META FINANCIAL GROUP INC
Form 10-K
December 14, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 K

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

For the fiscal year ended September 30, 2016
OR

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.
(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, SD	57108
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (605) 782 1767

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	NASDAQ Global Market

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the Registrant is not required to file reports pursuant Section 13 and Section 15(d) of the Act. YES NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the Registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non accelerated filer or a smaller reporting company. (Check one):

Large accelerated filer Accelerated filer Non accelerated filer Smaller Reporting Company

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

As of March 31, 2016, the aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average of the closing bid and asked prices of such stock on the NASDAQ Global Market as of such date, was $360.0 million.

As of December 8, 2016, there were outstanding 9,188,292 shares of the Registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

PART III of Form 10-K -- Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held January 23, 2017.

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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 Annual Report on Form 10-K, in its other filings with the Securities and Exchange Commission (“SEC”), in its reports to stockholders, and in other communications by the Company and the Bank, which are made in good faith by the Company pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995.

You can identify forward-looking statements by words such as “may,” “hope,” “will,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” “could,” “future,” or the negative of those terms, or other wo similar meaning. 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 include statements with respect to the Company’s beliefs, expectations, estimates, and intentions that 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 statements address, among others, the following subjects: statements regarding the potential benefits of the proposed acquisition of Specialty Consumer Services LP (“SCS”), including but not limited to, its ability to increase the Company's growth and the planned retention of SCS employees; 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 MetaBank or Meta Payment Systems® (“MPS”), a division of the Bank; credit quality and adequacy of reserves; technology; and the Company's employees. Actual results may differ materially from those contained in the forward-looking statements contained herein. The following factors, among others, could cause the Company's financial performance and results of operations to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: the risk that the SCS transaction may not be completed on a timely basis or at all; the businesses of the Bank and SCS may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected; the risk that sales of SCS products by the Bank may not be as high as anticipated; the expected growth opportunities or cost savings from the SCS acquisition may not be fully realized or may take longer to realize than expected; customer losses and business disruption following the SCS acquisition, including adverse effects on relationships with former or current employees of SCS may be greater than expected; the risk that the Company may incur unanticipated or unknown losses or liabilities if it completes the transaction with SCS; 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 substantial 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.

These statements are based on information currently available to us and are subject to various risks, uncertainties, and other factors, including, but not limited to, those discussed herein under the caption “Risk Factors” that could 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 statements.

The foregoing list of factors is not exclusive. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. 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 contained herein, including under the caption “Risk Factors,” and in the Company’s periodic filings 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.

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Available Information

The Company's website address is www.metafinancialgroup.com. The Company makes available, through a link with the SEC's EDGAR database, free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), and beneficial ownership reports on Forms 3, 4, and 5. Investors are encouraged to access these reports and other information about our business on our website. The information found on the Company's website is not incorporated by reference in this or any other report the Company files or furnishes to the SEC. We also will provide copies of our Annual Report on Form 10-K, free of charge, upon written request to Brittany Kelly, Investor Relations Analyst, at the Company's address. Also posted on our website, among other things, are the charters of our committees of the Board of Directors as well as the Company's and the Bank's Codes of Ethics.

PART I

Item 1. Business

General

Meta Financial, 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, the accounts of which are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC. Unless the context otherwise requires, references herein to the Company include Meta Financial and the Bank, and all subsidiaries of Meta Financial, direct or indirect, on a consolidated basis.

The Bank, a wholly-owned full-service banking subsidiary of Meta Financial, is both a community-oriented financial institution offering a variety of financial services to meet the needs of the communities it serves and a payments company providing services on a nationwide basis, as further described below. The business of the Bank consists of attracting retail deposits from the general public and investing those funds primarily in one-to-four family residential mortgage loans, commercial and multi-family real estate, agricultural operations and real estate, construction, consumer loans (including tax refund advance loans), commercial operating loans, and premium finance loans. In addition to originating loans, the Bank also has contracted to sell loans, in this case principally tax refund advance loans, to third party buyers. The Bank also purchases loan participations from time to time from other financial institutions, but presently at a lower level compared to prior years, as well as mortgage-backed securities and other investments permissible under applicable regulations.

In addition to its community-oriented lending and deposit gathering activities, the Bank's various divisions issue prepaid cards, design innovative consumer credit products, sponsor Automatic Teller Machines ("ATMs") into various debit networks, and offer tax refund-transfer services and other payment industry products and services. Through its activities, the Meta Payment Systems ("MPS") division of the Bank generates both fee income and low- and no cost deposits for the Bank. On December 2, 2014, the Bank purchased substantially all of the commercial loan portfolio and related assets of AFS/IBEX Financial Services Inc., ("AFS/IBEX"), an insurance premium financing company. The transaction has diversified the Company's business and further expands its commercial loan portfolio and growth prospects. In addition, on September 8, 2015, the Bank purchased substantially all of the assets and related liabilities of Fort Knox Financial Services Corporation and its subsidiary, Tax Product Services, LLC (together "Refund Advantage"). The assets acquired by MetaBank in the acquisition include the Fort Knox operating platform and trade name, Refund Advantage®, and other assets. More recently, on October 26, 2016, MetaBank entered into an

agreement with certain H&R Block® entities to originate up to $1.45 billion and retain up to $750 million of interest-free refund advance loans for H&R Block customers during the 2017 tax season. On November 1, 2016, the Bank purchased 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. Also, on November 9, 2016, the Bank signed a definitive agreement to purchase substantially all of the assets and specified liabilities of privately-held Specialty Consumer Services LP ("SCS") relating to its consumer lending and tax advance business. These transactions expand the Company's business into tax refund-transfer services for its customers.

As noted in "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is included in Item 7 of this Annual Report on Form 10-K, MPS continues to expand and to play a very significant role in the Company's financial performance.

The Company completed the public offering of $75 million of 5.75% fixed-to-floating rate subordinated debentures during fiscal year 2016. These notes are due August 15, 2026. The subordinated debentures were sold at par, resulting in net proceeds of approximately $73.9 million, a substantial portion of which was invested in the Bank as Tier 1 capital.

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First Midwest Financial Capital Trust, also a wholly-owned subsidiary of Meta Financial, was established in July 2001 for the purpose of issuing trust preferred securities.

Meta Financial and the Bank are subject to comprehensive regulation and supervision. See "Regulation" herein.

The principal executive office of the Company is located at 5501 South Broadband Lane, Sioux Falls, South Dakota 57108. Its telephone number at that address is (605) 782-1767.

Market Areas

The Bank has four market areas: Northwest Iowa ("NWI"), Brookings, South Dakota ("Brookings"), Central Iowa ("CI"), and Sioux Empire ("SE") and four divisions: MPS, AFS/IBEX, Refund Advantage and EPS. The Bank's home office is located at 5501 South Broadband Lane, Sioux Falls, South Dakota. NWI operates two offices in Storm Lake, Iowa. Brookings operates one office in Brookings, South Dakota. CI operates a total of four offices in Iowa: Des Moines (2), West Des Moines, and Urbandale. SE operates three offices and one administrative office in Sioux Falls, South Dakota. AFS/IBEX operates an office in Texas and one in California. MPS, which offers prepaid cards, tax refund-transfer services, and other payment industry products and services nationwide, operates out of Sioux Falls, South Dakota, with offices in Louisville, Kentucky and Easton, Pennsylvania. Upon the expected closing of the SCS acquisition, operations will expand into Hurst, Texas. See "Meta Payment System® Division."

The Bank has a total of ten full-service branch offices, one non-retail service branch in Memphis, Tennessee, and two agency offices, one in Texas and one in California.

The Company's primary commercial banking market area includes the Iowa counties of Buena Vista, Dallas, and Polk, and the South Dakota counties of Brookings, Lincoln, Minnehaha, and Moody. South Dakota ranks 10th and Iowa 14th in "The Best States for Business and Careers" (Forbes.com, November 2016). Iowa has low corporate income and franchise taxes. South Dakota has no corporate income tax, personal income tax, personal property tax, business inventory tax, or inheritance tax.

Storm Lake is located in Iowa's Buena Vista County approximately 150 miles northwest of Des Moines and 200 miles southwest of Minneapolis. Like much of the state of Iowa, Storm Lake and the surrounding market area are highly dependent upon farming and agricultural markets. Major employers in the area include Buena Vista Regional Medical Center, Tyson Foods, Sara Lee Foods, and Buena Vista University. The NWI market operates two offices in Storm Lake.

Brookings is located in Brookings County, South Dakota, approximately 50 miles north of Sioux Falls and 200 miles west of Minneapolis. The Bank's market area encompasses approximately a 60-mile radius surrounding Brookings. The area is generally rural, and agriculture is a significant industry in the community. South Dakota State University is the largest employer in Brookings. The community also has several manufacturing companies, including 3M, Larson Manufacturing, Daktronics, Falcon Plastics, Twin City Fan, and Rainbow Play Systems, Inc.

Des Moines, Iowa's capital, is located in central Iowa and is the political, economic, and cultural capital of the state. Des Moines was ranked sixth in "The Best Places for Business and Careers" (Forbes.com, 2016). The Des Moines metro area is a center of insurance, printing, finance, retail and wholesale trades as well as industry, providing a diverse economic base. Major employers include Principal Life Insurance Company, Iowa Health – Des Moines, Mercy Hospital Medical Center, Hy-Vee Food Stores, Inc., City of Des Moines, United Parcel Service, Nationwide Mutual Insurance Co., Pioneer Hi Bred International Inc., and Wells Fargo. Universities and colleges in the area include Des Moines Area Community College, Drake University, Simpson College, Des Moines University, Grand

View College, AIB College of Business, and Upper Iowa University. The unemployment rate in the Des Moines metro area was 3.6% as of September 2016.

Sioux Falls is located at the crossroads of Interstates 29 and 90 in southeast South Dakota, 270 miles southwest of Minneapolis. On Forbes' October 2016 list of "The Best Small Places for Business and Careers," Sioux Falls ranked second among the best small cities. Major employers in the area include Sanford Health, Avera McKennan Hospital and Health System, John Morrell & Company, Citibank (South Dakota) NA, Sioux Falls School District 49-5, Wells Fargo Bank, and Hy-Vee Food Stores. Sioux Falls is home to Augustana College and The University of Sioux Falls. The unemployment rate in Sioux Falls was 2.0% as of September 2016.

As noted above, several of the Company's market areas are dependent on agriculture and agriculture-related businesses, which are exposed to exogenous risk factors such as weather conditions and commodity prices. Loss rates in the agricultural real estate and agricultural operating loan portfolios have been low in the previous two years, partially offset by the charge-off of one large agriculture relationship in the current fiscal year. Low average loss rates are primarily due to strong crop yields over the last few years, offset by lower grain prices in 2015 and 2016. Overall, these factors have created positive economic conditions for most farmers in our markets during this time period. Nonetheless, management still expects that future losses in this portfolio could be higher than recent historical experience. Management believes that the recent positive weather conditions within our markets have been offset by low commodity prices and high input costs, which have the potential to more than offset higher yields, producing a negative economic effect on our agricultural markets.

Lending Activities

General. The Company originates both fixed-rate and adjustable-rate ("ARM") residential mortgage loans in response to consumer demand. At September 30, 2016, the Company had $850.8 million in fixed-rate loans and $75.1 million in ARM loans. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is included in Item 7 of this Annual Report on Form 10-K for further information on Asset/Liability Management.

In addition, the Company has more recently focused its lending activities on the origination of commercial and multi-family real estate loans, agricultural-related loans, commercial operating loans, premium finance loans, and tax refund advance loans. The Company also continues to originate one-to-four family mortgage loans and traditional consumer loans. Other than tax refund advance loans, the Company originates most of its loans in its primary market area. At September 30, 2016, the Company's net loan portfolio totaled $919.5 million, or 22.9% of the Company's total assets, as compared to $706.3 million, or 27.9%, at September 30, 2015. As noted above, the Bank recently signed an agreement to originate tax refund advance loans to customers of H&R Block.

Loan applications are initially considered and approved at various levels of authority, depending on the type and amount of the loan. The Company has a loan committee consisting of senior lenders and Market Presidents, and is led by the Chief Lending Officer. Loans in excess of certain amounts require approval by at least two members of the loan committee, a majority of the loan committee, or by the Company's Board Loan Committee, which has responsibility for the overall supervision of the loan portfolio. The Company may discontinue, adjust, or create new lending programs to respond to competitive factors. The Company also created a Specialty Lending committee to oversee its insurance premium finance division and other specialized lending activities in which the Company may become involved. The Committee consists of senior personnel with diverse backgrounds well suited for oversight of these types of activities. Insurance premium finance loans in excess of certain amounts require approval from one or more members of the Committee.

At September 30, 2016, the Company's largest lending relationship to a single borrower or group of related borrowers totaled $32.5 million. The Company had 24 other lending relationships in excess of $7.5 million as of September 30, 2016. At September 30, 2016, two of these relationships had loans totaling $27.8 million and $8.2 million, respectively, and were classified as either substandard or special mention. See "Non-Performing Assets, Other Loans of Concern, and Classified Assets."

Loan Portfolio Composition. The following table provides information about the composition of the Company's loan portfolio in dollar amounts and in percentages as of the dates indicated. In general, for the fiscal year ended September 30, 2016, the amounts in all categories of loans discussed below, except agriculture real estate and agriculture operating loans, increased over levels from the prior fiscal year.

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	At September 30,									
	2016		2015		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)									
Real Estate Loans:										
1-4 Family	$162,298	17.5 %	$125,021	17.5 %	$116,395	23.3 %	$82,287	21.4 %	$49,134	14.9 %
Commercial & Multi-Family	422,932	45.7 %	310,199	43.5 %	224,302	44.9 %	192,786	50.1 %	191,905	57.9 %
Agricultural	63,612	6.9 %	64,316	9.0 %	56,071	11.3 %	29,552	7.7 %	19,861	6.0 %
Total Real Estate Loans	648,842	70.1 %	499,536	70.0 %	396,768	79.5 %	304,625	79.2 %	260,900	78.8 %
Other Loans:										
Consumer Loans:										
Home Equity	20,883	2.2 %	18,463	2.6 %	15,116	3.0 %	13,799	3.6 %	13,299	4.0 %
Automobile	730	0.1 %	573	0.1 %	671	0.1 %	658	0.1 %	792	0.2 %
Other (1)	15,481	1.7 %	14,491	2.0 %	13,542	2.7 %	15,857	4.1 %	18,747	5.7 %
Total Consumer Loans	37,094	4.0 %	33,527	4.7 %	29,329	5.8 %	30,314	7.8 %	32,838	9.9 %
Agricultural Operating	37,083	4.0 %	43,626	6.1 %	42,258	8.5 %	33,750	8.8 %	20,981	6.3 %
Commercial Operating	31,271	3.4 %	29,893	4.2 %	30,846	6.2 %	16,264	4.2 %	16,452	5.0 %
Premium Finance	171,604	18.5 %	106,505	15.0 %	—	— %	—	— %	—	— %
Total Other Loans	277,052	29.9 %	213,551	30.0 %	102,433	20.5 %	80,328	20.8 %	70,271	21.2 %
Total Loans	$925,894	100.0%	$713,087	100.0%	$499,201	100.0%	$384,953	100.0%	$331,171	100.0%

(1) Consist generally of various types of secured and unsecured consumer loans.

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The following table shows the composition of the Company's loan portfolio by fixed and adjustable rate at the dates indicated.

	September 30, 2016 Amount	Percent	2015 Amount	Percent	2014 Amount	Percent	2013 Amount	Percent	2012 Amount	Percent
	(Dollars in Thousands)									
Fixed Rate Loans:										
Real Estate:										
1-4 Family	$152,232	16.5 %	$116,171	16.3 %	$105,870	21.2 %	$75,477	19.6 %	$44,045	13.3 %
Commercial & Multi-Family	404,888	43.7 %	284,586	39.9 %	203,840	40.8 %	173,373	45.1 %	162,552	49.1 %
Agricultural	59,455	6.4 %	59,219	8.3 %	49,643	10.0 %	22,433	5.8 %	15,399	4.6 %
Total Fixed-Rate Real Estate Loans	616,575	66.6 %	459,976	64.5 %	359,353	72.0 %	271,283	70.5 %	221,996	67.0 %
Consumer	23,024	2.5 %	20,842	2.9 %	19,279	3.9 %	20,129	5.2 %	20,322	6.1 %
Agricultural Operating	27,196	2.9 %	35,802	5.0 %	24,991	5.0 %	23,137	6.0 %	10,627	3.2 %
Commercial Operating	12,393	1.4 %	15,520	2.2 %	13,659	2.7 %	8,070	2.1 %	6,818	2.1 %
Premium Finance	171,604	18.5 %	106,505	15.0 %	—	— %	—	— %	—	— %
Total Fixed-Rate Loans	850,792	91.9 %	638,645	89.6 %	417,282	83.6 %	322,619	83.8 %	259,763	78.4 %
Adjustable Rate Loans:										
Real Estate:										
1-4 Family	10,066	1.1 %	8,850	1.2 %	10,525	2.1 %	6,810	1.8 %	5,089	1.5 %
Commercial & Multi-Family	18,044	1.9 %	25,613	3.6 %	20,461	4.1 %	19,413	5.0 %	29,353	8.9 %
Agricultural	4,157	0.5 %	5,097	0.7 %	6,429	1.3 %	7,119	1.9 %	4,462	1.4 %
Total Adjustable Real Estate Loans	32,267	3.5 %	39,560	5.5 %	37,415	7.5 %	33,342	8.7 %	38,904	11.8 %
Consumer	14,070	1.5 %	12,685	1.8 %	10,050	2.0 %	10,185	2.6 %	12,516	3.8 %
Agricultural Operating	9,887	1.1 %	7,824	1.1 %	17,267	3.5 %	10,613	2.8 %	10,354	3.1 %
Commercial Operating	18,878	2.0 %	14,373	2.0 %	17,187	3.4 %	8,194	2.1 %	9,634	2.9 %
Total Adjustable Loans	75,102	8.1 %	74,442	10.4 %	81,919	16.4 %	62,334	16.2 %	71,408	21.6 %
Total Loans	925,894	100.0 %	713,087	100.0 %	499,201	100.0 %	384,953	100.0 %	331,171	100.0 %
Less:										
Deferred Fees and Discounts	789		577		797		595		219	
Allowance for Loan Losses	5,635		6,255		5,397		3,930		3,971	
	$919,470		$706,255		$493,007		$380,428		$326,981	

Total Loans
Receivable, Net

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The following table illustrates the maturity analysis of the Company's loan portfolio at September 30, 2016. Mortgages that have adjustable or renegotiable interest rates are shown as maturing in the period during which the contract reprices. The table reflects management's estimate of the effects of loan prepayments or curtailments based on data from the Company's historical experiences and other third-party sources.

	Real Estate [1]		Consumer		Commercial Operating		Agricultural Operating		Premium Finance		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)											
Due in one year or less [2]	$206,315	4.24 %	$13,384	3.09 %	$15,421	3.96 %	$24,704	4.43 %	$171,369	6.02 %	$431,193	4.92 %
Due after one year through five years	364,545	4.24 %	22,200	2.90 %	14,040	3.76 %	11,406	4.63 %	235	4.67 %	412,426	4.16 %
Due after five years	77,982	4.04 %	1,510	5.21 %	1,810	3.41 %	973	5.13 %	—	— %	82,275	4.06 %
Total	$648,842		$37,094		$31,271		$37,083		$171,604		$925,894	

[1] Includes one-to-four family, multi-family, commercial and agricultural real estate loans.
[2] Includes demand loans, loans having no stated maturity and overdraft loans.

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One-to-Four Family Residential Mortgage Lending. One-to-four family residential mortgage loan originations, which are made primarily in the Company's market areas, are generated by the Company’s marketing efforts, its present customers, walk-in customers and referrals. At September 30, 2016, the Company’s one-to-four family residential mortgage loan portfolio totaled $162.3 million, or 17.5% of the Company’s total loans. See “Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities.” At September 30, 2016, the average outstanding principal balance of a one-to-four family residential mortgage loan was approximately $0.1 million. At September 30, 2016, $0.1 million of the Company’s one-to-four family residential mortgage loans were non-performing.

The Company offers fixed-rate and ARM loans for both permanent structures and those under construction. During the year ended September 30, 2016, the Company originated $15.3 million of ARM loans and $81.2 million of fixed-rate loans secured by one-to-four family residential real estate. 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.

The Company 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.

Due to consumer demand, the Company also offers fixed-rate mortgage loans with terms up to 30 years, most of which conform to secondary market, i.e., 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.

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 participation interests in loans from other financial institutions. At September 30, 2016, the Company’s commercial and multi-family real estate loan portfolio totaled $422.9 million, or 45.7%, of the Company’s total loans. The purchased loans and loan participation interests are generally secured by properties located in the Midwest and West. See “Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities.” At September 30, 2016, there were no commercial and multi family real estate loans that were non-performing. See “Non-Performing

Assets, Other Loans of Concern and Classified Assets."

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 personal 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.

At September 30, 2016, the Company's largest commercial and multi-family real estate lending relationship totaled $32.5 million and was secured by real estate. At September 30, 2016, the average outstanding principal balance of a commercial or multi-family real estate loan held by the Company was approximately $1.4 million.

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, primarily in its market areas. At September 30, 2016, the Company had agricultural real estate loans secured by farmland of $63.6 million or 6.9% of the Company's total loans. At the same date, $37.1 million, or 4.0%, of the Company's total loans consisted of secured loans related to agricultural operations. Agricultural-related lending constituted 10.9% of total loans.

At September 30, 2016, the Company's largest agricultural real estate and agricultural operating loan relationship was $27.8 million. At September 30, 2016, the average outstanding principal balance of an agricultural real estate loan and agricultural operating loan held by the Company was approximately $0.7 million and $0.2 million, respectively.

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. At September 30, 2016, there were no agricultural operating loans that were non-performing.

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. At September 30, 2016, none of the Company's agricultural real estate loans were non-performing.

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 Company, through the auspices of its "Retail Bank" (generally referring to the Company's operations in our four market areas discussed above), originates a variety of secured consumer loans, including home equity, home improvement, automobile, boat and loans secured by savings deposits. In addition, the Retail Bank offers other secured and unsecured consumer loans. The Retail Bank currently originates most of its consumer loans in its primary market area and surrounding areas. At September 30, 2016, the Retail Bank's consumer loan portfolio totaled $22.8 million, or 2.5% of its total loans. Of the Retail Bank consumer loan portfolio at September 30, 2016, $8.7 million were short- and intermediate-term, fixed-rate loans, while $14.1 million were adjustable-rate loans.

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The largest component of the Retail Bank's consumer loan portfolio consists of home equity loans and lines of credit. Substantially all of the Retail Bank's home equity loans and lines of credit are secured by second mortgages on principal residences. The Retail 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 Retail Bank primarily originates automobile loans on a direct basis to the borrower, as opposed to indirect loans, which are made when the Retail 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 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. At September 30, 2016, $0.1 million of the Bank's consumer loans were non-performing.

Consumer Lending - MPS. The Company believes that well-managed, nationwide credit programs can help meet legitimate credit needs for prime and sub-prime borrowers, and affords the Company an opportunity to diversify the loan portfolio and minimize earnings exposure due to economic downturns. Therefore, MPS designs and administers certain credit programs that seek to accomplish these objectives. The MPS Credit Committee, consisting of members of Executive Management of the Company, is charged with monitoring, evaluating and reporting portfolio performance and the overall credit risk posed by its credit products. All proposed credit programs must first be reviewed and approved by the committee before such programs are presented to the Bank's Board of Directors for approval.

At September 30, 2016, the Bank's MPS consumer loan portfolio totaled $14.3 million, or 1.5% of total loans, all of which were short-term, fixed rate loans.

MPS strives to offer consumers innovative payment products, including credit products. Most credit products have fallen into the category of portfolio lending. MPS continues to work on new alternative portfolio lending products striving to serve its core customer base and to provide unique and innovative lending solutions to the unbanked and under-banked segment.

A Portfolio Credit Policy which has been approved by the Board of Directors governs portfolio credit initiatives undertaken by MPS, whereby the Company retains some or all receivables and relies on the borrower as the underlying source of repayment. Several portfolio lending programs also have a contractual provision that requires the Bank to be indemnified for credit losses that meet or exceed predetermined levels. Such a program carries

additional risks not commonly found in sponsorship programs, specifically funding and credit risk. Therefore, MPS has strived to employ policies, procedures and information systems that it believes commensurate with the added risk and exposure.

The Company recognizes 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 Bank’s Tier 1 Capital plus the Allowance for Loan Losses. The MPS Credit Committee monitors and identifies the credit concentrations in accordance with the Bank’s concentration policy and evaluates the specific nature of each concentration to determine the potential risk to the Bank. An evaluation includes the following:

- A recommendation regarding additional controls needed to mitigate the concentration exposure.
- A limitation or cap placed on the size of the concentration.
- The potential necessity for increased capital and/or credit reserves to cover the increased risk caused by the concentration(s).
- A strategy to reduce to acceptable levels those concentration(s) that are determined to create undue risk to the Bank.

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No MPS credit products were non-performing as of September 30, 2016.

Through its Refund Advantage division, MetaBank also provides short-term consumer refund advance loans. Taxpayers are underwritten to determine eligibility for the advances and the advances are unsecured. These consumer loans are interest-and fee free. Due to the nature of consumer advance loans, it typically takes no more than three e-file cycles 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. There were no taxpayer advances outstanding as of September 30, 2016; the Company expects this portfolio to expand significantly following its agreement with H&R Block to offer such loans during the 2017 tax season.

Commercial Operating Lending. The Company also originates commercial operating loans primarily in its market areas. Most of the Company’s commercial operating loans have been extended to finance local and regional businesses and include short-term loans to finance machinery and equipment purchases, inventory and accounts receivable. Commercial loans also may involve the extension of revolving credit for a combination of equipment acquisitions and working capital in expanding companies. At September 30, 2016, $31.3 million, or 3.4% of the Company’s total loans, were comprised of commercial operating loans.

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. 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 current credit analysis. Nonetheless, such loans are believed to carry higher credit risk than more traditional lending activities.

At September 30, 2016, the average outstanding principal balance of a commercial operating loan held by the Company was approximately $0.1 million.

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. At September 30, 2016, none of the Company’s commercial operating loans were non-performing.

Through its Refund Advantage division, MetaBank also provides short-term Electronic Return Originator ("EROs") 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 advances and the advances are unsecured. Due to the nature of ERO advance loans, it typically takes no more than three e-file cycles to begin collection. 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. There were no ERO advances outstanding as of September 30, 2016.

Premium Finance Lending. Through its AFS/IBEX division, MetaBank provides short-term, primarily collateralized financing to facilitate the commercial customers' purchase of insurance for various forms of risk otherwise known as insurance premium financing primarily in California, Texas and Florida. 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, its reputation, competitive terms, cost and ease of operation. At September 30, 2016, $171.6 million, or 18.5% of the Company's total loans, were comprised of premium finance loans.

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

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The largest premium finance exposure outstanding at September 30, 2016, was a $3.7 million loan relationship secured by the related insurance policy of the borrower. At September 30, 2016, the average outstanding principal balance of a premium finance loan held by the Company was approximately $7,900.

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. In the event of cancellation, the cash returned in payment of the unearned premium by the insurer should typically be sufficient to cover the receivable balance, the interest and other charges due. Due to notification requirements and processing time by most insurance carriers, many receivables will become delinquent beyond 90 days while the insurer is processing the return of the unearned premium. Generally, when a 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. At September 30, 2016, $1.0 million of the Company’s premium finance loans were non-performing.

Originations, Sales and Servicing of Loans

At the Retail Bank, loans are generally originated by the Company’s staff of loan officers. Loan applications are taken and processed in the branches and the main office of the Company. While the Company originates both adjustable-rate and fixed-rate loans, its ability to originate loans is dependent upon the relative customer demand for loans in its market. Demand is affected by the interest rate and economic environment.

The Company, from time to time, sells loan participations, generally without recourse. At September 30, 2016, there were no loans outstanding sold with recourse. When loans are sold, the Company may retain the responsibility for collecting and remitting loan payments, making certain that real estate tax payments are made on behalf of borrowers, and otherwise servicing the loans. The servicing fee is recognized as income over the life of the loans. The Company services loans that it originated and sold totaling $19.4 million at September 30, 2016, of which $4.0 million were sold to Fannie Mae and $15.4 million were sold to others.

On October 26, 2016, MetaBank entered into an agreement with certain H&R Block entities to originate up to $1.45 billion and retain up to $750 million of interest-free refund advance loans for H&R Block tax preparation customers during the 2017 tax season.

In periods of economic uncertainty, the Company’s ability to originate large dollar volumes of loans may be substantially reduced or restricted, with a resultant decrease in related loan origination fees, other fee income and operating earnings. In addition, the Company’s ability to sell loans may substantially decrease if potential buyers (principally government agencies) reduce their purchasing activities.

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The following table shows the loan originations (including draws, loan renewals, and undisbursed portions of loans in process), purchases, and sales and repayment activities of the Company for the periods indicated.

	Years Ended September 30,		
	2016	2015	2014
Originations by Type:	(Dollars in Thousands)		
Adjustable Rate:			
1-4 Family Real Estate	$15,276	$15,360	$12,412
Commercial and Multi-Family Real Estate	2,460	5,575	9,704
Agricultural Real Estate	—	—	1,130
Consumer	13	13	6
Commercial Operating	35,433	20,219	38,448
Agricultural Operating	21,954	12,347	23,492
Total Adjustable Rate	75,136	53,514	85,192
Fixed Rate:			
1-4 Family Real Estate	81,218	48,576	53,251
Commercial and Multi-Family Real Estate	154,478	109,173	94,868
Agricultural Real Estate	4,216	12,877	35,713
Consumer	222,391	204,258	157,776
Commercial Operating	42,775	15,533	13,985
Agricultural Operating	30,889	20,646	31,628
Premium Finance	357,252	208,183	—
Total Fixed-Rate	893,219	619,246	387,221
Total Loans Originated	968,355	672,760	472,413
Purchases:			
Agricultural Operating	—	—	343
Premium Finance	—	74,120	—
Total Loans Purchased	—	74,120	343
Sales and Repayments:			
Sales:			
Commercial and Multi-Family Real Estate	—	4,843	11,665
Agricultural Real Estate	—	520	—
Consumer	17,611	11,650	12,144
Agricultural Operating	83	99	82
Total Loan Sales	17,694	17,112	23,891
Repayments:			
Loan Principal Repayments	737,853	515,883	334,616
Total Principal Repayments	737,853	515,883	334,616
Total Reductions	755,547	532,995	358,507
Increase (decrease) in Other Items, Net	408	(637)	(1,670)
Net Increase	$213,216	$213,248	$112,579

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At September 30, 2016, approximately $6.4 million, or 0.7%, of the Company's loan portfolio consisted of purchased loans. The Company believes that purchasing loans outside of its market area assists the Company in diversifying its portfolio and may lessen the adverse effects on the Company's business or operations which could result in the event of a downturn or weakening of the local economy in which the Company conducts its primary operations. However, additional risks are associated with purchasing loans outside of the Company's market area, including the lack of knowledge of the local market and difficulty in monitoring and inspecting the property securing the loans.

At September 30, 2016, the Company's purchased loans were secured by properties located, as a percentage of total loans, as follows: less than 1% combined in Oregon, North Dakota, North Carolina, and Connecticut. No loans were purchased in fiscal 2016.

Non-Performing Assets, Other Loans of Concern and Classified Assets

When a borrower fails to make a required payment on real estate secured loans and consumer loans within 16 days after the payment is due, the Company generally initiates collection procedures by mailing a delinquency notice. The customer is contacted again, by written notice or telephone, before the payment is 30 days past due and again before 60 days past due. Generally, delinquencies are cured promptly; however, if a loan has been delinquent for more than 90 days, satisfactory payment arrangements must be adhered to or the Company will initiate foreclosure or repossession.

The following table sets forth the Company's loan delinquencies by type, by amount and by percentage of type at September 30, 2016.

	Loans Delinquent For:								
	30-59 Days			60-89 Days			90 Days and Over		
	Number	Amount	Percent of Category	Number	Amount	Percent of Category	Number	Amount	Percent of Category
				(Dollars in Thousands)					
Real Estate:									
1-4 Family	—	$ —	— %	1	$ 30	4.6 %	1	$ 83	7.5 %
Consumer	—	—	— %	—	—	— %	1	53	4.8 %
Commercial Operating	1	151	9.7 %	1	354	53.7 %	—	—	— %
Premium Finance	285	1,398	90.3 %	264	275	41.7 %	977	965	87.7 %
Total	286	$ 1,549	100.0 %	266	$ 659	100.0 %	979	$ 1,101	100.0 %

Delinquencies 90 days and over constituted 0.1% of total loans and 0.03% of total assets.

Generally, when a loan becomes delinquent, 210 days or more for Premium Finance, or 90 days or more for all other loan categories, 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 charged against current income. The loan will remain on a non-accrual status until six months of good payment history.

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The table below sets forth the amounts and categories of the Company's non-performing assets.

	At September 30,				
	2016	2015	2014	2013	2012
Non-Performing Loans	(Dollars in Thousands)				
Non-Accruing Loans:					
1-4 Family Real Estate	$83	$24	$281	$245	$307
Commercial & Multi-Family Real Estate	—	904	312	427	1,423
Agricultural Operating	—	5,132	340	—	—
Commercial Operating	—	—	—	7	18
Total	83	6,060	933	679	1,748
Accruing Loans Delinquent 90 Days or More:					
Consumer	53	13	54	13	63
Premium Finance	965	1,728	—	—	—
Total	1,018	1,741	54	13	63
Total Non-Performing Loans	1,101	7,801	987	692	1,811
Other Assets					
Foreclosed Assets:					
1-4 Family Real Estate	76	—	—	—	9
Commercial & Multi-Family Real Estate	—	—	15	116	827
Commercial Operating	—	—	—	—	2
Total	76	—	15	116	838
Total Other Assets	76	—	15	116	838
Total Non-Performing Assets	$1,177	$7,801	$1,002	$808	$2,649
Total as a Percentage of Total Assets	0.03 %	0.31 %	0.05 %	0.05 %	0.16 %

For the year ended September 30, 2016, gross interest income that would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $2,000, of which none was included in interest income.

Non-Accruing Loans. At September 30, 2016, the Company had $0.1 million in non-accruing loans, which constituted less than 0.1% of the Company's gross loan portfolio and total assets. At September 30, 2015, the Company had $6.1 million in non-accruing loans which constituted 0.8% of its gross loan portfolio, or 0.2% of total assets. The fiscal 2016 decrease in non-performing loans primarily relates to a decrease in non-accruing loans in the agricultural operating category of $5.1 million, primarily due to the partial charge-off of a large agricultural relationship that has no remaining loan balance.

Accruing Loans Delinquent 90 Days or More. At September 30, 2016, the Company had $1.0 million in accruing premium finance loans delinquent 90 days or more.

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Classified Assets. Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered by our primary 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 classified assets, at September 30, 2016, the Company had classified loans of $9.0 million as substandard and none as doubtful or loss. Further, at September 30, 2016, the Bank had $76,101 in real estate owned or other foreclosed assets.

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, 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 stability to 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 the current fiscal year driven by the charge off of one relationship. The Bank does not believe it is likely these low loss conditions will continue indefinitely. Management believes the low commodity prices and high land rents have the potential to negatively impact the economies of our agricultural markets.

The allowance for loan losses established by MPS results from an estimation process that evaluates relevant characteristics of its credit portfolio. MPS also considers other internal and external environmental factors such as changes in operations or personnel and economic events that may affect the adequacy of the allowance for credit losses. Adjustments to the allowance for loan losses are recorded periodically based on the result of this estimation process.

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 September 30, 2016, 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.

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The following table sets forth an analysis of the Company's allowance for loan losses.

	September 30,				
	2016	2015	2014	2013	2012
	(Dollars in Thousands)				
Balance at Beginning of Period	$6,255	$5,397	$3,930	$3,971	$4,926
Charge Offs:					
1-4 Family Real Estate	(32)	(45)	—	(25)	(3)
Commercial & Multi-Family Real Estate	(385)	(214)	—	(194)	(2,094)
Consumer	(728)	—	—	(1)	(6)
Commercial Operating	(249)	—	—	—	—
Agricultural Operating	(3,252)	(186)	(50)	—	—
Premium Finance	(726)	(285)	—	—	—
Total Charge Offs	(5,372)	(730)	(50)	(220)	(2,103)
Recoveries:					
1-4 Family Real Estate	—	—	2	2	1
Commercial & Multi-Family Real Estate	27	6	347	113	40
Consumer	11	—	—	1	4
Commercial Operating	—	3	18	63	4
Agricultural Operating	2	—	—	—	50
Premium Finance	107	114	—	—	—
Total Recoveries	147	123	367	179	99
Net (Charge Offs) Recoveries	(5,225)	(607)	317	(41)	(2,004)
Provision Charged to Expense	4,605	1,465	1,150	—	1,049
Balance at End of Period	$5,635	$6,255	$5,397	$3,930	$3,971
Ratio of Net Charge Offs During the Period to Average Loans Outstanding During the Period	0.64 %	0.10 %	(0.07)%	0.01 %	0.61 %
Ratio of Net Charge Offs During the Period to Non-Performing Assets at Year End	443.84 %	7.78 %	(31.66)%	5.07 %	75.65 %
Allowance to Total Loans	0.61 %	0.88 %	1.08 %	1.02 %	1.20 %

For more information on the Provision for Loan Losses, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is included in Item 7 of this Annual Report on Form 10-K.

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The distribution of the Company's allowance for losses on loans at the dates indicated is summarized as follows:

	At September 30,														
	2016			2015			2014			2013			2012		
	Amount	Percent of Loans in Each Category of Total Loans		Amount	Percent of Loans in Each Category of Total Loans		Amount	Percent of Loans in Each Category of Total Loans		Amount	Percent of Loans in Each Category of Total Loans		Amount	Percent of Loans in Each Category of Total Loans	
	(Dollars in Thousands)														
1-4 Family Real Estate	$654	17.5	%	$278	17.5	%	$552	23.3	%	$333	21.4	%	$193	14.8	%
Commercial & Multi-Family Real Estate	2,198	45.7	%	1,187	43.5	%	1,575	44.9	%	1,937	50.1	%	3,113	58.0	%
Agricultural Real Estate	142	6.9	%	163	9.0	%	263	11.2	%	112	7.6	%	1	6.0	%
Consumer	51	4.0	%	20	4.7	%	78	5.9	%	74	7.9	%	3	9.9	%
Commercial Operating	117	3.4	%	28	4.2	%	93	6.2	%	49	4.2	%	49	5.0	%
Agricultural Operating	1,332	4.0	%	3,537	6.1	%	719	8.5	%	267	8.8	%	—	6.3	%
Premium Finance	588	18.5	%	293	15	%	—	—		—	—		—	—	
Unallocated	553	—		749	—		2,117	—		1,158	—		612	—	
Total	$5,635	100.0	%	$6,255	100.0	%	$5,397	100.0	%	$3,930	100.0	%	$3,971	100.0	%

Investment Activities

General. The investment policy of the Company generally is to invest funds among various categories of investments and maturities based upon the Company's need for liquidity, to achieve the proper balance between its desire to minimize risk and maximize yield, to provide collateral for borrowings and to fulfill the Company's asset/liability management policies. The Company's investment and mortgage-backed securities portfolios are managed in accordance with a written investment policy adopted by the Board of Directors, which is implemented by members of the Company's Investment Committee. The Company closely monitors balances in these accounts, and maintains a portfolio of highly liquid assets to fund potential deposit outflows or other liquidity needs. To date, the Company has not experienced any significant outflows related to MPS, though no assurance can be given that this will continue to be the case.

As of September 30, 2016, investment and mortgage-backed securities with fair values of approximately $824.5 million, $237.2 million and $9.2 million were pledged as collateral for the Bank's Federal Home Loan Bank of Des Moines ("FHLB") advances, Federal Reserve Bank ("FRB") advances and collateral for securities sold under agreements to repurchase, respectively. For additional information regarding the Company's collateralization of borrowings, see Notes 8 and 9 to the "Notes to Consolidated Financial Statements," which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Investment Securities. It is the Company's general policy to purchase investment securities which are U.S. Government securities, U.S. Government agency and instrumentality securities, U.S. Government agency or instrumentality collateralized securities, state and local government obligations, commercial paper, corporate debt securities and overnight federal funds.

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Beginning in June 2012, the Company began executing a strategy designed to diversify the Bank's investment securities portfolio. This strategy involved purchasing other investments, primarily non-bank qualified municipal bond securities. In fiscal 2016, the Company also executed upon relative value opportunities in the securities portfolio posed by perceived dislocations in the market by purchasing a sizable portion of government-related three-month Libor floating rate securities during the year. The Company believes diversification reduces the risk in the portfolio by spreading its investable dollars among a broader range of investment types and takes advantage of the Company's innovative and low-cost funding structure. As of September 30, 2016, the Company had total investment securities, excluding mortgage-backed securities, with an amortized cost of $1.37 billion compared to $953.0 million as of September 30, 2015. At September 30, 2016, $420.1 million, or 32.6%, of the Company's investment securities were pledged to secure various obligations of the Company.

A large portion of this investment strategy involves the purchase of non-bank qualified obligations of political subdivisions or municipal housing securities backed by or convertible into Fannie Mae, Freddie Mac, and or Ginnie Mae securities. These bonds are issued in larger denominations than bank qualified obligations of political subdivisions, which allows for the purchase of larger blocks. These larger blocks of municipal bonds are typically issued in larger denominations by well-known issuers with reputable reporting and in turn, tend to be more liquid, which helps reduce price risk. These municipal bonds are tax-exempt and as such have a tax equivalent yield higher than their book yield. The tax equivalent yield calculation uses the Company's cost of funds as one of its components. Given the Company's relatively low cost of funds due to the volume of interest-free deposits generated by the MPS division, the tax equivalent yield for these bonds is higher than a similar term investment in other investment categories. Many of the Company's municipal holdings are able to be pledged at both the Federal Reserve and the Federal Home Loan Bank.

As of September 30, 2016, the Company had obligations of states and political subdivisions of $1.18 billion, representing 84.8% of total investment securities, excluding mortgage backed securities. This amount is spread among 47 of the 50 U.S. states and the District of Columbia, with no individual state (excluding agency backed and/or convertible municipal securities) having a concentration higher than 10% of the total carrying value of the municipal portfolio. The Company has no direct municipal bond exposure in Detroit or Puerto Rico. Management believes this geographical diversification lessens the credit risk associated with these investments. The Company also monitors concentrations of the ultimate borrower and exposure to counties within each state to further enhance proper diversification.

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The following table sets forth the carrying value of the Company's investment securities portfolio, excluding mortgage-backed securities and other Benefit Equalization Plan equity securities, at the dates indicated.

	At September 30,		
	2016	2015	2014
	(Dollars in Thousands)		
Investment Securities AFS			
Trust preferred and corporate securities [1]	$12,978	$13,944	$46,929
Asset backed securities	116,815	—	—
Small business administration securities	80,719	56,056	67,012
Non-bank qualified obligations of states and political subdivisions	698,672	608,590	367,580
Common equities and mutual funds	1,125	914	825
Subtotal AFS	910,309	679,504	482,346
Investment Securities HTM			
Obligations of states and political subdivisions	20,626	19,540	19,304
Non-bank qualified obligations of states and political subdivisions [2]	465,469	259,627	193,595
Subtotal HTM	486,095	279,167	212,899
FHLB Stock	47,512	24,410	21,245
Total Investment Securities and FHLB Stock	$1,443,916	$983,081	$716,490
Other Interest-Earning Assets:			
Interest bearing deposits in other financial institutions and Federal Funds Sold [3]	$513,441	$10,051	$9,084

(1) Within the trust preferred securities presented above, there are no securities from individual issuers that exceed 5% of the Company's total equity. The name and the aggregate market value of securities of each individual issuer as of September 30, 2016, are as follows: Key Corp Capital I, $4.2 million; PNC Capital Trust, $4.7 million; and Huntington Capital Trust II SE, $4.1 million.

(2) Includes $3.1 million of taxable obligations of states and political subdivisions.

(3) The Company at times maintains balances at the FHLB and the FRB, and also maintains balances in excess of FDIC-insured limits at various financial institutions. At September 30, 2016, the Company had $512.9 million in interest-bearing deposits held at the FRB, $0.5 million at other institutions, and none at the FHLB. At September 30, 2016, the Company had no federal funds sold at a private institution.

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The composition and maturities of the Company's available for sale and held to maturity investment securities portfolio, excluding equity securities, FHLB stock and mortgage-backed securities, are indicated in the following table.

	September 30, 2016					
	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total Investment Securities	
	Carrying Value	Carrying Value	Carrying Value	Carrying Value	Amortized Cost	Fair Value
Available for Sale	(Dollars in Thousands)					
Trust preferred and corporate securities	$—	$—	$—	$12,978	$14,936	$12,978
Asset backed securities	—	—	—	116,815	117,487	116,815
Small business administration securities	—	—	80,719	—	78,430	80,719
Non-bank qualified obligations of states and political subdivisions	—	17,897	366,052	314,723	668,628	698,672
Total Investment Securities AFS	$—	$17,897	$446,771	$		