ 44,625	$ 9,562	$ 66,633

(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.

	Trademark[1]	Non-Compete[2]	Customer Relationships[3]	All Others[4]	Total
Intangibles					
Balance as of September 30, 2015	$ 5,439	$ 227	$ 24,811	$ 3,100	$ 33,577
Acquisitions during the period	—	—	—	123	123
Amortization during the period	(144)	(50)	(2,127)	(107)	(2,428)
Write-offs during the period	—	—	—	—	—
Balance as of March 31, 2016	$ 5,295	$ 177	$ 22,684	$ 3,116	$ 31,272
Gross carrying amount	$ 5,490	$ 300	$ 26,040	$ 3,508	$ 35,338
Accumulated amortization	$ (195)	$ (123)	$ (3,356)	$ (392)	$ (4,066)
Balance as of March 31, 2016	$ 5,295	$ 177	$ 22,684	$ 3,116	$ 31,272

(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 period of 2017 and subsequent fiscal years is as follows:

	(Dollars in Thousands)
Remaining in 2017	$ 3,740
2018	11,852
2019	9,070
2020	7,289
2021	6,336
2022	5,029
Thereafter	23,317
Total anticipated intangible amortization	$ 66,633

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 or six months ended March 31, 2017 or 2016. The annual goodwill impairment test for fiscal 2017 will be conducted at September 30, 2017.

NOTE 13. REGULATORY MATTERS AND SETTLEMENT OF OTS ENFORCEMENT ACTIONS

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.

NOTE 14. SUBSEQUENT EVENTS

In April 2017, the Company formed a new entity, Meta Capital, LLC, that is a wholly owned subsidiary of MetaBank. Meta Capital was formed for the purpose of investing in financial technology companies that align with the Company's strategic initiatives.

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 words of 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: future operating results; customer retention; loan and other product demand; important components of the Company's statements of financial condition and operations; growth and expansion; new products and services, such as those offered by the Bank or Meta Payment Systems® (“MPS”), a division of the Bank; 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 loan production levels and other anticipated benefits related to the recent agreements signed with H&R Block and Jackson Hewitt may not be as much as anticipated, and that the Company may incur unanticipated or unknown risks, losses or liabilities in connection with such transactions; 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 of, and acceptance of new products and services offered by the Company, 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 (“OCC”) and the Federal Reserve, as well as the Federal Deposit Insurance Corporation (“FDIC”), which insures the Bank’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 the Bank's divisions; the growth of the Company’s business, as well as expenses related thereto; continued maintenance by the Bank 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.

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, 2016 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 March 31, 2017, compared to September 30, 2016, and the consolidated results of operations for the three and six months ended March 31, 2017 and 2016. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 2016 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, 2016.

OVERVIEW OF FINANCIAL PERFORMANCE

The Company recorded net income of $32.1 million, or $3.42 per diluted share, for the three months ended March 31, 2017, compared to net income of $14.3 million, or $1.67 per diluted share, for the three months ended March 31, 2016. The 2017 fiscal second quarter pre-tax results included $7.1 million in amortization of intangibles, which the Company anticipates will decrease by $5.2 million to $1.9 million for each of the third and fourth quarters of 2017, $2.3 million in non-cash stock-related compensation associated with employment agreements for three executive officers, $2.1 million in excess funding expenses related to the tax season, $0.8 million in expenses related to due diligence efforts, including legal expenses for a potential acquisition opportunity which the Company is no longer pursuing, $0.1 million of additional expenses related to the acquisitions closed in the first quarter of 2017 and $0.1 million in securities losses.

Tax product fee income increased $42.5 million, or 202%, for the 2017 fiscal second quarter when compared to the same quarter in 2016. The increase was mainly driven by growth in taxpayer advance fee income and refund transfer fee income from our multiple tax distribution channels and partnerships.

Card fee income increased $8.0 million, or 43%, for the 2017 fiscal second quarter when compared to the same quarter in 2016, continuing growth seen in the prior year. This increase was primarily driven by income generated by our tax season card programs, a wind down of one of our non-strategic partners, and a promotional campaign by one of our partners.

Net interest income was $24.0 million in the 2017 fiscal second quarter, an increase of $4.1 million, or 20%, compared to the second quarter of 2016. The increase was primarily driven by higher volumes in the loan portfolio, growth in specialty finance loans and yields attained, which includes a full quarter of the student loan portfolio purchased in December 2016, and higher volume and yields attained from investments, primarily in high credit quality, tax-exempt municipal bonds and floating rate asset backed securities. Additionally, the overall increase was driven by a better mix and higher percentage of loans and higher yielding investments primarily in high credit quality tax-exempt municipal bonds.

The Company's fiscal 2017 second quarter average assets grew to $4.41 billion, compared to $3.08 billion in the 2016 second quarter, an increase of 43%.

Total loans receivable, net of allowance for loan losses, increased $359.1 million, or 46%, at March 31, 2017, compared to March 31, 2016. This increase was primarily related to growth in consumer loans of $146.2 million, of which $131.1 million was attributable to the student loan portfolio purchased in December 2016 and $11.1 million of the growth was due to refund advances. Growth in commercial real estate loans of $118.3 million, or 33%, and premium finance loans of $65.5 million, or 54%, also contributed to the increase in loans compared to March 31, 2016. Retail bank loans at March 31, 2017 were up $154.9 million, or 24%, compared to March 31, 2016. Excluding the purchased student loan portfolio and refund advance loans, total loans receivable, net of allowance for loan losses, at March 31, 2017 were up $223.9 million, or 29%, compared to March 31, 2016.

Non-performing assets ("NPAs") were 0.12% of total assets at March 31, 2017, compared to 0.15% at March 31, 2016.

FINANCIAL CONDITION

At March 31, 2017, the Company's assets decreased by $20.8 million, or 1%, to $3.99 billion compared to $4.01 billion at September 30, 2016. The decrease in assets was due to a significant reduction in total cash and cash equivalents that was offset by increases in investments, loans receivable, and goodwill and intangible assets associated with the acquisitions in the first quarter of fiscal 2017.

Total cash and cash equivalents were $67.3 million at March 31, 2017, a decrease of $706.5 million, or 91%, from $773.8 million at September 30, 2016. The decrease was primarily the result of the Company's decreased balances maintained in 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 March 31, 2017, the Company had $493.0 million in federal funds purchased compared to $992.0 million in federal funds purchased at September 30, 2016.

The total of mortgage-backed securities ("MBS") and investment securities increased $335.0 million, or 16.0%, to $2.42 billion at March 31, 2017, compared to $2.09 billion at September 30, 2016, as purchases exceeded maturities, sales, and principal pay downs. The Company's portfolio of investment securities and MBS securities consists primarily of U.S. Government agency and instrumentality MBS, which have relatively short expected lives, 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"), which mature in approximately 15 years or less. Of the total MBS, $642.8 million were classified as available for sale, and $122.5 million were classified as held to maturity. Of the total investment securities, $1.18 billion were classified as available for sale and $474.3 million were classified as held to maturity. During the six month period ended March 31, 2017, the Company purchased $208.6 million of MBS securities and $370.3 million of investment securities available for sale, with the available for sale investment security purchases consisting primarily of Ginnie Mae ("GNMA") convertible and collateralized municipal housing securities and other municipal housing securities fully collateralized by U.S. agency and instrumentality securities.

The Company's portfolio of net loans receivable increased $217.1 million, or 23%, to $1.14 billion at March 31, 2017, from $919.5 million at September 30, 2016. This increase was primarily attributable to a $145.1 million increase in consumer loans primarily due to the student loan portfolio purchase, a $50.1 million, or 12%, increase in commercial real estate loans, a $16.0 million, or 10%, increase in residential mortgage loans, a $15.4 million, or 9%, increase in premium finance loans, and a $2.6 million, or 8%, increase in commercial operating loans, offset in part by a $2.8 million, or 3%, decrease in total agricultural loans, during this period. Retail bank loans increased $64.7 million, or 9%, during this period. Excluding the student loan portfolio and refund advances, total loans receivable, net of allowance for loan losses, increased $81.0 million, or 9%, from September 30, 2016 to March 31, 2017. Of the $473.1 million in commercial and multi-family real estate loans at March 31, 2017, $69.1 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 has been inconsequential in terms of the Company's capital ratios.

Total deposits increased $442.1 million, or 18%, at March 31, 2017, to $2.87 billion from $2.43 billion at September 30, 2016, primarily related to an increase of $469.6 million in non-interest bearing deposits and a $21.9 million increase in wholesale deposits. The increase in total deposits was partially offset by a decrease of $64.8 million in certificates of deposits, the majority of which were public funds and were utilized as part of the funding strategy for the 2017 tax season. Deposits attributable to the Payments segment increased by $475.6 million, or 22%, to $2.61 billion at March 31, 2017, compared to $2.13 billion at September 30, 2016. The average balance of total deposits and interest-bearing liabilities was $3.48 billion for the six month period ended March 31, 2017, compared to $2.56 billion for the same period in the prior year. The average balance of non-interest bearing deposits for the six month period ended March 31, 2017 increased by $288.3 million, or 14% to $2.28 billion at March 31, 2017, compared to $1.99 billion for the same period in the prior year.

Total borrowings decreased $600.2 million, or 51%, from $1.19 billion at September 30, 2016 to $587.4 million at March 31, 2017, primarily due to the decrease of federal funds purchased. At September 30, 2016, the Company's cash balances were much higher than normal due to the temporary repositioning of the balance sheet as part of its preparations for the tax season. The Company also added temporary wholesale deposits throughout the first and second quarters of fiscal 2017 which, as expected, have nearly all diminished from the balance sheet as of March 31, 2017. 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 prefunded, 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 March 31, 2017, the Company’s stockholders’ equity totaled $411.7 million, an increase of $76.7 million, from $335.0 million at September 30, 2016. The increase was attributable to net earnings and an increase in additional paid-in capital due to the Company's fiscal first quarter acquisitions, offset by dividends paid. At March 31, 2017, 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 majority of loan segments, when a loan becomes delinquent 90 days or more (210 days or more for premium finance loans), 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.

Consumer tax advance loans, originated through the Company's tax divisions, are interest and fee free to the consumer. Due to the nature of consumer 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, when the refund advance loan becomes delinquent for 90 days or more, or when collection of principal becomes doubtful, the Company will charge off the loan balance.

The Company believes that the level of allowance for loan losses at March 31, 2017 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. Foreclosed assets include assets acquired in settlement of loans.

Non-Performing Loans	Non-Performing Assets As Of March 31, 2017	Non-Performing Assets As Of September 30, 2016
	(Dollars in Thousands)	
Non-Accruing Loans:		
1-4 Family Real Estate	$ 112	$ 83
Commercial and Multi-Family Real Estate	155	—
Agricultural Real Estate	3,461	—
Commercial Operating	147	—
Agricultural Operating	97	—
Total [(1)]	3,972	83
Accruing Loans Delinquent 90 Days or More		
Commercial Operating	284	53
Premium Finance	723	965
Total	1,007	1,018
Total Non-Performing Loans	4,979	1,101
Other Assets	—	—
Foreclosed Assets:		
1-4 Family Real Estate	—	76
Total	—	76
Total Other Assets	$ —	$ 76
Total Non-Performing Assets	$ 4,979	$ 1,177
Total as a Percentage of Total Assets	0.12%	0.03%

(1) During the three-month periods ended March 31, 2017 and September 30, 2016, the Company had no loans modified in a troubled debt restructurings ("TDRs"). In addition, the Company had $0.5 million of TDRs performing in accordance with their terms at each of the periods ended March 31, 2017 and September 30, 2016.

At March 31, 2017, non-performing loans totaled $5.0 million, representing 0.43% of total loans, compared to $1.1 million, or 0.12% of total loans at September 30, 2016. This increase in non-performing loans was primarily due to a downgrade of a large agricultural relationship.

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.

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 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. 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.

On the basis of management's review of its loans and other assets, at March 31, 2017, the Company had classified $48.7 million of its assets as substandard and $0.1 million as doubtful and did not classify any assets as loss. At September 30, 2016, the Company classified $9.0 million of its assets as substandard and did not classify any assets as doubtful or loss. The increase in assets classified as substandard was primarily due to a downgrade of a large agricultural relationship.

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. While management believes that there are aspects of the current economic environment that may cause a drag on the market, it has continued to show signs of improvement in the Bank's markets over the last several years. The Bank's loss rates over the past seven years have been relatively low for all loan segments, although the Company did have a significant charge off of an agriculture relationship during fiscal year 2016. Notwithstanding these signs of improvement, the Bank does not believe that these low loss conditions are likely to continue indefinitely. Although the Bank's four market areas have indirectly benefited from a relatively stable agricultural market, the market has become somewhat more stressed with lower commodity prices over the last couple of years and commodity prices remain lower than a few years ago. Management expects that future losses in this portfolio could be higher than recent historical experience. Management believes the low commodity prices and high land rents have the potential to negatively impact the economies of our agricultural markets.

At March 31, 2017, the Company had established an allowance for loan losses totaling $14.6 million, compared to $5.6 million at September 30, 2016. This increase related primarily to our taxpayer advance loans. During the three months ended March 31, 2017, the Company recorded a provision for loan losses of $8.6 million, partially offset by $0.5 million of net charge offs, compared to $0.4 million of net charge offs for the three months ended March 31, 2016. The provision expense was primarily driven by a $7.9 million reserve related to tax advance loans. In addition, the downgrade of a significant agriculture relationship during the quarter ended March 31, 2017 contributed to an increased provision. Downgrades in agricultural loans were related primarily to losses incurred due to lower commodity prices in recent years, notwithstanding record yields for many producers in our markets. Given underlying collateral values related to our agricultural loans, we believe we have minimal loss exposure in the portfolio at this time. 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 current level of the allowance for loan losses at March 31, 2017 reflected an appropriate allowance against probable losses from the loan portfolio. Although the Company maintains its allowance for loan losses at a level that it considers to be adequate, 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.

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 loan portfolio. In addition, our 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, 2016, 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 nonperforming 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 March 31, 2017 and September 30, 2016 were adequate to absorb probable losses inherent in the 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.

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.

RESULTS OF OPERATIONS

General. The Company recorded net income of $32.1 million, or $3.42 per diluted share, for the three months ended March 31, 2017, compared to net income of $14.3 million, or $1.67 per diluted share, for the three months ended March 31, 2016. The 2017 fiscal second quarter pre-tax results included $7.1 million of amortization of intangible assets, which the Company anticipates to decrease by $5.2 million to $1.9 million for each of the third and fourth quarters of 2017, $2.1 million in excess funding expenses related to the 2017 tax season and $0.8 million in expenses related to due diligence efforts, including legal expenses for a potential acquisition opportunity which the Company is no longer pursuing. In addition, pre-tax results included $2.3 million in non-cash stock related compensation associated with stock awards granted in connection with the Company's three highest paid executives signing long-term employment agreements in the first and second quarters of fiscal 2017. Total revenue for the fiscal 2017 second quarter was $116.1 million, compared to $60.8 million for the same quarter in 2016, an increase of $55.3 million, or 91%, primarily due to growth in tax product fee income, card fee income, income from tax-exempt securities (included in other investment securities), and interest from loans.

The Company recorded net income of $33.4 million, or $3.63 per diluted share, for the six months ended March 31, 2017, compared to $18.3 million, or $2.17 per diluted share, for the same period in fiscal year 2016. The increase in net earnings for the six months ended March 31, 2017 was primarily due to increases of $53.8 million in non-interest income and $6.3 million in net interest income, offset by an increase of $31.9 million in non-interest expense. Total revenue for the six months ended March 31, 2017 was $155.3 million, compared to $95.2 million for the same period of the prior year, an increase of $60.1 million, or 63%, primarily from growth in tax product fee income and card 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, our 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 our operating revenues to be typically higher in the first half of those years than they were in the corresponding second half of those years. The 2017 fiscal second quarter results highlight the increased seasonality of the Company's revenue due to the addition of EPS, SCS and other tax-related programs. Our 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. We expect our revenue to continue to be based on seasonal factors that affect the electronic payments processing and tax refund processing industries as a whole. We and our 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 2017 second quarter increased by $4.1 million, or 20%, to $24.0 million from $19.9 million for the same period in the prior fiscal year primarily due to increases of volume and overall yields in the specialty finance loan segment, which includes the premium finance and purchased student loan portfolio, as well as growth in investment security balances and yields attained particularly in tax exempt and asset backed securities. Additionally, the overall increase was driven by a better mix and higher percentage of loans and higher yielding investments primarily in high credit quality tax-exempt municipal bonds. Net interest income for the fiscal 2017 second quarter was up $4.1 million from the Company's fiscal 2017 first quarter, as anticipated, due to the student loan portfolio purchase as well as deferred securities purchases, which historically took place in the August to December months, but occurred in the Company's fiscal 2017 second quarter at significantly higher yields than were available in the August to November months. Also a tailwind from rate increases in the fiscal 2017 first quarter to the fiscal 2017 second quarter, created significantly higher realized yields, as expected, on the Company's MBS portfolio.

Net Interest Margin (“NIM”) decreased from 3.22% in the fiscal 2016 second quarter to 2.91% in the fiscal 2017 second quarter. The Company estimates, when adjusting for certain seasonal tax program related items, a normalized NIM for the 2017 fiscal second quarter would have been between 3.29% - 3.32%. These adjustments include removing the impact of zero interest tax advances (13 - 14 basis points), normalizing cash balance (13 - 14 basis points), and making borrowing adjustments by removing wholesale deposit costs and replacing with FHLB overnight borrowing costs as well as removing borrowing expense if cash balances were available (12 - 13 basis points). Due to the timing of investment purchases and slowing prepayment speeds on the MBS portfolio, a normalized NIM for the month of March, was higher than the quarterly average. Excluding the subordinated debt issuance in 2016, NIM would have been 11 basis points higher for the 2017 second quarter, the impact of which is not reflected in the normalized NIM projection. The Company expects improved estimates surrounding the tax season refund advance product, which should mitigate excess cash balances in the future.

The overall reported tax equivalent yield (“TEY”) on average earning asset yields decreased by one basis point to 3.30% when comparing the fiscal 2017 second quarter to the 2016 second quarter, primarily due to the drag of the aforementioned higher cash balance in concert with the zero interest tax loans included in that earning assets. Adjusting for a lowered cash balance and removing the zero interest tax loans, the Company estimates the quarterly TEY earning asset yield would have been between 30 to 32 basis points higher for an estimated, normalized TEY between 3.59% - 3.61%.

The fiscal 2017 second quarter TEY on the securities portfolio increased by 25 basis points compared to the comparable prior year fiscal quarter primarily due to a shifting mix in the investment portfolio with new investments in overall higher yielding investment securities, primarily mortgage related, tax exempt municipal securities rather than traditional agency MBS. The TEY on the securities portfolio increased by 32 basis points from 2.92% to 3.24% comparing the 2017 fiscal second quarter to the 2017 fiscal first quarter as other investment securities increased in TEY yield by 23 basis points from 3.43% to 3.66% and MBS yields increased by 47 basis points from 1.91% to 2.38, as expected.

We believe that the Company's expanded portfolio of floating rate assets provides a runway for higher NIM levels should short term interest rates continue to rise. The Company also seeks to remain diligent and disciplined when evaluating loan pool deal flow to continue to optimize the deployment of our national, non-interest bearing deposit base. We anticipate that many of these loan pools could add immediate earnings accretion with acceptable risk parameters, as we believe to be the case with the recent student loan portfolio purchase.

While the subordinated debt issuance in 2016 increased the cost of funds at the Company level, MetaBank's cost of funds remained at levels much lower than the overall Company cost of funds, though somewhat higher than historical levels due to the current, seasonal tax season funding programs.

The Company’s average interest-earning assets for the fiscal 2017 second quarter increased by $1.10 billion, or 38%, to $3.96 billion, up from $2.86 billion during the same quarter last fiscal year, primarily from growth in loan portfolios, tax-exempt investments securities, and cash and fed funds sold of $527.6 million, $287.5 million, and $233.4 million, respectively.

The Company’s average total deposits and interest-bearing liabilities for the 2017 second fiscal quarter increased $1.18 billion, or 43%, to $3.92 billion from $2.74 billion for the same quarter of the prior fiscal year. A portion of the growth is directly related to the implementation of new funding programs to support the committed capacity of interest and fee free refund advance loans along with an increase in non-interest bearing deposits driven by the Company's MPS and tax deposits, as well as the Company's completion of the public offering of its subordinated debt in August 2016, which are due August 15, 2026. Average wholesale deposits increased $986.9 million for the three months ended March 31, 2017 compared to the same period of the prior year. Average quarterly deposits in the Payments segment increased in the fiscal 2017 second quarter by $252.6 million, or 11%, from the same period last year. This increase resulted almost entirely from growth in core prepaid card programs and also growth in tax season deposits. Overall, rates on all deposits and interest-bearing liabilities increased by 29 basis points from 0.10% in the fiscal 2016 second quarter to 0.39% in the comparable 2017 period. The implementation of wholesale deposits during the first and second quarters of 2017 impacted this increase by 20 basis points and the subordinated debt issuance in 2016 also had an impact on this increase of 11 basis points. At March 31, 2017 and 2016, low-cost checking deposits represented 95% and 94% of total deposits, respectively.

For the six months ended March 31, 2017, net interest income was $43.8 million compared to $37.5 million for the same period in the prior year. This increase was primarily due to increases of volume and overall yields in the specialty finance loan segment, which includes the premium finance and purchased student loan portfolio, as well as growth in investment security balances and yields attained particularly in tax exempt and asset backed securities. The TEY of MBS and other investments was 3.09% for the six months ended March 31, 2017, compared to 2.95% for the same period of 2016.

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.

Three Months Ended March 31,	**2017**			**2016**		
(Dollars in Thousands)	**Average Outstanding Balance**	**Interest Earned / Paid**	**Yield / Rate**	**Average Outstanding Balance**	**Interest Earned / Paid**	**Yield / Rate**
Interest-earning assets:						
Specialty Finance Loans*	$ 326,495	$ 4,475	5.56%	$ 120,165	$ 1,623	5.43%
Tax Advance Loans	177,193	11	0.02%	10,266	—	—%
Retail Bank Loans	798,125	8,287	4.21%	643,766	6,925	4.36%
Mortgage-Backed Securities	764,742	4,480	2.38%	800,685	4,768	2.39%
Tax Exempt Investment Securities	1,349,034	8,325	3.85%	1,061,529	6,171	3.56%
Asset-Backed Securities	117,940	723	2.49%	55,952	285	2.05%
Other Investment Securities	125,792	824	2.66%	102,310	642	2.52%
Cash & Fed Funds Sold	302,890	593	0.79%	69,449	215	1.25%
Total interest-earning assets	**3,962,211**	**$ 27,718**	**3.30%**	**2,864,122**	**$ 20,629**	**3.31%**
Non-interest-earning assets	451,508			214,333		
Total assets	**$ 4,413,719**			**$ 3,078,455**		
Non-interest bearing deposits	$ 2,512,934	$ —	0.00%	$ 2,232,131	$ —	0.00%
Interest-bearing liabilities:						
Interest-bearing checking	42,515	42	0.40%	36,563	21	0.23%
Savings	58,718	8	0.06%	62,636	5	0.04%
Money markets	45,913	20	0.17%	46,308	19	0.16%
Time deposits	101,546	172	0.69%	58,580	90	0.62%
Wholesale deposits	986,908	1,942	0.80%	—	—	—%
FHLB advances	7,000	122	7.08%	8,648	126	5.84%
Overnight fed funds purchased	73,033	168	0.93%	277,681	315	0.46%
Subordinated debentures	73,256	1,112	6.16%	—	—	—%
Other borrowings	13,930	166	4.84%	13,641	115	3.40%
Total interest-bearing liabilities	**1,402,819**	**3,752**	**1.08%**	**504,057**	**691**	**0.55%**
Total deposits and interest-bearing liabilities	**3,915,753**	**$ 3,752**	**0.39%**	**2,736,188**	**$ 691**	**0.10%**
Other non-interest bearing liabilities	106,700			40,813		
Total liabilities	**4,022,453**			**2,777,001**		
Shareholders' equity	391,266			301,454		
Total liabilities and shareholders' equity	**$ 4,413,719**			**$ 3,078,455**		
Net interest income and net interest rate spread including non-interest bearing deposits		**$ 23,966**	**2.91%**		**$ 19,938**	**3.21%**
Net interest margin			**2.91%**			**3.22%**

*Specialty Finance Loan Receivables include loan portfolios the Company deems as non-retail bank product offerings or loans not generated by the Retail Bank itself (for example, premium finance and purchased loan portfolios). The loan receivables included in this line item are included in the customary loan categories presented elsewhere in this report.

Six Months Ended March 31,	2017			2016		
(Dollars in Thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate
Interest-earning assets:						
Specialty Finance Loans*	$ 263,034	$ 6,984	5.32%	$ 117,023	$ 3,246	5.55%
Tax Advance Loans	90,440	11	0.02%	6,374	—	—%
Retail Bank Loans	780,449	16,456	4.23%	630,986	13,621	4.32%
Mortgage-Backed Securities	726,766	7,801	2.15%	739,557	8,481	2.29%
Tax Exempt Investment Securities	1,259,672	15,227	3.73%	1,001,429	11,599	3.56%
Asset-Backed Securities	117,934	1,418	2.41%	27,823	285	2.05%
Other Investment Securities	106,198	1,413	2.67%	101,983	1,278	2.51%
Cash & Fed Funds Sold	244,088	983	0.81%	57,522	394	1.37%
Total interest-earning assets	**3,588,581**	**$ 50,293**	**3.27%**	**2,682,697**	**$ 38,904**	**3.32%**
Non-interest-earning assets	358,720			198,816		
Total assets	**$ 3,947,301**			**$ 2,881,513**		
Non-interest bearing deposits	$ 2,281,877	$ —	0.00%	$ 1,993,571	$ —	0.00%
Interest-bearing liabilities:						
Interest-bearing checking	40,348	81	0.40%	35,544	42	0.24%
Savings	54,578	15	0.06%	54,071	11	0.04%
Money markets	46,768	41	0.18%	45,573	37	0.16%
Time deposits	116,520	431	0.74%	72,192	208	0.58%
Wholesale funding	668,606	2,554	0.77%	—	—	—%
FHLB advances	13,593	264	3.89%	63,557	331	1.04%
Overnight fed funds purchased	173,242	559	0.65%	278,306	554	0.40%
Subordinated debentures	73,239	2,223	6.09%	—	—	—%
Other borrowings	14,765	326	4.42%	14,666	228	3.12%
Total interest-bearing liabilities	**1,201,659**	**6,494**	**1.08%**	**563,909**	**1,411**	**0.50%**
Total deposits and interest-bearing liabilities	**3,483,536**	**$ 6,494**	**0.37%**	**2,557,480**	**$ 1,411**	**0.11%**
Other non-interest bearing liabilities	92,303			35,985		
Total liabilities	**3,575,839**			**2,593,465**		
Shareholders' equity	371,462			288,048		
Total liabilities and shareholders' equity	**$ 3,947,301**			**$ 2,881,513**		
Net interest income and net interest rate spread including non-interest bearing deposits		**$ 43,799**	**2.90%**		**$ 37,493**	**3.21%**
Net interest margin			**2.91%**			**3.22%**

*Specialty Finance Loan Receivables include loan portfolios the Company deems as non-retail bank product offerings or loans not generated by the Retail Bank itself (for example, premium finance and purchased loan portfolios). The loan receivables included in this line item are included in the customary loan categories presented elsewhere in this report.

The following table presents, for the periods indicated, the Company's total dollar amount of interest income from average securities portfolio assets and the resulting yields expressed both in dollars and rates. Tax equivalent adjustments have been made in the yield.

Three Months Ended March 31,	**2017**			**2016**		
(Dollars in Thousands)	**Average Outstanding Balance**	**Interest Earned / Paid**	**Yield / Rate (1)**	**Average Outstanding Balance**	**Interest Earned / Paid**	**Yield / Rate (2)**
Securities Portfolio Assets						
Mortgage-backed securities	$ 764,741	$ 4,480	2.38%	$ 800,685	$ 4,768	2.39%
*Other investments	1,592,767	9,872	3.66%	1,219,791	7,097	3.39%
Total Securities Portfolio Assets	**$ 2,357,508**	**$ 14,352**	**3.24%**	**$ 2,020,476**	**$ 11,865**	**2.99%**

*Excludes FHLB Stock

(1) Tax rate used to arrive at a TEY for three months ended March 31, 2017 is 35%

(2) Tax rate used to arrive at a TEY for three months ended March 31, 2016 is 34%

Six Months Ended March 31,	**2017**			**2016**		
(Dollars in Thousands)	**Average Outstanding Balance**	**Interest Earned / Paid**	**Yield / Rate (1)**	**Average Outstanding Balance**	**Interest Earned / Paid**	**Yield / Rate (2)**
Securities Portfolio Assets						
Mortgage-backed securities	$ 726,766	$ 7,801	2.15%	$ 739,557	$ 8,481	2.29%
*Other investments	1,483,804	18,058	3.55%	1,131,236	13,162	3.38%
Total Securities Portfolio Assets	**$ 2,210,570**	**$ 25,859**	**3.09%**	**$ 1,870,793**	**$ 21,643**	**2.95%**

*Excludes FHLB Stock

(1) Tax rate used to arrive at a TEY for six months ended March 31, 2017 is 35%

(2) Tax rate used to arrive at a TEY for six months ended March 31, 2016 is 34%

Provision for Loan Losses. The Company recorded a $8.6 million and a $9.5 million provision for loan losses in the three and six month periods ended March 31, 2017, respectively, as compared to a $1.2 million and $2.0 million provision for loan losses in the three and six month periods ended March 31, 2016, respectively. The majority of the provision expense, during the three and six month periods ended March 31, 2017, was primarily driven by a $7.9 million reserve taken during the second quarter of 2017 related to tax season loans. In addition, the downgrade of a significant agriculture relationship during the second quarter of fiscal 2017 also contributed to an increased provision. See Note 4 to the Condensed Consolidated Financial Statements.

Non-Interest Income. Non-interest income for the fiscal 2017 second quarter increased by $51.3 million, or 125%, to $92.2 million from $40.9 million for the same period in the prior fiscal year. The increase was primarily due to an increase in tax product fee income of $42.5 million, predominantly from growth within taxpayer advances and refund transfer fee income, and an increase in card fee income of $8.0 million, or 43%, largely driven by income generated by our tax season card programs, a wind down of one of our non-strategic partners, and a large promotional campaign by one of our partners.

Non-interest income for the six months ended March 31, 2017 of $111.5 million, increased $53.8 million from $57.7 million in the same period in the prior fiscal year, due mostly to an increase in tax product fee income and card fee income. Tax product fee income increased $43.0 million, or 203%, and card fee income increased $11.1 million, or 33%.

Non-Interest Expense. Non-interest expense increased $25.2 million, or 60%, to $66.9 million, for the second quarter of fiscal year 2017, as compared to $41.8 million for the same period in 2016. The primary components driving the difference between quarters was an increase in compensation expense of $9.7 million, a $5.9 million increase in amortization of intangible asset expense, and a $5.1 million increase in tax product expense. The vast majority of the intangible amortization expensed during the second quarter of 2017 was directly related to the seasonality of our tax business. The increase in tax product expense was related to the increased activity from our tax distribution channels and recent tax partnerships. Compensation expense primarily increased due to the EPS and SCS acquisitions, non-cash stock related compensation associated with three executives signing long-term employment agreements, and additional staffing to support the Company's growth initiatives. Excluding potential acquisitions, we expect the growth rate in compensation expense to decrease during the remainder of 2017. Other factors influencing the overall non-interest expense increase was a $2.2 million increase in other expense, driven by seasonal tax expenses to execute our tax lending strategy, a $1.0 million increase in card processing expenses, an increase in legal and consulting expense of $0.6 million, due primarily to due diligence efforts for a potential acquisition the Company is no longer pursuing, and an increase in occupancy and equipment expense of $0.5 million mainly due to a full quarter of expense for the recent acquisitions of SCS and EPS.

Non-interest expense for the six months ended March 31, 2017 increased by $31.9 million, or 44%, to $103.7 million compared to the same period in the prior fiscal year. Compensation and benefits expense increased $12.9 million, or 40%, for the 2017 six-month period, versus the same period last year due primarily to a 23% increase in overall staffing, the previously mentioned non-cash stock related compensation, and compensation paid to staff employed on a temporary basis as part of our seasonal tax business. The increase in overall staffing was largely driven by the additional employees hired as part of the EPS and SCS acquisitions. In addition, intangibles amortization increased $6.2 million, tax product expense increased $5.1 million, and legal and consulting expense increased $2.2 million. These increases were primarily related to the EPS and SCS acquisitions and the aforementioned potential acquisition opportunity.

Income Tax. Income tax expense for the second quarter of fiscal 2017 was $8.4 million, for an effective tax rate of 20.7%, compared to $3.6 million, or an effective tax rate of 20.1%, for the same period in the prior year. The effective tax rate is expected to stay approximately at that level for the remainder of fiscal 2017. For the first six months of fiscal year 2017, the effective tax rate was 20.7%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, derived principally through its MPS division, and to a lesser extent through its Retail Bank division and tax divisions, borrowings, principal and interest payments on loans, mortgage-backed securities and certain housing related municipal securities which also pay monthly principal and interest, as well as maturing investment securities. In addition, the Company periodically utilizes wholesale deposit sources to help with temporary funding needs 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 March 31, 2017, the Company had commitments to originate and purchase loans and unused lines of credit totaling $236.3 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 revise the risk-based capital requirements applicable to financial institution holding companies and their depository institution subsidiaries, including us and the Bank, as compared to the current U.S. general risk-based capital rules. The Basel III Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace 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 implement 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.

Pursuant to the Basel III Capital Rules, the Company and Bank, respectively, are subject to 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, our 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 Bank must meet specific capital guidelines that involve quantitative measures of the Company and Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and 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 amounts and ratios (set forth in the table below) of total risk-based capital and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio consisting of Tier I capital (as defined) to average assets (as defined). At March 31, 2017, 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 March 31, 2017	Company	Bank	Minimum Requirement For Capital Adequacy Purposes	Minimum Requirement to Be Well Capitalized Under Prompt Corrective Action Provisions
Tier 1 leverage ratio	6.44%	8.20%	4.00%	5.00%
Common equity Tier 1 capital ratio	14.14	18.95	4.50	6.50
Tier 1 capital ratio	14.68	18.95	6.00	8.00
Total qualifying capital ratio	19.46	19.76	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:

	Standardized Approach (1) March 31, 2017	
	(Dollars in Thousands)	
Total equity	$	411,748
Adjustments:		
LESS: Goodwill, net of associated deferred tax liabilities		96,693
LESS: Certain other intangible assets		53,307
LESS: Net deferred tax assets from operating loss and tax credit carry-forwards		1,109
LESS: Net unrealized gains (losses) on available-for-sale securities		14
Common Equity Tier 1 (1)		260,625
Long-term debt and other instruments qualifying as Tier 1		10,310
LESS: Additional tier 1 capital deductions		277
Total Tier 1 capital		270,658
Allowance for loan losses		14,858
Subordinated debentures (net of issuance costs)		73,278
Total qualifying capital		358,794

(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 CET1 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.

	March 31, 2017	
	(Dollars in Thousands)	
Total Stockholders' Equity	$	411,748
LESS: Goodwill		98,723
LESS: Intangible assets		66,633
Tangible common equity		246,392
LESS: AOCI		14
Tangible common equity excluding AOCI		246,378

Due to the predictable, quarterly cyclicality of MPS 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 March 31, 2017 were 9.11%, 19.28%, 19.28%, and 20.10%, 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 required to be 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. On January 1, 2016, the Company and Bank complied with the capital conservation buffer requirement, which increases the three risk-based capital ratios by 0.625% each year through 2019, equivalent to 2.5% of risk-weighted assets in addition to the minimum risk-based capital ratios, at which point, the requirement for 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 be able to meet targeted capital ratios required by the revised requirements, as they become effective.

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, 2016 for a summary of our contractual obligations as of September 30, 2016. There were no material changes outside the ordinary course of our business in contractual obligations from September 30, 2016 through March 31, 2017.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

For discussion of the Company's off-balance sheet financing arrangements as of March 31, 2017, see Note 7 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 7 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, generally five years or less, though the Company will consider ten year fixed-rate loans for high quality agricultural and commercial borrowers so long as the loan agreements have an appropriate structure and prepayment penalties. This theoretically allows the Company to maintain a portfolio of loans that will have relatively little 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 non-MPS deposit portfolio, and due to the relatively short-term nature of its borrowed funds. The Company believes that its growing portfolio of low-cost deposits 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 compresses the Company's net interest margin. As a result of the Company's interest rate risk exposure in this regard, the Company has elected not to enter in to any new longer term wholesale borrowings, and generally has not emphasized longer term time deposit products.

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 interest rate risk process is designed to compare income 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 analysis. 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 properly 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. 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 is within Board policy limits for all rate scenarios using the snapshot as of March 31, 2017 as required by regulation. The table below shows the results of the scenarios as of March 31, 2017:

Net Sensitive Earnings at Risk

Net Sensitive Earnings at Risk

Balances as of March 31, 2017	**Standard (Parallel Shift) Year 1**				
	Net Interest Income at Risk%				
	-100	**+100**	**+200**	**+300**	**+400**
Basis Point Change Scenario	-5.2 %	2.1 %	3.6 %	5.1 %	7.6 %
Board Policy Limits	-8.0 %	-8.0 %	-10.0 %	-15.0 %	-20.0 %

The EAR analysis reported at March 31, 2017, shows that in all rising rate scenarios, more assets than liabilities will reprice over the modeled one-year period.

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. Unlike the Company's fiscal first quarter of 2017, the fiscal second quarter of 2017 snapshot results were not affected by testing and implementation of material wholesale deposits utilized for the tax season refund advance commitments.

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 have anticipated outcomes 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 March 31, 2017 values were utilized with the exception of overnight borrowings, total 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, total 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, more accurately portrays the Bank's IRR position. However, the impact of the sizable wholesale deposits, some of which inflated cash balances for a period of time, tested and implemented in the fiscal first quarter of 2017, somewhat mitigate the usefulness of this view in this particular quarter. Due to this, the Company feels the snapshot view is more reflective of the Company's current IRR position.

The Company would have been within policy limits as of March 31, 2017 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	-5.1 %	0.6 %	0.5 %	0.4 %	1.4 %
Board Policy Limits	-8.0 %	-8.0 %	-10.0 %	-15.0 %	-20.0 %

The alternative EAR analysis reported at March 31, 2017 shows that in an all increasing interest rate environment, more assets than liabilities would reprice over the modeled one-year period.

The Company anticipates solid EAR results in a rising rate environment due to continued premium finance loan growth, the addition of loans and securities indexed to LIBOR, slower premium amortization on higher coupon, fixed rate, agency MBS, continued growth of non-interest bearing MPS deposits, and the sustained execution on its strategic plan.

Net Sensitive Earnings at Risk as of March 31, 2017

Balances as of March 31, 2017			**Change in Interest Income/Expense for a given change in interest rates**					
	Total Earning	**% of Total Earning**	**Over / (Under) Base Case Parallel Ramp**					
Basis Point Change Scenario	**Assets (in $000's)**	**Assets**	**-100**	**Base**	**+100**	**+200**	**+300**	**+400**
Total Loans	1,132,618	33.0%	57,388	61,651	66,073	70,486	74,837	79,286
Total Investments (non-TEY) and other Earning Assets	2,295,859	67.0%	49,801	56,844	60,774	63,932	67,236	71,535
Total Interest-Sensitive Income	3,428,477	100.0%	107,189	118,495	126,847	134,418	142,073	150,821
Total Interest-Bearing Deposits	235,064	32.0%	380	886	1,920	2,954	3,988	5,023
Total Borrowings	500,000	68.0%	784	5,715	10,644	15,574	20,504	25,434
Total Interest-Sensitive Expense	735,064	100.0%	1,164	6,601	12,564	18,528	24,492	30,457

Alternative Net Sensitive Earnings at Risk

Alternative IRR Results

Basis Point Change Scenario	Total Earning Assets (in $000's)	% of Total Earning Assets	Change in Interest Income/Expense for a given change in interest rates Over / (Under) Base Case Parallel Ramp					
			-100	Base	+100	+200	+300	+400
Total Loans	1,132,618	30.5%	57,388	61,651	66,073	70,486	74,837	79,286
Total Investments (non-TEY) and other Earning Assets	2,581,295	69.5%	49,801	59,694	66,464	72,452	78,575	85,682
Total Interest-Sensitive Income	3,713,913	100.0%	107,189	121,345	132,537	142,938	153,412	164,968
Total Interest-Bearing Deposits	1,235,599	93.9%	1,558	9,343	19,139	28,937	38,734	48,532
Total Borrowings	80,033	6.1%	533	1,263	1,993	2,724	3,454	4,184
Total Interest-Sensitive Expense	1,315,632	100.0%	2,091	10,606	21,132	31,661	42,188	52,716

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 will likely remain relatively low, with less increase expected relative to many other banks. When unable to match loan growth to deposit growth, the Company continues to execute its investment strategy of primarily purchasing NBQ municipal bonds and agency MBS, however, the Bank reviews opportunities to add diverse, high quality securities at attractive relative rates when opportunities present themselves. The NBQ municipal bonds are tax exempt and as such have a tax equivalent yield higher than their book yield. The tax equivalent yield calculation for NBQ municipal bonds uses the Company’s cost of funds as one of its components. With the Company’s large volume of non-interest bearing deposits, the tax equivalent yield for these NBQ municipal bonds is higher than a similar term investment in other investment categories of similar risk and higher than most other banks can realize and sustain on the same or similar instruments. The above interest income figures are quoted on a pre-tax basis which is particularly notable due to the size of the Company’s tax-exempt municipal portfolio.

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 March 31, 2017:

Economic Value Sensitivity as of March 31, 2017

Balances as of March 31, 2017	Standard (Parallel Shift) Economic Value of Equity at Risk%				
	-100	+100	+200	+300	+400
Basis Point Change Scenario	-2.3 %	-1.1 %	-3.7 %	-7.2 %	-10.1 %
Board Policy Limits	-10.0 %	-10.0 %	-20.0 %	-30.0 %	-40.0 %

The EVE at risk reported at March 31, 2017 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 less negatively affected on a percentage basis than projected total liabilities in a rising rate environment.

The Company would have been 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	-1.6 %	-1.8 %	-5.0 %	-9.2 %	-12.6 %
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 as 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 March 31, 2017, 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 less sensitive than total liabilities. Asset sensitivity is offset by the non-interest bearing deposits.

Balances as of March 31, 2017

		% of	Change in Economic Value for a given change in interest rates				
	Book	Total	Over / (Under) Base Case Parallel Ramp				
Basis Point Change Scenario	Value (in $000's)	Assets	-100	+100	+200	+300	+400
Total Loans	1,132,618	28%	1.7%	-1.8 %	-3.5 %	-5.3 %	-6.9 %
Total Investment	2,295,859	58%	4.3%	-5.0 %	-10.1 %	-15.2 %	-19.7 %
Other Assets	545,994	14%	0.0%	0.0 %	0.0 %	0.0 %	0.0 %
Assets	3,974,471	100%	3.1%	-3.6 %	-7.3 %	-10.9 %	-14.2 %
Interest Bearing Deposits	235,064	7%	2.9%	-1.9 %	-3.6 %	-5.2 %	-6.6 %
Non-Interest Bearing Deposits	2,643,790	76%	6.4%	-5.8 %	-11.2 %	-16.1 %	-20.6 %
Total Borrowings & Other Liabilities	595,536	17%	0.0%	0.0 %	-0.1 %	-0.1 %	-0.1 %
Liabilities	3,474,390	100%	4.9%	-4.4 %	-8.4 %	-12.1 %	-15.5 %

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 all interest rate scenarios, total assets are less sensitive, than total liabilities.

Alternative IRR Results

			Change in Economic Value for a given change in interest rates				
	Book	% of Total	Over / (Under) Base Case Parallel Ramp				
Basis Point Change Scenario	**Value (in $000's)**	**Assets**	**-100**	**+100**	**+200**	**+300**	**+400**
Total Loans	1,132,618	28 %	1.7 %	-1.8 %	-3.5 %	-5.3 %	-6.9 %
Total Investment	2,581,295	65 %	3.8 %	-4.5 %	-9.0 %	-13.6 %	-17.7 %
Other Assets	260,558	7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Assets	3,974,471	100 %	3.1 %	-3.6 %	-7.3 %	-10.9 %	-14.2 %
Interest Bearing Deposits	1,235,599	36 %	0.5 %	-0.4 %	-0.7 %	-1.0 %	-1.3 %
Non-Interest Bearing Deposits	2,521,721	73 %	6.4 %	-5.8 %	-11.1 %	-16.0 %	-20.5 %
Total Borrowings & Other Liabilities	(282,931)	(8)%	-0.1 %	0.1 %	0.1 %	0.2 %	0.3 %
Liabilities	3,474,389	100 %	4.6 %	-4.2 %	-8.0 %	-11.5 %	-14.7 %

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 our 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 the report.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at March 31, 2017, 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 March 31, 2017, 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.

META FINANCIAL GROUP, INC.
PART II - OTHER INFORMATION

FORM 10-Q

Item 1. Legal Proceedings. – See “Legal Proceedings” of Note 7 to the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors. - In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially and adversely affect us in the future.

Item 6. Exhibits.

See Index to Exhibits.

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: May 8, 2017	By:	/s/ J. Tyler Haahr J. Tyler Haahr, Chairman of the Board and Chief Executive Officer
Date: May 8, 2017	By:	/s/ Glen W. Herrick Glen W. Herrick, Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
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

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Tyler Haahr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meta Financial Group, Inc.;

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

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

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

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

/s/ J. Tyler Haahr
Chairman of the Board and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Glen W. Herrick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meta Financial Group, Inc.;

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

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

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

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

/s/ Glen W. Herrick
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Meta Financial Group, Inc. (the “Company”) for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Tyler Haahr, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ J. Tyler Haahr
Name: J. Tyler Haahr
Chairman of the Board and Chief Executive Officer
May 8, 2017

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Meta Financial Group, Inc. (the “Company”) for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Glen W. Herrick, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Glen W. Herrick
Name: Glen W. Herrick
Executive Vice President and Chief Financial Officer
May 8, 2017