

**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, 2007

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
(State or other jurisdiction of
incorporation or organization)

121 East Fifth Street, Storm Lake, Iowa
(Address of principal executive offices)

42-1406262
(I.R.S. Employer
Identification No.)

50588
(Zip Code)

Registrant's telephone number: **(712) 732-4117**
Securities Registered Pursuant to Section 12(b) of the Act:
None
Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 per share
(Title of Class)

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 be 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 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12-b2 of the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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 January 9, 2008, there were outstanding 2,589,717 shares of the Registrant's Common Stock.

As of March 31, 2007, 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 System as of such date, was \$61.2 million.

DOCUMENTS INCORPORATED BY REFERENCE

PARTS II and IV of Form 10-K — Portions of the Annual Report to Shareholders for the fiscal year ended September 30, 2007.

PART III of Form 10-K — Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held February 12, 2008.

META FINANCIAL GROUP, INC.
FORM 10-K

Table of Contents

Part I.

Item 1.	Description of Business
Item 1A.	Risk Factors
Item 1B.	Unresolved Staff Comments
Item 2.	Properties
Item 3.	Legal Proceedings
Item 4.	Submission of Matters to a Vote of Security Holders

Part II.

Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Securities
Item 6.	Selected Financial Data
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk
Item 8.	Consolidated Financial Statements and Supplementary Data
Item 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure
Item 9A.	Controls and Procedures
Item 9B.	Other Information

Part III.

Item 10.	Directors, Executive Officers and Corporate Governance
Item 11.	Executive Compensation
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Item 13.	Certain Relationships and Related Transactions, and Director Independence
Item 14.	Principal Accountant Fees and Services

Part IV.

Item 15.	Exhibits, Financial Statement Schedules, and Report on Form 8-K
----------	---

Signatures

Forward-Looking Statements

Meta Financial Group, Inc. [®], (“Meta Financial” or “the Company”) and its wholly-owned subsidiaries, MetaBank (the “Bank”), MetaBank West Central (“MetaBank WC”) and Meta Trust Company [®] (“Meta Trust” or the “Trust Company”), may from time to time make written or oral “forward-looking statements,” including statements contained in its filings with the Securities and Exchange Commission (“SEC”), in its reports to shareholders, and in other communications by the Company, which are made in good faith by the Company pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995.

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 the following subjects: future operating results; customer retention; loan and other product demand; important components of the Company’s balance sheet and income statements; growth; new products and expansion and services, such as those offered by MetaBank or Meta Payment Systems [®] (“MPS”), a division of MetaBank; credit quality and adequacy of reserves; technology; and our employees. The following factors, among others, could cause the Company’s financial performance to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: competition; 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 Federal Reserve Board; 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 litigation) attendant thereto and the perceived overall value of these products and services by users; the impact of changes in financial services’ laws and regulations; technological changes; acquisitions; risk in general, including but not limited to those risks involving the MPS division; the growth of the Company’s business as well as expenses related thereto; changes in consumer spending and saving habits; and the success of the Company at managing and collecting assets of borrowers in default.

The foregoing list of factors is not exclusive. Additional discussions of factors affecting the Company’s business and prospects are contained in the Company’s periodic filings with the SEC. The Company expressly disclaims any intent or obligation to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or its subsidiaries.

Available Information

The Company’s website address is www.metacash.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 as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. 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.

PART I

Item 1. Description of Business

General

Meta Financial is a Delaware corporation, the principal assets of which are all the issued and outstanding shares of MetaBank and MetaBank WC. Meta Financial, on September 20, 1993, acquired all of the capital stock of MetaBank in connection with its conversion from the mutual to stock form ownership (the “Conversion”). On September 30, 1996, Meta Financial became a bank holding company for regulatory purposes upon its acquisition of MetaBank WC as discussed below. Unless the context otherwise requires, references herein to the Company include Meta Financial, MetaBank WC and MetaBank, and all subsidiaries on a consolidated basis. MetaBank and MetaBank WC may sometimes collectively be referred to as the “Banks.”

Since the Conversion, the Company has acquired several financial institutions. On March 28, 1994, Meta Financial acquired Brookings Federal Bank in Brookings, South Dakota (“Brookings Federal”). On December 29, 1995, Meta Financial acquired Iowa Savings Bank, FSB in Des Moines, Iowa (“Iowa Savings”). Brookings Federal and Iowa Savings were both merged with, and now operate as market areas of, MetaBank. On September 30, 1996, Meta Financial completed the acquisition of Central West Bancorporation (“CWB”), the holding company for MetaBank WC, which upon the merger of CWB into Meta Financial resulted in MetaBank WC becoming a stand-alone banking subsidiary of Meta Financial.

MetaBank and MetaBank WC are the only direct, active full service banking subsidiaries of Meta Financial. The Banks are community-oriented financial institutions offering a variety of financial services to meet the needs of the communities they serve. The Company, through the Banks, provides a full range of financial services. The principal business of MetaBank has consisted 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, and consumer and commercial business loans primarily in MetaBank’s market area. MetaBank’s lending activities have expanded in recent years to include an increased emphasis on originations of commercial and multi-family real estate loans and commercial business loans. MetaBank also purchases loan participations from time to time from other financial institutions. These loans typically are collateralized by commercial real estate and commercial businesses. In 2004, MetaBank created a division known as MPS, which issues prepaid cards, debit cards, consumer credit products, sponsors ATMs into various debit networks and offers other payment industry products and services. MPS generates fee income and low- and no-cost deposits for MetaBank through its activities. As noted in the Management’s Discussion and Analysis in the Annual Report, MPS is expanding and playing a more significant role in the Company’s revenues and profits. The principal business of MetaBank WC has been and continues to be attracting retail deposits from the general public and investing those funds in commercial and multi-family real estate and commercial operating loans and, to a lesser extent, one- to four-family residential, consumer and agriculture loans. The Banks also purchase mortgage-backed securities and other investments permissible under applicable regulations. Meta Financial also owns Meta Trust, a South Dakota trust corporation. At September 30, 2007, the Company had total assets of \$686.1 million, deposits of \$523.0 million, and shareholders’ equity of \$48.1 million. On November 29, 2007, the Company announced an agreement to sell MetaBank WC. The Company reclassified financial information as discontinued bank operations in the consolidated financial statements and the notes thereto in the Annual Report. As such, information in this Annual Report on Form 10-K has been adjusted to eliminate the effect of discontinued bank operations unless otherwise indicated.

The Company's revenues are derived primarily from interest on commercial and residential mortgage loans, mortgage-backed securities, commercial business loans, fees generated through the activities of MPS, other investments, consumer loans, agricultural operating loans, commercial business loans, income from service charges, loan origination fees, and loan servicing fee income.

The Trust Company, established in April 2002 as a South Dakota corporation and a wholly-owned subsidiary of Meta Financial, provides a full range of trust services. 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, the Banks and the Trust Company are subject to comprehensive regulation. See "Regulation" herein.

The home office of the Company is located at 121 East Fifth Street, Storm Lake, Iowa 50588. Its telephone number at that address is (712) 732-4117.

Market Area

MetaBank has four market areas and the MPS Division: Northwest Iowa ("NWI"), Brookings, Central Iowa ("CI"), and Sioux Empire ("SE"). MetaBank's headquarters is located at 121 East Fifth Street in Storm Lake, Iowa. NWI operates two offices in Storm Lake, Iowa. Brookings operates one office in Brookings, South Dakota. CI operates a total of six offices in Iowa: Des Moines (3), West Des Moines (2) and Urbandale. SE operates four offices and one administrative office in Sioux Falls, SD. MPS, which offers prepaid cards and other payment industry products and services nationwide, operates out of Sioux Falls, South Dakota. See "Meta Payment Systems[®] Division."

MetaBank WC operates its business through three full-service offices in Casey, Menlo and Stuart, Iowa.

The Company also has a non-retail service branch in Memphis, Tennessee.

The Company's primary market area includes the Iowa counties of Adair, Buena Vista, Dallas, Guthrie, and Polk, and the South Dakota counties of Brookings, Lincoln and Minnehaha.

Iowa ranks in the top ten states for its low cost of doing business (Economy.com Inc 2005), among the top ten states for "technology sophistication" in K-12 schools (Market Data Retrieval), third most favorable business liability climate in the nation (Harris Interactive Survey, U.S. Chamber of Commerce, 2003), sixth "most livable" state in the nation (Morgan Quinto State Rankings, 2007), and has low corporate income and franchise taxes.

South Dakota ranks first in students per computer (Education Weekly, Technology Counts 2006), ninth "most livable" state in the nation (Morgan Quinto State Rankings, 2007), is the second "safest" state (Uniform Crime Report, FBI, 2005) and 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 Northwest Iowa market operates two offices in Storm Lake.

Brookings is located in east central 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 30-mile radius of 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. The Brookings market operates from an office located in downtown Brookings.

Des Moines, Iowa's capital, is located in central Iowa. The Des Moines market area encompasses Polk County and surrounding counties. MetaBank's Central Iowa main office is located in the heart of downtown Des Moines. The Urbandale office is in a high growth area just off I-80 at the intersection of two major streets. The West Des Moines office operates near a high-traffic intersection, across from a major shopping mall. The Ingersoll office is located near the heart of Des Moines, on a major thoroughfare, in a densely populated area. The Highland Park facility is located in a historical district approximately five minutes north of downtown Des Moines. The Jordan Creek office is located near Jordan Creek Town Center in West Des Moines, one of the fastest growing communities in the State of Iowa and the Greater Des Moines area. The Des Moines metro area is one of the top three insurance centers in the world, with sixty-seven insurance company headquarters and over one hundred regional insurance offices. Major employers include Principal Life Insurance Company, Des Moines Community Schools, Central Iowa Hospital Corporation, Mercy Hospital Medical Center, Hy-Vee Food Stores, Inc., Wells Fargo Home Mortgage Inc., Pioneer Hi Bred International Inc., Bridgestone/Firestone, Communications Data Services Inc., and Meredith Corporation. Universities and colleges in the area include Des Moines Area Community College, Drake University, Simpson College, Des Moines University — Osteopathic Medical Center, Grand View College, AIB College of Business, and Upper Iowa University. The unemployment rate in the Des Moines metro area was 3.4% as of September 2007.

Sioux Falls is located at the crossroads of Interstates 29 and 90 in southeast South Dakota, 270 miles southwest of Minneapolis. The Sioux Falls market area encompasses Minnehaha and Lincoln counties. Sioux Falls ranks third in a national list of top cities to start a company according to a report by Cognetics, Inc. (Kiplinger Report, April 2001). Sioux Falls received an "A+" on Zero Population Growth's 2001 Kid-Friendly Cities Report Card, excelling in health, public safety, education, economics, environment, and community life, ranking third out of 140 cities. The city was called a "Diamond in the Rough" as a great smaller market for businesses to make a move. The magazine cited the community's growth rates as a huge opportunity and recognized the state's friendly tax laws. (Sales & Marketing Management April 2002.) The main branch is located at the high growth area of 57th and Western. Other branches are located at 33rd and Minnesota, the intersection of 12th and Elmwood, and on North Minnesota Avenue just north of Russell Road. Major employers in the area include Sanford Health, Avera McKennan Hospital, John Morrell & Company, Citibank (South Dakota) NA, 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 2.4% as of September 2007.

MetaBank WC's main office operates in Stuart, which is located in west-central Iowa on the border of Adair and Guthrie counties, approximately 40 miles west of Des Moines. MetaBank WC's market area is highly dependent on farming and agriculture. Local businesses include Agri-Drain Corporation, Cardinal Glass, Rose Acre Farms, Wausau Supply and Schafer Systems, Inc. In addition, a large number of area residents commute to the Des Moines metro area for work. In recent years, efforts of the Midwest Partnership Corporation have resulted in significant development of new service-related businesses in the area, associated with the westward expansion of Des Moines and direct interstate highway access. Seven industrial parks exist in these two counties with rail access recently added to the Stuart area. This development provides economic diversity to MetaBank WC's market area.

Several of the Company's market areas are dependent on agriculture-related businesses, which are exposed to exogenous risk factors such as weather conditions and commodity prices. Presently, economic conditions in the agricultural sector of the Company's market area are relatively strong. Recent rises in agricultural commodity prices will serve to offset more modest yields this year. The agricultural economy is accustomed to commodity price fluctuations and is generally able to handle such fluctuations without significant problems. Although there has been minimal effect observed to date, an extended period of low commodity prices or poor weather conditions could result in a reduced demand for goods and services provided by agriculture-related businesses, which could also affect other businesses in the Company's market area.

Lending Activities

General. Historically, the Company originated fixed-rate, one- to four-family mortgage loans. In the early 1980s, the Company began to focus on the origination of adjustable-rate mortgage ("ARM") loans and short-term loans for retention in its portfolio in order to increase the percentage of loans in its portfolio with more frequent repricing or shorter maturities, and in some cases higher yields, than fixed-rate residential mortgage loans. The Company, however, has continued to originate fixed-rate residential mortgage loans in response to consumer demand, although most such loans are generally sold in the secondary market. See "Management's Discussion and Analysis — Asset/Liability Management" in the Annual Report.

More recently, the Company has focused its lending activities on the origination of commercial and multi-family real estate loans, commercial business loans, and, to a lesser extent, commercial construction loans. The Company has increased its emphasis, both in absolute dollars and as a percentage of its gross loan portfolio, on all types of commercial lending. The Company also continues to originate one-to-four family mortgage loans, consumer loans and agriculturally related loans. The Company originates most of its loans in its primary market area. At September 30, 2007, the Company's net loan portfolio totaled \$355.6 million, or 51.8% of the Company's total assets.

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, or by the Bank's Board of Directors, which has responsibility for the overall supervision of the loan portfolio. The Company reserves the right to discontinue, adjust or create new lending programs to respond to its needs and to competitive factors.

At September 30, 2007, the Company's largest lending relationship to a single borrower or group of related borrowers totaled \$10.4 million, of which \$1.7 million has been sold to another participant. The Company had 24 other lending relationships in excess of \$3.0 million as of September 30, 2007. At September 30, 2007, none of these loans were classified.

Loan Portfolio Composition. The following table provides information about the composition of the Company's loan portfolio in dollar amounts and in percentages (before deductions for loans in process, deferred fees and discounts and allowances for losses) as of the dates indicated. Balances related to discontinued bank operations have been eliminated for all periods presented.

	At September 30,									
	2007		2006		2005		2004		2003	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)										
Real Estate Loans:										
1-4 Family	\$ 45,407	12.6%	\$ 58,165	15.4%	\$ 68,138	15.8%	\$ 72,186	18.3%	\$ 68,699	19.9%
Commercial & Multi Family	169,877	47.1%	159,107	42.2%	201,431	46.6%	189,141	48.0%	165,907	48.0%
Agricultural	16,582	4.6%	14,098	3.7%	12,773	3.0%	10,308	2.6%	9,008	2.6%
Total Real Estate Loans	231,866	64.3%	231,370	61.3%	282,342	65.3%	271,635	68.9%	243,614	70.4%
Other Loans:										
Consumer Loans:										
Home Equity	23,832	6.6%	24,559	6.5%	24,140	5.6%	21,522	5.5%	17,728	5.1%
Automobile	1,241	0.3%	1,708	0.5%	2,135	0.5%	2,513	0.6%	2,841	0.8%
Other (1)	11,690	3.2%	3,800	1.0%	4,203	1.0%	5,232	1.3%	5,034	1.5%
Total Consumer Loans	36,763	10.2%	30,067	8.0%	30,478	7.0%	29,267	7.4%	25,603	7.4%
Agricultural Operating	33,143	9.2%	28,661	7.6%	23,084	5.3%	18,993	4.8%	20,737	6.0%
Commercial Business	58,705	16.3%	87,202	23.1%	96,467	22.3%	74,267	18.8%	55,880	16.2%
Total Other Loans	128,611	35.7%	145,930	38.7%	150,029	34.7%	122,527	31.1%	102,220	29.6%
Total Loans	360,477	100.0%	377,300	100.0%	432,371	100.0%	394,162	100.0%	345,834	100.0%
Less:										
Loans in Process	254		1,773		9,733		7,342		8,895	
Deferred Fees and Discounts	117		177		277		270		209	
Allowance for Losses	4,493		6,391		6,793		5,144		4,668	
Total Loans Receivable, Net	\$ 355,612		\$ 368,959		\$ 415,568		\$ 381,406		\$ 332,062	

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

The following table shows the composition of the Company's loan portfolio by fixed and adjustable rate at the dates indicated. Balances related to discontinued bank operations have been eliminated for all periods presented.

	September 30,									
	2007		2006		2005		2004		2003	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)										
Fixed Rate Loans:										
Real Estate:										
1-4 Family	\$ 34,157	9.5%	\$ 45,593	11.8%	\$ 38,921	8.9%	\$ 46,331	11.7%	\$ 45,662	13.2%
Commercial & Multi Family	128,495	35.6%	113,072	29.1%	126,275	28.7%	102,557	25.2%	94,054	26.4%
Agricultural	11,610	3.2%	8,229	2.4%	6,347	1.7%	3,992	1.3%	3,902	1.5%
Total Fixed-Rate Real Estate Loans	174,262	48.3%	166,894	43.3%	171,543	39.3%	152,880	38.2%	143,618	41.1%
Consumer	21,470	6.0%	21,128	5.6%	17,066	3.9%	14,694	3.7%	16,987	4.9%
Agricultural Operating	16,519	4.6%	15,145	4.1%	7,161	1.8%	5,315	1.4%	4,634	1.4%
Commercial Business	31,386	8.7%	36,701	9.6%	35,252	8.0%	22,553	5.8%	27,317	7.7%
Total Fixed-Rate Loans	243,637	67.6%	239,868	62.6%	231,022	52.9%	195,442	49.1%	192,556	55.1%
Adjustable Rate Loans:										
Real Estate:										
1-4 Family	11,250	3.1%	12,572	3.2%	29,217	6.5%	25,855	6.3%	23,037	6.5%
Commercial & Multi Family	41,382	11.5%	46,035	13.1%	75,156	18.1%	86,584	22.0%	71,853	20.8%
Agricultural	4,972	1.4%	5,869	1.7%	6,426	1.6%	6,316	1.8%	5,106	1.7%
Total Adjustable Real Estate Loans	57,604	16.0%	64,476	18.0%	110,799	26.2%	118,755	30.1%	99,996	29.0%
Consumer	15,293	4.2%	8,939	2.3%	13,412	3.0%	14,573	3.5%	8,616	2.4%
Agricultural Operating	16,624	4.6%	13,516	3.5%	15,923	3.6%	13,678	3.6%	16,103	4.8%
Commercial Business	27,319	7.6%	50,500	13.6%	61,215	14.4%	51,714	13.7%	28,563	8.7%
Total Adjustable Loans	116,840	32.4%	137,431	37.4%	201,349	47.1%	198,720	50.9%	153,278	44.9%
Total Loans	360,477	100.0%	377,300	100.0%	432,371	100.0%	394,162	100.0%	345,834	100.0%
Less:										
Loans in Process	254		1,773		9,733		7,342		8,895	
Deferred Fees and Discounts	117		177		277		270		209	
Allowance for Losses	4,493		6,391		6,793		5,144		4,668	
Total Loans Receivable, Net	\$ 355,612		\$ 368,959		\$ 415,568		\$ 381,406		\$ 332,062	

The following table illustrates the interest rate sensitivity of the Company's loan portfolio at September 30, 2007. Mortgages which 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. Balances related to discontinued bank operations have been eliminated.

Due During Years Ending September 30,	Real Estate (1)		Consumer		Commercial Business		Agricultural Operating		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)									
2008 (2)	\$ 40,520	6.96%	\$ 12,580	7.97%	\$ 20,202	9.37%	\$ 18,892	8.10%	\$ 92,194	7.88%
2009-2010	57,589	6.50%	6,965	7.81%	16,112	7.32%	2,197	7.14%	82,863	6.79%
2011 and following	133,757	6.73%	17,218	7.45%	22,391	7.22%	12,054	7.34%	185,420	6.89%
Total	<u>\$ 231,866</u>		<u>\$ 36,763</u>		<u>\$ 58,705</u>		<u>\$ 33,143</u>		<u>\$ 360,477</u>	

(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.

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. At September 30, 2007, the Company's one- to four-family residential mortgage loan portfolio totaled \$45.4 million, or 13% of the Company's total gross loan portfolio. See "Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities." At September 30, 2007, the average outstanding principal balance of a one- to four-family residential mortgage loan was approximately \$82,000.

The Company offers fixed-rate and ARM loans for both permanent structures and those under construction. During the year ended September 30, 2007, the Company originated \$5.9 million of adjustable-rate loans and \$50.1 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 one, three, five, seven and ten year ARM loans. These loans have a fixed-rate for the stated period and, thereafter, such loans adjust annually. These loans generally provide for an annual cap of up to a 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 is the Company's cost of funds. The Company's ARMs do not permit negative amortization of principal and are not convertible into a fixed rate loan. The Company's delinquency experience on its ARM loans has generally been similar to its experience on fixed rate residential loans.

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. Interest rates charged on these fixed-rate loans are competitively priced according to market conditions. The Company currently sells most, but not all, of its fixed-rate loans with terms greater than 15 years.

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. Most properties securing real estate loans made by the Company are appraised by independent fee 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 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 has purchased whole loan and participation interests in loans from other financial institutions. At September 30, 2007, the Company's commercial and multi-family real estate loan portfolio totaled \$169.9 million, or 47% of the Company's total gross loan portfolio. 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." The Company, in order to supplement its loan

portfolio and consistent with management's objectives to expand the Company's commercial and multi-family loan portfolio, purchased \$19.8 million, \$8.9 million, and \$9.4 million, of such loans during fiscal 2007, 2006 and 2005, respectively. At September 30, 2007, \$229,000, or 0.1%, of the Company's commercial and multi-family real estate loans was 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 have terms that do not exceed 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 currently 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, 2007, the Company's largest commercial and multi-family real estate loan was a \$6.5 million loan secured by residential housing developments. At September 30, 2007, the average outstanding principal balance of a commercial or multi-family real estate loan held by the Company was approximately \$340,000.

Multi-family and commercial 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 multi-family and commercial 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. MetaBank believes that it may eventually exceed its 400 percent total capital limitation for nonresidential real estate loans and accordingly, submitted a waiver request on April 17, 2007 requesting OTS to grant an increase in its regulatory limit. At September 30, 2007, MetaBank's nonresidential real estate loans totaled 272% of risk-based capital.

Agricultural Lending. The Company originates loans to finance the purchase of farmland, livestock, farm machinery and equipment, seed, fertilizer and other farm related products. At September 30, 2007, the Company had agricultural real estate loans secured by farmland of \$16.6 million or 5% of the Company's gross loan portfolio. At the same date, \$33.1 million, or 9% of the Company's gross loan portfolio, consisted of secured loans related to agricultural operations.

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. Most agricultural operating loans have terms of one year or less. 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, 2007, the average outstanding principal balance of an agricultural operating loan held by the Company was \$70,000. At September 30, 2007, \$150,000, or 0.5%, of the Company's agricultural operating loans was 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 one to five years, which then balloon or adjust annually thereafter. In addition, such loans generally amortize over a period of ten to 20 years. Adjustable-rate agricultural real estate loans provide for a margin over the yields on the corresponding U.S. Treasury security or prime rate. Fixed-rate agricultural real estate loans generally have terms up to five years. Agricultural real estate loans are generally limited to 75% of the value of the property securing the loan. At September 30, 2007, \$13,000, or 0.1%, of the Company's agricultural real estate portfolio was non-performing.

Agricultural lending affords the Company the opportunity to earn yields higher than those obtainable on one- to four-family residential lending. Nevertheless, agricultural lending 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 farm 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 future 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 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 upon whose injury or death may result in an inability to successfully operate the farm.

Consumer Lending . The Company offers a variety of secured consumer loans, including home equity, home improvement, automobile, boat and loans secured by savings deposits. In addition, the Company offers other secured and unsecured consumer loans. The Company currently originates most of its consumer loans in its primary market area and surrounding areas. The Company originates consumer loans on both a direct and indirect basis. At September 30, 2007, the Company's consumer loan portfolio totaled \$36.8 million, or 10% of its total gross loan portfolio. Of the consumer loan portfolio at September 30, 2007, \$21.5 million were short- and intermediate-term, fixed-rate loans, while \$15.3 million were adjustable-rate loans.

The largest component of the Company's consumer loan portfolio consists of home equity loans and lines of credit. Substantially all of the Company's home equity loans and lines of credit are secured by second mortgages on principal residences. The Company will lend amounts which, together with all prior liens, typically may be up to 100% 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 Company primarily originates automobile loans on a direct basis, but also originates indirect automobile loans on a very limited basis. Direct loans are loans made when the Company extends credit directly to the borrower, as opposed to indirect loans, which are made when the Company purchases loan contracts, often at a discount, from automobile dealers which have extended credit to their customers. The Company'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 Company 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 includes 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 do 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 are 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, 2007, \$29,000, or 0.1%, of the Company's consumer loan portfolio was non-performing.

Commercial Business Lending. The Company also originates commercial business loans. Most of the Company's commercial business 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 involve the extension of revolving credit for a combination of equipment acquisitions and working capital in expanding companies. At September 30, 2007, \$58.7 million, or 16% of the Company's total gross loan portfolio, was comprised of commercial business 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 business 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 investments.

The largest commercial business loan outstanding at September 30, 2007 was a \$3.0 million secured by all of the assets of the borrower. The next largest commercial business loan outstanding at September 30, 2007 was a \$2.5 million loan secured by guarantees. These loans are currently performing in accordance with their terms. At September 30, 2007, the average outstanding principal balance of a commercial business loan held by the Company was approximately \$145,000.

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 business 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 business 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 business 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, 2007, \$1.9 million, or 3.2%, of the Company's commercial business loan portfolio was non-performing.

Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities

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 whole loans and loan participations, generally without recourse. At September 30, 2007, there were no loans outstanding sold with recourse. When loans are sold, the Company sometimes retains 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 \$29.6 million at September 30, 2007, of which \$20.4 million were sold to Fannie Mae and \$9.2 million were sold to others.

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 as potential buyers (principally government agencies) reduce their purchasing activities.

The following table shows the loan origination (including undisbursed portions of loans in process), purchases and advances on purchased loans, and repayment activities of the Company for the periods indicated. Balances related to discontinued bank operations have been eliminated for all periods presented.

	September 30,		
	2007	2006	2005
	(Dollars in Thousands)		
Originations by Type :			
Adjustable Rate:			
Real Estate - 1-4 Family	\$ 5,850	\$ 5,849	\$ 13,578
-Commercial and Multi-Family	18,874	33,300	37,786
-Agricultural Real Estate	551	565	4,497
Non-Real Estate - Consumer	1,287	1,480	10,048
-Commercial Business	59,798	83,831	119,962
-Agricultural Operating	31,188	32,413	34,007
Total Adjustable Rate	117,548	157,438	219,878
Fixed Rate:			
Real Estate - 1-4 Family	50,114	29,206	17,043
-Commercial and Multi-Family	55,518	36,942	48,001
-Agricultural Real Estate	3,599	7,500	(149)
Non-Real Estate - Consumer	3,224	2,292	12,116
-Commercial Business	22,153	58,930	37,642
-Agricultural Operating	22,320	14,248	5,549
Total Fixed-Rate	156,928	149,118	120,202
Total Loans Originated	274,476	306,556	340,080
Purchases :			
Real Estate - 1-4 Family	156	599	—
-Commercial and Multi-Family	19,826	8,924	9,379
-Agricultural Real Estate	342	—	—
Non-Real Estate - Commercial Business	22,321	50,257	20,351
-Agricultural Operating	400	(851)	—
Total Loans	43,045	58,929	29,730
Total Mortgage-Backed Securities	11,682	—	15,173
Total Purchased	54,727	58,929	44,903
Sales and Repayments :			
Sales:			
Real Estate - 1-4 Family	10,695	1,737	16,272
Real Estate - Cml MF	3,587	—	—
Non-Real Estate - Commercial Business	—	—	(7,965)
Total Loans	14,282	1,737	8,307
Mortgage-Backed Securities	—	—	19,470
Total Sales	14,282	1,737	27,777
Repayments:			
Loan Principal Repayments	333,283	428,190	319,070
Mortgage-Backed Securities Repayments	26,893	37,144	67,481
Total Principal Repayments	360,176	465,334	386,551
Total Reductions	374,458	467,071	414,328
Increase in other items, net			
Net (Decrease)	\$ (32,978)	\$ (87,117)	\$ (42,346)

At September 30, 2007, approximately \$44.1 million, or 12.2%, of the Company's gross 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, 2007, the Company's purchased loans were secured by properties located, as a percentage of total loans, as follows: 4% in Iowa, 3% in Washington, 2% in Minnesota, 1% each in South Dakota and Oregon, and the remaining 1% in eight other states.

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. In most cases, 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.

Generally, when a loan becomes delinquent 90 days or more or when the collection of principal or interest becomes doubtful, the Company will place the loan on a non-accrual status and, as a result, previously accrued interest income on the loan is taken out of current income. The loan will remain on a non-accrual status until the loan becomes current.

The following table sets forth the Company's loan delinquencies by type, before allowance for loan losses, by amount and by percentage of type at September 30, 2007. Balances related to discontinued bank operations have been eliminated for all periods presented.

	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	7	\$ 305	14%	—	\$ —	0%	3	\$ 243	10%
Commercial & Multi-Family	1	1,640	73%	—	—	—	—	—	—
Agricultural Real Estate	—	—	—	—	—	—	1	13	1%
Consumer	6	66	3%	1	1	0%	2	5	0%
Agricultural Operating	—	—	0%	—	—	—	1	150	7%
Commercial Business	3	235	10%	2	2,653	100%	2	1,882	82%
Total	17	\$ 2,246	100%	3	\$ 2,654	100%	9	\$ 2,293	100%

Delinquencies 90 days and over constituted 0.6% of total gross loans and 0.3% of total assets.

The table below sets forth the amounts and categories of non-performing assets in the Company's loan portfolio. Loans, with some exceptions, are typically placed on non-accrual status when the loan becomes 90 days or more delinquent or when the collection of principal and/or interest becomes doubtful. For all years presented, the Company's troubled debt restructurings (which involved forgiving a portion of interest or principal on any loans or making loans at a rate materially less than that of market rates) are included in the table and were performing as agreed. Balances related to discontinued bank operations have been eliminated for all periods presented.

	At September 30,				
	2007	2006	2005	2004	2003
	(Dollars in Thousands)				
Non-Accruing Loans:					
1-4 Family	\$ 243	\$ 22	\$ —	\$ —	\$ 156
Commercial & Multi Family	—	—	—	399	334
Agricultural Real Estate	13	—	—	—	—
Consumer	5	—	1	59	17
Agricultural Operating	—	182	218	254	291
Commercial Business	1,867	5,076	2,204	—	126
Total	2,128	5,280	2,423	712	924
Accruing Loans Delinquent:					
90 Days or More	—	—	—	—	—
Total	—	—	—	—	—
Restructured Loans:					
Consumer	—	—	—	—	—
Agricultural Operating	150	—	7	9	28
Commercial Business	15	—	—	8	31
Total	165	—	7	17	59
Foreclosed Assets:					
1-4 Family	—	15	—	—	—
Commercial & Multi Family	229	35	1,841	—	912
Consumer	24	—	—	—	4
Commercial Business	65	—	2,865	—	193
Total	318	50	4,706	—	1,109
Less: Allowance for Losses	—	—	—	—	—
Total Foreclosed Assets, Net	318	50	4,706	—	1,109
Total Non-Performing Assets	\$ 2,611	\$ 5,330	\$ 7,136	\$ 729	\$ 2,092
Total as a Percentage of Total Assets	0.38%	0.72%	0.92%	0.09%	0.27%

For the year ended September 30, 2007, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately \$462,000, of which none was included in interest income.

Non-accruing Loans . At September 30, 2007, the Company had \$2.1 million in non-accruing loans, which constituted 0.6% of the Company's gross loan portfolio.

Accruing Loans Delinquent 90 Days or More . At September 30, 2007, the Company had no accruing loans delinquent 90 days or more.

Classified Assets. Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered by the Office of Thrift Supervision (the “OTS”) 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 savings association will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such minimal value that their continuance as assets without the establishment of a specific loss reserve is not warranted. The loans held by MetaBank WC are subject to similar classification by its regulatory authorities.

When assets are classified as either substandard or doubtful, the Banks may establish general allowances for loan losses in an amount deemed prudent by management. 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 Banks’ determinations as to the classification of their assets and the amount of their valuation allowances are subject to review by their regulatory authorities, who may order the establishment of additional general or specific loss allowances.

On the basis of management’s review of its assets, at September 30, 2007, the Company had classified a total of \$6.0 million of its assets as substandard, \$82,000 as doubtful and none as loss. There were no real estate owned or other foreclosed assets classified at September 30, 2007.

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 collectibility 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 adequate loan loss allowance.

Management closely monitors economic developments both regionally and nationwide, and considers these factors when assessing the adequacy of its allowance for loan losses. While the Company has no direct exposure to sub-prime loans, management is concerned that recent developments in the sub-prime mortgage market may have a ripple effect on residential real estate prices. In addition, the potential for an economic slowdown and recent increase in energy prices may strain the financial condition of some borrowers. Management therefore believes that future losses in the residential portfolio may be somewhat higher than historical experience. Over the past six years, loss rates in the commercial and multi-family real estate market have remained moderate. Management recognizes that low charge-off rates over the past several years reflect the strong economic environment and are not indicative of likely losses over a full business cycle. This observation, as well as the aforementioned concerns regarding an economic slowdown, has led management to the conclusion that future losses in this portfolio may be somewhat higher than recent historical experience, excluding loan losses related to fraud by borrowers. On the other hand, current trends in agricultural markets are very favorable. Higher commodity prices as well as higher yields have created positive economic conditions for most farmers. Nonetheless, management still expects that future losses in this portfolio, which have been very low, could be higher

than recent historical experience. Management believes that the aforementioned possibility for a slowdown in economic growth during the next fiscal year may also negatively impact consumers' repayment capacities. Additionally, a sizable portion of the Company's consumer loan portfolio is secured by residential real estate, as discussed above, which is an area to be closely monitored by management in view of its stated concerns.

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, 2007 reflects an adequate 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. In addition, the Company's determination of the allowance for loan losses is subject to review by its regulatory agencies, which can require the establishment of additional general or specific allowances.

Real estate properties acquired through foreclosure are recorded at the lower of cost or fair value. If fair value at the date of foreclosure is lower than the balance of the related loan, the difference will be charged-off 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.

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

	September 30,				
	2007	2006	2005	2004	2003
	(Dollars in Thousands)				
Balance at Beginning of Period	\$ 6,391	\$ 6,793	\$ 5,144	\$ 4,668	\$ 4,368
Charge Offs:					
1-4 Family	—	—	—	(7)	(4)
Agricultural Operating	—	—	—	—	—
Commercial & Multi Family	(1,762)	—	(141)	—	(31)
Consumer	(50)	(6)	(13)	(19)	(49)
Commercial Business	(3,803)	(1,036)	(3,057)	—	(29)
Total Charge Offs	(5,615)	(1,042)	(3,211)	(26)	(113)
Recoveries:					
1-4 Family	—	—	—	2	2
Consumer	3	5	33	25	13
Commercial Business	546	324	—	2	10
Commercial & Multi Family	—	—	114	—	—
Agricultural Operating	—	—	—	—	7
Total Recoveries	549	329	147	29	32
Net Charge Offs	(5,066)	(713)	(3,064)	3	(81)
Additions Charged to Operations	3,168	311	4,713	473	381
Balance at End of Period	\$ 4,493	\$ 6,391	\$ 6,793	\$ 5,144	\$ 4,668
Ratio of Net Charge Offs During the Period to Average Loans Outstanding During the Period	1.43%	0.18%	0.75%	0.00%	0.03%
Ratio of Net Charge Offs During the Period to Non-Performing Assets	194.03%	13.38%	42.94%	-0.41%	3.87%

For more information on the provision for loan losses, see "Management's Discussion and Analysis - Results of Operations" in the Annual Report.

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

At September 30,										
	2007		2006		2005		2004		2003	
	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)										
One-to-Four Family	\$ 111	12.59%	\$ 120	15.41%	\$ 93	15.76%	\$ 88	18.30%	\$ 124	19.87%
Commercial & Multi Family										
Real Estate	1,246	47.13%	1,403	42.17%	2,243	46.59%	2,767	47.99%	2,425	47.97%
Agricultural Real Estate	70	4.60%	101	3.74%	130	2.95%	166	2.62%	101	2.60%
Consumer	153	10.20%	116	7.97%	416	7.05%	373	7.43%	340	7.40%
Agricultural Operating	178	9.19%	205	7.60%	454	5.34%	466	4.82%	613	6.00%
Commercial Business	2,404	16.29%	4,140	23.11%	3,288	22.31%	1,258	18.84%	923	16.16%
Unallocated	331	—	306	—	169	—	26	—	142	—
Total	<u>\$ 4,493</u>	<u>100.00%</u>	<u>\$ 6,391</u>	<u>100.00%</u>	<u>\$ 6,793</u>	<u>100.00%</u>	<u>\$ 5,144</u>	<u>100.00%</u>	<u>\$ 4,668</u>	<u>100.00%</u>

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 Bank's Investment Committee. The Company is aware that, due to higher levels of concentration risk, the low- and no-cost checking deposits generated through MPS may carry a greater degree of liquidity risk than traditional consumer checking deposits. As a result, the Company closely monitors balances in these accounts, and maintains a portfolio of highly liquid assets to fund potential deposit outflows. To date, the Company has not experienced any inordinate or unusual outflows related to MPS, though no assurance can be given that this will continue to be the case.

As of September 30, 2007, the Company's entire investment and mortgage-backed securities portfolios were classified as available for sale. For additional information regarding the Company's investment and mortgage-backed securities portfolios, see Notes 1 and 5 to the Notes to Consolidated Financial Statements in the Annual Report.

As of September 30, 2007, investment and mortgage-backed securities with fair values of approximately \$46.6 million were pledged as collateral for the Bank's FHLB advances and reverse repurchase agreements. For additional information regarding the Company's collateralization of borrowings, see Notes 10 and 11 to the Notes to Consolidated Financial Statement in the Annual Report.

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

The following table sets forth the carrying value of the Company's investment security portfolio, excluding mortgage-backed securities and other equity securities, at the dates indicated. Balances related to discontinued bank operations have been eliminated for all periods presented.

	At September 30,		
	2007	2006	2005
(Dollars in Thousands)			
Investment Securities			
Trust Preferred & Corporate Securities	\$ 24,410	\$ 26,279	\$ 24,028
Municipal Bonds	1,550	95	391
Other	—	109	1,013
Subtotal	25,960	26,483	25,432
FHLB and FRB Stock	4,015	5,053	7,472
Total Investment Securities and FHLB and FRB Stock	<u>\$ 29,975</u>	<u>\$ 31,536</u>	<u>\$ 32,904</u>
Other Interest-Earning Assets:			
Interest bearing deposits in other financial institutions and			
Federal Funds Sold	<u>\$ 85,110</u>	<u>\$ 100,243</u>	<u>\$ 8,259</u>

- (1) Within the trust preferred securities presented above, there are securities from individual issuers that exceed 10% of the Company's total equity. The name and the aggregate market value of securities of each individual issuer as of September 30, 2007 are as follows: Key Corp Capital I, \$4.58 million; Bank Boston Capital Trust IV, \$4.49 million; BankAmerica Capital III, \$4.50 million; PNC Capital Trust, \$4.37 million; Huntington Capital Trust II, \$4.32 million.
- (2) The Company at times maintains balances in excess of insured limits at various financial institutions including the Federal Home Loan Bank of Des Moines, the Federal Reserve Bank, and other private institutions. At September 30, 2007, the Company had \$10.0 million of interest bearing deposits held at the Federal Home Loan Bank of Des Moines ("FHLB"). At September 30, 2007, the Company had \$75.0 million of federal funds sold at several private institutions. The Company does not believe these deposits carry a significant risk of loss, but cannot provide assurances that no losses could occur if these institutions were to become insolvent.

The composition and maturities of the Company's investment securities portfolio, excluding equity securities, FHLB stock and mortgage-backed securities, are indicated in the following table. Balances related to discontinued bank operations have been eliminated for all periods presented.

	September 30, 2007					
	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	Market Value
(Dollars in Thousands)						
Trust Preferred & Corporate Securities	\$ 999	\$ —	\$ —	\$ 23,411	\$ 26,784	\$ 24,410
Municipal Bonds	—	548	569	433	1,534	1,550
Total Investment Securities	\$ 999	\$ 548	\$ 569	\$ 23,844	\$ 28,318	\$ 25,960
Weighted Average Yield (1)	5.67%	3.96%	3.95%	6.31%	6.51%	6.56%

(1) Yields on tax-exempt obligations have not been computed on a tax-equivalent basis.

Mortgage-Backed Securities. The Company's mortgage-backed and related securities portfolio consists primarily of securities issued under government-sponsored agency programs, including those of Ginnie Mae, Fannie Mae and Freddie Mac. The Company historically has held Collateralized Mortgage Obligations ("CMOs"), as well as a limited amount of privately issued mortgage pass-through certificates. The Ginnie Mae, Fannie Mae and Freddie Mac certificates are modified pass-through mortgage-backed securities that represent undivided interests in underlying pools of fixed-rate, or certain types of adjustable-rate, predominantly single-family and, to a lesser extent, multi-family residential mortgages issued by these government-sponsored entities. Fannie Mae and Freddie Mac generally provide the certificate holder a guarantee of timely payments of interest, whether or not collected. Ginnie Mae's guarantee to the holder is timely payments of principal and interest, backed by the full faith and credit of the U.S. Government. Privately issued mortgage pass-through certificates generally provide no guarantee as to timely payment of interest or principal, and reliance is placed on the creditworthiness of the issuer, which the Company monitors on a regular basis.

At September 30, 2007, the Company had mortgage-backed securities with a carrying value of \$123.9 million, representing 93% of the total portfolio, which had fixed rates of interest and \$8.8 million, representing 7% of the total portfolio, which had adjustable rates of interest.

Mortgage-backed securities generally increase the quality of the Company's assets by virtue of the insurance or guarantees that back them, are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of the Company. At September 30, 2007, \$70.7 million or 53% of the Company's mortgage-backed securities were pledged to secure various obligations of the Company.

While mortgage-backed securities carry a reduced credit risk as compared to whole loans, such securities remain subject to the risk that a fluctuating interest rate environment, along with other factors such as the geographic distribution of the underlying mortgage loans, may alter the prepayment rate of

such mortgage loans and so affect both the prepayment speed, and value, of such securities. The prepayment risk associated with mortgage-backed securities is monitored periodically, and prepayment rate assumptions adjusted as appropriate to update the Company's mortgage-backed securities accounting and asset/liability reports.

The following table sets forth the carrying value of the Company's mortgage-backed securities at the dates indicated. Balances related to discontinued bank operations have been eliminated for all periods presented.

	At September 30,		
	2007	2006	2005
	(Dollars in Thousands)		
Ginnie Mae	\$—	\$—	\$3
CMO	4	6	7
Freddie Mac	73,749	88,486	113,202
Fannie Mae	58,921	56,455	72,026
Privately Issued Mortgages Pass-Through Certificates	67	73	85
Total	<u>\$ 132,741</u>	<u>\$ 145,020</u>	<u>\$ 185,323</u>

The following table sets forth the contractual maturities of the Company's mortgage-backed securities at September 30, 2007. Not considered in the preparation of the table below is the effect of prepayments, periodic principal repayments and the adjustable-rate nature of these instruments. Balances related to discontinued bank operations have been eliminated for all periods presented.

	September 30, 2007					
	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	Market Value
	(Dollars in Thousands)					
CMO	\$ —	\$ —	\$ —	\$ 4	\$ 4	\$ 4
Freddie Mac	1	64,961	—	8,787	75,209	73,749
Fannie Mae	—	46,755	2,243	9,923	60,157	58,921
Privately Issued Mortgages Pass-Through Certificates	—	—	—	67	61	67
Total Investment Securities	<u>\$ 1</u>	<u>\$ 111,716</u>	<u>\$ 2,243</u>	<u>\$ 18,781</u>	<u>\$ 135,431</u>	<u>\$ 132,741</u>
Weighted Average Yield	10.01%	4.15%	5.73%	4.94%	4.29%	4.29%

At September 30, 2007, the contractual maturity of 14.1% of all of the Company's mortgage-backed securities was in excess of ten years. The actual maturity of a mortgage-backed security is typically less than its stated maturity due to scheduled principal payments and prepayments of the underlying mortgages. Prepayments that are different than anticipated will affect the yield to maturity. The yield is based upon the interest income and the amortization of any premium or discount related to the mortgage-backed security. In accordance with generally accepted accounting principles, premiums and discounts are amortized over the estimated lives of the loans, which decrease and increase interest income, respectively. The prepayment assumptions used to determine the amortization period for premiums and discounts can significantly affect the yield of the mortgage-backed security, and these assumptions are reviewed periodically to reflect actual prepayments. Although prepayments of underlying mortgages depend on many factors, including the type of mortgages, the coupon rate, the age

of mortgages, the geographical location of the underlying real estate collateralizing the mortgages and general levels of market interest rates, the difference between the interest rates on the underlying mortgages and the prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of falling mortgage interest rates, if the coupon rate of the underlying mortgages exceeds the prevailing market interest rates offered for mortgage loans, refinancing generally increases and accelerates the prepayment of the underlying mortgages and the related security. Under such circumstances, the Company may be subject to reinvestment risk because, to the extent that the Company's mortgage-backed securities amortize or prepay faster than anticipated, the Company may not be able to reinvest the proceeds of such repayments and prepayments at a comparable rate.

Sources of Funds

General. The Company's sources of funds are deposits, borrowings, amortization and repayment of loan principal, interest earned on or maturation of investment securities and short-term investments, and funds provided from operations.

Borrowings, including Federal Home Loan Bank ("FHLB") of Des Moines advances and repurchase agreements, may be used at times to compensate for seasonal reductions in deposits or deposit inflows at less than projected levels, may be used on a longer-term basis to support expanded lending activities, and may also be used to match the funding of a corresponding asset.

Deposits. The Company offers a variety of deposit accounts having a wide range of interest rates and terms. The Company's deposits consist of passbook and statement savings accounts, money market savings accounts, NOW and regular checking accounts, and certificate accounts currently ranging in terms from fourteen days to 60 months. The Company only solicits deposits from its primary market area and does not currently use brokers to obtain deposits. The Company relies primarily on competitive pricing policies, advertising and high-quality customer service to attract and retain these deposits. The Company has no brokered deposits.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and prevailing interest rates, and competition.

The variety of deposit accounts offered by the Company, and the expanding activities of MPS, has allowed it to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. The Company endeavors to manage the pricing of its deposits in keeping with its asset/liability management and profitability objectives. Based on its experience, the Company believes that its passbook savings, money market savings accounts, NOW and regular checking accounts are relatively stable sources of deposits. However, the ability of the Company to attract and maintain certificates of deposit and the rates paid on these deposits has been and will continue to be significantly affected by market conditions.

\$242.9 million of the Company's deposit portfolio is attributable to MPS. The majority of these deposits represent un-spent funds on prepaid debit cards and other stored value products. \$237.2 million are included with non-interest-bearing demand deposits and \$5.7 million are included with money market accounts on the Company's Consolidated Statement of Financial Condition. Generally, these deposits do not earn interest. MPS originates debit card programs through outside sales agents and other financial institutions. As such, these deposits carry a somewhat higher degree of liquidity risk than traditional consumer products. If a major client or card program were to leave the Bank, deposit outflows would be more significant than if the bank were to lose a more traditional customer. The Company takes this additional risk into account when planning its investment and liquidity strategies. The increase in

deposits arising from MPS has also allowed the bank to reduce its reliance on higher costing certificates of deposits and public funds.

The following table sets forth the deposit flows at the Company during the periods indicated.

	September 30,		
	2007	2006	2005
	(Dollars in Thousands)		
Opening Balance	\$ 538,071	\$ 510,459	\$ 434,352
Deposits	21,679,955	11,675,007	3,120,428
Withdrawals	(21,663,114)	(11,654,804)	(3,051,756)
Sale of Deposit	(39,172)	—	—
Interest Credited	7,238	7,507	7,234
Ending Balance	<u>\$ 522,978</u>	<u>\$ 538,169</u>	<u>\$ 510,258</u>
Net Increase (Decrease)	<u>\$ (15,093)</u>	<u>\$ 27,710</u>	<u>\$ 75,906</u>
Percent Increase (Decrease)	<u>-2.81%</u>	<u>5.43%</u>	<u>17.48%</u>

The following table sets forth the dollar amount of deposits in the various types of deposit programs offered by the Company for the periods indicated. Balances related to discontinued bank operations have been eliminated for all periods presented.

	September 30,					
	2007		2006		2005	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
(Dollars in Thousands)						
Transactions and Savings Deposits:						
Non-Interest Bearing Demand Accounts	\$ 260,098	49.73%	\$ 186,135	34.59%	\$ 99,444	19.49%
Interest Bearing Demand Accounts	14,600	2.79	24,524	4.56	31,058	6.09
Passbook Savings Accounts	10,265	1.96	28,178	5.24	60,667	11.89
Money Market Accounts	81,292	15.54	98,697	18.34	68,723	13.47
Total Non-Certificate	<u>366,255</u>	<u>70.03</u>	<u>337,534</u>	<u>62.72</u>	<u>259,892</u>	<u>50.93</u>
Certificates :						
Variable	1,085	0.21	1,501	0.28	998	0.20
0.00 - 1.99%	18	0.00	1,370	0.03	16,807	3.29
2.00 - 3.99%	24,696	4.72	62,788	11.67	178,349	34.95
4.00 - 5.99%	130,914	25.03	134,966	25.08	49,680	9.74
6.00 - 7.99%	10	0.00	10	0.00	4,532	0.89
Total Certificates	<u>156,723</u>	<u>29.97</u>	<u>200,635</u>	<u>37.28</u>	<u>250,366</u>	<u>49.07</u>
Total Deposits	<u>\$ 522,978</u>	<u>100.00%</u>	<u>\$ 538,169</u>	<u>100.00%</u>	<u>\$ 510,258</u>	<u>100.00%</u>

The following table shows rate and maturity information for the Company's certificates of deposit as of September 30, 2007. Balances related to discontinued bank operations have been eliminated for all periods presented.

Certificate accounts maturing in quarter ending:	Variable	0.00- 1.99%	2.00- 3.99%	4.00- 5.99%	6.00- 7.99%	Total	Percent of Total
(Dollars in Thousands)							
December 31, 2007	\$ 348	\$ 18	\$ 4,770	\$ 28,573	\$ —	\$ 33,709	21.5%
March 31, 2008	200	—	3,858	22,657	—	\$ 26,715	17.0
June 30, 2008	130	—	3,604	16,089	—	\$ 19,823	12.6
September 30, 2008	114	—	7,576	19,368	—	\$ 27,058	17.3
December 31, 2008	67	—	1,621	6,460	—	\$ 8,148	5.2
March 31, 2009	226	—	1,673	3,721	—	\$ 5,620	3.6
June 30, 2009	—	—	539	6,876	—	\$ 7,415	4.7
September 30, 2009	—	—	334	2,632	—	\$ 2,966	1.9
December 31, 2009	—	—	117	4,463	—	\$ 4,580	2.9
March 31, 2010	—	—	445	9,489	—	\$ 9,934	6.3
June 30, 2010	—	—	103	2,251	—	\$ 2,354	1.5
September 30, 2010	—	—	—	1,662	—	\$ 1,662	1.1
Thereafter	—	—	56	6,673	10	\$ 6,739	4.3
Total	\$ 1,085	\$ 18	\$ 24,696	\$ 130,914	\$ 10	\$ 156,723	100.0%
Percent of total	0.7%	0.0%	15.8%	83.5%	0.0%	100.0%	

The following table indicates the amount of the Company's certificates of deposit and other deposits by time remaining until maturity as of September 30, 2007. Balances related to discontinued bank operations have been eliminated for all periods presented.

	Maturity					Total
	3 Months or Less	After 3 to 6 Months	After 6 to 12 Months	After 12 Months		
	(Dollars in Thousands)					
Certificates of deposit less than \$100,000	\$ 24,164	\$ 20,230	\$ 38,281	\$ 38,348	\$ 121,023	
Certificates of deposit of \$100,000 or more	9,545	6,484	8,601	11,070	\$ 35,700	
Total certificates of deposit	\$ 33,709	\$ 26,714	\$ 46,882	\$ 49,418	\$ 156,723	

(1) At September 30, 2007, there were no deposits from governmental and other public entities included in certificates of deposit.

Borrowings. Although deposits are the Company's primary source of funds, the Company's policy has been to utilize borrowings when they are a less costly source of funds, can be invested at a positive interest rate spread, or when the Company desires additional capacity to fund loan demand.

The Company's borrowings historically have consisted primarily of advances from the FHLB of Des Moines upon the security of a blanket collateral agreement of a percentage of unencumbered loans and the pledge of specific investment securities. Such advances can be made pursuant to several different

credit programs, each of which has its own interest rate and range of maturities. At September 30, 2007, the Bank had \$68.0 million of advances from the FHLB of Des Moines and the ability to borrow up to an approximate additional \$81.6 million. At September 30, 2007, advances totaling \$21.0 million had terms to maturity of one year or less. The remaining \$47.0 million had maturities ranging up to 12 years.

On July 16, 2001, the Company issued all of the 10,000 authorized shares of Company Obligated Mandatorily Redeemable Preferred Securities of First Midwest Financial Capital Trust I (preferred securities of subsidiary trust) holding solely subordinated debt securities. Distributions are paid semi-annually. Cumulative cash distributions are calculated at a variable rate of LIBOR (as defined) plus 3.75%, not to exceed 12.5%. The Company may, at one or more times, defer interest payments on the capital securities for up to 10 consecutive semi-annual periods, but not beyond July 25, 2031. At the end of any deferral period, all accumulated and unpaid distributions will be paid. The capital securities are required to be redeemed on July 25, 2031; however, the Company has a semi-annual option to shorten the maturity date to a date not earlier than July 25, 2007. The option has not been exercised as of the date of this filing. The redemption price is \$1,000 per capital security plus any accrued and unpaid distributions to the date of redemption plus, if redeemed prior to July 25, 2011, a redemption premium as defined in the Indenture Agreement. Holders of the capital securities have no voting rights, are unsecured and rank junior in priority of payment to all of the Company's indebtedness and senior to the Company's common stock. The trust preferred securities have been includable in the Company's capital calculations since they were issued.

From time to time, the Company has offered retail repurchase agreements to its customers. These agreements typically range from 14 days to five years in term, and typically have been offered in minimum amounts of \$100,000. The proceeds of these transactions are used to meet cash flow needs of the Company. At September 30, 2007, the Company had \$224,000 of retail repurchase agreements outstanding.

Historically, the Company has entered into wholesale repurchase agreements through nationally recognized broker-dealer firms. These agreements are accounted for as borrowings by the Company and are secured by certain of the Company's investment and mortgage-backed securities. The broker-dealer takes possession of the securities during the period that the reverse repurchase agreement is outstanding. The terms of the agreements have usually ranged from 7 days to six months, but on occasion longer term agreements have been entered into. At September 30, 2007, the Company had no wholesale repurchase agreements outstanding.

The following table sets forth the maximum month-end balance and average balance of FHLB advances, retail and reverse repurchase agreements and Subordinated Debentures for the periods indicated. Balances related to discontinued bank operations have been eliminated for all periods presented.

	September 30,		
	2007	2006	2005
	(Dollars in Thousands)		
Maximum Balance:			
FHLB advances	\$ 89,300	\$ 147,450	\$ 213,950
Repurchase agreements	15,470	19,469	20,672
Subordinated debentures	10,310	10,310	9,800
Average Balance:			
FHLB advances	\$ 77,433	\$ 115,102	\$ 194,960
Retail and reverse repurchase agreements	7,862	16,536	21,492
Subordinated debentures	10,310	10,310	10,310

The following table sets forth certain information as to the Company's FHLB advances and other borrowings at the dates indicated.

	September 30,		
	2007	2006	2005
	(Dollars in Thousands)		
FHLB advances	\$ 68,000	\$ 89,300	\$ 147,450
Repurchase agreements	224	15,179	19,607
Subordinated debentures	10,310	10,310	9,800
Total borrowings	\$ 78,534	\$ 114,789	\$ 176,857
Weighted average interest rate of FHLB advances	5.43%	4.96%	4.56%
Weighted average interest rate of repurchase agreements	3.37%	3.13%	2.89%
Weighted average interest rate of subordinated debentures	9.06%	9.30%	7.67%

Subsidiary Activities

The subsidiaries of the Company are MetaBank, MetaBank WC, Meta Trust and First Midwest Financial Capital Trust I. MetaBank has one service corporation subsidiary, First Services Financial Limited ("First Services"). At September 30, 2007, the net book value of MetaBank's investment in First Services was approximately \$114,000. MetaBank WC does not have any subsidiaries. MetaBank organized First Services, its sole service corporation, in 1983. First Services currently has no active operations.

Meta Payment Systems® Division

Meta Financial, through its subsidiary MetaBank, operating under the divisional name Meta Payment Systems, offers a complement of prepaid cards and other payment industry related products and services that are marketed to consumers through financial institutions and other commercial entities. The products and services offered by Meta Payment Systems are generally designed to facilitate the processing and settlement of authorized electronic transactions involving the movement of funds [previously deposited at MetaBank]. Meta Payment Systems offers specific product solutions in the following areas: (i) prepaid cards, (ii) consumer credit products, and (iii) ATM sponsorship. Meta Payment Systems' products and services generally target banks, card processors and third party marketers who distribute the cards.

Each segment of Meta Payment System's business is discussed generally below. With respect to the segments, there can be a significant amount of cross-selling and cross-utilization of personnel and resources (e.g., a client asks Meta Payment Systems to develop products for both prepaid and credit card needs).

Prepaid Cards . Prepaid cards usually take the form of credit card-sized plastics embedded with a magnetic stripe which encodes relevant card data (which may or may not include information about the user and/or purchaser of such card). When the holder of such a card attempts a permitted transaction, necessary information, including the authorization for such transaction, is shared between the "point of use" or "point of sale" and authorization systems maintaining the account of record.

The funds associated with such cards are held in pooled accounts at MetaBank representing the aggregate value of all cards issued in connection with particular products or programs, further described below. The cards may work in a closed loop (e.g., the card will only work at one particular merchant and will not work anywhere else), a semi-closed loop (e.g., the card will only work at a specific set of merchants such as a shopping mall), or open loop which function as a Visa, MasterCard, or Discover branded debit card that will work wherever such cards are accepted for payment.

This segment of Meta Payment Systems' business can generally be divided into three categories: reloadable cards, non-reloadable cards, and benefit/insurance cards. Government benefits are another growing application for prepaid cards; however, MPS has not focused on this category to date.

Reloadable cards . The most common reloadable prepaid card programs are payroll cards, whereby an employee's payroll is loaded to the card by their employer utilizing direct deposit, or General Purpose Reloadable (GPR) whereby cards are usually distributed by retailers and can be reloaded an indefinite number of times at participating retail load networks. Another example of a reloadable card would be Travel Cards which are used to replace travelers checks and can be reloaded a predetermined number of times. Reloadable cards are generally open loop cards that consumers can use to obtain cash at ATMs or purchase goods and services wherever such cards are accepted for payment.

Non-reloadable cards . Non-reloadable prepaid cards are sometimes referred to as disposable and may only be used until the relevant funds initially loaded to the card have been exhausted. These include gift cards, rebate cards, and promotional or incentive cards. These cards may be closed loop or open loop but are generally not available to obtain cash. Under certain conditions, these cards may be anonymous, whereby no customer relationship is created and the identity of the cardholder is unknown. Except for gift cards, many non-reloadable card programs are funded by a corporation as a marketing expense rather than from consumer funds.

Benefit/insurance cards . Benefit/insurance cards are traditionally used by employers and large commercial companies (such as property insurers) to distribute benefits to persons entitled to such funds. Possible uses of benefit cards could be the distribution of money for qualified expenses related to an employer sponsored flexible spending account program (FSA) or the distribution of insurance claim proceeds to insureds who have made a payable claim against an existing insurance policy. These cards are generally open loop or semi-closed loop as in the case of an FSA card that can only be used for qualified medical expenses.

Consumer Credit Products . MPS is offering various consumer credit products including credit cards, short term/micro loan products, and installment loans targeted at various consumers across the credit spectrum. Under such programs, MPS typically utilizes vendors to market and service loans, sells a significant portion of the receivables and revenue stream to third parties without recourse, and remains the owner of the consumer account relationship. MPS collects fee income from each account and interest income from its share of receivable balances.

ATM Sponsorship . Meta Payment Systems sponsors financial institutions into various networks to enable them to issue network-branded debit cards and accept cards issued by other financial institutions at their ATM terminals. The division also sponsors ATM independent sales organizations (“ISOs”) into various networks and provides associated sponsorships of encryption support organizations and third party processors in support of the financial institutions and the ATM ISO sponsorships. Sponsorship consists of the review and oversight of entities participating in debit and credit networks. In certain instances, Meta Payment Systems also has certain leasehold interests in certain ATMs which require bank ownership and registration for compliance with applicable state law.

While the Company believes that it has adopted policies and procedures to manage and monitor the risks attendant to this line of business, and while the executives who manage the Company’s program have years of experience, no guarantee can be made that the Company will not experience losses in this division.

Regulation

USA Patriot Act of 2001 . In October 2001, the USA Patriot Act of 2001 was enacted in response to the terrorist attacks in New York, Pennsylvania and Washington, D.C. which occurred on September 11, 2001. The Patriot Act is intended to strengthen U.S. law enforcement’s and the intelligence communities’ abilities to work cohesively to combat terrorism on a variety of fronts. The potential impact of the Patriot Act on financial institutions of all kinds is significant and wide ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and imposes various regulations, including standards for verifying client identification at account opening, and rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

Among other requirements, Title III of the USA Patriot Act imposes the following requirements:

- All financial institutions must establish anti-money laundering programs that include (i) internal policies, procedures and controls, (ii) specific designation of an anti-money laundering compliance officer, (iii) ongoing employee training programs, and (iv) an independent audit function to test the anti-money laundering program.
- Financial institutions that establish, maintain, administer, or manage private banking accounts or correspondent accounts in the United States for non-United States persons or their

representatives must establish appropriate, specific, and, where necessary, enhanced due diligence policies, procedures, and controls designed to detect and report money laundering.

- Financial institutions are prohibited from establishing, maintaining, administering or managing correspondent accounts for foreign shell banks that do not have a physical presence in any country, and will be subject to certain record keeping obligations with respect to correspondent accounts of foreign banks.
- Bank regulators are directed to consider a holding company's effectiveness in combating money laundering when ruling on Federal Reserve Act and Bank Merger Act applications.

The Company's policies and procedures have been updated to reflect the requirements of the USA Patriot Act.

Sarbanes-Oxley Act of 2002 . On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "SOA"). The SOA is the most far-reaching U.S. securities legislation enacted in many years, and includes many substantive and disclosure-based requirements. The stated goals of the SOA are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The SOA generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the SEC under the Exchange Act.

Pursuant to Section 302 of the SOA, Meta Financial's Chief Executive Officer and Chief Financial Officer are required to certify that the Company's quarterly and annual reports filed with the SEC fairly present, in all material respects, the operations and conditions of Meta Financial. In addition, management will have to make the attestation required by Section 404 of the SOA at the conclusion of its fiscal year 2008. Section 404 requires that management annually assess and report on the effect of internal controls of financial reporting and the Company's external auditors must attest to such assessment and report. Section 404 also requires an auditor attestation but such attestation may not be required until the conclusion of Meta Financial's 2009 fiscal year.

Meta Financial has developed policies, procedures and internal processes to ensure compliance with the SOA; nonetheless, the Company's disclosure controls were not effective at the conclusion of the 2007 fiscal year. See "Item 9A. Controls and Procedures." It is believed, however, that the implementation of the SOA's compliance requirements will result in additional expense for Meta Financial.

Federal Deposit Insurance Reform Act of 2005. The Federal Deposit Insurance Reform Act of 2005 (the "FDIRA"), signed into law on February 8, 2006, amended current laws regarding the federal deposit insurance system. Pursuant to the FDIRA, the Federal Deposit Insurance Corporation ("FDIC") merged the Bank Insurance Fund ("BIF") and the Savings Association Insurance Fund ("SAIF") into one deposit insurance fund, the Deposit Insurance Fund ("DIF"), on March 31, 2006. The new legislation also abolished the prior minimum 1.25% reserve ratio and the mandatory assessments when the ratio falls below 1.25%. Under the FDIRA, the FDIC, at the beginning of each year, has the flexibility to adjust the DIF's reserve ratio between 1.15% and 1.50% depending upon a variety of factors, including projected losses, economic considerations and assessment rates. For both 2007 and 2008, the FDIC set the designated reserve ratio at 1.25%

Deposit insurance coverage limits are raised under the FDIRA from \$100,000 to \$250,000 for certain types of Individual Retirement Accounts, 401(k) plans and other retirement savings accounts (including Keough accounts and "457" plan accounts, among others). The current \$100,000 limit continues to apply to individual accounts and municipal deposits; however, Congress included in the

FDIRA the authority for the FDIC to review all levels of insurance coverage after March 31, 2010, and index such insurance coverage to inflation. Additionally, the FDIRA states that undercapitalized financial institutions cannot accept employee benefit plan deposits.

Certain one-time deposit premium assessment credits were also authorized under the FDIRA, and regulations related to the apportionment of such credits have been issued by the FDIC. On May 25, 2007, MetaBank was notified of its assessment credit. The assessment credit will be applied automatically to reduce deposit insurance assessments beginning with the assessment due on June 29, 2007. The amount calculated as MetaBank's share of the credit was \$289,425.65. On June 15, 2007, MetaBank WC was notified of its assessment credit. This assessment credit will be applied automatically to reduce deposit insurance assessments beginning with the assessment due on June 15, 2007. The amount calculated as MetaBank WC's share of the credit was \$39,748.44. Note that these deposit insurance credits do not affect FICO obligations discussed below.

Financial Services Regulatory Relief Act of 2006. On October 13, 2006, President Bush signed into law the Financial Services Regulatory Relief Act of 2006. The legislation includes language important to all financial institutions, and the specific provisions applicable to federal savings associations include the following:

- providing savings and loan trust departments with the same exemption from the investment adviser and broker-dealer regulatory requirements to the same extent previously enjoyed by bank trust departments with respect to the Investment Advisers Act of 1940 and the Securities Exchange Act of 1934 (adopted by the SEC in October, 2007);
- requiring the Securities and Exchange Commission and the Federal Reserve Board, in consultation with the other federal banking regulators, including the Office of Thrift Supervision, to formally resolve regulatory issues with respect to the regulation of securities activities by banks and federal savings associations (final rules were adopted jointly by the SEC and the Federal Reserve in September, 2007);
- providing that a federal savings association is only a citizen of the state in which its home office is located for purposes of determining diversity jurisdiction (a provision that previously had been applicable to national banks only);
- increasing to \$500 million the applicable asset size for an 18-month examination cycle;
- requiring the federal banking agencies to develop a succinct model privacy notice with respect to Gramm-Leach-Bliley privacy provisions and mandating that a regulatory safe harbor be provided to financial institutions that use such model privacy policy (final rules were adopted by the banking agencies in March, 2007);
- extending the powers of federal banking agencies to take enforcement actions against persons for conduct that occurred during their affiliation with the financial institution regardless of whether the person remains employed by the institution; and
- repealing certain requirements governing purchased mortgage servicing rights found in the Home Owners' Loan Act.

DOD Credit Regulations. Effective October 1, 2007, the US Department of Defense (the "DOD") regulations resulting from the John Warner National Defense Authorization Act for Fiscal Year 2007 went into effect. These regulations impose certain restrictions on the types of provisions that may

be found in consumer credit products provided to “covered borrowers,” a term generally defined as active duty service members and their dependents. The rules affect all “creditors,” including the Banks.

The regulations were implemented by the DOD in an effort to protect service members from predatory loan practices and are an attempt to balance service member protections with access to credit. Importantly, for the transactions covered by the regulations, there is a new Military Annual Percentage Rate (“MAPR”) that must be calculated and the MAPR is capped at 36%.

It should be noted that, in the adopting regulations, the DOD stated that it maintains the ability to issue additional rules in the future.

Privacy. The Banks are required by statute and regulation to disclose their privacy policies to the Banks’ consumers and, on an annual basis, to their customers. Pursuant to such privacy notices, the Banks’ customers may opt out of the sharing of their nonpublic personal information with non-affiliated third parties. The Banks are also required to appropriately safeguard their customers’ personal information.

Other Regulation . The Banks are also subject to a variety of other regulations with respect to their business operations including, but not limited to, the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity, the Electronic Funds Transfer Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, and the Fair Credit Reporting Act. As discussed below, any change in the regulations affecting the Banks’ operations is not predictable and could affect the Banks’ operations and profitability.

General. Bank holding companies, such as Meta Financial, are subject to comprehensive regulation by the Board of Governors of the Federal Reserve System (“FRB”) under the Bank Holding Company Act of 1956, as amended (“BHCA”) and the regulations of the FRB. As a bank holding company, Meta Financial is required to file reports with the FRB and such additional information as the FRB may require, and is subject to regular inspections by the FRB. The FRB also has extensive enforcement authority over bank holding companies, including, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to require that a holding company divest subsidiaries (including its bank subsidiaries). In general, enforcement actions may be initiated for violations of law and regulations and unsafe or unsound practices.

Under FRB policy, a bank holding company must serve as a source of strength for its subsidiary banks. Under this policy, the FRB may require a holding company to contribute additional capital to an undercapitalized subsidiary bank.

Under the Bank Holding Company Act of 1956, as amended (the “BHCA”), a bank holding company must obtain FRB approval before: (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls the majority of such shares); (ii) acquiring all or substantially all of the assets of another bank or bank holding company; or (iii) merging or consolidating with another bank holding company.

The BHCA prohibits a bank holding company, with certain exceptions, from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank or bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities which, by statute or by FRB regulation or order, have been identified as activities closely related to the business of banking or managing or controlling

banks. The list of activities permitted by the FRB includes, among other things, operating a savings institution (such as MetaBank), mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; providing certain investment and financial advice; underwriting and acting as an insurance agent for certain types of credit-related insurance; leasing property on a full-payout, non-operating basis; real estate and personal property appraising; and, subject to certain limitations, providing securities brokerage services for customers. The scope of permissible activities may be expanded from time to time by the FRB. Such activities may also be affected by federal legislation. In addition, should the FRB determine that the activity or the control of a subsidiary or affiliate engaged in such activity poses a significant risk to the safety and soundness of any of a bank holding company's bank subsidiaries, the FRB is authorized to order the termination of such activity or the termination of control of such subsidiary or affiliate, as applicable.

Meta Financial currently has four wholly-owned subsidiaries; MetaBank, a federally-chartered thrift institution; MetaBank WC, an Iowa-chartered commercial bank and state member bank of the FRB; First Midwest Financial Capital Trust I, a statutory business trust organized under the Delaware Business Trust Act; and Meta Trust, a South Dakota corporation that provides trust services. MetaBank is subject to extensive regulation, supervision and examination by the OTS, as its chartering authority and primary federal regulator, and by the FDIC, which insures its deposits up to applicable limits. MetaBank is a member of the FHLB System and is subject to certain limited regulation by the FRB. Such regulation and supervision governs the activities in which an institution can engage and the manner in which such activities are conducted, and is intended primarily for the protection of the insurance fund and depositors. MetaBank WC is subject to extensive regulation, supervision and examination by the Iowa Superintendent of Banking (the "Superintendent") and the FRB, which are its state and primary federal regulators, respectively. It is also subject to regulation by the FDIC, which insures its deposits up to applicable limits. As with MetaBank, such regulation and supervision governs the activities in which MetaBank WC can engage and the manner in which such activities are conducted and is intended primarily for the protection of the insurance fund and depositors.

Assuming the sale of MetaBank WC is consummated, and subject to deregistration with the FRB and registration with OTS, Meta Financial will become a unitary savings and loan holding company, subject to the regulation of the OTS, and not the FRB, as its primary federal regulator. The BHCA will then cease to apply directly to Meta Financial, which will then become subject to regulation by OTS pursuant to the Home Owner's Loan Act. The OTS has extensive enforcement authority over all savings institutions, such as Meta Bank, and their holding companies, including, among other things, the ability to (i) assess money penalties, and (ii) to issue cease and desist orders or removal orders or injunctive actions for violations of rules, laws or unsafe and unsound practices.

Meta Financial is regulated as a bank holding company by the FRB. Bank holding companies are subject to comprehensive regulation and supervision by the FRB under the BHCA and the regulations of the FRB. As a bank holding company, Meta Financial must file reports with the FRB and such additional information as the FRB may require, and is subject to regular inspections by the FRB. Meta Financial is subject to the activity limitations imposed under the BHCA and in general may engage in only those activities that the FRB has determined to be closely related to banking.

Regulatory authorities have been granted extensive discretion in connection with their supervisory and enforcement activities which are intended to strengthen the financial condition of the banking industry, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution's allowance for loan losses. Any change in the nature of such regulation and oversight, whether by the OTS, the FDIC, the FRB or legislatively by Congress, could have a material impact on Meta Financial, MetaBank or MetaBank WC and their respective operations.

Certain of these regulatory requirements and restrictions are discussed below or elsewhere in this document.

Federal Regulation of the Banks. The OTS has extensive supervisory and regulatory authority over the operations of savings associations. As part of this authority, MetaBank is required to file periodic reports with the OTS and is subject to periodic examination by the OTS and the FDIC. The last regular OTS examination of Meta Financial was as of October 10, 2006. MetaBank WC is subject to similar regulation and oversight by the Superintendent and the FRB and was last examined as of May 23, 2007.

Each federal and state banking regulator also has extensive enforcement authority over its regulated institutions. This enforcement authority includes, among other things, the power to compel higher reserves, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports. Except under certain circumstances, public disclosure of final enforcement actions by the regulator is required. The federal banking agencies have adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings standards, internal controls and audit systems, interest rate risk exposure and compensation and other employee benefits. Any institution which fails to comply with these standards must submit a compliance plan.

In addition, the investment, lending and branching authority of MetaBank is prescribed by federal laws and it is prohibited from engaging in any activities not permitted by such laws. MetaBank WC is subject to such restrictions under state law as administered by the Iowa Superintendent. Federal savings associations are generally authorized to branch nationwide, whereas Iowa chartered banks, such as MetaBank WC, are generally limited to establishing branches within the State of Iowa.

Both MetaBank's and MetaBank WC's general permissible lending limit to one borrower is equal to the greater of \$500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus). MetaBank WC is subject to similar restrictions. At September 30, 2007, MetaBank's and MetaBank WC's lending limit under these restrictions was \$8.1 million and \$896,000, respectively. MetaBank and MetaBank WC are in compliance with their lending limits.

Insurance of Accounts and Regulation by the FDIC. MetaBank and MetaBank WC are members of the Deposit Insurance Fund (the "DIF"), which is administered by the FDIC. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the DIF. The FDIC also has the authority to initiate enforcement actions against any FDIC-insured institution after giving its primary federal regulator the opportunity to take such action, and may terminate the deposit insurance if it determines that the institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

Pursuant to a rule adopted by the Board of Directors of the FDIC in November 2006, beginning in 2007, the FDIC will place each insured institution into one of four risk categories. Category placement will be a two-step process based on (i) capital ratios (the capital assignment group), and (ii) other relevant information (the supervisory group assignment). Capital group assignments will be made quarterly and include the following designations: well capitalized, adequately capitalized and undercapitalized.

Supervisory group assignments will be divided as follows: (X) group A (financially sound institutions), (Y) group B (institutions that demonstrate weakness), and (Z) group C (institutions that pose a substantial possibility of loss to the DIF unless corrective action is taken).

The schedule of DIF assessment rates has been revised. Effective January 1, 2007, there are four risk categories. Premiums for 2008 will range from 5 cents per \$100 of assessable deposits (for institutions deemed to be in the lowest risk category) to 43 cents per \$100 of assessable deposits (for institutions deemed to be in the highest risk category). At September 30, 2007, MetaBank's risk category assignment required a payment of six cents per \$100 of assessable deposits. As of September 30, 2007, MetaBank WC's risk category assignment required a payment of seven cents of assessable deposits.

DIF-insured institutions pay a Financing Corporation (FICO) assessment in order to fund the interest on bonds issued to resolve thrift failures in the 1980s. For the quarter ended September 30, 2007, the FICO assessment was equal to 1.14 basis points for each \$100 in domestic deposits. These assessments will continue until the bonds mature in 2019.

Under the Federal Deposit Insurance Act ("FDIA"), the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. Management of the Banks does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Regulatory Capital Requirements. Federally insured financial institutions, such as MetaBank and MetaBank WC, are required to maintain a minimum level of regulatory capital. These capital requirements mandate that an institution maintain at least the following ratios: (1) a core (or Tier 1) capital to adjusted total assets ratio of 4% (which can be reduced to 3% for highly rated institutions); (2) a Tier 1 capital to risk-weighted assets ratio of 4%, and (3) a risk-based capital to risk-weighted assets ratio of 8%. Capital requirements in excess of these standards may be imposed on individual institutions on a case-by-case basis. As of September 30, 2007, both Banks were in compliance with all capital standards applicable to them and were designated a "well-capitalized" under federal guidelines. See Note 16 to the Notes to Consolidated Financial Statements in the Annual Report.

Prompt Corrective Action. Federal banking regulators are authorized and, under certain circumstances required, to take certain actions against banks that fail to meet their capital requirements. Effective December 19, 1992, the federal banking agencies were given additional enforcement authority with respect to undercapitalized depository institutions. They are generally required to take action to restrict the activities of an "undercapitalized" bank (generally defined to be one with less than either a four percent core capital ratio, a four percent Tier 1 risk-based capital ratio or an eight percent risk-based capital ratio). Any such bank must submit a capital restoration plan and, until such plan is approved, may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions. The banking regulators are authorized to impose the additional restrictions, discussed below, that are applicable to significantly undercapitalized institutions.

Any institution that fails to comply with its capital plan or is "significantly undercapitalized" (*i.e.* , Tier 1 risk-based or core capital ratios of less than three percent or a risk-based capital ratio of less than six percent) must be made subject to one or more of additional specified actions and operating restrictions mandated by FDICIA. These actions and restrictions include requiring the issuance of additional voting securities; limitations on asset growth; mandated asset reduction; changes in senior management; divestiture, merger or acquisition of the association; restrictions on executive compensation; and any other action the OTS deems appropriate. An institution that becomes "critically undercapitalized" (*i.e.* , a

tangible capital ratio of two percent or less) is subject to further mandatory restrictions on its activities in addition to those applicable to significantly undercapitalized associations. In addition, the appropriate banking regulator must appoint a receiver (or conservator with the concurrence of the FDIC) for an institution, with certain limited exceptions, within 90 days after it becomes critically undercapitalized. Any undercapitalized institution is also subject to other possible enforcement actions, including the appointment of a receiver or conservator. The appropriate regulator is also generally authorized to reclassify an institution into a lower capital category and impose restrictions applicable to such category if the institution is engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

Though not expected, the imposition of any of these measures on the Banks may have a substantial adverse effect on them and on the Company's operations and profitability. Meta Financial shareholders do not have preemptive rights, and therefore, if Meta Financial is directed by the OTS, the FRB or the FDIC to issue additional shares of Common Stock, such issuance may result in the dilution in shareholders percentage of ownership of Meta Financial.

Limitations on Dividends and Other Capital Distributions. The OTS imposes various restrictions on savings associations with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. The OTS also prohibits a savings association from declaring or paying any dividends or from repurchasing any of its stock if, as a result of such action, the regulatory capital of the association would be reduced below the amount required to be maintained for the liquidation account established in connection with the association's mutual to stock conversion.

Savings institutions such as MetaBank may make a capital distribution without the approval of the OTS, provided they notify the OTS 30-days before they declare the capital distribution and they meet the following requirements: (i) have a regulatory rating in one of the two top examination categories, (ii) are not of supervisory concern, and will remain adequately- or well-capitalized, as defined in the OTS prompt corrective action regulations, following the proposed distribution, and (iii) the distribution does not exceed their net income for the calendar year-to-date plus retained net income for the previous two calendar years (less any dividends previously paid). If a savings institution does not meet the above stated requirements, it must obtain the prior approval of the OTS before declaring any proposed distributions.

MetaBank WC may pay dividends, in cash or property, only out of its undivided profits. In addition, FRB regulations prohibit the payment of dividends by a state member bank if losses have at any time been sustained by such bank that equal or exceed its undivided profits then on hand, unless (i) the prior approval of the FRB has been obtained, and (ii) at least two-thirds of the shares of each class of stock outstanding have approved the dividend payment. FRB regulations also prohibit the payment of any dividend by a state member bank without the prior approval of the FRB if the total of all dividends declared by the bank in any calendar year exceeds the total of its net profits for that year combined with its retained net profits of the previous two calendar years (minus any required transfers to a surplus or to a fund for the retirement of any preferred stock).

Qualified Thrift Lender Test. All savings associations, including MetaBank, are required to meet a qualified thrift lender ("QTL") test to avoid certain restrictions on their operations. This test requires a savings association to have at least 65% of its portfolio assets (as defined by regulation) in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis or meet the requirements for a domestic building and loan association under the Internal Revenue Code. Under either test, the required assets primarily consist of residential housing related loans and investments. At September 30, 2007, MetaBank met the test and has always met the test since its effectiveness.

Any savings association that fails to meet the QTL test must convert to a national bank charter, unless it requalifies as a QTL within one year and thereafter remains a QTL, or limits its new investments and activities to those permissible for both a savings association and a national bank. In addition, the association is subject to national bank limits for payment of dividends and branching authority. If such association has not requalified or converted to a national bank within three years after the failure, it must divest of all investments and cease all activities not permissible for a national bank.

Community Reinvestment Act. Under the Community Reinvestment Act (“CRA”), every FDIC insured institution has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community. The CRA requires the OTS and the FRB, in connection with the examination of MetaBank and MetaBank WC, respectively, to assess the institution’s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications, such as a merger or the establishment of a branch, by the institution. An unsatisfactory rating may be used as the basis for the denial of such an application. MetaBank was examined for CRA compliance in August 2004 and MetaBank WC was examined for CRA compliance in June 2003.

Interstate Banking and Branching. The FRB may approve an application of an adequately capitalized and adequately managed bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than such holding company’s home state, without regard to whether the transaction is prohibited by the laws of any state. In general, the FRB may not approve the acquisition of a bank that has not been in existence for the minimum time period (not exceeding five years) specified by the statutory law of the host state or if the applicant (and its depository institution affiliates) controls or would control more than 10% of the insured deposits in the United States or 30% or more of the deposits in the target bank’s home state or in any state in which the target bank maintains a branch. Iowa has adopted a five year minimum existence requirement.

The federal banking agencies are also generally authorized to approve interstate merger transactions without regard to whether such transaction is prohibited by the law of any state. Interstate acquisitions of branches or the establishment of a new branch is permitted only if the law of the state in which the branch is located permits such acquisitions. Interstate mergers and branch acquisitions are also subject to the nationwide and statewide insured deposit concentration amounts described above. Iowa permits interstate branching only by merger.

Holding Company Dividends. The FRB has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the FRB’s view that a bank holding company should pay cash dividends only to the extent that its net income for the past year is sufficient to cover both the cash dividends and a rate of earning retention that is consistent with the holding company’s capital needs, asset quality and overall financial condition. The FRB also indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the prompt corrective action regulations adopted by the FRB, the FRB may prohibit a bank holding company from paying any dividends if the holding company’s bank subsidiary is classified as significantly “undercapitalized” or “undercapitalized” and it fails to submit and implement a capital restoration plan.

Bank holding companies are required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the

preceding 12 months, is equal to 10% or more of their consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, FRB order, or any condition imposed by, or written agreement with, the FRB. This notification requirement does not apply to any company that meets the well-capitalized standard for commercial banks, has a safety and soundness examination rating of at least a “2” and is not subject to any unresolved supervisory issues.

Holding Company Capital Requirements. The FRB has established capital requirements for bank holding companies that generally parallel the capital requirements for federal thrift institutions and commercial banks such as MetaBank and MetaBank WC. Meta Financial is in compliance with these requirements.

Transactions with Affiliates. The Banks must comply with Sections 23A and 23B of the Federal Reserve Act relative to transactions with affiliates. Generally, transactions between an institution or its subsidiaries and its affiliates are required to be on terms as favorable to the Banks as transactions with non-affiliates. In addition, certain of these transactions, such as loans to an affiliate, are restricted to a percentage of the institutions’ capital. Affiliates of the Banks include the Corporation and any company that is under common control with the Banks. In addition, a savings institution may not lend to any affiliate engaged in activities not permissible for a savings and loan holding company or acquire the securities of most affiliates. The OTS has the discretion to treat subsidiaries of savings institutions as affiliates on a case-by-case basis.

On April 1, 2003, the Federal Reserve’s Regulation W, which comprehensively amends sections 23A and 23B of the Federal Reserve Act, became effective. The Federal Reserve Act and Regulation W are applicable to the Banks. The Regulation unifies and updates staff interpretations issued over the years, incorporates several new interpretative proposals (such as to clarify when transactions with an unrelated third party will be attributed to an affiliate) and addresses new issues arising as a result of the expanded scope of non-banking activities engaged in by banks and bank holding companies in recent years and authorized for financial holding companies under the Financial Services Modernization Act of 1999.

Certain transactions with directors, officers or controlling persons are also subject to conflict of interest regulations. These conflict of interest regulations and other statutes also impose restrictions on loans to such persons and their related interests. Among other things, such loans must be made on terms substantially the same as for loans to unaffiliated individuals and must not create an abnormal risk of repayment or other unfavorable features for the Bank.

Federal Home Loan Bank System. MetaBank and MetaBank WC are both members of the FHLB of Des Moines, one of 12 regional FHLBs that administers the home financing credit function of savings associations that is subject to supervision and regulation by the Federal Housing Finance Board. Each FHLB serves as a reserve or central bank for its members within its assigned region. It makes loans to members (*i.e.* , advances) in accordance with policies and procedures established by the board of directors of the FHLB. These policies and procedures are subject to the regulation and oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances must be used for residential home financing.

As members of the FHLB System, MetaBank and MetaBank WC are required to purchase and maintain stock in the FHLB of Des Moines pursuant to a predetermined formula. At September 30, 2007, the Banks (including discontinued operations) had in the aggregate \$4.6 million in FHLB stock, which

was in compliance with this requirement. For the fiscal year ended September 30, 2007, dividends paid by the FHLB of Des Moines to MetaBank and MetaBank WC totaled \$252,802.

Under federal law, the FHLBs are required to provide funds for the resolution of troubled savings associations and to contribute to low- and moderately priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have affected adversely the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of the Banks' FHLB stock may result in a corresponding reduction in the Banks' capital. Recent legislative changes have required the FHLB to change the characteristics and amount of FHLB stock held by its members. It is also anticipated that these changes will restrict the ability of FHLB members to redeem their shares of FHLB stock. In addition, the federal agency that regulates the FHLBs has required each FHLB to register its stock with the SEC, which will increase the costs of each FHLB and may have other effects that are not possible to predict at this time.

Federal Securities Law. The common stock of Meta Financial is registered with the SEC under the Exchange Act, as amended. Meta Financial is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.

Meta Financial's stock held by persons who are affiliates (generally officers, directors and principal stockholders) of the Company may not be resold without registration unless sold in accordance with certain resale restrictions. If Meta Financial meets specified current public information requirements, each affiliate of the Company, subject to certain requirements, will be able to sell, in the public market, without registration, a limited number of shares in any three-month period.

Federal and State Taxation

Federal Taxation. Meta Financial and its subsidiaries file consolidated federal income tax returns on a fiscal year basis using the accrual method of accounting. In addition to the regular income tax, corporations, including savings banks such as MetaBank, generally are subject to a minimum tax. An alternative minimum tax is imposed at a minimum tax rate of 20% on alternative minimum taxable income, which is the sum of a corporation's regular taxable income (with certain adjustments) and tax preference items, less any available exemption. The alternative minimum tax is imposed to the extent it exceeds the corporation's regular income tax and net operating losses can offset no more than 90% of alternative minimum taxable income.

To the extent earnings appropriated to a savings bank's bad debt reserves and deducted for federal income tax purposes exceed the allowable amount of such reserves computed under the experience method and to the extent of the bank's supplemental reserves for losses on loans ("Excess"), such Excess may not, without adverse tax consequences, be utilized for the payment of cash dividends or other distributions to a shareholder (including distributions on redemption, dissolution or liquidation) or for any other purpose (except to absorb bad debt losses). As of September 30, 2007, MetaBank's Excess for tax purposes totaled approximately \$6.7 million.

Meta Financial and its consolidated subsidiaries have not been audited by the IRS within the past ten years. In the opinion of management, any examination of still open returns (including returns of subsidiaries and predecessors of, or entities merged into, Meta Financial) would not result in a deficiency which could have a material adverse effect on the financial condition of Meta Financial and its subsidiaries.

Iowa Taxation. MetaBank and MetaBank WC file Iowa franchise tax returns. Meta Financial and MetaBank's Iowa subsidiary file a consolidated Iowa corporation tax return on a fiscal year-end basis.

Iowa imposes a franchise tax on the taxable income of mutual and stock savings banks and commercial banks. The tax rate is 5%, which may effectively be increased, in individual cases, by application of a minimum tax provision. Taxable income under the franchise tax is generally similar to taxable income under the federal corporate income tax, except that, under the Iowa franchise tax, no deduction is allowed for Iowa franchise tax payments and taxable income includes interest on state and municipal obligations. Interest on U.S. obligations is taxable under the Iowa franchise tax and under the federal corporate income tax. The taxable income for Iowa franchise tax purposes is apportioned to Iowa through the use of a one-factor formula consisting of gross receipts only.

Taxable income under the Iowa corporate income tax is generally similar to taxable income under the federal corporate income tax, except that, under the Iowa tax, no deduction is allowed for Iowa income tax payments; interest from state and municipal obligations is included in income; interest from U.S. obligations is excluded from income; and 50% of federal corporate income tax payments are deductible from income. The Iowa corporate income tax rates range from 6% to 12% and may be effectively increased, in individual cases, by application of a minimum tax provision.

South Dakota Taxation. MetaBank and Meta Trust Company file a consolidated South Dakota franchise tax return due to their operations in Sioux Falls and Brookings. The South Dakota franchise tax is imposed on depository institutions and trust companies. Meta Financial, MetaBank WC and MetaBank's subsidiaries are therefore not subject to the South Dakota franchise tax.

South Dakota imposes a franchise tax on the taxable income of depository institutions and trust companies at the rate of 6%. Taxable income under the franchise tax is generally similar to taxable income under the federal corporate income tax, except that, under the South Dakota franchise tax, no deduction is allowed for state income and franchise taxes, income from municipal obligations exempt from federal taxes are included in the franchise taxable income, and there is a deduction allowed for federal income taxes accrued for the fiscal year. The taxable income for South Dakota franchise tax purposes is apportioned to South Dakota through the use of a three-factor formula consisting of tangible real and personal property, payroll and gross receipts.

Delaware Taxation. As a Delaware holding company, Meta Financial is exempted from Delaware corporate income tax but is required to file an annual report with and pay an annual fee to the State of Delaware. Meta Financial is also subject to an annual franchise tax imposed by the State of Delaware.

Competition

The Company faces strong competition, both in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from commercial banks, savings banks, credit unions, captive finance companies, insurance companies, and mortgage bankers making loans secured by real estate located in the Company's market area. Commercial banks and credit unions provide vigorous competition in consumer lending. The Company competes for real estate and other loans principally on the basis of the quality of services it provides to borrowers, interest rates and loan fees it charges, and the types of loans it originates.

The Company attracts all of its deposits through its retail banking offices, primarily from the communities in which those retail banking offices are located; therefore, competition for those deposits is

principally from other commercial banks, savings banks, credit unions and brokerage offices located in the same communities. The Company competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours, and convenient branch locations with interbranch deposit and withdrawal privileges at each.

The Company serves Adair, Buena Vista, Dallas, Guthrie and Polk counties in Iowa and Brookings, Lincoln and Minnehaha counties in South Dakota. There are twenty-two commercial banks, four savings bank other than MetaBank, and two credit unions which compete for deposits and loans in MetaBank's primary market area in northwest Iowa and eight commercial banks, one savings bank other than MetaBank, and one credit union which compete for deposits and loans in MetaBank's market area in Brookings, South Dakota. In addition, there are eleven commercial banks in MetaBank WC's primary market area in west central Iowa. The Banks compete for deposits and loans with numerous financial institutions located throughout the metropolitan market areas of Des Moines, Iowa and Sioux Falls, South Dakota.

Employees

At September 30, 2007, the Company and its subsidiaries had a total of 323 employees, including 22 part-time employees. The Company's employees are not represented by any collective bargaining group. Management considers its employee relations to be good.

Executive Officers of the Company Who Are Not Directors

The following information as to the business experience during the past five years is supplied with respect to the executive officers of the Company who do not serve on the Company's Board of Directors. There are no arrangements or understandings between such persons named and any persons pursuant to which such officers were selected.

On June 27, 2005, Mr. Troy Moore III was named Executive Vice President and Chief Operating Officer of the Company and MetaBank. Additionally, Mr. Moore became a member of the Executive Committees of both the Company and MetaBank. Previously, Mr. Moore, age 39, had been the president of the Central Iowa Market of MetaBank, a position he had held since 1998. He joined MetaBank in 1997 as a Vice President in the Central Iowa Market. Mr. Moore received a Bachelor of Business Administration degree from Iowa State University, Ames, Iowa. Mr. Moore is the son-in-law of James S. Haahr, the Company's Chairman of the Board, and the brother-in-law of J. Tyler Haahr, the Company's President and Chief Executive Officer.

On October 16, 2007, Mr. David W. Leedom, age 53, was appointed Acting Chief Financial Officer of the Company. Mr. Leedom brings over 22 years of experience in the banking and financial services industry to the company. Since January, 2007, Mr. Leedom has served as Senior Vice President of Portfolio Credit and Business Analytics at MetaBank. He previously served as a Senior and as an Executive Vice President for Bankfirst for 11 years prior to joining Meta in January 2007; his experience at Bankfirst included his positions as EVP of Accounting and Finance and Portfolio Management. Mr. Leedom received a Bachelor of Business Administration in Accounting degree from the University of Iowa.

Mr. Jonathan M. Gaiser, age 40, joined Meta Financial as Senior Vice President, Secretary, Treasurer, and Chief Financial Officer in January 2006. Mr. Gaiser was previously First Vice President and Assistant Treasurer at Commercial Federal Bank in Omaha, Nebraska. Mr. Gaiser received a

Bachelor of Arts degree from St. Olaf College in Northfield, Minnesota, and a Master of Business Administration degree from George Washington University in Washington, D.C. Mr. Gaiser also holds a Chartered Financial Analyst professional designation. Mr. Gaiser resigned his positions with the Company effective October 16, 2007.

Item 1A. Risk Factors

Factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results include those described below as well as other risks and factors identified from time to time in our SEC filings. The trading price of the Company's common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this annual report on Form 10-K, including the Company's financial statements and related notes.

Risks Related to the Banking Industry

Changes in economic and political conditions could adversely affect the Company's earnings, as the Company's borrowers' ability to repay loans and the value of the collateral securing the Company's loans decline.

The Company's success depends, to a certain extent, upon economic and political conditions, local and national, as well as governmental monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, money supply and other factors beyond the Company's control may adversely affect the Company's asset quality, deposit levels and loan demand and, therefore, the Company's earnings. Because the Company has a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral. Adverse changes in the economy may also have a negative effect on the ability of the Company's borrowers to make timely repayments of their loans, which would have an adverse impact on the Company's earnings. In addition, substantially all of the Company's loans are to individuals and businesses in the Company's market area. Consequently, any economic decline in the Company's market area could have an adverse impact on the Company's earnings.

Changes in interest rates could adversely affect the Company's results of operations and financial condition.

The Company's earnings depend substantially on the Company's interest rate spread, which is the difference between (i) the rates we earn on loans, securities and other earning assets, and (ii) the interest rates we pay on deposits and other borrowings. These rates are highly sensitive to many factors beyond the Company's control, including general economic conditions and the policies of various governmental and regulatory authorities. As market interest rates rise, we will have competitive pressures to increase the rates we pay on deposits, which may result in a decrease of the Company's net interest income. Conversely, if interest rates fall, yields on loans and investments may fall. Because a significant portion of the Company's deposit portfolio is in non-interest bearing accounts, such a change in rates would likely result in a decrease in the Company's net interest income. For additional information, see Item 7A, herein.

The Company operates in a highly regulated environment, and changes in laws and regulations to which we are subject may adversely affect the Company's results of operations.

MetaBank and MetaBank WC (collectively, the "Banks") and the Company operate in a highly regulated environment and are subject to extensive regulation, supervision and examination by the Office of Thrift Supervision ("OTS"), the State of Iowa, the Federal Deposit Insurance Corporation ("FDIC"),

and the Board of Governors of the Federal Reserve System (the “Federal Reserve”). See “Business – Regulation” herein. Applicable laws and regulations may change, and there is no assurance that such changes will not adversely affect the Company’s business. Such regulation and supervision govern the activities in which an institution may engage, including the activities of MetaBank’s Meta Payment Systems Division, and are intended primarily for the protection of the Banks and their depositors. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including but not limited to the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution’s allowance for loan losses. Any change in such regulation and oversight, whether in the form of restrictions on activities, regulatory policy, regulations, or legislation, including but not limited to changes in the regulations governing savings banks, could have a material impact on the Banks and the Company’s operations.

Changes in technology could be costly.

The banking industry is undergoing technological innovation at a fast pace. To keep up with its competition, the Company needs to stay abreast of innovations and evaluate those technologies that will enable it to compete on a cost-effective basis. This is especially true with respect to MetaBank’s Meta Payment Systems Division. The cost of such technology, including personnel, can be high in both absolute and relative terms. There can be no assurance, given the fast pace of change and innovation, that the Company’s technology, either purchased or developed internally, will meet or continue to meet the needs of the Company.

Risks Related to the Company’s Business

The Company operates in an extremely competitive market, and the Company’s business will suffer if it is unable to compete effectively.

In the Company’s market area, the Banks encounter significant competition from other commercial banks, savings and loan associations, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market mutual funds and other financial intermediaries. Many of the Banks’ competitors have substantially greater resources and lending limits and may offer services that the Bank does not or cannot provide. The Company’s profitability depends upon the Company’s continued ability to compete successfully in the Company’s market area. The Meta Payment Systems Division operates on a national scale against competitors with substantially greater resources and limited barriers to entry. The Division’s success depends upon its ability to compete in such an environment.

The loss of key members of the Company’s senior management team could adversely affect the Company’s business.

We believe that the Company’s success depends largely on the efforts and abilities of the Company’s senior management. Their experience and industry contacts significantly benefit us. The competition for qualified personnel in the financial services industry is intense, and the loss of any of the Company’s key personnel or an inability to continue to attract, retain and motivate key personnel could adversely affect the Company’s business.

The Company's loan portfolio includes loans with a higher risk of loss.

The Banks originate commercial mortgage loans, commercial loans, consumer loans, agricultural mortgage loans, agricultural loans and residential mortgage loans primarily within the Company's market areas. Commercial mortgage, commercial, and consumer loans may expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans may not be sold as easily as residential real estate. These loans also have greater credit risk than residential real estate for the following reasons:

- *Commercial Mortgage Loans.* Repayment is dependent upon income being generated in amounts sufficient to cover operating expenses and debt service.
- *Commercial Loans.* Repayment is dependent upon the successful operation of the borrower's business.
- *Consumer Loans.* Consumer loans (such as personal lines of credit) are collateralized, if at all, with assets that may not provide an adequate source of payment of the loan due to depreciation, damage, or loss.
- *Agricultural Loans.* Repayment is dependent upon the successful operation of the business, which are greatly dependent on many things outside the control of either the Banks or the borrowers. These factors include weather, commodity prices, and interest rates among others.

If the Company's actual loan losses exceed the Company's allowance for loan losses, the Company's net income will decrease.

The Company makes various assumptions and judgments about the collectibility of the Company's loan portfolio, including the creditworthiness of the Company's borrowers and the value of the real estate and other assets serving as collateral for the repayment of the Company's loans. Despite the Company's underwriting and monitoring practices, the Company's loan customers may not repay their loans according to their terms, and the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. The Company may experience significant loan losses, which could have a material adverse effect on its operating results. Because the Company must use assumptions regarding individual loans and the economy, the current allowance for loan losses may not be sufficient to cover actual loan losses, and increases in the allowance may be necessary. The Company may need to significantly increase the Company's provision for losses on loans if one or more of the Company's larger loans or credit relationships becomes delinquent or if we continue to expand the Company's commercial real estate and commercial lending. In addition, federal and state regulators periodically review the Company's allowance for loan losses and may require the Company to increase the Company's provision for loan losses or recognize loan charge-offs. Material additions to the Company's allowance would materially decrease the Company's net income. The Company cannot assure you that its monitoring procedures and policies will reduce certain lending risks or that the Company's allowance for loan losses will be adequate to cover actual losses.

If the Company forecloses on and takes ownership of real estate collateral property, it may be subject to the increased costs associated with the ownership of real property, resulting in reduced revenues.

The Company may have to foreclose on collateral property to protect its investment and may thereafter own and operate such property. In such case, the Company will be exposed to the risks inherent in the ownership of real estate. The amount that the Company, as a mortgagee, may realize after

a default is dependent upon factors outside of the Company's control, including, but not limited to: (i) general or local economic conditions; (ii) neighborhood values; (iii) interest rates; (iv) real estate tax rates; (v) operating expenses of the mortgaged properties; (vi) supply of and demand for rental units or properties; (vii) ability to obtain and maintain adequate occupancy of the properties; (viii) zoning laws; (ix) governmental rules, regulations and fiscal policies; and (x) acts of God. Certain expenditures associated with the ownership of real estate, principally real estate taxes and maintenance costs, may adversely affect the income from the real estate. Therefore, the cost of operating a real property may exceed the rental income earned from such property, and the Company may have to advance funds in order to protect the Company's investment, or may be required to dispose of the real property at a loss. The foregoing expenditures and costs could adversely affect the Company's ability to generate revenues, resulting in reduced levels of profitability.

Environmental liability associated with commercial lending could have a material adverse effect on the Company's business, financial condition and results of operations.

In the course of the Company's business, it may acquire, through foreclosure, commercial properties securing loans that are in default. There is a risk that hazardous substances could be discovered on those properties. In this event, the Company could be required to remove the substances from and remediate the properties at its own cost and expense. The cost of removal and environmental remediation could be substantial. The Company may not have adequate remedies against the owners of the properties or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have a material adverse effect on the Company's business, financial condition and operating results.

The Company has identified material weaknesses in its internal controls and has not maintained an effective system of disclosure controls and procedures. As a result, investors and depositors could lose confidence in the Company's financial reporting, which could adversely affect the Company's business, the trading price of the Company's stock and the Company's ability to attract additional deposits.

Prior to reporting our fiscal year end results in this report, as a result of two material weaknesses in our internal controls, we concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that (i) the information required to be disclosed by us in this report was 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 financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. A material weakness is a significant deficiency, or combination of significant deficiencies in internal controls over financial reporting, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The material weaknesses identified are: (i) the Company's discovery that maintenance fees charged to and collected from holders of prepaid gift cards were not recognized as income in the appropriate periods and (ii) the Company's conclusion that the provision for income tax was not calculated correctly.

The Company filed amended reports on Form 10-Q for the quarters in fiscal 2007, and indicated that its financial statements for fiscal 2006 and the first three quarters of fiscal 2007 could no longer be relied upon. This failure may cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our business, the trading price of our stock, our ability to access capital markets, and may increase the cost of any financing (including deposits) we obtain. See “Item 9A. Control and Procedures.”

It is anticipated that the Company will be subject to additional duties under the Sarbanes-Oxley Act in fiscal 2008.

As required by Section 404 of the Sarbanes Oxley Act, we will be required to obtain an annual management assessment of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments. These reporting and other obligations will increasingly place significant demands on our management, administrative, operational, internal audit, tax and accounting resources. We are implementing additional financial and management controls, reporting systems and procedures and an internal audit function and are hiring additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to public companies could be impaired.

A breach of information security or compliance breach by one of the Company’s agents or vendors could negatively affect the Company’s reputation and business.

The Banks, including the Meta Payment Systems Division of MetaBank, depend on data processing, communication and information exchange on a variety of computing platforms and networks and over the internet. The Company cannot be certain all of its systems are entirely free from vulnerability to attack, despite safeguards it has installed. Additionally, the Company relies on and does business with a variety of third-party service providers, agents and vendors with respect to the Company’s business, data and communications needs. If information security is breached, or one of the Company’s agents or vendors breaches compliance procedures, information could be lost or misappropriated, resulting in financial loss or costs to the Company or damages to others. These costs or losses could materially exceed the Company’s amount of insurance coverage, if any, which would adversely affect the Company’s business.

Risks Related to the Company’s Stock

The price of the Company’s common stock may be volatile, which may result in losses for investors.

The market price for shares of the Company’s common stock has been volatile in the past, and several factors could cause the price to fluctuate substantially in the future. These factors include:

- announcements of developments related to the Company’s business,
- fluctuations in the Company’s results of operations,
- sales of substantial amounts of the Company’s securities into the marketplace,
- general conditions in the Company’s banking niche or the worldwide economy,
- a shortfall in revenues or earnings compared to securities analysts’ expectations,
- lack of an active trading market for the common stock,
- changes in analysts’ recommendations or projections, and
- the Company’s announcement of new acquisitions or other projects.

The market price of the Company’s common stock may fluctuate significantly in the future, and these fluctuations may be unrelated to the Company’s performance. General market price declines or market volatility in the future could adversely affect the price of the Company’s common stock, and the current market price may not be indicative of future market prices.

The Company's common stock is thinly traded, and thus your ability to sell shares or purchase additional shares of the Company's common stock will be limited, and the market price at any time may not reflect true value.

Your ability to sell shares of the Company's common stock or purchase additional shares largely depends upon the existence of an active market for the common stock. The Company's common stock is quoted on NASDAQ Stock Market, but the volume of trades on any given day is light, and you may be unable to find a buyer for shares you wish to sell or a seller of additional shares you wish to purchase. In addition, a fair valuation of the purchase or sales price of a share of common stock also depends upon active trading, and thus the price you receive for a thinly traded stock, such as the Company's common stock, may not reflect its true value.

Future sales or additional issuances of the Company's capital stock may depress prices of shares of the Company's common stock or otherwise dilute the book value of shares then outstanding.

Sales of a substantial amount of the Company's capital stock in the public market or the issuance of a significant number of shares could adversely affect the market price for shares of the Company's common stock. As of September 30, 2007, the Company was authorized to issue up to 5,200,000 shares of common stock, of which 2,589,717 shares were outstanding, and 368,282 shares were held as treasury stock. The Company was also authorized to issue up to 800,000 shares of preferred stock, none of which is outstanding or reserved for issuance. Accordingly, and although it has no plans to do so, without further stockholder approval, the Company may issue up to 2,610,823 additional shares of common stock and up to 800,000 shares of preferred stock, which obviously may affect the market price for shares of the Company's common stock.

Federal regulations may inhibit a takeover, prevent a transaction you may favor or limit the Company's growth opportunities, which could cause the market price of the Company's common stock to decline.

Certain provisions of the Company's charter documents and federal regulations could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the company. In addition, the Company must obtain approval from regulatory authorities before it can acquire control of any other company.

The Company may not be able to pay dividends in the future in accordance with past practice.

The Company pays a quarterly dividend to stockholders. The payment of dividends is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on the Bank's earnings, capital requirements, financial condition and other factors considered relevant by the Company's Board of Directors.

Risks Related to MetaBank and Meta Payment Systems[®], a division of MetaBank

MPS' products and services are highly regulated financial products subject to extensive supervision and regulation.

The products and services offered by MPS are highly regulated by federal banking agencies, state banking agencies, and other federal and state regulators. Some of the laws and related regulations affecting its operations include consumer protection laws, escheat laws, privacy laws, and data protection laws. Compliance with the relevant legal paradigm in which the division operates is costly and requires significant personnel resources, as well as extensive contacts with outside lawyers and consultants hired by MPS to stay abreast of the applicable regulatory schemes.

While some proposed legislation would benefit MPS, it is possible that new legislation could restrict MPS' current operations or change the regulatory environment in which the division's customers operate.

Although it is possible that some newly enacted legislation could have either a positive or *de minimis* impact on its operations and profitability (such as legislation or regulation that would require all prepaid card issuers to provide FDIC pass-through insurance on the cards' underlying funds as MetaBank currently does), it is more than likely that any new legislation affecting the operations of MPS or its customers would have a negative impact on the conduct of the relevant business. There is no way to quantify the impact that such changes could have on the profitability or operations of MPS at this time given the unpredictable nature of the risk.

In addition to the relevant legal paradigm set forth above, it should also be noted that there has been concern within the bank regulatory environment over the use of credit and, in particular, prepaid cards as a means by which to illegally launder and move money. Should the regulatory scheme change in any fashion as to alter the current environment by which such products and services may be offered, this could have a significant impact upon MPS' operations as well as the operations of its customers.

MetaBank owns or is seeking a number of patents, trademarks and other forms of intellectual property with respect to the operation of its business and the protection of such intellectual property may in the future require material expenditures.

In its operations MetaBank is seeking protection for various forms of intellectual property. No assurance can be given that such protection will be granted. In addition, the competitive market environment of its business, MetaBank must be vigilant in ensuring that its patents and other intellectual property are protected and not exploited by unlicensed third parties. In addition, MetaBank must protect itself and defend against intellectual property challenges initiated by third parties making various claims against it.

It should also be noted that intellectual property risks extend to foreign countries whose protections of such property are not as extensive as those in the United States. As such, MPS may need to spend additional sums to ensure that its intellectual property protections are maximized globally. Moreover, should there be a material, improper use of MPS' intellectual property, this could have an impact on the division's operations.

Existing insurance policies may not adequately protect MPS.

Business interruption and property insurance policies are in place with respect to the operations of MPS. Should any event triggering such policies occur, however, it is possible that our policies would not fully reimburse us for the losses we could sustain.

Costs of conforming products and services to the Payment Card Industry Data Security Standards (the "PCI DSS") are costly and could continue to affect the operations of MPS.

The PCI DSS is a multifaceted standard that includes data security management, policies and procedures, as well as other protective measures, that was created by the largest credit card associations in the world in an effort to protect the nonpublic personal information of all types of cardholders, including prepaid cardholders and network branded credit cards (such as Visa cards and MasterCard cards). The PCI DSS mandates a prescribed technical foundation for the collection, storage and transmission of cardholder data and also contains significant provisions regarding the testing of security protections by various entities in the payment card industry, including MPS. Compliance with the PCI DSS is costly and changes to the standards could have an equal, or greater, effect on profitability of the relevant business division.

The potential for fraud in the card payment industry is significant.

Issuers of prepaid and credit cards have suffered significant losses in recent years with respect to the theft of cardholder data that has been illegally exploited for personal gain. The theft of such information is regularly reported and affects not only individuals but businesses as well (albeit to a lesser degree). Many types of credit card fraud exist, including the counterfeiting of cards and “skimming.” “Skimming” is the term for a specialized type of credit card information theft whereby, typically, an employee of a merchant will copy the cardholder’s number and security code (either by handwriting the information onto a piece of paper, entering such information into a keypad or other device, or using a handheld device which “reads” and then stores the card information embedded in the magnetic strip). Once a credit card number and security code has been skimmed, the skimmer can use such information for purchases until the unauthorized use is detected either by the cardholder or the card issuer.

Losses from skimming have been substantial for certain card industry participants. Although skimming has not had a material impact on the profitability of MPS, it is possible that such activity could impact this division at some time in the future.

Products and services offered by MPS involve many business parties and the possibility of collusion exists.

As described above, the theft of cardholder data is a significant threat in the industry in which MPS operates. This threat also includes the possibility that there is collusion between certain participants in the card system to act illegally. Although MPS is not aware of any instances to date, it is possible that such activities could occur in the future, thereby impacting its operation and profitability.

In order to maintain an edge to its products and offerings, MPS must invest significantly in technology and research and development.

The heavy emphasis upon technology in the products and services offered by MPS requires significant expenditures with respect to research and development both to exploit technological gains and to develop new products and services to meet customers’ needs. As is common with most research and development, while some efforts may yield substantial benefits for the division, others will not, thereby resulting in expenditures for which profits will not be realized. MPS is not able to predict with any degree of certainty as to the level of research and development that will be required in the future, how much those efforts will cost, or how profitable such developments will be for the division once undertaken.

Visa and MasterCard, as well as other electronic funds networks in which MPS operates, could change their rules.

Pursuant to the agreements between MPS and Visa, MasterCard and other card networks, these third parties typically have retained the right to prescribe certain business practices and procedures with respect to parties such as MPS. Such prescribed terms include, but are not limited to, a contracting party’s level of capital as well as other business requirements.

Visa and MasterCard also retain the right in their agreements with industry participants such as MPS to unilaterally change the rules under which such transactions are processed with little or no advance warning. This power includes the power to prevent MPS from accessing their networks in order to process transactions. Should any third party choose to invoke this right unilaterally, such changes could materially impact the operations of the MPS division.

Data encryption technology has not been perfected and vigilance in Meta Payments Systems' information technology systems is costly.

MPS holds sensitive business and personal information with respect to the products and services it offers. This information, which is generally digitally encrypted, is passed along various technology channels, including the Internet. Although MPS encrypts its customer and other sensitive information and expends significant financial and personnel resources to maintain the integrity of its technology networks and the confidentiality of nonpublic customer information, because such information may travel on public technology and other non-secure channels, the confidential information is susceptible to hacking and other illegal intrusions. Were such a security breach to occur, the provision of products and services to Meta Payment System's customers would be impaired and the division could incur significant fines from the electronic funds associations involved, significant regulatory fines imposed by federal and/or state regulators and other prohibitions, as well as extensive litigation from commercial parties and consumers affected by such breach.

Unclaimed funds represented by unused value on the cards presents the compliance and other risks.

The notion of escheatment involves property that is abandoned and its rightful owner cannot be readily located and/or identified. In the context of prepaid cards, the funds represented on such cards can sometimes be "abandoned" or unused for the relevant period of time set forth in each applicable state's abandoned property laws. Although MPS utilizes automated programs to ensure its operations are compliant with such applicable laws and regulations, there appears to be a movement among some state regulators to interpret definitions in those statutes and regulations in a manner that is different from standard industry interpretations. Should such state regulators choose to do so, they may initiate enforcement or other litigation action against prepaid card issuers such as Meta Payments Systems.

MPS operates in a highly competitive environment and the ability to attract and retain qualified personnel may be difficult.

The field of professionals involved in the design and production of products and services offered by MPS is highly skilled and actively sought after by financial institutions, electronic card networks and other commercial entities. As such, MPS must spend significant sums to attract employees and executives and must monitor compensation and other employment trends to ensure that compensation packages both foster the necessary creative environment and appropriately compensate such individuals in order to retain them.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties

The Company conducts its business at its main office and branch office in Storm Lake, Iowa. The Company operates six offices in metro Des Moines, Iowa. The Company also operates one office in Brookings, South Dakota; four offices in Sioux Falls, South Dakota and three offices in West Central Iowa through the Company's MetaBank WC State Bank subsidiary. In addition, the Company leases space at another facility in Sioux Falls, South Dakota, which houses general corporate and MPS functions, leases space in Omaha, Nebraska, which houses certain MPS functions and operates a non-retail service branch in Memphis, Tennessee.

The Company owns all of its offices, except for the branch offices located in Storm Lake Plaza, Storm Lake, Iowa, on Westown Parkway, West Des Moines, Iowa, on North Minnesota Avenue, Sioux Falls, South Dakota, on South Western Avenue, Sioux Falls, South Dakota, on West 12th Street, Sioux Falls, South Dakota, the administrative and MPS offices located on Broadband Lane in Sioux Falls, Omaha and the non-retail service branch in Memphis, Tennessee. In regard to the South Western and West 12th Street locations in Sioux Falls, South Dakota, the land on which the buildings were constructed is leased. The total net book value of the Company's premises and equipment (including land, building and leasehold improvements and furniture, fixtures and equipment) at September 30, 2007 was \$19.7 million. See Note 8 to the Notes to Consolidated Financial Statements in the Annual Report.

The Company is experiencing rapid growth, particularly as a result of growth of MPS. While current facilities are adequate to meet its present needs, the Company may add additional locations in the future, and may be required to expand capacity for administrative support functions.

The Bank maintains an on-line data base with a service bureau, whose primary business is providing such services to financial institutions. The net book value of the data processing and computer equipment utilized by the Company at September 30, 2007 was approximately \$1.7 million.

Item 3. Legal Proceedings

MetaBank has been named in several lawsuits whose eventual outcome could have an adverse effect on the consolidated financial position or results of operations of the Company. Because the likelihood or amount of an adverse resolution to these matters cannot currently be reasonably estimated, the Company has not recorded a contingent liability related to these potential claims.

On June 11, 2004, the Sioux Falls School District filed suit in the Second Judicial Circuit Court alleging that MetaBank, a wholly-owned subsidiary of the Company, improperly allowed funds, which belonged to the school district, to be deposited into, and subsequently withdrawn from, a corporate account established by an employee of the school district. The school district is seeking in excess of \$600,000. MetaBank has submitted the claim to its insurance carrier, and is working with counsel to vigorously contest the suit.

MetaBank, in conjunction with a roster of participating banks, had provided a series of loans and lines of credit to Dan Nelson Auto Group ("DNAG") and South Dakota Acceptance Corporation ("SDAC"). Plaintiffs allege that the MetaBank entities "participated in the fraudulent scheme" by virtue of providing these lines of credit and loans despite being aware of the predatory consumer practices of the Nelson companies, and that MetaBank profited by receiving undisclosed "special benefits" for providing these loans. DNAG, SDAC and Nelson have since filed for bankruptcy. Plaintiffs also allege that MetaBank did not vigorously pursue claims against Nelson and fellow DNAG executive Chris Tapken in their respective personal bankruptcies in order to allow these individuals to emerge with control over assets of their former companies. The claims against J. Tyler Haahr personally and the MetaBank entities were dismissed with prejudice on January 4, 2008.

Related to this matter, MetaBank was the lead lender and servicer of approximately \$32.0 million in loans to DNAG, SDAC, one other related auto dealership and their owners, including Nelson. Approximately \$22.2 million of the total had been sold to ten participating financial institutions. Each participation agreement with the ten participant banks provides that the participant bank shall own a specified percentage of the outstanding loan balance at any given time. Each agreement also recites a maximum dollar amount of participations for participants. MetaBank allocated to some participants an ownership in the outstanding loan balance in excess of the percentage specified in the participation agreement, but within the maximum amount authorized. MetaBank believes that in each instance this

was done with the full knowledge and consent of the participant. Several participants have demanded that their participations be adjusted to match the percentage specified in the participant agreement. Based on the total loan recoveries projected as of September 30, 2007, MetaBank calculated that it would cost approximately \$953,000 to adjust these participations as the participants would have them adjusted. A few participants have more recently asserted that MetaBank owes them additional monies based on additional legal theories. MetaBank denies any obligation to make the requested adjustments on these or related claims. Other than as disclosed below, MetaBank cannot predict at this time whether any of these claims will be the subject of litigation.

During the three months ended June 30, 2006 or shortly thereafter, three lawsuits were filed against the Company's MetaBank subsidiary. Three of the complaints are related to the Company's alleged actions in connection with its activities as lead lender to three companies involved in auto sales, service, and financing and their owner. An additional bank, North American Banking Company, joined the First Midwest Bank-Deerfield Branches case, and these three bank plaintiffs were then joined in the action brought by First Premiere Bank against MetaBank. All four of these banks are now plaintiffs in one consolidated federal lawsuit, as discussed below. In addition, Home Federal Bank has brought a separate action, discussed below, in state court. These actions are currently in discovery proceedings, and the amount of costs associated with these actions cannot be determined at this time. The Company intends, however, to vigorously defend its actions. Subject to a reservation of rights, the Company's insurance carrier has agreed to cover the four claims described above and is currently paying for counsel to defend all four actions.

First Premier Bank, North American Banking Company, First Midwest Bank-Deerfield Branches and Mid-Country Bank v. MetaBank (Civ. No. 06-4114). On June 28, 2006, First Midwest Bank-Deerfield Branches and Mid-Country Bank filed suit against MetaBank in South Dakota's Second Judicial Circuit Court, Minnehaha County, in the above titled action. These consolidated complaints allege that plaintiff banks, who were participating lenders with MetaBank on a series of loans made to DNAG and SDAC, suffered damages exceeding \$1.0 million as a result of MetaBank's placement and administration of the loans that were the subject of the loan participation agreements. The complaint sounds in breach of contract, negligence, gross negligence, negligent misrepresentation, fraud in the inducement, unjust enrichment and breach of fiduciary duty. On July 17, 2006, MetaBank removed the case from state court to the United States District Court for the District of South Dakota, where the action has been assigned case no. Civ. 06-4114. Plaintiff(s) moved to remand the case back to state court, but this motion was denied. As noted above, North American Banking Company has been allowed by the United States District Court to join this action with similar claims and allegations against MetaBank. Discovery is continuing.

Home Federal Bank v. J. Tyler Haahr, Daniel A. Nelson and MetaBank (Civ. No. 06-2230). On June 26, 2006, Home Federal Bank filed suit against MetaBank and two individuals, J. Tyler Haahr and Daniel A. Nelson, in South Dakota's Second Judicial Circuit Court, Minnehaha County in the above titled action. The complaint alleges that Home Federal, a participating lender with MetaBank on a series of loans made to DNAG and SDAC, suffered damages exceeding \$3.8 million as a result of failure to make disclosures regarding an investigation of Nelson, DNAG and SDAC by the Iowa Attorney General at the time Home Federal agreed to an extension of the loan participation agreements. The complaint sounds in fraud, negligent misrepresentation, breach of fiduciary duty, conspiracy and breach of duty of good faith and fair dealing. Discovery is continuing.

Visa and Discover-Related Transactions. The Company is a member of the Visa USA network. During our 2008 first fiscal quarter, we were informed that VISA Inc. had reached a settlement in connection with the lawsuit brought against Visa by American Express in 2004 and had established a reserve related to an expected similar settlement with Discover Financial Services. In addition, the Visa organization of affiliated entities had previously announced that it had completed a series of global restructuring transactions to combine its affiliated operating companies, including Visa USA, under a single holding company, Visa Inc. Visa Inc. intends to issue and sell a majority of its shares to the public in an initial public offering. Subsequent to the settlement announcement, the accounting treatment by member banks for the Visa restructuring transactions, including judgment sharing agreements previously executed among the Company and Visa Inc. ("Visa") and certain other member banks of the Visa USA network has been addressed by the American Bankers Association ("ABA"). Pursuant to this guidance, the Company will potentially have litigation liabilities associated with indemnification obligations under these agreements. Based on the Company's 0.00271% membership share of Visa USA and the accounting guidance we have received, we will record a litigation liability and corresponding expense of \$73,500 for the first fiscal quarter ending December 31, 2007. The Company also expects to record a gain during the second fiscal quarter of 2008 for the redemption of its shares related to Visa's initial public offering. It is expected that this gain will offset the litigation effect.

There are no other material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended September 30, 2007.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Securities

Page 36 of the attached 2007 Annual Report to Shareholders is herein incorporated by reference.

There have been no purchases by the Company during the quarter ended September 30, 2007 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act.

Item 6. Selected Financial Data

Page 2 of the attached 2007 Annual Report to Shareholders is herein incorporated by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Pages 3 through 10 of the attached 2007 Annual Report to Shareholders are herein incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Pages 8 through 10 of the attached 2007 Annual Report to Shareholders are herein incorporated by reference.

Item 8. Consolidated Financial Statements and Supplementary Data

Pages 11 through 34 of the attached 2007 Annual Report to Shareholders are herein incorporated by reference.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. 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.

The Company's management, with the participation of the Company's Chief Executive Officer and Acting 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 Exchange Act as of the end of the period covered by the report. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a registrant in the reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) is properly recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s (“SEC”) rules and forms. Disclosure controls and procedures include processes to accumulate and evaluate relevant information and communicate such information to a registrant’s management, including its principal executive and financial officers, as appropriate, to allow for timely decisions regarding required disclosures.

Based upon that evaluation, our Chief Executive Officer (principal executive officer) and Acting Chief Financial Officer (principal financial officer) concluded that, as of September 30, 2007 our disclosure controls and procedures were not effective to provide reasonable assurance that (i) the information required to be disclosed by us in this report was 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 financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures, because of the material weaknesses discussed below. To address those weaknesses, the Company performed additional analyses and other post-closing procedures to ensure that our consolidated financial statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

The aforementioned evaluation identified the following material weaknesses:

1. The Company discovered in September 2007 that maintenance fees charged to and collected from holders of prepaid gift cards, which were issued through the Company’s network of agent financial institutions, were not recognized as income in the appropriate periods. As a result, the financial statements were restated for fiscal year 2006 and the first three quarters of 2007. With respect to such restatements, as disclosed in the Company’s previous filings, the effect on the Company’s financial statements for the year ended September 30, 2006 were not considered to be material, while the effects on the Company’s financial statements for the first three quarters of fiscal 2007 were considered to be material; accordingly, amended quarterly reports on Form 10-Q were filed by the Company.
2. We also concluded that the provision for income tax was not calculated correctly for fiscal year 2007 before completion of the consolidated financial statements .

As noted above, the issues that resulted from these weaknesses were properly addressed before the completion of our financial statements for the fiscal year ending September 30, 2007. Regarding the first item above, management has implemented new processes that consist of the automation of manual tasks that were subject to human error. Management is working to identify and implement the necessary measures to address the second item to improve our internal control, including the enhancement of our systems and procedures to assure that the second weakness noted above is corrected.

Other than as described above, no other change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) occurred during the fourth fiscal quarter of fiscal 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and annually report on their systems of internal control over financial reporting. We are in the process of evaluating, documenting and testing our system of internal control over financial reporting to provide the basis for our report that will, for the first time, be a required part of our annual report on Form 10-K for the fiscal year ending September 30, 2008. Due to the ongoing evaluation and testing of our internal controls, there can be no assurance that if any control deficiencies are identified they will be corrected before the end of the 2008 fiscal year, or that there may not be significant deficiencies or material weaknesses that would be required to be reported. In addition, we expect the evaluation process and any required remediation, if applicable, to increase our accounting, legal and other costs and divert management resources from core business operations.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

Information concerning directors of the Company is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in February 2008 filed on January 3, 2008.

Executive Officers

Information concerning the executive officers of the Company is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in February 2008, filed on January 3, 2008 and from the information set forth under the caption "Executive Officers of the Company Who Are Not Directors" contained in Part I of this Form 10-K.

Compliance with Section 16(a)

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended September 30, 2007, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with.

Audit Committee Financial Expert

Information regarding the audit committee of the Company's Board of Directors, including information regarding Jeanne Partlow, the audit committee financial expert serving on the audit committee for fiscal 2007 is presented under the headings "Meetings and Committees", "Audit Committee Matters" and under "Election of Directors" which contains Ms. Partlow's biography, in the Company's definitive Proxy Statement for the 2007 Annual Meeting of Stockholders to be held on February 12, 2008, which was filed with the SEC on January 3, 2008, and is incorporated herein by reference.

Code of Ethics

We have adopted a written code of ethics within the meaning of Item 406 of SEC Regulation S-K that applies to our principal executive officer and senior financial officers, a copy of which is available free of charge by contacting Lisa Binder, our Investor Relations Officer, at 800.792.6815 or from our internet website (www.metacash.com).

Item 11. Executive Compensation

Information concerning executive compensation is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in February 2008, filed on January 3, 2008.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Security Ownership of Certain Beneficial Owners

The information required by this item under the sections captioned "Voting Rights; Vote Required", "Voting of Proxies; Revocability of Proxies; Proxy Solicitation Costs" and "Stock Ownership" on pages 2 through 5 of the Proxy Statement filed with the SEC on January 3, 2008 is incorporated herein by reference.

(b) Security Ownership of Management

The information required by this item under the section captioned "Stock Ownership" on pages 4 through 5 of the Proxy Statement filed with the SEC on January 3, 2008 is incorporated herein by reference.

(c) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any persons of securities of the Company, the operation of which may, at a subsequent date, result in a change in control of the Registrant.

(d) Equity Compensation Plan Information

The Company maintains the 2002 Omnibus Incentive Plan for purposes of issuing stock based compensation to employees and directors. An amendment to this plan, authorizing an additional 750,000 shares to be issued under this plan, was approved by the Board of Directors on November 30, 2007, and will be submitted for shareholder approval at the annual meeting of shareholders on February 12, 2008. The Company also has unexercised options outstanding under a previous stock option plan. The following table provides information about the Company's common stock that may be issued under the Company's omnibus incentive plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in (a))
Equity compensation plans approved by shareholders	424,269	\$ 25.81	42,231
Equity Compensation plans not approved by shareholders	0	\$ 0.00	750,000

Item 13. Certain Relationships and Related Transactions and Director Independence

Information concerning certain relationships and transactions is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in February 2008, filed on January 3, 2008.

Item 14. Principal Accountant Fees and Services

Information concerning the fees for professional services rendered by the Company's principal accountant is incorporated herein by reference from the discussion under the heading "Independent Public Accountants" in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in February 2008, filed on January 3, 2008.

Information concerning the pre-approval policies and procedures of the Company's Audit Committee is incorporated by reference from the discussion under the heading "Independent Public Accountants" of the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in February 2008, filed on January 3, 2008.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following is a list of documents filed as part of this report:

(a) Financial Statements:

The following financial statements are incorporated by reference under Part II, Item 8 of this Form 10-K:

1. Report of Independent Registered Public Accounting Firm.
2. Consolidated Statements of Financial Condition as of September 30, 2007 and 2006.
3. Consolidated Statements of Operations for the Years Ended September 30, 2007, 2006, and 2005.
4. Consolidated Statements of Comprehensive Income (Loss) for the Years ended September 30, 2007, 2006, and 2005.
5. Consolidated Statements of Changes in Shareholders' Equity for the Years Ended September 30, 2007, 2006, and 2005.
6. Consolidated Statements of Cash Flows for the Years Ended September 30, 2007, 2006, and 2005.
7. Notes to Consolidated Financial Statements.

(b) Exhibits :

See Index of Exhibits .

(c) Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is inapplicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: January 10, 2008

By: /s/ J. Tyler Haahr
J. Tyler Haahr
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ J. Tyler Haahr
J. Tyler Haahr, President
and Chief Executive Officer
(Principal Executive Officer)

Date: January 10, 2008

By: /s/ James S. Haahr
James S. Haahr, Chairman of the Board

Date: January 10, 2008

By: /s/ E. Wayne Cooley
E. Wayne Cooley, Director

Date: January 10, 2008

By: /s/ E. Thurman Gaskill
E. Thurman Gaskill, Director

Date: January 10, 2008

By: /s/ Brad Hanson
Bradley C. Hanson, Director

Date: January 10, 2008

By: /s/ Frederick V. Moore
Frederick V. Moore, Director

Date: January 10, 2008

By: /s/ Rodney G. Muilenburg
Rodney G. Muilenburg, Director

Date: January 10, 2008

By: /s/ Jeanne Partlow
Jeanne Partlow, Director

Date: January 10, 2008

By: /s/ David W. Leedom
David W. Leedom, Senior Vice
President and Acting Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: January 10, 2008

INDEX TO EXHIBITS

Exhibit Number	Description
3(i)	Registrant's Articles of Incorporation as currently in effect, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), are incorporated herein by reference.
3(ii)	Registrant's Bylaws, as amended and restated, filed as Exhibit 3(ii) to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.
4	Registrant's Specimen Stock Certificate, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.1	Registrant's 1995 Stock Option and Incentive Plan, filed as Exhibit 10.1 to Registrant's Report on Form 10-KSB for the fiscal year ended September 30, 1996 (Commission File No. 0-22140), is incorporated herein by reference.
10.2	Registrant's 1993 Stock Option and Incentive Plan, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.3	Registrant's Recognition and Retention Plan, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.4	Employment agreement between MetaBank and J. Tyler Haahr, filed as an exhibit to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1997 (Commission File No. 0-22140), is incorporated herein by reference.
10.5	Registrant's Supplemental Employees' Investment Plan, filed as an exhibit to Registrant's Report on Form 10-KSB for the fiscal year ended September 30, 1994 (Commission File No. 0-22140), is incorporated herein by reference.
10.6	Employment agreements between MetaBank and James S. Haahr, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.7	Registrant's Executive Officer Compensation Program, filed as Exhibit 10.6 to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.
10.8	Registrant's Executive Officer Incentive Stock Option Plan for Mergers and Acquisitions, filed as Exhibit 10.7 to Registrant's Report on Form 10-K for the fiscal year

ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.

- 10.9 Registrant's 2002 Omnibus Incentive Plan, filed as Exhibit 10.9 to Registrant's Report on Form 10-K for the fiscal year ended September 30, 2003 (Commission File No. 0-22140), is incorporated herein by reference.
 - 10.10 The First Amendment to Registrant's 2002 Omnibus Incentive Plan, adopted by the Registrant on August 28, 2006, and filed on December 19, 2006 as Exhibit A to Registrant's Schedule 14A (DEF 14A) Proxy Statement (Commission File No. 0-22140), is incorporated by reference.
 - 10.11 Settlement Agreement by and between First Indiana Bank, N.A. and MetaBank dated March 13, 2006, filed as Exhibit 10.12 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (Commission File No. 0-22140), is incorporated herein by reference.
 - 10.12 The Second Amendment to Registrant's 2002 Omnibus Incentive Plan, adopted by the Registrant on November 30, 2007, and filed on January 3, 2008 as Exhibit A to Registrant's Schedule 14A (DEF 14A) Proxy Statement (Commission File No. 0-22140), is incorporated by reference.
 - 10.13 Agreement for Purchase of Selected Assets and Assumption of Certain Liabilities of the Laurens Office of MetaBank by and between MetaBank and Iowa Trust and Savings Bank dated January 31, 2007, filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (Commission File No. 0-22140).
 - 10.14 Agreement for Purchase of Selected Assets and Assumption of Certain Liabilities of the Sac City, Odebolt and Lake View Offices of MetaBank by and between MetaBank and Iowa State Bank dated January 31, 2007, filed as Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (Commission File No. 0-22140).
 - 10.15 Stock Purchase Agreement by and among Anita Bancorporation, Meta Financial Group, Inc. and MetaBank West Central dated November 27, 2007, filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (Commission File No. 0-22140).
 - 11 Statement re: computation of per share earnings (included under Note 4 of Notes to Consolidated Financial Statements in the Annual Report to Shareholders' attached hereto as Exhibit 13).
 - 13 Annual Report to Shareholders.
 - 21 Subsidiaries of the Registrant.
 - 23 Consent of McGladrey & Pullen, LLP.
 - 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 32.1 Certification of the CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 32.2 Certification of the CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
-

**AGREEMENT FOR
PURCHASE OF SELECTED ASSETS
AND ASSUMPTION OF CERTAIN LIABILITIES
OF THE LAURENS OFFICE OF METABANK**

THIS AGREEMENT, dated as of January 31, 2007, by and between MetaBank, a financial institution chartered under the laws of the United States, having its principal place of business in Storm Lake, Iowa (the “**Seller**”), and Iowa Trust & Savings Bank, a financial institution chartered under the laws of the State of Iowa, presently having its principal place of business in Emmetsburg, Iowa (the “**Buyer**”).

WITNESSETH:

WHEREAS, Seller wishes to divest, upon the terms and conditions set forth herein, certain assets and certain liabilities of its office (the “**Office**”) located at Laurens, Iowa; and

WHEREAS, Buyer wishes to buy such assets and assume such liabilities upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth, Seller and Buyer agree as follows:

**ARTICLE I
TRANSFER OF ASSETS AND LIABILITIES**

Section 1.1. Transfer of Assets.

(a) As of the Effective Date (as defined in Section 2.1 below) and upon the terms and conditions set forth herein, Seller will sell, assign, transfer, convey and deliver to Buyer, and Buyer will purchase from Seller, all of the following assets associated with the Office and identified in this Agreement and the Exhibits hereto, and not otherwise excluded from sale pursuant to the provisions of Subsection 1.1(b) below (herein the “**Assets**”):

- (1) All real estate as set forth on Exhibit 1.1(a)(1), and any improvements and fixtures thereon;
- (2) All furniture, equipment and other miscellaneous personal property;
- (3) Loans (as defined below) transferred pursuant to Section 1.4;
- (4) All customer lists, customer histories and marketing information pertaining to the Office;
- (5) All property records, warranty information, manuals and other information such as maintenance records;

(6) All loan files, loan records and other credit information concerning the customers of the Office whose loans are acquired by Buyer and all records and files regarding the Assumed Liabilities (as defined below) ; and,

(7) Cash on hand.

(b) Excluded from the assets, properties and rights being transferred, conveyed and assigned to Buyer under this Agreement are the assets listed on Exhibit 1.1(b) hereto. These excluded assets include Seller's corporate logos, trademarks, trade names, signs, paper stock, forms and other supplies containing any such logos, trademarks or trade name (the "**Excluded Assets**"). Seller shall coordinate with the Buyer the removal of the Excluded Assets from the Office on or prior to the Effective Date. Seller shall remove the Excluded Assets at its own cost and shall make any repairs necessitated by Seller's negligence in removing the Excluded Assets.

Section 1.2. Purchase Price.

(a) As consideration for the purchase of the Assets and assumption of the Assumed Liabilities, as defined in Section 1.2(b) hereof, Buyer shall pay to Seller a purchase price equal to the sum of the following:

(1) \$1,000,000.00 for assets listed in Section 1.1(a)(1,2,4,5 and 6);

(2) The Par Value (Principal and Accrued Interest to Effective Date), of the Loans to be purchased as set forth in Section 1.4 hereof ; and,

(3) Cash on hand at par.

(b) In addition to the payment of the purchase price under Section 1.2(a) above, Buyer shall assume, as of the Effective Date, and the Deposit Liabilities (collectively the "**Assumed Liabilities**"); provided, that any cash items paid by Seller and not cleared prior to the Effective Date shall be the responsibility of Seller, subject to the terms of Section 1.3 below.

(c) Except for the Assumed Liabilities, Buyer is not assuming any liabilities or obligations of any kind or nature. Liabilities and obligations not assumed include, but are not limited to, the following:

(1) Seller's cashier checks, letters of credit, money orders, interest checks and expense checks issued prior to the Closing, consignments of U.S. Government "E" and "EE" bonds and any and all traveler's checks; or

(2) Deposit accounts associated with qualified retirement plans (other than IRA accounts and burial trusts which Buyer will assume) where Seller is the trustee of such plan or the sponsor of a prototype plan used by such plan; or

(3) Liabilities and/or obligations arising out of or related to the employment of any Employee by Seller; or

(4) General tort liabilities; or

(5) Liabilities and/or obligations and/or losses arising out of events occurring or circumstances existing on or prior to the Effective Date, whether or not such events or circumstances would be a covered risk or loss under any of Seller's errors and omissions insurance policies, directors' and officers' policies, worker's compensation and employer's liability policies, automobile policies, general liability or casualty insurance policies, commercial general liability insurance policies, umbrella and excess liability insurance policies, banker's blanket bond (s) and/or other fidelity bonds.

(d) Seller shall prepare a balance sheet (the "**Pre-Closing Balance Sheet**" which is also the Closing Statement referred to in Section 2.2(b)(13) below) in accordance with generally accepted accounting principles as of a date not earlier than three (3) business days prior to the Effective Date (the "**Pre-Closing Balance Sheet Date**") reflecting the assets to be sold and assigned hereunder (as set forth in Section 1.2 (a) hereof) and the liabilities to be transferred and assumed hereunder. Seller agrees to pay to Buyer at the Closing (as defined in Section 2.1 hereof), in immediately available funds in the amount due, as reflected by the Pre-Closing Balance Sheet. Amounts paid at Closing for the Loans purchased and the amount of assumed liabilities shall be subject to subsequent adjustment on the Post-Closing Balance Sheet (as defined in Section 2.3 hereof and which is also the Final Closing Statement).

Section 1.3. Liabilities.

(a) "Deposit Liabilities" shall mean all of Seller's duties, obligations, liabilities (including accrued interest) relating to the deposit accounts, including, without limitation, all demand, time, savings and individual retirement accounts, located at the Office as of the Effective Date, as listed as deposits in Exhibit 1.3(a), with the exception of those specifically not assumed by Buyer pursuant to Section 1.2(c).

(b) Buyer agrees to pay in accordance with law and customary banking practices all properly drawn and presented checks, drafts and withdrawal orders presented to Buyer by mail, over the counter or through the check clearing system of the banking industry, by depositors of the accounts assumed, whether drawn on the checks, withdrawal or draft forms provided by Seller or by Buyer, and in all other respects to discharge, in the usual course of the banking business, the duties and obligation of Seller with respect to the balances due and owing to the depositors whose accounts are assumed by Buyer.

(c) If, after the Effective Date, any depositor, instead of accepting the obligation of Buyer to pay the Deposit Liabilities assumed, shall demand payment from Seller for all or any part of any such assumed Deposit Liabilities, Seller shall not be liable or responsible for making such payment. Seller and Buyer shall make arrangements to provide for the daily settlement with immediately available funds by Buyer of checks, drafts, withdrawal orders, returns and other items presented to and paid by Seller within sixty (60) days after the Effective Date and drawn on or chargeable to accounts that have been assumed by Buyer.

(d) Buyer may (i) assign new account numbers to depositors of assumed accounts, if

needed, in the sole discretion of Buyer, (ii) notify such depositors, on or before the Effective Date, in a form and on a date mutually acceptable to Seller and Buyer, of Buyer's assumption of Deposit Liabilities, and (iii) furnish such depositors with checks on the forms of Buyer and with instructions to utilize Buyer's checks and destroy unused check, draft and withdrawal order forms of Seller. In addition, Seller will notify its affected customers by letter of the pending assignment of Seller's deposit accounts to Buyer, which notice shall be at Seller's cost and expense and shall be in a form mutually agreeable to Seller and Buyer.

(e) Buyer shall pay promptly to Seller an amount equivalent to the amount of any checks, drafts or withdrawal orders credited to an assumed account as of the Effective Date that are returned to Seller after the Effective Date.

(f) On or after the Effective Date, Buyer will assume and discharge Seller's duties and obligations in accordance with the terms and conditions and laws, rules and regulation that apply to the certificates, accounts and other Deposit Liabilities assumed under this Agreement.

(g) On or after the Effective Date, Buyer will maintain and safeguard in accordance with applicable law and sound banking practices all account documents, deposit contracts, signature cards, deposit slips, canceled items and other records related to the Deposit Liabilities assumed under this Agreement, subject to Seller's right of access to such records as provided in this Agreement.

(h) Seller will render a final statement to each depositor of a demand or savings account assumed under this Agreement as to transactions occurring through the Effective Date and will comply with all laws, rules and regulations regarding tax reporting of transactions of such accounts through the Effective Date. Seller will not impose periodic fees or blanket charges in connection with such final statements.

(i) On or prior to the Effective Date, Buyer, at its expense, will use its best efforts to notify all Automated Clearing House ("ACH") originators of the transfers and assumptions made pursuant to the Agreement, and Seller shall furnish the required information. For a period of ninety (90) days beginning on the Effective Date, Seller will honor all ACH items related to accounts assumed under this Agreement which are mistakenly routed or presented to Seller. During such ninety (90) days period, Buyer shall remit by wire transfer on a daily basis the net amount of ACH items honored by Seller pursuant to this Agreement. Except as otherwise set forth in this Agreement, Seller will make no additional charges to Buyer for honoring such items. Items mistakenly routed or presented after the ninety (90) day period will be returned to the presenting party.

Section 1.4. Loans Transferred.

(a) Seller will transfer to Buyer on the Effective Date, subject to the terms and conditions of this agreement, all of Seller's right, title and interest (including collateral relating thereto) in loans maintained, serviced and listed in Seller's general ledger as loans of the Office (severally referred to as "**Loan**" and collectively the "**Loans**"). Notwithstanding the foregoing, for purposes of this Agreement, the Loans shall include only those Loans specifically identified

by Buyer as Loans it will purchase. In this regard, it is understood Buyer shall have the right to purchase or exclude any Loan or Loans previously identified as coded to the Seller's Laurens office. The purchased loans shall be listed on Exhibit 1.4(a), shall be prepared by Buyer and furnished to Seller and affixed to this Agreement as a part hereof within thirty (30) days following Seller's delivery to Buyer of complete loan information.

(b) Buyer will become the beneficiary of credit life insurance and property casualty insurance written on direct consumer installment loans. Contemporaneously with the Closing, Seller shall notify the appropriate insurance companies of the transfer of Loans from Seller to Buyer and that Buyer shall become the beneficiary of any insurance policies relating to the transferred Loans and, as such, be entitled to all rights and privileges under such policies following the Effective Date, including, without limitation, any refunds paid after the Effective Date on such policies.

(c) In connection with the transfer of any Loans requiring notice to the borrower, Seller agrees to comply with all notice and reporting requirements of the loan documents or any law or regulation.

(d) All Loans transferred to Buyer shall be valued at their Par Value, such value to include interest, through the Effective Date.

(e) On or after the Effective Date, Buyer will be responsible for maintaining and safeguarding all loan files, documents and records related to the Loans in accordance with applicable law and sound banking practices.

(f) If the balance due on any Loan purchased pursuant to this Section 1.4 has been reduced by Seller as a result of a payment by check received before the Effective Date, which item is returned on or after the Effective Date, the asset value represented by the Loan transferred shall be correspondingly increased and an amount in cash equal to such increase shall be paid by Buyer to Seller promptly upon demand.

(g) Seller shall remit loan payments it receives after closing on loans purchased by the Buyer.

(h) The standard "dragnet" provisions of security documents which secure or are contained in other promissory notes made or held by Seller not constituting the Loans being acquired by Buyer shall not have priority over Buyer's security interest in collateral for a Loan transferred to Buyer hereunder.

Section 1.5. Employee Matters.

(a) Buyer may, but shall have no obligation to hire any employees of the Office.

(b) Seller makes no representations or warranties about whether any of the Employees will remain employed at the Office after the Effective Date. Seller will use its best efforts to maintain the Employees as employees of Seller at the Office until the Effective Date.

Any Employee whose employment shall be terminated for any reason prior to the Effective Date or who shall not be selected by Buyer to become an employee of Buyer shall be dealt with by Seller in its sole and absolute discretion. Seller shall be responsible for paying all federal, state and local income tax withholding, social security taxes and any other payroll taxes applicable to the employment of Employees by Seller prior to the Effective Date. Seller agrees that, for a period of thirty-six (36) months after the Effective Date, it will not solicit for employment (i) any Employee who becomes employed by Buyer or (ii) any person known to Seller to have been employed by Buyer and whose employment by Buyer has been terminated, either by the Employee or by Buyer, without Buyer's prior written permission.

(1) At closing, Seller shall compensate Buyer for the accrued Paid Time Off (vacation and floating holidays) for Employees retained by Buyer. Accrued Sick Time is not a part of accrued Paid Time Off.

(aa) For those employees not retained by Buyer, Seller shall remain responsible for the administration of the employees' accrued Paid Time Off.

(c) No Employee of the Office is a third party beneficiary of this Agreement and each Employee hired by Buyer shall be an employee at will.

(d) Seller shall have the right, but not the obligation, to retain any Employees not hired by Buyer. Any Employees retained by Seller shall be subject to the restrictions at Section 6.4.

Section 1.6. Records and Data Processing.

(a) On and after the Effective Date, Buyer shall become responsible for maintaining the files, documents and records referred to in this Agreement. Buyer will preserve and safekeep them as required by applicable law and sound banking practices for the joint benefit of Seller and Buyer. After the Effective Date, Buyer will permit Seller and its representatives, for reasonable cause, at reasonable times and upon reasonable notice and at Seller's expense, to examine, inspect, copy and reproduce any such files, documents or records as Seller deems reasonably necessary.

(b) On or after the Effective Date, Seller will permit Buyer and its representatives, for reasonable cause, at reasonable times and upon reasonable notice and at Buyer's expense, to examine, inspect, copy and reproduce files, documents or record retained by Seller regarding the assets and liabilities transferred under this agreement as Buyer deems reasonably necessary.

Section 1.7. Security.

On and after the Effective Date, Buyer shall be solely responsible for the security of and insurance on all persons and property located in or about the Office.

Section 1.8. Taxes and Fees Proration of Certain Expenses: Allocation Form 8594.

(a) Buyer shall be responsible for the payment of all fees and taxes related to this transaction; except that Buyer shall not be responsible for, or have any liability with respect to, sales, transfer, income or similar taxes arising out of this transaction, if any, and Seller agrees that it shall pay, or represents that it has paid, in a timely manner any and all such taxes. Buyer shall not be responsible for any income tax liability of Seller arising from the business or operations of the Office on or before the Effective Date, and Seller shall not be responsible for any tax liabilities of Buyer arising from the business or operations of the Office on or after the Effective Date. Utility payments, telephone charges, real property taxes, personal property taxes, rent, salaries, deposit insurance premiums, other ordinary operating expenses of the Office and other expenses related to the liabilities assumed or assets purchased hereunder, including, without limitation, attorney's fees, costs and expenses incurred in connection with Litigation (as defined in Section 4.10 below), shall be prorated between the parties as of the Effective Date. To the extent any such item has been prepaid by Seller for a period extending beyond the Effective Date, there shall be a proportionate monetary adjustment in favor of Seller, but only to the extent such prepayment benefits Buyer.

(b) Seller and Buyer shall allocate the total consideration paid pursuant to this Agreement, including the deposit base intangible asset and other identifiable intangible assets acquired by Buyer pursuant to this Agreement, in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended. Accordingly, within one hundred twenty (120) days after the Closing, Buyer shall provide Seller copies of the Form 8594 and any required exhibits thereto (the "**Asset Acquisition Statement**") setting forth the allocation of the total consideration. Within twenty (20) days after receipt of the Asset Acquisition Statement (or any proposed revision thereof required to report any updated information), Seller shall propose any changes to Buyer or shall indicate its concurrence with the Asset Acquisition Statement which concurrence shall not be unreasonably withheld. Seller and Buyer shall endeavor in good faith to resolve any differences within twenty (20) days after Buyer's receipt of Seller's notice of any proposed changes. The parties agree to file the Asset Acquisition Statement with their respective federal tax returns in accordance with the instructions to Form 8594.

Section 1.9. Real Property.

(a) Seller shall deliver to Buyer as soon as reasonably possible after the execution of this Agreement an updated abstract of title as to the Real Property.

(b) Buyer shall notify Seller in writing within forty-five (45) days after Buyer's receipt of the updated abstract of any mortgages, pledges, material liens, encumbrances, restrictions, reservations, tenancies, encroachments, overlaps or other title exceptions or zoning or similar land use violations relating to the Real Property to which Buyer reasonably objects (the "**Title Defects**"). Buyer agrees that Title Defects shall not include real property taxes not yet due and payable and easements and rights of way which do not materially interfere with the use of the Real Property as an Office. Seller shall make a good faith effort to correct any such Title Defect to Buyer's reasonable satisfaction at least thirty (30) days prior to the Closing; provided, however, that Seller shall not be obligated to bring any lawsuit or make any payment of money (except to pay liens that Seller does not dispute in good faith) to cure a Title Defect. If

Seller is unable to cure any such Title Defect to Buyer's reasonable satisfaction, Buyer shall have the option either to (i) terminate this Agreement in accordance with Article X of this Agreement, or (ii) receive title in its then existing condition.

(c) Buyer shall have the right to update the title matters at Closing for any change which may have arisen after the date of Buyer's original title search. If such update indicates any new Title Defects, Seller may elect to delay the Closing for up to thirty (30) days while it makes a good faith effort to cure any such Title Defect to Buyer's reasonable satisfaction; provided that Seller shall not be obligated to bring any lawsuit or make any payment of money (except to pay liens that Seller does not dispute in good faith) to cure a Title Defect. If Seller is unable to cure any such Title Defect within the thirty (30) day period, Buyer shall have the option either (i) terminate this Agreement in accordance with the provisions of Article X of this Agreement, or (ii) receive title in its then existing condition.

ARTICLE II CLOSING AND EFFECTIVE DATE

Section 2.1. Dates.

The purchase of assets and assumption of liabilities provided for in this Agreement shall occur at a closing (the "**Closing**") on April 13, 2007 at a time and place mutually agreed upon by the parties (the "**Closing Date**") so long as this date follows the receipt of all requisite regulatory approvals and the expiration of all waiting periods imposed by law or by rule, regulation or order of any regulatory authority ("**Regulatory Prerequisites**"). If Regulatory Prerequisites do not allow the Closing Date to be April 13, 2007, then the Closing Date shall be on a day mutually agreeable to the parties, but in no event later than June 30, 2007. The parties may agree on an earlier Closing Date if permitted by the satisfaction of the Regulatory Prerequisites. The effective date of this Agreement (the "**Effective Date**") shall be 6:00 p.m. local time on the business day on which the Closing occurs.

Section 2.2. Closing.

(a) All actions taken and documents delivered at the Closing shall be deemed to have been taken and executed simultaneously, and no action shall be deemed taken nor any document delivered until all have been taken and delivered.

(b) At the Closing, subject to all the terms and conditions of this Agreement, Seller shall deliver to Buyer, or, in the case of subsections (b)(5), (6) and (8), make reasonably available to Buyer at the Office:

(1) A Corporate Warranty Deed transferring title to the Real Property, fixtures and improvements to Buyer;

(2) A limited warranty Bill of Sale, in substantially the form attached hereto as Exhibit 2.2(b)(2) (the "**Bill of Sale**"), transferring to Buyer all of Seller's interest in the Loans selected by Buyer and other personal property comprising the Assets;

- (3) An Assignment and Assumption Agreement, in substantially the form attached hereto as Exhibit 2.2(b)(3) (the “**Assignment and Assumption Agreement**”), assigning Seller’s interest in the Deposit Liabilities;
- (4) Consents from third persons that are required, if any, to effect the assignments set forth in the Assignment and Assumption Agreement;
- (5) Seller’s files and records relating to and evidencing the Loans;
- (6) Seller’s records related to the Deposit Liabilities assumed by the Buyer, including any stop payment orders and ACH records;
- (7) Immediately available funds in the net amount shown as owing to Buyer by Seller on the Closing Statement;
- (8) Such other assets to be purchased as shall be capable of physical delivery;
- (9) A certificate of a proper officer of Seller, dated the Effective Date, certifying to fulfillment of all conditions which are the obligation of Seller and that all of the representations and warranties of Seller set forth in this agreement remain true and correct in all material respects on the Effective Date;
- (10) Certified copies of (A) Federal stock charter and Bylaws of Seller and (B) a resolution of the Board of Directors of Seller, or its Executive Committee, approving the sale of the Office contemplated hereby;
- (11) Such certificates and other documents as Buyer and its counsel may reasonably require to evidence the receipt by Seller of all necessary corporate and regulatory authorizations and approvals for the consummation of the transactions provided for in this Agreement;
- (12) Such other documents, instruments and agreements necessary to transfer and assign to Buyer all Loans, including, without limitation, all promissory notes duly endorsed and assignments of mortgages, security agreements, financing statements, guarantees and other collateral documents in form and content reasonably satisfactory to Buyer; and
- (13) A Closing Statement (which shall be the Pre-Closing Balance Sheet), substantially in the form attached hereto as Exhibit 2.2(b)(13) (the “**Closing Statement**”).
- (c) At the Closing, subject to all the terms and conditions of this Agreement, Buyer shall deliver to Seller:
- (1) The Assignment and Assumption Agreement;

(2) A certificate and receipt acknowledging the delivery and receipt of possession of the property and records referred to in this Agreement;

(3) A certificate of a proper officer of the Buyer, dated the Effective Date, certifying to the fulfillment of all conditions which are the obligations of Buyer and that all of the representations and warranties of Buyer set forth in this Agreement remain true and correct in all material respects in the Effective Date;

(4) Certified copies of (A) the Articles of Incorporation and Bylaws of Buyer and (B) a resolution of the Board of Directors of Buyer, or its Executive Committee, approving the purchase of the Office contemplated hereby;

(5) Such certificates and other documents as Seller and its counsel may reasonably require to evidence the receipt by Buyer of all necessary corporate and regulatory authorizations and approvals for the consummation of the transactions provided for in this Agreement; and,

(6) The Closing Statement.

(d) Seller shall prepare at its expense and deliver to Buyer records in Seller's field format as of the Effective Date, which records shall contain the information related to the items described in subsections (b)(5) and (b)(6) above. Such records shall be delivered thirty (30) days prior to Closing, or at such other date as agreed to by the parties.

(e) All agreements and certificates described in this Section 2.2 shall be in form and substance reasonable satisfactory to the parties' respective legal counsel.

Section 2.3. Post-Closing Adjustments.

(a) Not later than fifteen (15) business days after the Effective Date (the "**Post-Closing Balance Sheet Delivery Date**"), Seller shall deliver to Buyer a balance sheet dated as of the Effective Date reflecting the assets sold and assigned hereunder as set forth in Section 1.2(a), and the liabilities transferred and assumed hereunder prepared in accordance with generally accepted accounting principles (the "**Post-Closing Balance Sheet**" or "Final Closing Statement") substantially in the form attached hereto as Exhibit 2.3(a). Additionally, Seller shall deliver to Buyer a list of the Loans purchased, individually identified by account number, which list shall be appended to the Bill of Sale. Seller shall afford Buyer and its accountants and attorneys the opportunity to review all work papers and documents used by Seller in preparing the Post-Closing Balance Sheet. Within fifteen (15) business days following the Post-Closing Balance Sheet Delivery Date (the "**Adjustment Payment Date**"), Seller or Buyer, as the case may be, shall effect the offer of any funds as may be necessary to reflect changes in the Par Value of the Loans Purchased or the Assumed Liabilities between the Closing Balance Sheet and the Post-Closing Balance Sheet together with interest thereon computed from the Effective Date to the Adjustment Payment Date at the applicable Interest Rate (as hereinafter defined).

(b) In the event that a dispute arises as to the appropriate amounts to be paid to either party on the Adjustment Payment Date, each party shall pay to the other on such Adjustment Payment Date, all amounts other than those as to which a dispute exists. Any disputed amounts retained by a party which are later found to be due to the other party shall be paid to such party promptly upon resolution with interest thereon from the Adjustment Payment Date to the date paid at the rate of two and one-half percent (2.5%) per annum (the "Interest Rate").

ARTICLE III INDEMNIFICATION

Section 3.1. Seller's Indemnification of Buyer.

Seller shall indemnify, hold harmless and defend Buyer from and against any and all claims, losses, liabilities, demands and obligation, including reasonable attorney's fees and expenses, relating to or arising from (i) (subject to the provisions of Section 9.1 below regarding Seller's failure to close) a breach by Seller of any covenant, promise, agreement, representation or warranty contained herein; or (ii) real estate taxes, intangibles and franchise taxes, sales and use taxes, social security and unemployment taxes, all accounts payable and operating expenses (including salaries, rents and utility charges) incurred prior to the Effective Date and which are claimed or demanded on or after the Effective Date but not reflected on the Closing Statement. Seller's indemnification shall be limited to the amount as established at Subsection 1.2(a).

Section 3.2. Buyer's Indemnification of Seller.

Buyer shall indemnify, hold harmless and defend Seller from and against any and all claims, losses, liabilities, demands and obligation, including reasonable attorney's fees and expenses, relating to or arising from (i) (subject to the provisions of Section 9.1 below regarding Buyer's failure to close) a breach by Buyer of any covenant, promise, agreement, representation or warranty contained herein or (ii) real estate taxes, intangibles and franchise taxes, sales and use taxes, social security and unemployment taxes, all accounts payable and operating expenses (including salaries, rents and utility charges) incurred on or after the Effective Date and which involve Buyer's operation of the Office or Buyer's ownership of the Assets; or (iii) Buyer's failure to pay and discharge the Assumed Liabilities pursuant to this Agreement. Buyer's indemnification shall be limited to the amount as established as Subsection 1.2(a).

Section 3.3. Claims for Indemnity.

(a) A claim for indemnity under Sections 3.1 or 3.2 of this Agreement may be made by the claiming party at any time prior to twelve (12) months after the Effective Date by the giving of a written notice thereof to the other party. Such written notice shall set forth in reasonable detail the basis upon which claim for indemnity is made. In the event that any such claim is made within the prescribed twelve (12) month period, the indemnity relating to such claim shall survive until such claim is resolved. Claims not made within such twelve (12) month period shall cease and no indemnity shall be made therefor.

(b) In the event that any person or entity not a party to this Agreement shall make any demand or claim or file or threaten to file any lawsuit, which demand, claim or lawsuit may result in any liability, damage or loss to one party hereto of the kind for which such party is entitled to indemnification pursuant to Section 3.1 or 3.2 hereof, then, after written notice is provided by the indemnified party to the indemnifying party of such demand, claim or lawsuit, the indemnifying party shall have the option, at its cost and expense, to retain counsel for the indemnified party to defend any such demand, claim or lawsuit. In the event that the indemnifying party shall fail to respond within five (5) days after receipt of such notice of any such demand, claim or lawsuit, then the indemnified party shall retain counsel and conduct the defense of such demand, claim or lawsuit as it may in its discretion deem proper, at the cost and expense of the indemnifying party. In effecting the settlement of any such demand, claim or lawsuit, an indemnified party shall act in good faith, shall consult with the indemnifying party and shall enter into only such settlement as the indemnifying party shall approve (the indemnifying party's approval will be implied if it does not respond within ten (10) days of its receipt of the notice of such settlement offer).

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows, which representations and warranties shall survive the Effective Date for a period of twelve (12) months:

Section 4.1. Corporate Organization .

Seller is a banking association organized, validly existing and in good standing under the laws of the United States and the State of Iowa. Seller has the corporate power and authority to own its property, to carry on its business as currently conducted and to effect the transactions contemplated herein.

Section 4.2. No Violation .

The Office has been operated by Seller in all material respects in accordance with applicable laws, rules and regulations. Neither the execution and delivery of this agreement, nor the consummation of the transactions contemplated herein, will violate or conflict with (i) Seller's Articles of Association or Bylaws, (ii) any material provision of any material agreement or any other material restriction of any kind to which Seller is a party or by which Seller is bound, (iii) any material statute, law, decree, regulation or order of any governmental authority, or (iv) any material provision which will result in a default under, or which causes the acceleration of the maturity of, any material obligations or loan to which the Seller is a party.

Section 4.3. Corporate Authority .

The execution and delivery of this Agreement, and the consummation of the transactions contemplated herein, have been duly authorized by the Seller's Board of Directors (or the Executive Committee thereof). No further corporate authorization is necessary for Seller to consummate the transactions contemplated hereunder.

Section 4.4. Enforceable Agreement.

This Agreement has been duly authorized, executed and delivered by Seller and is the legal, valid and binding agreement of Seller, enforceable in accordance with its terms, subject to the receipt of all necessary regulatory approvals and except as enforcement may be limited by bankruptcy, insolvency or other laws of general applicability relating to creditor's rights, or general equitable principles.

Section 4.5. No Brokers.

All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Seller and Buyer, and there has been no participation or intervention by any other persons, firm or corporation employed or engaged by or on behalf of Seller in such a manner as to give rise to any valid claim against Seller or Buyer for a brokerage commission, finders fee or like commission.

Section 4.6. Real Property.

Seller makes the following representations regarding the Real Property:

- (a) Seller has and can convey to Buyer good title to the Real Property, furniture, fixtures and equipment, free and clear of all liens, security interest and encumbrances of any nature whatsoever.
- (b) Seller has no knowledge of any condemnation proceedings pending against the Real Property.
- (c) Seller has not entered into any agreement regarding the Real Property, and neither Seller nor the Real Property is subject to any claim, demand, suit, unfiled lien, charge, encumbrance or conditional sale or other title retention agreement except for real property taxes not yet due and payable, and easements and rights of way which do not materially interfere with the use of the Real Property as an Office.

Section 4.7. Condition of Property.

The Real Property to be purchased by Buyer hereunder is sold AS IS, WHERE IS, with no warranties or representations whatsoever, except (i) as to title; and (ii) as may be expressly represented or warranted in this Agreement.

Section 4.8. Certain Loan Representations.

Seller represents and warrants to Buyer as of the Effective Date with respect to each of the Loans as follows: (i) all Loans and all related documentation, including but not limited to promissory notes, loan agreements, and security interests, have been made and executed in the ordinary course of business, contain genuine signatures of the named parties thereto, were given

for valid consideration and are all in full force and effect, and are enforceable in accordance with this Agreement; (ii) each Loan has been originated, closed and supervised in substantial accordance with all applicable laws and regulations; (iii) each security interest (including without limitation, each deed, mortgage, assignment, pledge and security agreement) taken or granted in connection with any such Loan creates a valid and enforceable security interest in the property described therein which has been duly perfected and has the priority reflected in the loan file relating to such Loan subject as to enforceability to the subsequent application of bankruptcy, equity or similar laws; and (iv) Seller is not aware of any claim or dispute regarding such Loan or any document securing such Loan.

Section 4.9. Deposit Liabilities .

From the date of this Agreement to and including the Effective Date, the Office has no liability to pay deposits other than those as shown on the books of Seller with respect to the Office.

Section 4.10. Litigation .

There is (i) no litigation, action, claim, proceeding, or governmental or regulatory investigation (collectively "Litigation") pending or, to the knowledge of the Board of Directors and/or management of Seller, threatened against Seller; or (ii) to the knowledge of the Board of Directors, any undisclosed liabilities relating to the assets and liabilities of the Office; which may have a material effect upon the deposits or assets of the Office or the transactions contemplated by this Agreement or upon Seller's ability to perform its obligations hereunder.

Section 4.11. Mechanic's Liens .

There are no unpaid charges, debts, liabilities, claims, or obligations arising from the construction, ownership, or operation of the Office which could give rise to any mechanic's or materialmen's or other statutory or equitable liens against the real estate occupied by the Office, or any part thereof, for which Buyer would be responsible.

Section 4.12. Accuracy of Representations and Warranties .

No representation or warranty by Seller in this Agreement nor in any certificate or other instrument furnished or to be furnished to Buyer pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading.

Section 4.13. Conduct of Business .

The thrift business of Seller, as conducted at the Office, has been conducted in substantial compliance with all material laws, regulations, judicial writs, orders, and decrees applicable to such business, including, but not limited to, laws of the United States and the State of Iowa and rules and regulations of the Office of Thrift Supervision and the Federal Deposit Insurance

Corporation, where any violation of such laws, rules, or regulations would have a material adverse impact on such business.

Section 4.14. Zoning .

The premises occupied by the Office to be purchased by Buyer and the occupancy or operation thereof is not in violation of any law or any building, zoning, or other ordinance, code, or regulation in such manner as to interfere with the use and occupancy thereof in the ordinary course of business of Buyer.

Section 4.15. Environmental Compliance .

To the best of Seller's knowledge , the Office and the operations thereof are in substantial compliance with all Environmental Laws, and such properties are not affected or threatened by any condemnation or eminent domain proceeding. "Environmental Laws," as used herein, shall mean all federal, state, and local laws, including statutes, regulations, ordinances, codes, rules, and other governmental restrictions and requirements relating to the environmental or hazardous substances, including, but not limited to, the Toxic Substance Act, the Clean Air Act, the Clean Water Act, the Resources Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, regulations of the Environmental Protection Agency, regulations of the Nuclear Regulatory Agency, and regulations of the Iowa State Department of Natural Resources or Iowa State Environmental Protection Agency in effect now or at any time prior to the Closing Date. Seller has and will prior to the Closing Date (i) comply with all applicable Environmental Laws at the Office; (ii) provide to Buyer, immediately upon receipt, copies of any correspondence, notice, pleading, citation, indictment, complaint, order, decree, or other document from any source asserting or alleging a circumstance or condition which requires or may require a clean up, removal, remediation, or other response by or on the part of Seller under Environmental Laws at the Office or which seek criminal or punitive penalties from Seller for an alleged violation of environmental Laws at the Office; and (iii) advise Buyer, in writing, as soon as Seller becomes aware of any condition or circumstance which makes the foregoing representation incomplete or inaccurate.

Section 4.16. Accounting Records .

The financial accounting records regarding the thrift business of Seller conducted at the Office and which have been or will be provided to Buyer have been or will be prepared in accordance with generally accepted accounting principles, as applied to thrift institutions, and do or will present fairly the financial position and results of operations of the thrift activities of the Office.

Section 4.17. Access to Office .

Until the Closing Date, Buyer shall have access, at reasonable times mutually agreeable to Seller and Buyer, to the premises and books and records of the Office.

Section 4.18. Information Reports.

Seller shall file with the Internal Revenue Service ("IRS"), in a manner acceptable to the IRS, all required informational reports, including, without limitation, all Form 1099s, to the extent interest was paid by Seller on Deposits at the Office which are transferred to Buyer pursuant to this Agreement.

Section 4.19. Processing of Items.

Seller shall promptly process, and provide to Buyer supporting documentation relating thereto, all checks, drafts and withdrawal orders presented to Seller through the clearing process against depositor accounts assumed by Buyer.

Section 4.20. Limitation of Representations and Warranties.

Except as may be expressly represented or warranted in this Agreement, Seller makes no representations of warranties whatsoever with regard to any assets being transferred to Buyer or any liability or obligation being assumed by Buyer or as to any other matter or thing.

**ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to Seller as follows, which representations and warranties shall survive the Effective Date for a period of twelve (12) months:

Section 5.1. Corporate Organization.

Buyer is an Iowa banking corporation, duly organized, chartered and validly existing under the laws of the State of Iowa. Buyer has the corporate power and authority to own the properties being acquired, to assume the liabilities being transferred and to effect the transactions contemplated herein.

Section 5.2. No Violation.

Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein, will violate or conflict with (i) the Articles of Incorporation or Bylaws of the Buyer, (ii) any material provision of any material agreement or any other material restriction of any kind to which Buyer is a party or by which Buyer is bound, (iii) any material statute, law, decree, regulation or order of any governmental authority, or (iv) any material provision which will result in a default under, or cause the acceleration of the maturity of, any material obligation or loan to which Buyer is a party.

Section 5.3. Corporate Authority.

The Execution and delivery of this agreement, and the consummation of the transactions contemplated herein, have been duly authorized by the Board of Directors (or Executive

Committee) of Buyer. No further corporate authorization on the part of the Buyer is necessary to consummate the transactions contemplated hereunder.

Section 5.4. Enforceable Agreement.

This Agreement has been duly authorized, executed and delivered by Buyer and is the legal, valid and binding agreement of Buyer enforceable in accordance with its terms, subject to the receipt of all necessary regulatory approvals and except as enforcement may be limited by bankruptcy, insolvency or other laws of general applicability relating to creditors' rights, or by general equitable principles.

Section 5.5. No Brokers.

All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Buyer and Seller, and there has been no participation or intervention by any other person, firm or corporation employed or engaged by or on behalf of Buyer in such a manner as to give rise to any valid claim against Buyer or Seller for a brokerage commission, finder's fee or like commission.

**ARTICLE VI
OBLIGATIONS OF PARTIES PRIOR TO AND AFTER
EFFECTIVE DATE**

Section 6.1. Full Access.

Seller shall afford to the officers and authorized representatives of Buyer, upon prior notice and subject to Seller's normal security requirements, access to the properties, books and records pertaining to the Office in order that Buyer may have full opportunity to make reasonable investigations, at reasonable times without interfering with the normal business and operations of the Office, of the affairs of Seller relating to the Office. The officers of Seller shall furnish Buyer with such additional financial and operating data and other information as to the business and properties of the Office, or where otherwise located, as Buyer may, from time to time, reasonably request and as shall be available, including without limitation, information required for inclusion in all governmental applications necessary to effect this transaction. Nothing in this Section 6.1 shall require Seller to breach any obligation of confidentiality or to reveal any proprietary information, trade secrets or marketing or strategic plans. Records, including credit information, relating to the Loans will be made available for review by Buyer after the execution of this Agreement.

Section 6.2. Applications for Approval to Effect Purchase of Assets and Assumption of Liabilities.

Buyer shall prepare and file applications required by law with the appropriate regulatory authorities for approval to purchase the Assets and assume the Assumed Liabilities, and to effect in all other respects the transactions contemplated herein. Buyer shall use its best efforts to file such applications by February 19, 2007, and to process such application(s) in a diligent manner

Buyer shall provide Seller with copies of all applications , materials, notices, orders, opinions, correspondence and other documents with respect to such regulatory filings, and shall use its best efforts to obtain all necessary regulatory approvals. Buyer shall promptly notify Seller upon receipt by Buyer of notification that any application provided for hereunder has been denied. Seller shall provide such assistance and information to Buyer and shall make such regulatory filings as shall be reasonably necessary on Seller's part for Buyer to comply with the requirements of the applicable regulatory authorities, including, but not limited to any required notices regarding the closing of the Office.

Section 6.3. Conduct of Business: Maintenance of Properties .

(a) From the date the Agreement is signed until the Effective Date, Seller covenants that it will:

(1) Carry on the business of the Office substantially in the same manner as on the date hereof, use all reasonable efforts to preserve intact its current business organization and preserve its business relationships with depositors, customers and others having business relationships with it and whose accounts will be retained at the Office; provided, however, that Seller need not, in its sole discretion, advertise or promote new or substantially new customer services in the principal market of the Office.

(2) Cooperate with and assist Buyer in assuring the orderly transition of the business of the Office to Buyer from Seller;

(3) Maintain the Real Property, furniture and equipment in its current condition, ordinary wear and tear excepted; and

(4) Create new deposit relationships only in a manner consistent with past practices and upon rates and terms consistent with rates and terms provided by competing financial institutions in the market areas served by the Office.

(5) Seller retains all discretion as to the granting or denial of credit in the making of any loans from the Office from and after the date of Buyer's last due diligence examination to and including the Effective Date and Buyer shall not exercise any decision making power or authority over Seller's credit decisions, provided, however, that with regard to any loan extension and any new loan which exceeds the sum of Fifty Thousand Dollars (\$50,000.00) and with regard to any Loan renewal (of a Loan to be purchased by Buyer) involving any capitalization of interest, prior to committing to make, renew or amend the terms of any such Loans, Seller shall notify Buyer and provide Buyer with access to the Loan file and other relevant information concerning the credit thus extended by Seller. Upon receipt of such notice, Buyer shall make a decision within two (2) business days after the time of notice to accept or reject any such Loan, and if accepted or not rejected within the two (2) business days, the Loan shall be purchased by Buyer at the Closing. The loans rejected by Buyer, if made by Seller, shall be retained by the Seller and shall not be included in the Loans acquired pursuant to Section 1.4(a).

Section 6.4. No Solicitation by Seller.

For a period of thirty-six (36) months after the Effective Date, Seller shall not (i) establish any banking facility within a twenty (20) mile radius of the Office; or, (ii) solicit any customer of the Office as of the Closing Date with whom it has no other previously established banking relationship at locations of the Seller other than the Office; or, (iii) no advertising in Laurens paper; provided, however, these restrictions shall not restrict general mass mailings to the public or newspaper, radio or television advertisements of a general nature, not targeting customers of the Office, or otherwise prevent Seller from taking such actions as may be required to comply with any applicable federal or state laws, rules or regulations and provided further that not more than thirty (30) days after the date of this Agreement, Seller shall provide to Buyer a list of customers of the Office with whom it has such a previously established banking relationship at locations other than the Office. Seller covenants and agrees to use its best efforts to completely purge its mailing and marketing lists of all deposit and loan customers of the Office with whom it has no other previously established banking relationship, provided that Seller shall have the right to retain records reasonably needed for tax or regulatory purposes.

Section 6.5. Further Actions.

The parties hereto shall execute and deliver such instruments and take such other actions as the other party may reasonably require to carry out the intent of this Agreement.

Section 6.6. Fees and Expenses.

Buyer shall be responsible for the costs of all surveys, and recording fees related to the Real Property, and each party shall be responsible for its own attorneys' and accountants' fees and expenses and regulatory filing fees related to this transaction.

Section 6.7. Breaches with Third Parties.

Nothing in this Agreement shall constitute an agreement to assign, or the assignment of, any material claim, contract, license, lease, commitment, sales order or purchase order or any material claim of right or any benefit arising thereunder or resulting therefrom, if an assignment or attempted assignment thereof, without the consent of a third party thereto, would be in violation of any law or regulation, or would constitute a breach thereof or materially affect the rights of Buyer or Seller thereunder; and any transfer or assignment to the Buyer or Seller of any material property or property rights or any contract or agreement which shall require the consent or approval of any third party, shall be made subject to such consent or approval being obtained.

Section 6.8. Insurance.

On the Effective Date, Seller will discontinue its insurance coverage maintained in connection with the Office and the activities conducted thereon. Buyer shall be responsible for all insurance protection for the Office premises and the activities conducted thereon immediately following the Effective Date. Pending the Closing, risk of loss shall be the responsibility of the Seller.

Section 6.9. Public Announcements.

Except as is necessary to obtain the regulatory approvals contemplated by this Agreement, Seller and Buyer agree that, from the date hereof, neither shall make any public announcement or public comment regarding this Agreement or the transactions contemplated herein without first consulting with the other party hereto and reaching an agreement upon the substance and timing of such announcement or comment. Further, Seller and Buyer acknowledge the sensitivity of this transaction to the Employees and no announcement or communication with the Employees shall be made without the prior approval of the Seller. However, the parties may make public announcement as required by law or any governing regulatory body, including but not limited to the SEC, but only after making every effort to notify the employees first.

Section 6.10. Further Negotiations.

Each party recognizes and acknowledges that between the date of this Agreement and the Effective Date, each will expend a great deal of time and expense in proceeding in good faith to close the transaction. Accordingly, neither Buyer or Seller will conduct, initiate or continue any discussions or negotiations or enter into any understanding, arrangement or agreement with any other party or entity in connection with the matters set forth herein prior to the Effective Date.

**ARTICLE VII
CONDITIONS TO BUYER'S OBLIGATIONS**

The obligations of Buyer to complete the transactions contemplated in this Agreement are conditioned upon fulfillment, on or before the Effective Date, of each of the following conditions:

Section 7.1. Representations and Warranties True.

The representations and warranties made by Seller in this Agreement shall be true and correct in all material respects on and as of the Effective Date as though such representations and warranties were made at and as of such time, except for any changes permitted by the terms hereof or consented to by Buyer.

Section 7.2. Obligations Performed.

Seller shall (i) deliver or make available to Buyer those items required by Section 2.2 hereof and (ii) perform and comply in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by it prior to or on the Effective Date.

Section 7.3. No Adverse Litigation.

On the Effective Date, no Litigation shall be pending or threatened against Seller which is reasonably likely to (i) materially and adversely affect the business, properties and assets of the Office, or (ii) materially and adversely affect the transactions contemplated herein.

Section 7.4. Regulatory Approval.

Each of Buyer and Seller shall have received all necessary regulatory approvals of the transactions provided in this Agreement, all notices and waiting periods required by law to pass shall have passed, no proceeding to enjoin, restrain, prohibit or invalidate such transactions shall have been instituted or threatened, and any conditions of any regulatory approval shall have been met.

Section 7.5. List of Customers.

The list of customers with whom Seller claims to have a previously existing banking relationship at locations other than the Office which Seller shall deliver to Buyer pursuant to Section 6.5 above, shall be acceptable to Buyer in its reasonable discretion.

Section 7.6. Buyer's Due Diligence.

The results of Buyer's review of the books and records of the Office relating to the Assets to be acquired and the Assumed Liabilities, shall be satisfactory to Buyer in its reasonable discretion.

**ARTICLE VIII
CONDITIONS TO SELLER'S OBLIGATIONS**

The obligations of Seller to complete the transactions contemplated in this Agreement are conditioned upon fulfillment, on or before the Effective Date, of each of the following conditions:

Section 8.1. Representations and Warranties True.

The representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects on and as of the Effective Date as though such representations and warranties were made at and as of such time, except for any changes permitted by the terms hereof or consented to by Seller.

Section 8.2. Obligations Performed.

Buyer shall (i) deliver or make available to Seller those items required by Section 2.2 hereof and (ii) perform and comply in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by it prior to or on the Effective Date.

Section 8.3. No Adverse Litigation.

On the Effective Date, no action, suit or proceeding shall be pending or threatened

against Buyer which is reasonably likely to materially and adversely affect the transactions contemplated herein.

Section 8.4. Regulatory Approval.

Each of Buyer and Seller shall have received all necessary regulatory approvals of the transactions provided in this Agreement, all notices and waiting periods required by law to pass shall have passed, no proceeding to enjoin, restrain, prohibit or invalidate such transactions shall have been instituted or threatened, and any conditions of any regulatory approval shall have been met.

**ARTICLE IX
LIQUIDATED DAMAGES**

Section 9.1. Failure of Performance.

Unless otherwise agreed in writing by the Seller and Buyer and provided that (i) the conditions to the Buyer's obligations as set forth in Section 1.9 and Article 7 of this Agreement have been satisfied in all material respects, and (ii) the conditions to Seller's obligations set forth in Article 8 of this Agreement have been satisfied in all material respects; if either Buyer or Seller (either a "Breaching Party") fails to complete the transactions contemplated by this Agreement, such Breaching Party shall pay to the other party (either a "Non-Breaching Party") the amount of Two Hundred Fifty Thousand Dollars (\$250,000) as liquidated damages, which payment shall be in lieu of all other remedies or actions at law or in equity available to the Non-Breaching Party, and shall be entitled to obtain judgment for such amount against the Breaching Party as permitted by law.

**ARTICLE X
TERMINATION**

Section 10.1. Methods of Termination.

This Agreement may be terminated in any of the following ways:

- (a) By either Buyer or Seller, in writing five (5) days in advance of such termination, if the Closing has not occurred by June 30, 2007 but any such termination shall be subject to Article IX above if all conditions precedent to Buyer's and Seller's obligations have been satisfied;
- (b) At any time on or prior to the Effective Date by the mutual consent in writing of Buyer and Seller;
- (c) On the Effective Date, by Buyer, in writing, if the obligations set forth in Article VII of this Agreement shall not have been met by Seller or waived in writing by Buyer;
- (d) On the Effective Date, by Seller, in writing, if the conditions set forth in Article VIII of this Agreement shall not have been met by Buyer or waived in writing by Seller;

(e) Any time on or prior to the Effective Date, by Buyer or Seller in writing if the other shall have been in breach of the representations or warranties in any material respect (as if any such representation or warranty had been made on and as of the date hereof and on the date of the notice of breach referred to below), or a breach of any covenant or obligation contained herein, and such breach has not been cured by the earlier of thirty (30) days after the giving of notice to the breaching party of such breach or the Effective Date; provided, however, that there shall be no cure period in connection with any breach of Section 6.2 hereof, so long as such breach by Buyer was not caused by any action or inaction of Seller;

(f) By either Buyer or Seller in writing at any time after any applicable regulatory authority has denied approval of any application of Buyer for approval of the transactions contemplated herein or such application has been withdrawn after Buyer has in good faith met the requirements of Section 6.2 hereof; or

(g) In accordance with the provisions of Section 1.9 hereof.

Section 10.2. Procedure Upon Termination.

In the event of termination pursuant to Section 10.1 hereof written notice thereof shall be given to the other party, and this Agreement shall terminate immediately upon receipt of such notice unless an extension is consented to by the party having the right to terminate. If this Agreement is terminated as provided herein:

(a) Each party will return all documents, work papers and other materials of the other party, including photocopies or other duplications thereof, relating to this transaction, whether obtained before or after the execution hereof, to the party furnishing the same; and

(b) All information received by either party hereto with respect to the other party (other than information which is a matter of public knowledge or which has heretofore been published in any publication for public distribution or filed as public information with any government authority) shall not at any time be used for any business purpose by such party or disclosed by any such party to third parties.

**ARTICLE XI
MISCELLANEOUS PROVISIONS**

Section 11.1. Amendment and Modification.

The parties hereto, by mutual consent of their duly authorized officers, may amend, modify and supplement this Agreement in such manner as may be agreed upon by them in writing.

Section 11.2. Waiver or Extension.

Except with respect to required approvals of the applicable governmental authorities, either party, by written instrument signed by a duly authorized officer, may extend the time for the performance of any of the obligations or other acts of the other party and may waive (i) any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (ii) compliance with any of the undertakings, obligations, covenants or other acts contained herein.

Section 11.3. Assignment.

This Agreement and all of the provisions hereof shall be binding upon, and shall inure to the benefit of, the parties hereto and their permitted assigns, but neither this Agreement nor any rights, interests or obligations hereunder shall be assigned by either of the parties without the prior written consent of the other.

Section 11.4. Confidentiality.

Seller and Buyer covenant and agree that all information received by either of them with respect to the business of the other (other than information which is a matter of public knowledge or which has heretofore been published in any publication for public distribution or which has heretofore, or which is hereafter, filed as public information with any governmental authority) shall not at any time be used for any business purpose or disclosed by such party to third persons. This covenant and agreement shall survive the consummation of the transactions contemplated herein.

Section 11.5. Addresses for Notices, Etc.

All notices, requests, demands, consents and other communications provided for hereunder and under the related documents shall be in writing and mailed (by registered or certified mail, return receipt requested), telegraphed, telexed, telecopied or personally delivered (with receipt thereof acknowledged) to the applicable party at the address indicated below:

If to Seller:

Benjamin Guenther
MetaBank
Erie at Fifth
Storm Lake, Iowa 50588

Telephone: (712) 732-4105
Facsimile: (712) 732-7105
Email: bguenther@metabankonline.com

with a copy to:

Gary W. Armstrong
Mack, Hansen, Gadd, Armstrong & Brown, P.C.
316 East Sixth Street

Storm Lake, IA 50588-0278

Telephone: (712) 732-3538

Facsimile: (712) 732-7578

Email: mhgab@iw.net

If to Buyer:

Kris Ausborn
Iowa Trust & Savings Bank
2101 10th Street
P.O. Box 159
Emmetsburg, IA 50536-0159

Telephone: (712) 852-3451
Facsimile: (712) 852-4232
Email: kausborn@iowatrustbank.com

with a copy to:

Robert A. Mullen
Belin Law Firm
The Financial Center
666 Walnut, Suite 2000
Des Moines, IA 50309-3989

Telephone: (515) 243-7100
Facsimile: (515) 558-0715
Email: ramullen@belinlaw.com

Section 11.6. Counterparts.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

Section 11.7. Headings.

The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement.

Section 11.8. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Iowa.

Section 11.9. Entire Agreement.

This Agreement, the exhibits and attachments hereto, represent the entire agreement between the parties hereto respecting the matters addressed herein and supersedes all prior or contemporaneous written or oral proposals, agreements in principle, representations, warranties and understandings between the parties.

Section 11.10. Expenses.

Except as otherwise provided in this Agreement, all legal, accounting and other costs and expenses incurred in connection with the execution, delivery and performance of this Agreement and of the transactions contemplated hereby shall be borne and paid by the party incurring such costs and expenses, and neither party shall be obligated for any cost or expense incurred by the other party.

Section 11.11. Severability.

If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement shall remain in effect.

Section 11.12. Parties in Interest.

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any person (other than the parties hereto, their successors and permitted assigns) and rights or remedies under or by reason of this Agreement, or any term, provision, condition, undertaking, warranty, representation, indemnity, covenant or agreement contained therein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

SELLER

METABANK

ATTEST:

By: /s/ Sandra Hegland
Its: Senior Vice President of HR

By: /s/ Benjamin Guenther
Its: President

BUYER

IOWA TRUST & SAVINGS BANK

ATTEST:

By: /s/ Cleta Ann Frascht
Its: /s/ Administrative Assistant

By: /s/ Kris M. Ausborn
Its: President

**AGREEMENT FOR
PURCHASE OF SELECTED ASSETS
AND ASSUMPTION OF CERTAIN LIABILITIES
OF THE SAC CITY, ODEBOLT AND LAKE VIEW OFFICES OF METABANK**

THIS AGREEMENT, dated as of January 31, 2007, by and between MetaBank, a financial institution chartered under the laws of the United States, having its principal place of business in Storm Lake, Iowa (the “**Seller**”), and Iowa State Bank, a financial institution chartered under the laws of the State of Iowa, presently having its principal place of business in Sac City, Iowa (the “**Buyer**”).

WITNESSETH:

WHEREAS, Seller wishes to divest, upon the terms and conditions set forth herein, certain assets and certain liabilities of its offices (the “**Offices**”) located at Sac City, Odebolt and Lake View, Iowa; and

WHEREAS, Buyer wishes to buy such assets and assume such liabilities upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth, Seller and Buyer agree as follows:

**ARTICLE I
TRANSFER OF ASSETS AND LIABILITIES**

Section 1.1. Transfer of Assets.

(a) As of the Effective Date (as defined in Section 2.1 below) and upon the terms and conditions set forth herein, Seller will sell, assign, transfer, convey and deliver to Buyer, and Buyer will purchase from Seller, all of the following assets associated with the Offices and identified in this Agreement and the Exhibits hereto, and not otherwise excluded from sale pursuant to the provisions of Subsection 1.1(b) below (herein the “**Assets**”):

- (1) All real estate as set forth on Exhibit 1.1(a)(1), and any improvements and fixtures thereon;
 - (2) All furniture, equipment and other miscellaneous personal property;
 - (3) Loans (as defined below) transferred pursuant to Section 1.4;
 - (4) All customer lists, customer histories and marketing information pertaining to the Offices;
 - (5) All property records, warranty information, manuals and other information such as maintenance records;
-

(6) All loan files, loan records and other credit information concerning the customers of the Offices whose loans are acquired by Buyer and all records and files regarding the Assumed Liabilities (as defined below) ; and,

(7) Cash on hand.

(b) Excluded from the assets, properties and rights being transferred, conveyed and assigned to Buyer under this Agreement are the assets listed on Exhibit 1.1(b) hereto. These excluded assets include Seller's corporate logos, trademarks, trade names, signs, paper stock, forms and other supplies containing any such logos, trademarks or trade name (the "**Excluded Assets**"). Seller shall coordinate with the Buyer the removal of the Excluded Assets from the Offices on or prior to the Effective Date. Seller shall remove the Excluded Assets at its own cost and shall make any repairs necessitated by Seller's negligence in removing the Excluded Assets.

Section 1.2. Purchase Price.

(a) As consideration for the purchase of the Assets and assumption of the Assumed Liabilities, as defined in Section 1.2(b) hereof, Buyer shall pay to Seller a purchase price equal to the sum of the following:

(1) \$2,460,000.00 for assets listed in Section 1.1(a)(1,2,4,5 and 6);

(2) The Par Value (Principal and Accrued Interest to Effective Date), of the Loans to be purchased as set forth in Section 1.4 hereof ; and,

(3) Cash on hand at par.

(b) In addition to the payment of the purchase price under Section 1.2(a) above, Buyer shall assume, as of the Effective Date, and the Deposit Liabilities (collectively the "**Assumed Liabilities**"); provided, that any cash items paid by Seller and not cleared prior to the Effective Date shall be the responsibility of Seller, subject to the terms of Section 1.3 below.

(c) Except for the Assumed Liabilities, Buyer is not assuming any liabilities or obligations of any kind or nature. Liabilities and obligations not assumed include, but are not limited to, the following:

(1) Seller's cashier checks, letters of credit, money orders, interest checks and expense checks issued prior to the Closing, consignments of U.S. Government "E" and "EE" bonds and any and all traveler's checks; or

(2) Deposit accounts associated with qualified retirement plans (other than IRA accounts and burial trusts which Buyer will assume) where Seller is the trustee of such plan or the sponsor of a prototype plan used by such plan; or

(3) Liabilities and/or obligations arising out of or related to the employment of any Employee by Seller; or

(4) General tort liabilities; or

(5) Liabilities and/or obligations and/or losses arising out of events occurring or circumstances existing on or prior to the Effective Date, whether or not such events or circumstances would be a covered risk or loss under any of Seller's errors and omissions insurance policies, directors' and officers' policies, worker's compensation and employer's liability policies, automobile policies, general liability or casualty insurance policies, commercial general liability insurance policies, umbrella and excess liability insurance policies, banker's blanket bond (s) and/or other fidelity bonds.

(d) Seller shall prepare a balance sheet (the "**Pre-Closing Balance Sheet**" which is also the Closing Statement referred to in Section 2.2(b)(13) below) in accordance with generally accepted accounting principles as of a date not earlier than three (3) business days prior to the Effective Date (the "**Pre-Closing Balance Sheet Date**") reflecting the assets to be sold and assigned hereunder (as set forth in Section 1.2 (a) hereof) and the liabilities to be transferred and assumed hereunder. Seller agrees to pay to Buyer at the Closing (as defined in Section 2.1 hereof), in immediately available funds in the amount due, as reflected by the Pre-Closing Balance Sheet. Amounts paid at Closing for the Loans purchased and the amount of assumed liabilities shall be subject to subsequent adjustment on the Post-Closing Balance Sheet (as defined in Section 2.3 hereof and which is also the Final Closing Statement).

Section 1.3. Liabilities.

(a) "Deposit Liabilities" shall mean all of Seller's duties, obligations, liabilities (including accrued interest) relating to the deposit accounts, including, without limitation, all demand, time, savings and individual retirement accounts, located at the Offices as of the Effective Date, as listed as deposits in Exhibit 1.3(a), with the exception of those specifically not assumed by Buyer pursuant to Section 1.2(c).

(b) Buyer agrees to pay in accordance with law and customary banking practices all properly drawn and presented checks, drafts and withdrawal orders presented to Buyer by mail, over the counter or through the check clearing system of the banking industry, by depositors of the accounts assumed, whether drawn on the checks, withdrawal or draft forms provided by Seller or by Buyer, and in all other respects to discharge, in the usual course of the banking business, the duties and obligation of Seller with respect to the balances due and owing to the depositors whose accounts are assumed by Buyer.

(c) If, after the Effective Date, any depositor, instead of accepting the obligation of Buyer to pay the Deposit Liabilities assumed, shall demand payment from Seller for all or any part of any such assumed Deposit Liabilities, Seller shall not be liable or responsible for making such payment. Seller and Buyer shall make arrangements to provide for the daily settlement with immediately available funds by Buyer of checks, drafts, withdrawal orders, returns and other items presented to and paid by Seller within sixty (60) days after the Effective Date and drawn on or chargeable to accounts that have been assumed by Buyer.

(d) Buyer may (i) assign new account numbers to depositors of assumed accounts, if needed, in the sole discretion of Buyer, (ii) notify such depositors, on or before the Effective

Date, in a form and on a date mutually acceptable to Seller and Buyer, of Buyer's assumption of Deposit Liabilities, and (iii) furnish such depositors with checks on the forms of Buyer and with instructions to utilize Buyer's checks and destroy unused check, draft and withdrawal order forms of Seller. In addition, Seller will notify its affected customers by letter of the pending assignment of Seller's deposit accounts to Buyer, which notice shall be at Seller's cost and expense and shall be in a form mutually agreeable to Seller and Buyer.

(e) Buyer shall pay promptly to Seller an amount equivalent to the amount of any checks, drafts or withdrawal orders credited to an assumed account as of the Effective Date that are returned to Seller after the Effective Date.

(f) On or after the Effective Date, Buyer will assume and discharge Seller's duties and obligations in accordance with the terms and conditions and laws, rules and regulation that apply to the certificates, accounts and other Deposit Liabilities assumed under this Agreement.

(g) On or after the Effective Date, Buyer will maintain and safeguard in accordance with applicable law and sound banking practices all account documents, deposit contracts, signature cards, deposit slips, canceled items and other records related to the Deposit Liabilities assumed under this Agreement, subject to Seller's right of access to such records as provided in this Agreement.

(h) Seller will render a final statement to each depositor of a demand or savings account assumed under this Agreement as to transactions occurring through the Effective Date and will comply with all laws, rules and regulations regarding tax reporting of transactions of such accounts through the Effective Date. Seller will not impose periodic fees or blanket charges in connection with such final statements.

(i) On or prior to the Effective Date, Buyer, at its expense, will use its best efforts to notify all Automated Clearing House ("ACH") originators of the transfers and assumptions made pursuant to the Agreement, and Seller shall furnish the required information. For a period of ninety (90) days beginning on the Effective Date, Seller will honor all ACH items related to accounts assumed under this Agreement which are mistakenly routed or presented to Seller. During such ninety (90) days period, Buyer shall remit by wire transfer on a daily basis the net amount of ACH items honored by Seller pursuant to this Agreement. Except as otherwise set forth in this Agreement, Seller will make no additional charges to Buyer for honoring such items. Items mistakenly routed or presented after the ninety (90) day period will be returned to the presenting party.

Section 1.4. Loans Transferred.

(a) Seller will transfer to Buyer on the Effective Date, subject to the terms and conditions of this agreement, all of Seller's right, title and interest (including collateral relating thereto) in loans maintained, serviced and listed in Seller's general ledger as loans of the Offices (severally referred to as "**Loan**" and collectively the "**Loans**"). Notwithstanding the foregoing, for purposes of this Agreement, the Loans shall include only those Loans specifically identified by Buyer as Loans it will purchase. In this regard, it is understood Buyer shall have the right to purchase or exclude any Loan or Loans previously identified as coded to the Seller's Sac City,

Odebolt and Lake View offices. The purchased loans shall be listed on Exhibit 1.4(a), shall be prepared by Buyer and furnished to Seller and affixed to this Agreement as a part hereof within thirty (30) days following Seller's delivery to Buyer of complete loan information.

(b) Buyer will become the beneficiary of credit life insurance and property casualty insurance written on direct consumer installment loans. Contemporaneously with the Closing, Seller shall notify the appropriate insurance companies of the transfer of Loans from Seller to Buyer and that Buyer shall become the beneficiary of any insurance policies relating to the transferred Loans and, as such, be entitled to all rights and privileges under such policies following the Effective Date, including, without limitation, any refunds paid after the Effective Date on such policies.

(c) In connection with the transfer of any Loans requiring notice to the borrower, Seller agrees to comply with all notice and reporting requirements of the loan documents or any law or regulation.

(d) All Loans transferred to Buyer shall be valued at their Par Value, such value to include interest, through the Effective Date.

(e) On or after the Effective Date, Buyer will be responsible for maintaining and safeguarding all loan files, documents and records related to the Loans in accordance with applicable law and sound banking practices.

(f) If the balance due on any Loan purchased pursuant to this Section 1.4 has been reduced by Seller as a result of a payment by check received before the Effective Date, which item is returned on or after the Effective Date, the asset value represented by the Loan transferred shall be correspondingly increased and an amount in cash equal to such increase shall be paid by Buyer to Seller promptly upon demand.

(g) Seller shall remit loan payments it receives after closing on loans purchased by the Buyer.

(h) The standard "dragnet" provisions of security documents which secure or are contained in other promissory notes made or held by Seller not constituting the Loans being acquired by Buyer shall not have priority over Buyer's security interest in collateral for a Loan transferred to Buyer hereunder.

Section 1.5. Employee Matters.

(a) Buyer may, but shall have no obligation to hire any employees of the Offices.

(b) Seller makes no representations or warranties about whether any of the Employees will remain employed at the Offices after the Effective Date. Seller will use its best efforts to maintain the Employees as employees of Seller at the Offices until the Effective Date. Any Employee whose employment shall be terminated for any reason prior to the Effective Date or who shall not be selected by Buyer to become an employee of Buyer shall be dealt with by Seller in its sole and absolute discretion. Seller shall be responsible for paying all federal, state

and local income tax withholding, social security taxes and any other payroll taxes applicable to the employment of Employees by Seller prior to the Effective Date. Seller agrees that, for a period of thirty-six (36) months after the Effective Date, it will not solicit for employment (i) any Employee who becomes employed by Buyer or (ii) any person known to Seller to have been employed by Buyer and whose employment by Buyer has been terminated, either by the Employee or by Buyer, without Buyer's prior written permission.

(1) At closing, Seller shall compensate Buyer for the accrued Paid Time Off (vacation and floating holidays) for Employees retained by Buyer. Accrued Sick Time is not a part of accrued Paid Time Off.

(aa) For those employees not retained by Buyer, Seller shall remain responsible for the administration of the employees' accrued Paid Time Off.

(c) No Employee of the Offices is a third party beneficiary of this Agreement and each Employee hired by Buyer shall be an employee at will.

(d) Seller shall have the right, but not the obligation, to retain any Employees not hired by Buyer. Any Employees retained by Seller shall be subject to the restrictions at Section 6.4.

Section 1.6. Records and Data Processing.

(a) On and after the Effective Date, Buyer shall become responsible for maintaining the files, documents and records referred to in this Agreement. Buyer will preserve and safekeep them as required by applicable law and sound banking practices for the joint benefit of Seller and Buyer. After the Effective Date, Buyer will permit Seller and its representatives, for reasonable cause, at reasonable times and upon reasonable notice and at Seller's expense, to examine, inspect, copy and reproduce any such files, documents or records as Seller deems reasonably necessary.

(b) On or after the Effective Date, Seller will permit Buyer and its representatives, for reasonable cause, at reasonable times and upon reasonable notice and at Buyer's expense, to examine, inspect, copy and reproduce files, documents or record retained by Seller regarding the assets and liabilities transferred under this agreement as Buyer deems reasonably necessary.

Section 1.7. Security.

On and after the Effective Date, Buyer shall be solely responsible for the security of and insurance on all persons and property located in or about the Offices.

Section 1.8. Taxes and Fees Proration of Certain Expenses: Allocation Form 8594.

(a) Buyer shall be responsible for the payment of all fees and taxes related to this transaction; except that Buyer shall not be responsible for, or have any liability with respect to, sales, transfer, income or similar taxes arising out of this transaction, if any, and Seller agrees that it shall pay, or represents that it has paid, in a timely manner any and all such taxes. Buyer

shall not be responsible for any income tax liability of Seller arising from the business or operations of the Offices on or before the Effective Date, and Seller shall not be responsible for any tax liabilities of Buyer arising from the business or operations of the Offices on or after the Effective Date. Utility payments, telephone charges, real property taxes, personal property taxes, rent, salaries, deposit insurance premiums, other ordinary operating expenses of the Offices and other expenses related to the liabilities assumed or assets purchased hereunder, including, without limitation, attorney's fees, costs and expenses incurred in connection with Litigation (as defined in Section 4.10 below), shall be prorated between the parties as of the Effective Date. To the extent any such item has been prepaid by Seller for a period extending beyond the Effective Date, there shall be a proportionate monetary adjustment in favor of Seller, but only to the extent such prepayment benefits Buyer.

(b) Seller and Buyer shall allocate the total consideration paid pursuant to this Agreement, including the deposit base intangible asset and other identifiable intangible assets acquired by Buyer pursuant to this Agreement, in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended. Accordingly, within one hundred twenty (120) days after the Closing, Buyer shall provide Seller copies of the Form 8594 and any required exhibits thereto (the "**Asset Acquisition Statement**") setting forth the allocation of the total consideration. Within twenty (20) days after receipt of the Asset Acquisition Statement (or any proposed revision thereof required to report any updated information), Seller shall propose any changes to Buyer or shall indicate its concurrence with the Asset Acquisition Statement which concurrence shall not be unreasonably withheld. Seller and Buyer shall endeavor in good faith to resolve any differences within twenty (20) days after Buyer's receipt of Seller's notice of any proposed changes. The parties agree to file the Asset Acquisition Statement with their respective federal tax returns in accordance with the instructions to Form 8594.

Section 1.9. Real Property.

(a) Seller shall deliver to Buyer as soon as reasonably possible after the execution of this Agreement an updated abstracts of title as to the Real Properties.

(b) Buyer shall notify Seller in writing within forty-five (45) days after Buyer's receipt of the updated abstract of any mortgages, pledges, material liens, encumbrances, restrictions, reservations, tenancies, encroachments, overlaps or other title exceptions or zoning or similar land use violations relating to the Real Properties to which Buyer reasonably objects (the "**Title Defects**"). Buyer agrees that Title Defects shall not include real property taxes not yet due and payable and easements and rights of way which do not materially interfere with the use of the Real Properties as Offices. Seller shall make a good faith effort to correct any such Title Defect to Buyer's reasonable satisfaction at least thirty (30) days prior to the Closing; provided, however, that Seller shall not be obligated to bring any lawsuit or make any payment of money (except to pay liens that Seller does not dispute in good faith) to cure a Title Defect. If Seller is unable to cure any such Title Defect to Buyer's reasonable satisfaction, Buyer shall have the option either to (i) terminate this Agreement in accordance with Article X of this Agreement, or (ii) receive title in its then existing condition.

(c) Buyer shall have the right to update the title matters at Closing for any change which may have arisen after the date of Buyer's original title search. If such update indicates any

new Title Defects, Seller may elect to delay the Closing for up to thirty (30) days while it makes a good faith effort to cure any such Title Defect to Buyer's reasonable satisfaction; provided that Seller shall not be obligated to bring any lawsuit or make any payment of money (except to pay liens that Seller does not dispute in good faith) to cure a Title Defect. If Seller is unable to cure any such Title Defect within the thirty (30) day period, Buyer shall have the option either (i) terminate this Agreement in accordance with the provisions of Article X of this Agreement, or (ii) receive title in its then existing condition.

ARTICLE II CLOSING AND EFFECTIVE DATE

Section 2.1. Dates.

The purchase of assets and assumption of liabilities provided for in this Agreement shall occur at a closing (the "**Closing**") on March 31, 2007 at a time and place mutually agreed upon by the parties (the "**Closing Date**") so long as this date follows the receipt of all requisite regulatory approvals and the expiration of all waiting periods imposed by law or by rule, regulation or order of any regulatory authority ("**Regulatory Prerequisites**"). If Regulatory Prerequisites do not allow the Closing Date to be March 31, 2007, then the Closing Date shall be on a day mutually agreeable to the parties, but in no event later than June 30, 2007. The parties may agree on an earlier Closing Date if permitted by the satisfaction of the Regulatory Prerequisites. The effective date of this Agreement (the "**Effective Date**") shall be 6:00 p.m. local time on the business day on which the Closing occurs.

Section 2.2. Closing.

(a) All actions taken and documents delivered at the Closing shall be deemed to have been taken and executed simultaneously, and no action shall be deemed taken nor any document delivered until all have been taken and delivered.

(b) At the Closing, subject to all the terms and conditions of this Agreement, Seller shall deliver to Buyer, or, in the case of subsections (b)(5), (6) and (8), make reasonably available to Buyer at the Offices:

(1) A Corporate Warranty Deed transferring title to the Real Properties, fixtures and improvements to Buyer;

(2) A limited warranty Bill of Sale, in substantially the form attached hereto as Exhibit 2.2(b)(2) (the "**Bill of Sale**"), transferring to Buyer all of Seller's interest in the Loans selected by Buyer and other personal property comprising the Assets;

(3) An Assignment and Assumption Agreement, in substantially the form attached hereto as Exhibit 2.2(b)(3) (the "**Assignment and Assumption Agreement**"), assigning Seller's interest in the Deposit Liabilities;

(4) Consents from third persons that are required, if any, to effect the assignments set forth in the Assignment and Assumption Agreement;

- (5) Seller's files and records relating to and evidencing the Loans;
 - (6) Seller's records related to the Deposit Liabilities assumed by the Buyer, including any stop payment orders and ACH records;
 - (7) Immediately available funds in the net amount shown as owing to Buyer by Seller on the Closing Statement;
 - (8) Such other assets to be purchased as shall be capable of physical delivery;
 - (9) A certificate of a proper officer of Seller, dated the Effective Date, certifying to fulfillment of all conditions which are the obligation of Seller and that all of the representations and warranties of Seller set forth in this agreement remain true and correct in all material respects on the Effective Date;
 - (10) Certified copies of (A) Federal stock charter and Bylaws of Seller and (B) a resolution of the Board of Directors of Seller, or its Executive Committee, approving the sale of the Offices contemplated hereby;
 - (11) Such certificates and other documents as Buyer and its counsel may reasonably require to evidence the receipt by Seller of all necessary corporate and regulatory authorizations and approvals for the consummation of the transactions provided for in this Agreement;
 - (12) Such other documents, instruments and agreements necessary to transfer and assign to Buyer all Loans, including, without limitation, all promissory notes duly endorsed and assignments of mortgages, security agreements, financing statements, guarantees and other collateral documents in form and content reasonably satisfactory to Buyer; and
 - (13) A Closing Statement (which shall be the Pre-Closing Balance Sheet), substantially in the form attached hereto as Exhibit 2.2(b)(13) (the "**Closing Statement**").
- (c) At the Closing, subject to all the terms and conditions of this Agreement, Buyer shall deliver to Seller:
- (1) The Assignment and Assumption Agreement;
 - (2) A certificate and receipt acknowledging the delivery and receipt of possession of the property and records referred to in this Agreement;
 - (3) A certificate of a proper officer of the Buyer, dated the Effective Date, certifying to the fulfillment of all conditions which are the obligations of Buyer and that all of the representations and warranties of Buyer set forth in this Agreement remain true and correct in all material respects in the Effective Date;
-

(4) Certified copies of (A) the Articles of Incorporation and Bylaws of Buyer and (B) a resolution of the Board of Directors of Buyer, or its Executive Committee, approving the purchase of the Offices contemplated hereby;

(5) Such certificates and other documents as Seller and its counsel may reasonably require to evidence the receipt by Buyer of all necessary corporate and regulatory authorizations and approvals for the consummation of the transactions provided for in this Agreement; and,

(6) The Closing Statement.

(d) Seller shall prepare at its expense and deliver to Buyer records in Seller's field format as of the Effective Date, which records shall contain the information related to the items described in subsections (b)(5) and (b)(6) above. Such records shall be delivered thirty (30) days prior to Closing, or at such other date as agreed to by the parties.

(e) All agreements and certificates described in this Section 2.2 shall be in form and substance reasonable satisfactory to the parties' respective legal counsel.

Section 2.3. Post-Closing Adjustments.

(a) Not later than fifteen (15) business days after the Effective Date (the "**Post-Closing Balance Sheet Delivery Date**"), Seller shall deliver to Buyer a balance sheet dated as of the Effective Date reflecting the assets sold and assigned hereunder as set forth in Section 1.2(a), and the liabilities transferred and assumed hereunder prepared in accordance with generally accepted accounting principles (the "**Post-Closing Balance Sheet**" or "Final Closing Statement") substantially in the form attached hereto as Exhibit 2.3(a). Additionally, Seller shall deliver to Buyer a list of the Loans purchased, individually identified by account number, which list shall be appended to the Bill of Sale. Seller shall afford Buyer and its accountants and attorneys the opportunity to review all work papers and documents used by Seller in preparing the Post-Closing Balance Sheet. Within fifteen (15) business days following the Post-Closing Balance Sheet Delivery Date (the "**Adjustment Payment Date**"), Seller or Buyer, as the case may be, shall effect the offer of any funds as may be necessary to reflect changes in the Par Value of the Loans Purchased or the Assumed Liabilities between the Closing Balance Sheet and the Post-Closing Balance Sheet together with interest thereon computed from the Effective Date to the Adjustment Payment Date at the applicable Interest Rate (as hereinafter defined).

(b) In the event that a dispute arises as to the appropriate amounts to be paid to either party on the Adjustment Payment Date, each party shall pay to the other on such Adjustment Payment Date, all amounts other than those as to which a dispute exists. Any disputed amounts retained by a party which are later found to be due to the other party shall be paid to such party promptly upon resolution with interest thereon from the Adjustment Payment Date to the date paid at the rate of two and one-half percent (2.5%) per annum (the "Interest Rate").

ARTICLE III INDEMNIFICATION

Section 3.1. Seller's Indemnification of Buyer.

Seller shall indemnify, hold harmless and defend Buyer from and against any and all claims, losses, liabilities, demands and obligation, including reasonable attorney's fees and expenses, relating to or arising from (i) (subject to the provisions of Section 9.1 below regarding Seller's failure to close) a breach by Seller of any covenant, promise, agreement, representation or warranty contained herein; or (ii) real estate taxes, intangibles and franchise taxes, sales and use taxes, social security and unemployment taxes, all accounts payable and operating expenses (including salaries, rents and utility charges) incurred prior to the Effective Date and which are claimed or demanded on or after the Effective Date but not reflected on the Closing Statement. Seller's indemnification shall be limited to the amount as established at Subsection 1.2(a).

Section 3.2. Buyer's Indemnification of Seller.

Buyer shall indemnify, hold harmless and defend Seller from and against any and all claims, losses, liabilities, demands and obligation, including reasonable attorney's fees and expenses, relating to or arising from (i) (subject to the provisions of Section 9.1 below regarding Buyer's failure to close) a breach by Buyer of any covenant, promise, agreement, representation or warranty contained herein or (ii) real estate taxes, intangibles and franchise taxes, sales and use taxes, social security and unemployment taxes, all accounts payable and operating expenses (including salaries, rents and utility charges) incurred on or after the Effective Date and which involve Buyer's operation of the Offices or Buyer's ownership of the Assets; or (iii) Buyer's failure to pay and discharge the Assumed Liabilities pursuant to this Agreement. Buyer's indemnification shall be limited to the amount as established as Subsection 1.2(a).

Section 3.3. Claims for Indemnity.

(a) A claim for indemnity under Sections 3.1 or 3.2 of this Agreement may be made by the claiming party at any time prior to twelve (12) months after the Effective Date by the giving of a written notice thereof to the other party. Such written notice shall set forth in reasonable detail the basis upon which claim for indemnity is made. In the event that any such claim is made within the prescribed twelve (12) month period, the indemnity relating to such claim shall survive until such claim is resolved. Claims not made within such twelve (12) month period shall cease and no indemnity shall be made therefor.

(b) In the event that any person or entity not a party to this Agreement shall make any demand or claim or file or threaten to file any lawsuit, which demand, claim or lawsuit may result in any liability, damage or loss to one party hereto of the kind for which such party is entitled to indemnification pursuant to Section 3.1 or 3.2 hereof, then, after written notice is provided by the indemnified party to the indemnifying party of such demand, claim or lawsuit, the indemnifying party shall have the option, at its cost and expense, to retain counsel for the indemnified party to defend any such demand, claim or lawsuit. In the event that the indemnifying party shall fail to respond within five (5) days after receipt of such notice of any such demand, claim or lawsuit, then the indemnified party shall retain counsel and conduct the defense of such demand, claim or lawsuit as it may in its discretion deem proper, at the cost and expense of the indemnifying party. In effecting the settlement of any such demand, claim or lawsuit, an indemnified party shall act in good faith, shall consult with the indemnifying party and shall enter into only such settlement as the indemnifying party shall approve (the

indemnifying party's approval will be implied if it does not respond within ten (10) days of its receipt of the notice of such settlement offer).

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows, which representations and warranties shall survive the Effective Date for a period of twelve (12) months:

Section 4.1. Corporate Organization.

Seller is a banking association organized, validly existing and in good standing under the laws of the United States and the State of Iowa. Seller has the corporate power and authority to own its property, to carry on its business as currently conducted and to effect the transactions contemplated herein.

Section 4.2. No Violation.

The Office has been operated by Seller in all material respects in accordance with applicable laws, rules and regulations. Neither the execution and delivery of this agreement, nor the consummation of the transactions contemplated herein, will violate or conflict with (i) Seller's Articles of Association or Bylaws, (ii) any material provision of any material agreement or any other material restriction of any kind to which Seller is a party or by which Seller is bound, (iii) any material statute, law, decree, regulation or order of any governmental authority, or (iv) any material provision which will result in a default under, or which causes the acceleration of the maturity of, any material obligations or loan to which the Seller is a party.

Section 4.3. Corporate Authority.

The execution and delivery of this Agreement, and the consummation of the transactions contemplated herein, have been duly authorized by the Seller's Board of Directors (or the Executive Committee thereof). No further corporate authorization is necessary for Seller to consummate the transactions contemplated hereunder.

Section 4.4. Enforceable Agreement.

This Agreement has been duly authorized, executed and delivered by Seller and is the legal, valid and binding agreement of Seller, enforceable in accordance with its terms, subject to the receipt of all necessary regulatory approvals and except as enforcement may be limited by bankruptcy, insolvency or other laws of general applicability relating to creditor's rights, or general equitable principles.

Section 4.5. No Brokers.

All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Seller and Buyer, and there has been no participation or intervention by any other persons, firm or corporation employed or engaged by or on behalf of Seller in such a

manner as to give rise to any valid claim against Seller or Buyer for a brokerage commission, finders fee or like commission.

Section 4.6. Real Property.

Seller makes the following representations regarding the Real Properties:

- (a) Seller has and can convey to Buyer good title to the Real Properties, furniture, fixtures and equipment, free and clear of all liens, security interest and encumbrances of any nature whatsoever.
- (b) Seller has no knowledge of any condemnation proceedings pending against the Real Properties.
- (c) Seller has not entered into any agreement regarding the Real Properties, and neither Seller nor the Real Properties is subject to any claim, demand, suit, unfiled lien, charge, encumbrance or conditional sale or other title retention agreement except for real property taxes not yet due and payable, and easements and rights of way which do not materially interfere with the use of the Real Properties as Offices.

Section 4.7. Condition of Property.

The Real Properties to be purchased by Buyer hereunder are sold AS IS, WHERE IS, with no warranties or representations whatsoever, except (i) as to title; and (ii) as may be expressly represented or warranted in this Agreement.

Section 4.8. Certain Loan Representations.

Seller represents and warrants to Buyer as of the Effective Date with respect to each of the Loans as follows: (i) all Loans and all related documentation, including but not limited to promissory notes, loan agreements, and security interests, have been made and executed in the ordinary course of business, contain genuine signatures of the named parties thereto, were given for valid consideration and are all in full force and effect, and are enforceable in accordance with this Agreement; (ii) each Loan has been originated, closed and supervised in substantial accordance with all applicable laws and regulations; (iii) each security interest (including without limitation, each deed, mortgage, assignment, pledge and security agreement) taken or granted in connection with any such Loan creates a valid and enforceable security interest in the property described therein which has been duly perfected and has the priority reflected in the loan file relating to such Loan subject as to enforceability to the subsequent application of bankruptcy, equity or similar laws; and (iv) Seller is not aware of any claim or dispute regarding such Loan or any document securing such Loan.

Section 4.9. Deposit Liabilities.

From the date of this Agreement to and including the Effective Date, the Offices have no liability to pay deposits other than those as shown on the books of Seller with respect to the Offices.

Section 4.10. Litigation .

There is (i) no litigation, action, claim, proceeding, or governmental or regulatory investigation (collectively “Litigation”) pending or, to the knowledge of the Board of Directors and/or management of Seller, threatened against Seller; or (ii) to the knowledge of the Board of Directors, any undisclosed liabilities relating to the assets and liabilities of the Offices; which may have a material effect upon the deposits or assets of the Offices or the transactions contemplated by this Agreement or upon Seller’s ability to perform its obligations hereunder.

Section 4.11. Mechanic’s Liens .

There are no unpaid charges, debts, liabilities, claims, or obligations arising from the construction, ownership, or operation of the Offices which could give rise to any mechanic’s or materialmen’s or other statutory or equitable liens against the real estate occupied by the Offices, or any part thereof, for which Buyer would be responsible.

Section 4.12. Accuracy of Representations and Warranties .

No representation or warranty by Seller in this Agreement nor in any certificate or other instrument furnished or to be furnished to Buyer pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading.

Section 4.13. Conduct of Business .

The thrift business of Seller, as conducted at the Offices, has been conducted in substantial compliance with all material laws, regulations, judicial writs, orders, and decrees applicable to such business, including, but not limited to, laws of the United States and the State of Iowa and rules and regulations of the Office of Thrift Supervision and the Federal Deposit Insurance Corporation, where any violation of such laws, rules, or regulations would have a material adverse impact on such business.

Section 4.14. Zoning .

The premises occupied by the Offices to be purchased by Buyer and the occupancy or operation thereof is not in violation of any law or any building, zoning, or other ordinance, code, or regulation in such manner as to interfere with the use and occupancy thereof in the ordinary course of business of Buyer.

Section 4.15. Environmental Compliance .

To the best of Seller’s knowledge , the Offices and the operations thereof are in substantial compliance with all Environmental Laws, and such properties are not affected or threatened by any condemnation or eminent domain proceeding. “Environmental Laws,” as used herein, shall mean all federal, state, and local laws, including statutes, regulations, ordinances, codes, rules, and other governmental restrictions and requirements relating to the environmental or hazardous

substances, including, but not limited to, the Toxic Substance Act, the Clean Air Act, the Clean Water Act, the Resources Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, regulations of the Environmental Protection Agency, regulations of the Nuclear Regulatory Agency, and regulations of the Iowa State Department of Natural Resources or Iowa State Environmental Protection Agency in effect now or at any time prior to the Closing Date. Seller has and will prior to the Closing Date (i) comply with all applicable Environmental Laws at the Offices; (ii) provide to Buyer, immediately upon receipt, copies of any correspondence, notice, pleading, citation, indictment, complaint, order, decree, or other document from any source asserting or alleging a circumstance or condition which requires or may require a clean up, removal, remediation, or other response by or on the part of Seller under Environmental Laws at the Offices or which seek criminal or punitive penalties from Seller for an alleged violation of environmental Laws at the Offices; and (iii) advise Buyer, in writing, as soon as Seller becomes aware of any condition or circumstance which makes the foregoing representation incomplete or inaccurate.

Section 4.16. Accounting Records .

The financial accounting records regarding the thrift business of Seller conducted at the Offices and which have been or will be provided to Buyer have been or will be prepared in accordance with generally accepted accounting principles, as applied to thrift institutions, and do or will present fairly the financial position and results of operations of the thrift activities of the Offices.

Section 4.17. Access to Offices .

Until the Closing Date, Buyer shall have access, at reasonable times mutually agreeable to Seller and Buyer, to the premises and books and records of the Offices.

Section 4.18. Information Reports .

Seller shall file with the Internal Revenue Service ("IRS"), in a manner acceptable to the IRS, all required informational reports, including, without limitation, all Form 1099s, to the extent interest was paid by Seller on Deposits at the Offices which are transferred to Buyer pursuant to this Agreement.

Section 4.19. Processing of Items .

Seller shall promptly process, and provide to Buyer supporting documentation relating thereto, all checks, drafts and withdrawal orders presented to Seller through the clearing process against depositor accounts assumed by Buyer.

Section 4.20. Limitation of Representations and Warranties .

Except as may be expressly represented or warranted in this Agreement, Seller makes no representations of warranties whatsoever with regard to any assets being transferred to Buyer or any liability or obligation being assumed by Buyer or as to any other matter or thing.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows, which representations and warranties shall survive the Effective Date for a period of twelve (12) months:

Section 5.1. Corporate Organization .

Buyer is an Iowa banking corporation, duly organized, chartered and validly existing under the laws of the State of Iowa. Buyer has the corporate power and authority to own the properties being acquired, to assume the liabilities being transferred and to effect the transactions contemplated herein.

Section 5.2. No Violation .

Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein, will violate or conflict with (i) the Articles of Incorporation or Bylaws of the Buyer, (ii) any material provision of any material agreement or any other material restriction of any kind to which Buyer is a party or by which Buyer is bound, (iii) any material statute, law, decree, regulation or order of any governmental authority, or (iv) any material provision which will result in a default under, or cause the acceleration of the maturity of, any material obligation or loan to which Buyer is a party.

Section 5.3. Corporate Authority .

The Execution and delivery of this agreement, and the consummation of the transactions contemplated herein, have been duly authorized by the Board of Directors (or Executive Committee) of Buyer. No further corporate authorization on the part of the Buyer is necessary to consummate the transactions contemplated hereunder.

Section 5.4. Enforceable Agreement .

This Agreement has been duly authorized, executed and delivered by Buyer and is the legal, valid and binding agreement of Buyer enforceable in accordance with its terms, subject to the receipt of all necessary regulatory approvals and except as enforcement may be limited by bankruptcy, insolvency or other laws of general applicability relating to creditors' rights, or by general equitable principles.

Section 5.5. No Brokers .

All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Buyer and Seller, and there has been no participation or intervention by any other person, firm or corporation employed or engaged by or on behalf of Buyer in such a manner as to give rise to any valid claim against Buyer or Seller for a brokerage commission, finder's fee or like commission.

ARTICLE VI
OBLIGATIONS OF PARTIES PRIOR TO AND AFTER
EFFECTIVE DATE

Section 6.1. Full Access.

Seller shall afford to the officers and authorized representatives of Buyer, upon prior notice and subject to Seller's normal security requirements, access to the properties, books and records pertaining to the Offices in order that Buyer may have full opportunity to make reasonable investigations, at reasonable times without interfering with the normal business and operations of the Offices, of the affairs of Seller relating to the Offices. The officers of Seller shall furnish Buyer with such additional financial and operating data and other information as to the business and properties of the Offices, or where otherwise located, as Buyer may, from time to time, reasonably request and as shall be available, including without limitation, information required for inclusion in all governmental applications necessary to effect this transaction. Nothing in this Section 6.1 shall require Seller to breach any obligation of confidentiality or to reveal any proprietary information, trade secrets or marketing or strategic plans. Records, including credit information, relating to the Loans will be made available for review by Buyer after the execution of this Agreement.

Section 6.2. Applications for Approval to Effect Purchase of Assets and Assumption of Liabilities.

Buyer shall prepare and file applications required by law with the appropriate regulatory authorities for approval to purchase the Assets and assume the Assumed Liabilities, and to effect in all other respects the transactions contemplated herein. Buyer shall use its best efforts to file such applications by February 19, 2007, and to process such application(s) in a diligent manner Buyer shall provide Seller with copies of all applications, materials, notices, orders, opinions, correspondence and other documents with respect to such regulatory filings, and shall use its best efforts to obtain all necessary regulatory approvals. Buyer shall promptly notify Seller upon receipt by Buyer of notification that any application provided for hereunder has been denied. Seller shall provide such assistance and information to Buyer and shall make such regulatory filings as shall be reasonably necessary on Seller's part for Buyer to comply with the requirements of the applicable regulatory authorities, including, but not limited to any required notices regarding the closing of the Offices.

Section 6.3. Conduct of Business: Maintenance of Properties.

(a) From the date the Agreement is signed until the Effective Date, Seller covenants that it will:

(1) Carry on the business of the Offices substantially in the same manner as on the date hereof, use all reasonable efforts to preserve intact its current business organization and preserve its business relationships with depositors, customers and others having business relationships with it and whose accounts will be retained at the Offices; provided, however, that Seller need not, in its sole discretion, advertise or promote new or substantially new customer services in the principal market of the Offices.

- (2) Cooperate with and assist Buyer in assuring the orderly transition of the business of the Offices to Buyer from Seller;
- (3) Maintain the Real Properties, furniture and equipment in its current condition, ordinary wear and tear excepted; and
- (4) Create new deposit relationships only in a manner consistent with past practices and upon rates and terms consistent with rates and terms provided by competing financial institutions in the market areas served by the Offices.
- (5) Seller retains all discretion as to the granting or denial of credit in the making of any loans from the Offices from and after the date of Buyer's last due diligence examination to and including the Effective Date and Buyer shall not exercise any decision making power or authority over Seller's credit decisions, provided, however, that with regard to any loan extension and any new loan which exceeds the sum of Fifty Thousand Dollars (\$50,000.00) and with regard to any Loan renewal (of a Loan to be purchased by Buyer) involving any capitalization of interest, prior to committing to make, renew or amend the terms of any such Loans, Seller shall notify Buyer and provide Buyer with access to the Loan file and other relevant information concerning the credit thus extended by Seller. Upon receipt of such notice, Buyer shall make a decision within two (2) business days after the time of notice to accept or reject any such Loan, and if accepted or not rejected within the two (2) business days, the Loan shall be purchased by Buyer at the Closing. The loans rejected by Buyer, if made by Seller, shall be retained by the Seller and shall not be included in the Loans acquired pursuant to Section 1.4(a).

Section 6.4. No Solicitation by Seller .

For a period of thirty-six (36) months after the Effective Date, Seller shall not (i) establish any banking facility within a twenty (20) mile radius of the Offices; or, (ii) solicit any customer of the Offices as of the Closing Date with whom it has no other previously established banking relationship at locations of the Seller other than the Offices; or, (iii) no advertising in Sac City, Odebolt or Lake View papers; provided, however, these restrictions shall not restrict general mass mailings to the public or newspaper, radio or television advertisements of a general nature, not targeting customers of the Offices, or otherwise prevent Seller from taking such actions as may be required to comply with any applicable federal or state laws, rules or regulations and provided further that not more than thirty (30) days after the date of this Agreement, Seller shall provide to Buyer a list of customers of the Offices with whom it has such a previously established banking relationship at locations other than the Offices. Seller covenants and agrees to use its best efforts to completely purge its mailing and marketing lists of all deposit and loan customers of the Offices with whom it has no other previously established banking relationship, provided that Seller shall have the right to retain records reasonably needed for tax or regulatory purposes.

Section 6.5. Further Actions .

The parties hereto shall execute and deliver such instruments and take such other actions as the other party may reasonably require to carry out the intent of this Agreement.

Section 6.6. Fees and Expenses.

Buyer shall be responsible for the costs of all surveys, and recording fees related to the Real Property, and each party shall be responsible for its own attorneys' and accountants' fees and expenses and regulatory filing fees related to this transaction.

Section 6.7. Breaches with Third Parties.

Nothing in this Agreement shall constitute an agreement to assign, or the assignment of, any material claim, contract, license, lease, commitment, sales order or purchase order or any material claim of right or any benefit arising thereunder or resulting therefrom, if an assignment or attempted assignment thereof, without the consent of a third party thereto, would be in violation of any law or regulation, or would constitute a breach thereof or materially affect the rights of Buyer or Seller thereunder; and any transfer or assignment to the Buyer or Seller of any material property or property rights or any contract or agreement which shall require the consent or approval of any third party, shall be made subject to such consent or approval being obtained.

Section 6.8. Insurance.

On the Effective Date, Seller will discontinue its insurance coverage maintained in connection with the Offices and the activities conducted thereon. Buyer shall be responsible for all insurance protection for the Offices premises and the activities conducted thereon immediately following the Effective Date. Pending the Closing, risk of loss shall be the responsibility of the Seller.

Section 6.9. Public Announcements.

Except as is necessary to obtain the regulatory approvals contemplated by this Agreement, Seller and Buyer agree that, from the date hereof, neither shall make any public announcement or public comment regarding this Agreement or the transactions contemplated herein without first consulting with the other party hereto and reaching an agreement upon the substance and timing of such announcement or comment. Further, Seller and Buyer acknowledge the sensitivity of this transaction to the Employees and no announcement or communication with the Employees shall be made without the prior approval of the Seller.

However, the parties may make public announcement as required by law or any governing regulatory body, including but not limited to the SEC, but only after making every effort to notify the employees first.

Section 6.10. Further Negotiations.

Each party recognizes and acknowledges that between the date of this Agreement and the Effective Date, each will expend a great deal of time and expense in proceeding in good faith to close the transaction. Accordingly, neither Buyer or Seller will conduct, initiate or continue any discussions or negotiations or enter into any understanding, arrangement or agreement with any other party or entity in connection with the matters set forth herein prior to the Effective Date.

ARTICLE VII
CONDITIONS TO BUYER'S OBLIGATIONS

The obligations of Buyer to complete the transactions contemplated in this Agreement are conditioned upon fulfillment, on or before the Effective Date, of each of the following conditions:

Section 7.1. Representations and Warranties True .

The representations and warranties made by Seller in this Agreement shall be true and correct in all material respects on and as of the Effective Date as though such representations and warranties were made at and as of such time, except for any changes permitted by the terms hereof or consented to by Buyer.

Section 7.2. Obligations Performed .

Seller shall (i) deliver or make available to Buyer those items required by Section 2.2 hereof and (ii) perform and comply in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by it prior to or on the Effective Date.

Section 7.3. No Adverse Litigation .

On the Effective Date, no Litigation shall be pending or threatened against Seller which is reasonably likely to (i) materially and adversely affect the business, properties and assets of the Offices, or (ii) materially and adversely affect the transactions contemplated herein.

Section 7.4. Regulatory Approval .

Each of Buyer and Seller shall have received all necessary regulatory approvals of the transactions provided in this Agreement, all notices and waiting periods required by law to pass shall have passed, no proceeding to enjoin, restrain, prohibit or invalidate such transactions shall have been instituted or threatened, and any conditions of any regulatory approval shall have been met.

Section 7.5. List of Customers .

The list of customers with whom Seller claims to have a previously existing banking relationship at locations other than the Offices which Seller shall deliver to Buyer pursuant to Section 6.5 above, shall be acceptable to Buyer in its reasonable discretion.

Section 7.6. Buyer's Due Diligence .

The results of Buyer's review of the books and records of the Offices relating to the Assets to be acquired and the Assumed Liabilities, shall be satisfactory to Buyer in its reasonable discretion.

ARTICLE VIII
CONDITIONS TO SELLER'S OBLIGATIONS

The obligations of Seller to complete the transactions contemplated in this Agreement are conditioned upon fulfillment, on or before the Effective Date, of each of the following conditions:

Section 8.1. Representations and Warranties True.

The representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects on and as of the Effective Date as though such representations and warranties were made at and as of such time, except for any changes permitted by the terms hereof or consented to by Seller.

Section 8.2. Obligations Performed.

Buyer shall (i) deliver or make available to Seller those items required by Section 2.2 hereof and (ii) perform and comply in all material respects with all obligations and agreements required by this Agreement to be performed or complied with by it prior to or on the Effective Date.

Section 8.3. No Adverse Litigation.

On the Effective Date, no action, suit or proceeding shall be pending or threatened against Buyer which is reasonably likely to materially and adversely affect the transactions contemplated herein.

Section 8.4. Regulatory Approval.

Each of Buyer and Seller shall have received all necessary regulatory approvals of the transactions provided in this Agreement, all notices and waiting periods required by law to pass shall have passed, no proceeding to enjoin, restrain, prohibit or invalidate such transactions shall have been instituted or threatened, and any conditions of any regulatory approval shall have been met.

ARTICLE IX
LIQUIDATED DAMAGES

Section 9.1. Failure of Performance.

Unless otherwise agreed in writing by the Seller and Buyer and provided that (i) the conditions to the Buyer's obligations as set forth in Section 1.9 and Article 7 of this Agreement have been satisfied in all material respects, and (ii) the conditions to Seller's obligations set forth in Article 8 of this Agreement have been satisfied in all material respects; if either Buyer or Seller (either a "Breaching Party") fails to complete the transactions contemplated by this Agreement, such Breaching Party shall pay to the other party (either a "Non-Breaching Party")

the amount of Two Hundred Fifty Thousand Dollars (\$250,000) as liquidated damages, which payment shall be in lieu of all other remedies or actions at law or in equity available to the Non-Breaching Party, and shall be entitled to obtain judgment for such amount against the Breaching Party as permitted by law.

ARTICLE X TERMINATION

Section 10.1. Methods of Termination .

This Agreement may be terminated in any of the following ways:

- (a) By either Buyer or Seller, in writing five (5) days in advance of such termination, if the Closing has not occurred by June 30, 2007 but any such termination shall be subject to Article IX above if all conditions precedent to Buyer's and Seller's obligations have been satisfied;
- (b) At any time on or prior to the Effective Date by the mutual consent in writing of Buyer and Seller;
- (c) On the Effective Date, by Buyer, in writing, if the obligations set forth in Article VII of this Agreement shall not have been met by Seller or waived in writing by Buyer;
- (d) On the Effective Date, by Seller, in writing, if the conditions set forth in Article VIII of this Agreement shall not have been met by Buyer or waived in writing by Seller;
- (e) Any time on or prior to the Effective Date, by Buyer or Seller in writing if the other shall have been in breach of the representations or warranties in any material respect (as if any such representation or warranty had been made on and as of the date hereof and on the date of the notice of breach referred to below), or a breach of any covenant or obligation contained herein, and such breach has not been cured by the earlier of thirty (30) days after the giving of notice to the breaching party of such breach or the Effective Date; provided, however, that there shall be no cure period in connection with any breach of Section 6.2 hereof, so long as such breach by Buyer was not caused by any action or inaction of Seller;
- (f) By either Buyer or Seller in writing at any time after any applicable regulatory authority has denied approval of any application of Buyer for approval of the transactions contemplated herein or such application has been withdrawn after Buyer has in good faith met the requirements of Section 6.2 hereof; or
- (g) In accordance with the provisions of Section 1.9 hereof.

Section 10.2. Procedure Upon Termination .

In the event of termination pursuant to Section 10.1 hereof written notice thereof shall be given to the other party, and this Agreement shall terminate immediately upon receipt of such

notice unless an extension is consented to by the party having the right to terminate. If this Agreement is terminated as provided herein:

(a) Each party will return all documents, work papers and other materials of the other party, including photocopies or other duplications thereof, relating to this transaction, whether obtained before or after the execution hereof, to the party furnishing the same; and

(b) All information received by either party hereto with respect to the other party (other than information which is a matter of public knowledge or which has heretofore been published in any publication for public distribution or filed as public information with any government authority) shall not at any time be used for any business purpose by such party or disclosed by any such party to third parties.

ARTICLE XI MISCELLANEOUS PROVISIONS

Section 11.1. Amendment and Modification .

The parties hereto, by mutual consent of their duly authorized officers, may amend, modify and supplement this Agreement in such manner as may be agreed upon by them in writing.

Section 11.2. Waiver or Extension .

Except with respect to required approvals of the applicable governmental authorities, either party, by written instrument signed by a duly authorized officer, may extend the time for the performance of any of the obligations or other acts of the other party and may waive (i) any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (ii) compliance with any of the undertakings, obligations, covenants or other acts contained herein.

Section 11.3. Assignment.

This Agreement and all of the provisions hereof shall be binding upon, and shall inure to the benefit of, the parties hereto and their permitted assigns, but neither this Agreement nor any rights, interests or obligations hereunder shall be assigned by either of the parties without the prior written consent of the other.

Section 11.4. Confidentiality.

Seller and Buyer covenant and agree that all information received by either of them with respect to the business of the other (other than information which is a matter of public knowledge or which has heretofore been published in any publication for public distribution or which has heretofore, or which is hereafter, filed as public information with any governmental authority) shall not at any time be used for any business purpose or disclosed by such party to third persons.

This covenant and agreement shall survive the consummation of the transactions contemplated herein.

Section 11.5. Addresses for Notices, Etc.

All notices, requests, demands, consents and other communications provided for hereunder and under the related documents shall be in writing and mailed (by registered or certified mail, return receipt requested), telegraphed, telexed, telecopied or personally delivered (with receipt thereof acknowledged) to the applicable party at the address indicated below:

If to Seller:

Benjamin Guenther
MetaBank
Erie at Fifth
Storm Lake, Iowa 50588

Telephone: (712) 732-4105
Facsimile: (712) 732-7105
Email: bguenther@metabankonline.com

with a copy to:

Gary W. Armstrong
Mack, Hansen, Gadd, Armstrong & Brown, P.C.
316 East Sixth Street
Storm Lake, IA 50588-0278

Telephone: (712) 732-3538
Facsimile: (712) 732-7578
Email: mhgab@iw.net

If to Buyer:

Stephen D. Spotts
Iowa State Bank
500 Audubon Street
Sac City, IA 50583

Telephone: (712) 662-4721
Facsimile: (712) 662-4950
Email: sspotts@scsbank.com

with a copy to:

Robert A. Mullen
Belin Law Firm
The Financial Center
666 Walnut, Suite 2000
Des Moines, IA 50309-3989

Telephone: (515) 243-7100
Facsimile: (515) 558-0715
Email: ramullen@belinlaw.com

Section 11.6. Counterparts .

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

Section 11.7. Headings .

The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement.

Section 11.8. Governing Law .

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Iowa.

Section 11.9. Entire Agreement .

This Agreement, the exhibits and attachments hereto, represent the entire agreement between the parties hereto respecting the matters addressed herein and supersedes all prior or contemporaneous written or oral proposals, agreements in principle, representations, warranties and understandings between the parties.

Section 11.10. Expenses .

Except as otherwise provided in this Agreement, all legal, accounting and other costs and expenses incurred in connection with the execution, delivery and performance of this Agreement and of the transactions contemplated hereby shall be borne and paid by the party incurring such costs and expenses, and neither party shall be obligated for any cost or expense incurred by the other party.

Section 11.11. Severability .

If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement shall remain in effect.

Section 11.12. Parties in Interest.

Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any person (other than the parties hereto, their successors and permitted assigns) and rights or remedies under or by reason of this Agreement, or any term, provision, condition, undertaking, warranty, representation, indemnity, covenant or agreement contained therein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

SELLER

METABANK

ATTEST:

By: /s/ Sandra Hegland
Its: Senior Vice President of HR

By: /s/ Benjamin Guenther
Its: President

BUYER

IOWA STATE BANK

ATTEST:

By: /s/ Bill Hess
Its: Chairman

By: /s/ Stephen D. Spotts
Its: President

STOCK PURCHASE AGREEMENT

BY AND AMONG

ANITA BANCORPORATION,

META FINANCIAL GROUP, INC. AND

METABANK WEST CENTRAL

DATED AS OF NOVEMBER 27, 2007

Exhibit List :

Exhibit A	-	Loans to be Removed Prior to Closing
Exhibit B	-	Legal Opinion of Seller's Counsel
Exhibit C	-	Forms for Redemption of Insurance

Schedule List:

Schedule 2.01	-	Shares
Schedule 2.03(b)	-	Adjustments to Purchase Price
Schedule 3.01(a)	-	Organization of Seller
Schedule 3.01(b)	-	Organization of Bank
Schedule 3.06	-	Absence of Undisclosed Liabilities
Schedule 3.07	-	Absence of Certain Changes
Schedule 3.08	-	Litigation
Schedule 3.10	-	Regulatory Matters
Schedule 3.11	-	Environmental, Health and Safety Matters
Schedule 3.12	-	Insurance
Schedule 3.13	-	Related Party Transactions
Schedule 3.14	-	Taxes
Schedule 3.15	-	Compliance with Law
Schedule 3.16	-	Intellectual Property
Schedule 3.18	-	Title to and Condition of Properties
Schedule 3.19	-	Employee Benefit Plans
Schedule 3.20	-	Contracts
Schedule 3.21	-	Affiliated Transactions
Schedule 3.22	-	No Conflict or Default
Schedule 3.24	-	Regulatory Matters
Schedule 3.25	-	Loans
Schedule 3.28	-	Offices and ATMs
Schedule 3.31	-	Community Reinvestment Act
Schedule 3.32	-	Investment Management
Schedule 3.34	-	Unauthorized Loans
Schedule 3.36	-	Insurance Contracts
Schedule 6.03	-	Conduct of Business
Schedule 8.04	-	Assigned Claims

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT is made this 27 day of November, 2007, by and among **ANITA BANCORPORATION**, an Iowa corporation (“Purchaser”), **META FINANCIAL GROUP, INC.**, a Delaware corporation (“Seller”), and **METABANK WEST CENTRAL**, an Iowa state-chartered commercial bank (the “Bank”). Seller and the Bank are collectively referred to herein as the “Companies” and individually as a “Company.”

RECITALS

- A. Seller is the record and beneficial owner of all of the outstanding shares of capital stock of the Bank (the “Shares”).
- B. Seller desires to sell to Purchaser and Purchaser desires to buy from Seller all of the Shares on the terms and conditions set forth in this Agreement.

AGREEMENTS

In consideration of the Recitals and the mutual agreements set forth below, the parties agree as follows:

1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the following meanings:
 - (a) The term “Affiliate” means with respect to any Person, any other person or entity that directly or indirectly controls, is controlled by, or is under common control with, such other Person or entity.
 - (b) The term “Applicable Laws” means all laws, orders, and regulations, and all judgments, decisions and orders of any Governmental Authority in effect on the date hereof that are applicable to any Company.
 - (c) The term “Claim” means any claim (including any product liability, malpractice or errors or omission claim), demand, cause of action, investigation, inquiry, suit, action or legal, administrative, arbitative or other proceeding.
 - (d) The term “Code” means the Internal Revenue Code of 1986, as amended.
 - (e) The term “Contracts” mean all contracts, commitments, agreements (including agreements for the borrowing of money or the extension of credit), leases or licenses to which any company is a party or by which any company is bound.
 - (f) The term “Data Conversion Costs” means all costs for the conversion of the Bank’s account records from Fiserv to Precision Computer Systems.
-

(g) The term “Derivative Transactions” means any swap transaction, option, warrant, forward purchase or sale transaction, futures transaction, cap transaction, floor transaction or collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rates, credit-related events or conditions or any indexes, or any other similar transaction or combination of any of these transactions, including collateralized mortgage obligations or other similar instruments or any debt or equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral or other similar arrangements related to such transactions.

(h) The term “Environmental Laws” means all applicable federal, state and local laws, rules, regulations, codes and ordinances, and binding determinations, orders, permits, licenses, injunctions, writs, decrees or rulings of any Governmental Authority, relative to or that govern or purport to govern air quality, soil quality, water quality, wetlands, natural resources, solid waste, hazardous waste, hazardous or toxic substances, pollution or the protection of public health, human health or the environment, including CERCLA, the Hazardous Materials Transportation Act (49 U.S.C. § 1801) the Federal Water Pollution Control Act (33 U.S.C. § 1251, et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901, et seq.), the Clean Air Act (42 U.S.C. § 7401, et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136, et seq.), and the Occupational Safety and Health Act of 1970 (29 U.S.C. § 651, et seq.), as each of these laws is in effect on the date hereof.

(i) The term “FDIC” means the Federal Deposit Insurance Corporation.

(j) The term “Governmental Authority” means any federal, state, municipal, foreign, international or other governmental department, commission, board, court, bureau, agency or instrumentality, or any arbitration panel or alternative dispute resolution body.

(k) The term “Hazardous Materials” means all hazardous substances, as that term is defined in CERCLA, and any other individual or class of pollutants, contaminants, toxins, chemicals, substances, wastes or materials in their solid, liquid or gaseous phase, regulated under any Environmental Law.

(l) The term “Intellectual Property” means all of the rights arising from or in respect of the following: (i) patents; (ii) trademarks, service marks, trade names, brand names, Internet domain names and goodwill associated therewith; (iii) copyrights; (iv) all trade secrets, inventions, technology, formulas, know-how, confidential information, computer software programs and applications, tangible and intangible proprietary information or materials; and (v) all applications filed, applications to be filed, and registrations relating to any of the foregoing clauses (i)-(iv) above.

(m) The term “IRS” means the U.S. Internal Revenue Service.

(n) The term “Liens” means all mortgages, security interests, title retention agreements, options to purchase, rights of first refusal, liens, easements, encumbrances, restrictions and other burdens of any nature whatsoever.

(o) The term “Material Adverse Effect” means any change, circumstance or effect individually or in the aggregate with all other changes, circumstances and effects, that is or would be reasonably likely to be materially adverse to the business, operations, assets, liabilities, and financial condition of the Bank, taken as a whole, or the right or ability of any Company to consummate any of the transactions contemplated hereby; provided, however, none of the following shall be deemed in themselves, either alone or in combination, to constitute a Material Adverse Effect: (i) any changes in general United States or global economic, regulatory or political conditions generally and which do not have a disproportionately adverse effect upon the Companies; (ii) any changes affecting the banking industry in general and which do not have a disproportionately adverse effect upon the Companies; or (iii) actions contemplated by the parties in connection with, or attributable to, the announcement of this Agreement and the transactions contemplated hereby (including but not limited to loss of personnel, customers or suppliers or the delay or cancellation of orders for products).

(p) The term “Permits” means all licenses, permits, approvals and certifications or similar items of any type necessary for the conduct of the business of the Bank as currently conducted.

(q) The term “Permitted Liens” means (i) liens created by or resulting from the actions of Purchaser or entities affiliated with Purchaser, (ii) statutory and contractual landlord liens incurred in the ordinary course of business for sums [a] not yet due and payable or [b] being contested in good faith, (iii) pledges or deposits made to secure any Company’s payment of worker’s compensation, unemployment insurance or other forms of governmental insurance or benefits or to participate in any fund in connection with worker’s compensation or unemployment insurance, in each case incurred in the ordinary course of business consistent with past practice, (iv) zoning and similar restrictions on the use of, and easements, restrictions, covenants, title defects and similar encumbrances on, real property that do not impair the use of such real property (other than of an inconsequential nature) or materially detract from the value of such real property upon which such restriction or encumbrance exists and that are not violated by existing structures or land use, (v) liens for taxes not yet due and payable, (vi) statutory mechanic’s liens and materialmen’s liens for services or materials and similar statutory liens for amounts not due and payable incident to construction and maintenance of real property, and (vii) statutory liens of warehousemen and carriers and similar statutory liens securing obligations that are not yet due and payable.

(r) The term “Person” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a Governmental Authority.

(s) The term “Related Party” means any five (5) percent or more shareholder of Seller, any director or officer of any Company, or any Person related by blood or marriage to any such person and who lives in the same household of such Person.

(t) The term “Seller’s Knowledge” means the current actual knowledge, after due inquiry, of all officers of the Companies.

(u) The term “Taxes” means any and all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, value added, excise, real or personal property, sales, withholding, social security, retirement, unemployment, occupation, use, service, service use, license, net worth, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the IRS or any taxing authority (whether domestic or foreign including, without limitation, any state, county, local or foreign government or any subdivision or taxing agency thereof (including a United States possession)), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest whether paid or received, fines, penalties or additional amounts imposed by the IRS or any taxing authority attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies or other assessments.

(v) The term “Tax Returns” means any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Authority in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any legal requirement relating to any Tax.

(w) The term “Transaction Expenses” means any liability or obligation of any Company or any of their Affiliates for any investment banking fees, financial advisory fees, brokerage fees, commissions, finder’s fees, attorneys’ fees and expenses, accountants’ fees and expenses or similar fees incurred by any Company in connection with the transactions contemplated by this Agreement. “Transaction Expenses” shall not include Data Conversion Costs.

2. Purchase and Sale.

2.01 Purchase and Sale of Shares. Subject to the terms and conditions of this Agreement, on the Closing Date, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, all of the Shares free and clear of all Liens. As of the date of this Agreement, the number and class of Shares and the stock certificate numbers representing such Shares owned beneficially and of record by Seller are listed on Schedule 2.01.

2.02 Closing. Subject to the terms and conditions of this Agreement, the closing of the purchase and sale of the Shares contemplated herein (the “Closing”) shall take place at the offices of BrownWinick Law Firm, on such date as is mutually acceptable to Purchaser and Seller (provided that the conditions to the Closing contained in Sections 8, 9 and 10 below, have been met or waived) (the “Closing Date”). Except as otherwise provided in this Agreement, the failure to consummate the purchase and sale provided for in this Agreement on the date and time and at the place specified herein will not relieve any party to this Agreement of any obligation under this Agreement.

2.03 Purchase Price.

(a) Amount. The purchase price for the Shares shall equal Eight Million Four Hundred Seventy-Five Thousand Dollars (\$8,475,000) less the adjustments set forth in Section 2.03(b) below (the "Purchase Price").

(b) Adjustments to Purchase Price.

(i) Reduction for stale accounts and outdated equipment in the amount set forth on Schedule 2.03(b).

(ii) Intentionally omitted.

(iii) Any Data Conversion Costs incurred by Purchaser on behalf of Seller or to be incurred by Purchaser on behalf of Seller in association with this transaction in excess of \$40,000.

(iv) In the event that Total Average Deposits fall below the levels set forth in Section 3.33, the Purchase Price shall be adjusted downward by an amount equal to six percent (6%) of the shortfall. In the event Total Average Deposits rise above the levels set forth in Section 3.33, the Purchase Price shall not be adjusted upward.

(v) Any amounts payable pursuant to Section 6.03(a)

(vi) Increased by \$14,139.99 for Unearned Insurance Commissions adjustment

(vii) Reduction for value of Life Insurance Redemption of \$141,477.

(c) Payment. The Purchase Price shall be paid as follows:

(i) \$100,000 upon the execution of this Agreement;

(ii) At Closing, Purchaser shall wire Seller the balance of the Purchase Price.

The \$100,000 payment is non-refundable, except if the Agreement is terminated pursuant to subsections 11.01(a), (b) or (d) or section 10.05

2.04 Transaction Expenses. Except as otherwise provided in this Agreement, each party to this Agreement will bear its respective Transaction Expenses incurred in connection with the preparation, execution, and performance of this Agreement and the transactions contemplated hereby, including all fees and expenses of agents, representatives, counsel, and accountants. Seller will cause the Bank not to incur any out-of-pocket expenses in connection with this Agreement. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by another party.

3. Representations and Warranties of Sellers . Subject to the information disclosed on the disclosure schedule to this Agreement (the “Disclosure Schedule”), as may be supplemented or amended in accordance with the terms of this Agreement, the Companies jointly and severally represent and warrant to Purchaser that:

3.01 Organization .

(a) Seller is a corporation duly organized, existing and in good standing under the laws of the State of Delaware with full corporate power and authority to own, lease, use and operate its properties and to conduct its business as it is currently conducted. Except as set forth in Schedule 3.01(a) , Seller is not in default of any provision of its Certificate of Incorporation, By-laws or other agreement relating to corporate governance or organization. Seller is qualified to do business in each jurisdiction where the nature of its activities would require it to qualify, except where the failure to qualify would not have a Material Adverse Effect.

(b) The Bank is a duly organized and validly existing state-chartered bank with full requisite power and authority to own, lease, use and operate its properties and to conduct its business as it is currently conducted. Except as set forth in Schedule 3.01(b) , the Bank is not in default of any provision of its Charter, By-laws or other agreement relating to its governance or organization. The Bank is qualified to do business in each jurisdiction where the nature of its activities would require it to qualify, except where the failure to qualify would not have a Material Adverse Effect.

3.02 Authorization of Agreement . Subject to approval of this Agreement and the transactions contemplated hereby by the appropriate federal regulator or regulators and the shareholders of Seller, each Company has all necessary power and authority to execute and deliver this Agreement and each other agreement contemplated hereby to which such person is a party and to consummate the transactions provided for herein. Subject to approval of this Agreement and the transactions contemplated hereby by the shareholders of Seller, the execution and delivery of this Agreement, and each other agreement contemplated hereby to which such person is a party, by each Company and the performance by them of the obligations to be performed hereunder and thereunder have been duly authorized by all necessary and appropriate action by the Board of Directors and shareholders of each Company. This Agreement is, and each other agreement and document to be executed by any Company pursuant hereto, will be when so executed, a valid and binding obligation of such Company enforceable in accordance with its terms, except that enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights generally and by general equitable principles.

3.03 Conflicts; Consents and Approvals . The execution and delivery of this Agreement and the other agreements to be executed and delivered pursuant to this Agreement and the consummation of the transactions contemplated hereby and thereby do not and will not, with or without the giving of notice or the passage of time, conflict with, result in or constitute a breach, default, right to accelerate or loss of rights under, or result in the creation of any Lien pursuant to, the terms or conditions of (a) any Company’s Articles/Certificate of Incorporation or By-Laws; (b) subject to approval of the appropriate federal regulator or regulators, any law, rule,

regulation, statute, order, judgment or decree which any Company is a party or by which any Company is bound or affected; or (c) any material contract, agreement, lease, license or instrument to which any Company is a party or by which any Company is bound or affected.

3.04 Capital Stock. Schedule 2.01 sets forth the number of the issued and outstanding shares of the capital stock of the Bank and the name of the holders thereof. All shares of the capital stock of the Bank are legally and beneficially owned as set forth on Schedule 2.01. All shares of the capital stock of the Bank: (a) are duly and validly authorized and issued, fully paid and non-assessable; (b) are not subject to, and were not issued in contravention of, any preemptive or similar rights pursuant to any provision of law, the Bank's Articles of Incorporation, Charter, or any agreement, contract or other obligation to which the Bank is a party or is subject; and (c) were issued in accordance with all applicable federal and state securities' laws as such laws were in effect at the time of issuance. There are no outstanding options, subscriptions, warrants, puts, calls, agreements, understandings, claims or other commitments or rights of any type relating to the issuance, sale or transfer of any securities or interests of the Bank, nor are there outstanding any securities which are convertible into or exchangeable for shares or equity interests of the Bank.

3.05 Financial Statements. Seller has furnished to Purchaser Financial Statements (as defined below) of the Bank. The Financial Statements (including the related notes, where applicable) present (subject, in the case of the unaudited statements, to audit adjustments normal in nature and amount and the addition of customary notes) the assets, liabilities, results of the operations and changes in shareholders' equity and financial position of the Bank for the respective periods or as of the respective dates therein set forth; and the Financial Statements (including the related notes, where applicable, but subject, in the case of the unaudited statements, to audit adjustments normal in nature and amount and the addition of customary notes) have been prepared in accordance with regulatory accounting guidelines (including Appendix A to 12 CFR Part 225) consistently applied by the Bank during the periods involved, except as indicated in the financial statements. The books and records of the Bank are true and complete in all material respects and have been, and are being, maintained in accordance with applicable legal and accounting requirements. "Financial Statements" means (i) Consolidated Reports of Condition filed for the Bank beginning with all reports filed on or after January 1, 2005 through the date hereof; (ii) the detailed balance sheet dated July 31, 2007 and the related statements of operations, (including related notes and schedules, if any) of the Bank for the period ended as of such date; and (iii) all subsequently filed Consolidated Reports of Condition filed by the Bank after the date hereof. The unaudited balance sheet of the Bank as of July 31, 2007 is referred to as the "Latest Balance Sheet"

3.06 Absence of Undisclosed Liabilities. Except as set forth on Schedule 3.06, there are no liabilities or obligations, direct or indirect, absolute or contingent, known or unknown, or any outstanding evidence of indebtedness arising out of or relating to the Bank or its business, except (a) as fully reflected or as specifically reserved against on the Latest Balance Sheet; (b) liabilities incurred in the ordinary course of business after the Latest Balance Sheet Date, consistent with the Bank's prior practice, which, in the aggregate, do not exceed \$10,000 or result in any Material Adverse Effect; and (c) liabilities or obligations (which are current)

relating to Contracts, but in no event any liability or obligation arising out of any breach, nonperformance or defective performance by the Bank of any Contract.

3.07 Absence of Certain Changes. Except as specifically contemplated by this Agreement and as set forth in Schedule 3.07, since the Latest Balance Sheet Date, there has not been:

- (a) any Material Adverse Effect, or any event which reasonably could be expected to result in a Material Adverse Effect;
- (b) any declaration relating to a distribution or payment to any shareholder of Seller or any direct or indirect redemption, repurchase or other acquisition by any Company of any Shares or the execution of any agreements to purchase or acquire any Shares, or the issuance of any option, warrant or right to acquire any Shares;
- (c) any transaction entered into or carried out by the Bank other than in the ordinary and usual course of its business consistent with past practices;
- (d) any borrowing or agreement to borrow funds, or incurring of any other obligation or liability of any type, except those incurred in the usual and ordinary course of the business of the Bank consistent with past practices, nor has the Bank endorsed, assumed or guaranteed any payment or performance of a loan or obligation of any other entity;
- (e) any material change in the accounting procedures or practices of the Bank or changes in the method of application of those procedures or practices;
- (f) any mortgage or other encumbrance of any type whatsoever imposed or agreed to be imposed on or with respect to the property or assets of the Bank;
- (g) any disposition of any type whatsoever of any of the properties, rights or assets of the Bank other than sales or dispositions in the ordinary course of business;
- (h) any loan, advance or equity investment made by the Bank to any entity except in the ordinary and usual course of business;
- (i) any modification or amendment of a Material Contract (as that term is defined in Section 3.20) other than in the usual and ordinary course of business;
- (j) any labor dispute or disturbance adversely affecting the Bank's business operations or condition (financial or otherwise), including, without limitation, the filing of any petition or charge of unfair or discriminatory labor practice with any governmental or regulatory authority, efforts to effect a union representation election, actual or threatened employee strike, work stoppage or slowdown;
- (k) any damage, destruction or property loss, whether or not covered by insurance, in excess of \$5,000 to any single piece of property or \$15,000 in the aggregate; or

(l) any payment or increase by the Bank of any bonuses, salaries, or other compensation to any shareholder, director, officer or employee or entry into any employment, severance, or similar Contract with any director, officer or employee, except for the normal and customary merit raises that became effective October 1, 2007 and as disclosed to Purchase on Schedule 3.07.

3.08 Litigation. Except for the matters described in Schedule 3.08,

(a) the Bank is not a party to any pending, and to Seller's Knowledge, threatened, Claim against the Bank or challenging the validity or propriety of the transactions contemplated by this Agreement nor is there any judgment, decree, injunction, rule or order of any Governmental Authority outstanding against the Bank;

(b) to Seller's Knowledge, there is no injunction, order, judgment or decree imposed upon the Bank or its assets; and

(c) there is no injunction, order, judgment or decree imposed upon the Bank with respect to the transactions contemplated by this Agreement.

3.09 Brokerage and Finder's Fees. Except for the engagement of Sandler O'Neill + Partners, L.P., neither the Seller, nor the Bank, nor any of their respective directors, officers or employees has incurred, or will incur, any brokerage, finder's or similar fee in connection with the execution of this Agreement or the consummation of the transactions contemplated hereby which is the obligation of the Bank. The Seller, and not the Purchaser or the Bank, shall be solely liable for any fees or other compensation due to Sandler, O'Neill + Partners, L.P.

3.10 Regulatory Matters. The Bank is a state-chartered commercial bank. Except as set forth on Schedule 3.10, neither the Bank nor Seller have received any written or oral information or notice from any administrative or regulatory governmental agency that grounds do or may exist for the issuance of any regulatory or supervisory order nor, to Seller's Knowledge, is Seller or the Bank aware of the existence of any such grounds.

3.11 Environmental, Health and Safety Matters. Except as set forth on Schedule 3.11:

(a) The Bank is, and at all times has been, in full compliance with, and has not been and is not in violation of or liable under, any Environmental Law. The Companies do not have any basis to expect, nor have the Companies or any other Person for whose conduct the Companies are or may be held to be responsible received, any actual or threatened order, notice, or other communication from (i) any governmental body or private citizen acting in the public interest, or (ii) the current or prior owner or operator of any facilities of the Bank, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or, to Seller's Knowledge, threatened obligation to undertake or bear the cost of any liability relating to compliance with Environmental Laws with respect to any of the facilities or any other properties or assets (whether real, personal, or mixed) in which the Bank has had an interest, or with respect to any property or facility at or to which Hazardous Materials were generated, manufactured,

refined, transferred, imported, used, or processed by the Bank, or any other Person for whose conduct they are or may be held responsible, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(b) There are no pending or, to Seller's Knowledge, threatened Claims, Liens, or other restrictions of any nature, resulting from any liability for violation of an Environmental Law or arising under or pursuant to any Environmental Law, with respect to or affecting any of the facilities or any other properties and assets (whether real, personal, or mixed) in which the Bank has or had an interest.

(c) The Companies have no reasonable basis to expect, nor has any Company or any other Person for whose conduct it is or may be held responsible, received, any citation, directive, inquiry, notice, order, summons, warning, or other communication that relates to Hazardous Materials, or any alleged, actual, or potential violation or failure to comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any liabilities for violations of or arising under Environmental Laws with respect to any of the facilities or any other properties or assets (whether real, personal, or mixed) in which the Bank had an interest, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used, or processed by the Bank, or any other Person for whose conduct it is or may be held responsible, have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(d) The Bank, or any other Person for whose conduct it is or may be held responsible, does not have any liabilities under applicable Environmental Laws with respect to the facilities or with respect to any other properties and assets (whether real, personal, or mixed) in which the Bank (or any predecessor), has or had an interest, or, to Seller's Knowledge, at any property geologically or hydrologically adjoining the facilities or any such other property or assets.

(e) To Seller's Knowledge, there are no Hazardous Materials present on or in the environment at the facilities or at any geologically or hydrologically adjoining property, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the facilities or such adjoining property, or incorporated into any structure therein or thereon. The Bank has not permitted or conducted, nor is the Seller or the Bank aware of, any hazardous activity conducted with respect to the facilities or any other properties or assets (whether real, personal, or mixed) in which the Bank has or had an interest except in full compliance with all applicable Environmental Laws.

(f) There has been no release or, to Seller's Knowledge, threat of release, of any Hazardous Materials at or from the facilities or at any other locations where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by the facilities, or from or by any other properties and assets (whether real, personal, or mixed) in which the Bank has or had an interest, or to Seller's Knowledge, any geologically or hydrologically adjoining property, whether by the Bank, or any other Person.

(g) Seller has delivered to Purchaser true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by the Bank pertaining to Hazardous Materials or hazardous activities in, on, or under the facilities, or concerning compliance by any Company, or any other Person for whose conduct it is or may be held responsible, with Environmental Laws, a list of all such reports are set forth in Schedule 3.11.

3.12 Insurance. The Companies have been and are insured with respect to all aspects of their businesses in amounts and against any risks sufficient to comply with applicable laws. Seller has provided Purchaser a true, correct and complete list of all policies of insurance covering the business and operations of the Bank, and the list correctly states the name of the insurer, the name of each insured party, the type and amount of coverage, deductible amount, if any, and the expiration date and premium amount of each policy or bond. All such policies of insurance are listed on Schedule 3.12, are currently in full force and effect and the Bank has received no written notice of cancellation or termination for any such policy. All premiums due and payable on such policies of insurance have been paid.

3.13 Related Party Transactions. Except as disclosed in Schedule 3.13, to Seller's Knowledge, no present or former director or officer of any Company or five percent (5%) owner of Seller has any financial interest, direct or indirect, in any vendor, client, or account of, or other outside business which has transactions with, the Bank involving consideration in excess of \$10,000 over any twelve month period, in the aggregate. None of the Companies has any agreement or understanding with any person associated with or employed by any of the Companies which would influence that person not to remain associated with or employed by the Bank after the Closing or from serving the Bank after the Closing in a capacity similar to the capacity presently served.

3.14 Taxes. Except as disclosed in Schedule 3.14:

(a) The Bank is a "C" corporation for federal income tax purposes. The Bank has filed all federal and state income tax and franchise tax returns required to be filed by it and has paid, or set up an adequate reserve for the payment of, all taxes required to be paid as shown on such returns, and the most recent Financial Statements reflect, and the future financial statements will reflect, an adequate reserve for all taxes payable by the Bank accrued through the date of such Financial Statements or future financial statements, as the case may be. Any deferred tax assets included in such statements shall be recoverable.

(b) There is no pending examination by the Internal Revenue Service (the "IRS") or any state taxing authority with respect to the Bank, and Bank has not executed or filed with the IRS or any state taxing authority any agreement which is still in effect extending the period for assessment and collection of any tax, nor is there any deficiency or refund pending or existing material dispute as to taxes. The Bank has not been audited by the IRS.

(c) There is no lien for taxes upon the assets of the Bank, except for statutory liens for taxes not yet delinquent or the validity of which is being contested in good faith by appropriate

proceedings and, in either case, only if adequate reserves therefor have been established on the books of the Bank.

(d) The Bank is not a party to any action or proceeding by any governmental authority for assessment or collection of taxes and no claim for assessment and collection of taxes has been asserted against it.

(e) The Bank has withheld from its employees and timely paid to the appropriate governmental agency proper and accurate amounts for all periods through the date hereof in material compliance with all tax withholding provisions of applicable laws, including, without limitation, income, social security and employment tax withholding for all types of compensation.

(f) For the purpose of this Agreement, the term “tax” (including, with correlative meaning, the terms “taxes” and “taxable”) shall include all federal, state, local and foreign income, profits, franchise, gross receipts, payroll, sales, employment, use, personal and real property, withholding, excise and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts.

(g) Any deferred tax assets of the Bank shall be recoverable within a time period not to exceed five years.

3.15 Compliance with Law. Except as set forth in Schedule 3.15, each of the Companies has complied, and is in compliance with Applicable Laws. Each of the Companies has all Permits. Schedule 3.15 lists all Permits, each of which is valid and in full force and effect, and, to Seller’s Knowledge, such status would be unaffected by the Closing. To Seller’s Knowledge: (a) none of the Companies is in violation of any of the Permits; and (b) there is no pending or threatened proceeding which could result in the revocation, cancellation or inability to renew any Permit.

3.16 Intellectual Property.

(a) Schedule 3.16 sets forth a true and correct list of all Intellectual Property used or owned by the Bank and any agreement related to such Intellectual Property.

(b) Except as set forth in Schedule 3.16, the Bank either owns or has the right to use, as they are currently used (pursuant to a valid, perpetual, fully paid license), the Intellectual Property used in connection with or necessary to the operation of its business, without infringing on the proprietary rights or claimed rights of any person. Except as set forth in Schedule 3.16, the Bank is not obligated to pay any royalty or other consideration to any person in connection with the use of its Intellectual Property. Except as set forth in Schedule 3.16, no written or oral claim has been asserted against the Seller or the Bank to the effect that such use of any Intellectual Property infringes the rights of any person.

(c) Except as set forth on Schedule 3.16 :

(i) except with respect to license agreements disclosed on Schedule 3.16 or on Schedule 3.20, the Companies have not transferred or encumbered any of the Intellectual Property used in the Bank's business in any way;

(ii) to Seller's Knowledge, the Bank has not infringed in any way the proprietary rights of any other person or entity;

(iii) the Intellectual Property used by the Bank is not subject to any pending or, to Seller's Knowledge, threatened challenge, investigation, proceedings, inquiries, reviews, and claims of infringement, unfair competition, or other claims of any entity; and

(iv) the Bank has not given any indemnification against patent, trademark or copyright infringement to any entity nor is the Bank restricted by any third party because of any alleged infringement from using any of the Intellectual Property the Bank uses in its business.

3.17 Bank Accounts. The Bank certifies that it has no bank accounts or safety deposit boxes, and no person has a power of attorney with respect to the Bank.

3.18 Title to and Condition of Properties. Schedule 3.18 sets forth all real property owned or leased by the Bank and designates whether such property is owned or leased. Except as set forth in Schedule 3.18, the Bank has good and marketable title to, or a valid leasehold interest in, held free and clear of any Lien (except Permitted Liens), its assets and properties of every kind, tangible or intangible, wherever located and now used in the present conduct of its business. Seller, at its expense, shall promptly obtain an abstract of title to the real property continued through the date of this Agreement and deliver it to Purchaser's attorney for examination. It shall show merchantable title in the Bank in conformity with this Agreement, Iowa law and the Title Standards of the Iowa State Bar Association. The Seller shall make every reasonable effort to promptly perfect title. All such properties are suitable for their current uses without violating any Applicable Laws or any private restrictions. Except as set forth in Schedule 3.18, no financing statement under the Uniform Commercial Code or similar law has been filed in any applicable jurisdiction naming the Bank or any of its predecessors, and the Bank is not subject to any agreement or obligation authorizing any party to file a financing statement of any sort. All tangible personal property owned, leased or used by the Bank is suitable for the purpose or purposes for which it is currently being used and has been maintained in all material respects in accordance with the terms of any applicable lease and no term of such lease will be materially affected by the transactions contemplated by this Agreement. Schedule 3.18 sets forth all tangible personal Property that is subject to a lease.

3.19 Employee Benefit Plans.

(a) Except as set forth in Schedule 3.19, the Bank is not a party to an "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA") which (i) is subject to any provision of ERISA and (ii) is or was at any time maintained, administered or contributed to by the Bank or any ERISA Affiliate (as defined

hereafter) and covers any employee or former employee of the Bank or any ERISA Affiliate and under which the Bank or any ERISA Affiliate has any liability. These plans are referred to collectively in this Agreement as the “Employee Plans.” For purposes of this section, “ERISA Affiliate” of any person or entity means any other person or entity which, together with that person or entity, could be treated as a single employer under Section 414(b), (c) or (m) of the Code, or is an “affiliate,” whether or not incorporated, as defined in Section 407(d)(7) of ERISA, of the person or entity.

(b) Schedule 3.19 identifies each employment, severance or other similar agreement, arrangement or policy and each plan or arrangement (written or oral) providing for insurance coverage (including any self-insured arrangements), workers’ compensation, disability benefits, severance benefits, supplemental unemployment benefits, vacation benefits, retirement benefits or for deferred compensation, profit-sharing, bonuses, stock options, stock appreciation or other forms of incentive compensation, or post-retirement insurance, compensation or benefits which (i) is not an Employee Plan; (ii) is entered into, maintained or contributed to, as the case may be, by the Bank or any of its ERISA Affiliates; and (iii) covers any employee or former employee of the Bank or any of its ERISA Affiliates. These contracts, plans and arrangements as are described above, copies or descriptions of all of which have been furnished or made available previously to Purchaser, are referred to collectively in this Agreement as the “Benefit Arrangements.” To the Best of Purchasers Knowledge each Benefit Arrangement has been maintained in compliance with its terms and with requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to that Benefit Arrangement.

(c) Except as set forth in Schedule 3.19, there is no liability in respect of post-retirement health and medical benefits for retired employees of the Bank or any of its ERISA Affiliates other than medical benefits required to be continued under applicable law, determined using assumptions that are reasonable in the aggregate, over the fair market value of any fund, reserve or other assets segregated for the purpose of satisfying such liability (including for such purposes any fund established pursuant to Section 401(h) of the Code). With respect to any Employee Plans which are “group health plans” under Section 4980B of the Code and Section 607(1) of ERISA, the Bank has complied with all requirements imposed thereunder such that the Bank and its ERISA Affiliates have no (and will not incur any) loss, assessment, tax penalty, or other sanction with respect to any such plan.

(d) Except as set forth in Schedule 3.19, there has been no amendment to, written interpretation or announcement (whether or not written) by the Bank or any of its ERISA Affiliates relating to any Employee Plan or Benefit Arrangement which would increase the expense of maintaining the Employee Plan or Benefit Arrangement above the level of the expense incurred in respect to the Employee Plan for the year ended immediately prior to the Closing Date.

(e) Other than as set forth in Schedule 3.19, the Bank is not a party to or subject to any employment contract or arrangement (written or oral) providing for annual future compensation, or the opportunity to earn annual future compensation (whether through fixed salary, bonus, commission, options or otherwise).

(f) The execution of this Agreement and consummation of the transactions contemplated hereby do not constitute a triggering event under any Employee Plan or any other employment contract, whether or not legally enforceable, which (either alone or upon the occurrence of any additional or subsequent event) will or may result in any payment (of severance pay or otherwise), acceleration, increase in vesting, or increase in benefits to any current or former participant, employee or director of any Company other than an event that is specifically disclosed on Schedule 3.19.

(g) Any reference to ERISA or the Code or any section thereof shall be construed to include all amendments thereto and applicable regulations and administrative rulings issued thereunder.

3.20 Contracts. Schedule 3.20 lists all Contracts of the Bank (a) which either alone or in aggregate involve the payment or transfer of property (alone or in aggregate with all other similar contracts) equal to or excess of \$10,000; (b) to which any Related Party is a party; (c) to which any person controlling, controlled by or under common control with any Related Party or former officer or director of the Bank is a party; (d) to which any employee, agent or consultant of the Bank is a party; or (e) is not cancelable upon notice of thirty (30) days or less without cost or penalty. All such agreements ("Material Contracts") are, with respect to those set forth in clause (a), valid and binding on the parties thereto, are in full force and effect, and are enforceable in accordance with their terms, and with respect to those set forth in clauses (b), (c) and (d), are in full force and effect, and are valid and binding on, and enforceable in accordance with their terms against, the Bank, and the other parties thereto, in all cases except to the extent enforceability may be limited by (y) applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or similar laws governing creditors' rights or (z) general principles of equity, whether considered in a proceeding at law or in equity. Neither the Bank nor any other party to a Material Contract is in violation of or in default nor has anything occurred which could reasonably constitute a default under a Material Contract.

3.21 Affiliated Transactions. Schedule 3.21 lists all amounts in excess of \$10,000 in the aggregate payable to the Bank by any Related Party ("Related Party Receivables") and all amounts in excess of \$10,000 payable by the Bank to any Related Party ("Related Party Payables") as of the date of this Agreement. The list includes the payor, payee, amount, terms of repayment, maturity date and any set off rights of the payor of each Related Party Receivable and Related Party Payable. Except as disclosed in Schedule 3.21, to Seller's Knowledge no Related Party has any financial interest, direct or indirect, in any vendor, client, or account of, or other outside business which has transactions with, the Bank.

3.22 No Conflict or Default. Other than as set forth in Schedule 3.22, the execution and performance of this Agreement by each Company will not: (i) violate any Applicable Laws or Permits; (ii) create a lien, security interest or encumbrance of any nature whatsoever with respect to the properties or assets of the Bank; or (iii) give any entity an interest or rights, including rights of termination, acceleration or cancellation, with respect to any of the properties, assets, Material Contracts or business of the Bank.

3.23 Books and Records . The stock records books, minute books, and other records relating to the assets, properties, contracts and outstanding legal obligations of the Bank are complete and correct and have been maintained in accordance with good business practices.

3.24 Regulatory Matters .

(a) The Bank is a state bank as insured by the FDIC and except as listed on Schedule 3.24 , has been in full compliance with all rules and regulations governing such institution, except where such noncompliance would not individually or with all other instances of noncompliance have a Material Adverse Effect. Except as listed on Schedule 3.24 , the Bank is not in violation or breach of any provision of such rules and regulations, which violation or breach will not be remedied by the Closing.

(b) Except as listed on Schedule 3.24 , neither the Companies, nor their respective officers or directors, is subject to any cease-and-desist, written directive or other order issued by, or is a party to any written agreement, consent agreement, memorandum of understanding or written commitment with, or has adopted any board resolutions at the request of, any governmental entity that restricts the conduct of its business or that in any manner relates to its capital adequacy, its credit policies, its management or its business, nor except as listed on Schedule 3.24 has any Company been advised by any Governmental Authority in writing that it is considering issuing or requesting any such regulatory restriction.

(c) The Bank has duly filed with all appropriate governmental authorities in correct form all reports required to be filed under the rules and regulations governing such institution, and the Bank has made available to Purchaser accurate and complete copies of such reports.

3.25 Loans .

(a) Schedule 3.25 sets forth an accurate description of all loans as of the date hereof and as of the Closing Date owned by the Bank or in which the Bank has an interest or for which the Bank has issued a commitment (the “Loans”).

(b) All Loans comply with all Applicable Laws, including but not limited to, applicable usury statutes, underwriting and recordkeeping requirements and the Truth in Lending Act, the Equal Credit Opportunity Act, and the Real Estate Settlement Procedures Act, and other applicable consumer protection status and the regulations thereunder.

(c) All Loans have been made or acquired by the Bank in accordance with the approved loan policies of its Board of Directors and all of such Loans are to Seller’s Knowledge collectible, except to the extent reserves have been made against such Loans in the Financial Statements. The Bank holds mortgages contained in its loans portfolio for its own benefit to the extent of its interest shown therein; such mortgages evidence liens having the priority indicated by their terms, subject, as of the date of recordation or filing, to such exceptions as are not material to the collectability of such Loans. All applicable remedies against all borrowers and guarantors in connection with the Loans are enforceable except as may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors’ rights and except as may be

limited by the exercise of judicial discretion in applying principles of equity. True, correct and complete copies of Loan delinquency reports as of the date of this Agreement and the Closing Date prepared by the Bank, which reports include all Loans delinquent or otherwise in default, are (or will be with respect to such report as of the Closing Date) attached as Schedule 3.25. Except as set forth in Schedule 3.25, subject to any reserves on the Financial Statements, all Loans are with full recourse to the obligors and the Bank has taken no action which would result in a waiver or negation of any rights or remedies available against the obligors or guarantors, if any, on any of the Loans.

(d) Each outstanding loan participation sold by the Bank was sold with the risk of non-payment of all or any portion of that underlying loan to be shared by each participant (including the Bank) proportionately to the share of such loan represented by such participation without any recourse of such other lender or participant to the Bank for payment or repurchase of the amount of such loan represented by the participation or liability under any yield maintenance or similar obligation. The Bank has properly fulfilled its contractual responsibilities and duties in any loan in which it acts as the lead lender or servicer and has complied in all material respects with its duties as required under applicable regulatory requirements.

(e) The Bank has properly perfected or caused to be properly perfected all security interests, liens or other interests in any collateral securing any loans made by it.

(f) Except as set forth on Schedule 3.25, the Bank does not have properties which have been repossessed or otherwise acquired in conjunction with a loan in default or at the time of imminent default.

(g) Each of the Companies is in compliance with all Applicable Laws pertaining to its or their lending activities, including, without limitation, the Truth-In-Lending Act and Regulation Z, the Equal Credit Opportunity Act and Regulation B, the Real Estate Settlement Procedures Act and Regulation X, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Office of Foreign Asset Control rules and regulations and all HUD, Ginnie Mae, Fannie Mae, Freddie Mac, other investor and mortgage insurance company requirements relating to the origination, sale and servicing of mortgage and consumer loans.

(h) All United States Treasury securities, obligations of other United States Government agencies and corporations, obligations of States of the United States and their political subdivisions, and other investment securities classified as "held to maturity" and "available for sale" held by the Bank as reflected in the Financial Statements, were classified and accounted for in accordance with Statement of Financial Accounting Standards No. 115 and the intentions of management.

3.26 Disclosure. No representation or warranty made by the Companies contained in this Agreement (including any schedule, exhibit or attachment hereto) contains or will contain any untrue statement of material fact or omits or will omit to state any material fact required to make the statements therein contained not misleading.

3.27 Allowance for Loan Losses.

To the best of Bank's knowledge:

(a) The allowance for loan losses shown on the Financial Statements is adequate to provide for anticipated losses inherent in loans outstanding.

(b) The allowance for losses in real estate owned, if any, shown on the Financial Statements is or will be adequate to provide for anticipated losses inherent in real estate owned by the Bank and the net book value of real estate owned as shown on the most recent balance sheet included in the Financial Statements is the fair value of the real estate owned in accordance with Statement of Position 92-3.

3.28 Offices and ATMs. Schedule 3.28 sets forth the headquarters of the Bank (identified as such) and, as of the date hereof, each of the offices and automated teller machines ("ATMs") maintained and operated by the Bank (including, without limitation, representative and loan production offices and operations centers) and the location thereof. Except as set forth on Schedule 3.28, as of the date hereof, neither the Bank nor any Subsidiary maintains any other office or ATM or conducts business at any other location, and the Bank has not applied for or received permission to open any additional branch or operate at any other location.

3.29 Derivative Transactions. All Derivative Transactions entered into by the Bank were entered into in accordance with applicable rules, regulations and policies of applicable Governmental Authorities, and in accordance with the investment, securities, commodities, risk management and other policies, practices and procedures employed by the Bank, and were entered into with counterparties who were believed at the time to be financially responsible and able to understand (either alone or in consultation with their advisers) and to bear the risks of such Derivative Transactions; and the Bank has duly performed all of its obligations under the Derivative Transactions to the extent that such obligations to perform have accrued, and, to Seller's Knowledge, there are no material breaches, violations or defaults or allegations or assertions of such by any party thereunder. The Bank has adopted policies and procedures consistent with the publications of applicable Governmental Authorities with respect to their derivatives programs.

3.30 Trust Powers. The Bank does not presently maintain or exercise trust powers.

3.31 CRA, Anti-Money Laundering, OFAC and Customer Information Security. The Bank has received a rating of "Satisfactory" in its most recent examination or interim review with respect to the Community Reinvestment Act ("CRA"). Except as set forth in Schedule 3.31, the Bank has not been advised of in writing, or, to Seller's Knowledge, is not aware of any facts or circumstances that exist, which would cause the Bank: (i) to be deemed not to be in satisfactory compliance in any material respect with the CRA, and the regulations promulgated thereunder, or to be assigned a rating for CRA purposes by federal or state bank regulators of lower than "satisfactory"; or (ii) to be deemed to be operating in violation in any material respect of the Bank Secrecy Act, the Patriot Act, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control, or any other

applicable anti-money laundering statute, rule or regulation (collectively, the “anti-money laundering laws”); or (iii) to be deemed not to be in satisfactory compliance in any material respect with the applicable privacy of customer information requirements contained in any federal and state privacy laws and regulations, including without limitation, in Title V of the Gramm-Leach-Bliley Act of 1999 and the regulations promulgated thereunder, as well as the provisions of the information security program adopted by the Bank pursuant to 12 C.F.R. Part 570. The Bank is not aware of any facts or circumstances which would cause it to believe that any non-public customer information has been disclosed to or accessed by an unauthorized third party in a manner which would cause it to undertake any remedial action, except for such facts or circumstances, individually or in the aggregate, as would not reasonably be expected to have a Material Adverse Effect. The board of directors of the Bank has adopted and implemented, an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that comply with Section 326 of the Patriot Act and such anti-money laundering program meets, to Seller’s Knowledge, the requirements in all material respects of Section 352 of the Patriot Act and the regulations thereunder, and the Bank has complied in all material respects with any requirements to file reports and other necessary documents as required by the Patriot Act and the regulations thereunder.

3.32 Investment Management and Related Activities. Except as set forth in Schedule 3.32, none of the Bank or its directors, officers or employees is required to be registered, licensed or authorized under any Applicable Law as an investment adviser, a broker, dealer, an insurance agency, a commodity trading adviser, a commodity pool operator, a futures commission merchant, an introducing broker, a registered representative or associated person, investment adviser representative or solicitor, a counseling officer, an insurance agent or broker, a sales person or in any similar capacity with a Governmental Authority.

3.33 Total Average Deposits. “Total Average Deposits” of the Bank shall be in excess of \$28,000,000 on average for the last complete month prior to Closing. “Total Average Deposits” shall be determined in the same manner as the Bank’s quarterly call reports. Furthermore, the Total Deposit mix and Total Asset mix shall not materially change from the date hereof until Closing. The “Total Average Deposits” means total deposits less all of the following: brokered deposits, internet deposits, inter-company or Affiliate deposits.

3.34 Unauthorized Loans. All unauthorized loans or other misappropriations made by the former Bank employee who resigned on August 3, 2007 are listed on the attached Schedule 3.34.

3.35 Tier 1 Capital. Tier 1 Capital as computed in accordance with regulatory accounting standards without adjustment for FAS 115, shall be in excess of the amount stated in the June 30, 2007 call report filed by the Bank. This minimum amount is \$3,930,000.

3.36 Life Insurance Redemption. The redemption of the life insurance policies set forth on Schedule 3.36, are (a) subject to being redeemed for the amounts set forth on Schedule 3.36; (b) the forms for redemption of such policies (completed in accordance with all appropriate instructions) are as set forth on Exhibit C; and (c) if such forms are filed by the Bank within 10 business days from the date of closing, the total tax, tax penalty and interest, and redemption fees

associated with such redemption shall not exceed under any circumstances \$141,477. The Seller agrees to hold the Purchaser harmless from all costs associated with the early redemption of the insurance policies (including but not limited to any tax or early redemption penalties and applicable interest or penalty) in excess of \$141,477, as well as any loss of interest incurred between the exercise date of the redemption and the receipt of the funds from the policy insurer, should such a gap occur.

3.37 As of July 31, 2007, the self-insured portion of the health account reflected \$14,428.00 ("Insurance Reserve Account") and was fully accrued and covered all costs, expenses and claims associated with the health insurance for the company employees (and their family, if applicable) as of such date.

4. Representations and Warranties of Purchaser. Purchaser represents and warrants to Seller that:

4.01 Corporate Organization. Purchaser is a corporation duly organized and validly existing under the laws of the State of Iowa. Purchaser has all requisite power and requisite authority to own, operate and lease its respective properties and carry on its respective businesses as now conducted.

4.02 Authorization of Agreement. Purchaser has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions provided for herein. The execution and delivery of this Agreement by Purchaser and the performance by it of the obligations to be performed hereunder have been duly authorized by all necessary and appropriate action by Purchaser. The execution and delivery of this Agreement and the other agreements to be executed and delivered pursuant to this Agreement and the consummation of the transactions contemplated hereby and thereby do not and will not, with or without the giving of notice or the passage of time, conflict with, result in or constitute a breach, default, right to accelerate or loss of rights under, or result in the creation of any Lien pursuant to, the terms or conditions of Purchaser's charter documents, any law, rule, regulation, statute, order, judgment or decree or any contract, agreement, lease, license or instrument to which Purchaser is a party or by which Purchaser or its business or assets are bound or affected. This Agreement is, and each other agreement and document to be executed by Purchaser pursuant hereto will be when so executed, a valid and binding obligation of Purchaser enforceable in accordance with its terms except that enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general equitable principles.

4.03 Consents and Approvals. Except for any approvals, consents or filings required by the appropriate federal regulator or regulators, Purchaser's execution, delivery or performance of this Agreement does not and will not require any consents or approvals of, filings with, or action by any third party.

4.04 Disclosure. No representation or warranty made by Purchaser contained in this Agreement (including any schedule, exhibit or attachment hereto) contains or will contain any untrue statement of material fact or omits or will omit to state any material fact required to make the statements therein contained not misleading.

5. Covenants and Agreements of Purchaser. Purchaser hereby covenants and agrees that:

5.01 Record Retention. For a period of five years following the Closing Date, Purchaser agrees to maintain in a reasonably accessible place the books and records delivered by the Companies hereunder, to provide Seller and its representatives reasonable access to such books and records during normal business hours and to provide copies of such books and records to Seller or its representatives. Purchaser agrees to notify Seller prior to disposing of any such books and records before the five year period specified herein and, upon request made within 60 days after receipt of such notice, to deliver such books and records to Seller at Seller's expense.

5.02 Efforts to Perform. Purchaser shall use all commercially reasonable efforts to satisfy the covenants set forth in this Section 5 and in Section 7 and the conditions precedent set forth in Sections 8 and 9 of this Agreement in a timely and expeditious manner.

6. Covenants and Agreements of Seller. Seller hereby covenants and agrees that:

6.01 Notice. Seller shall give Purchaser prompt written notice of: (a) any changes in any of the information contained in the representations and warranties made in Section 3 or elsewhere in this Agreement or the attached schedules which occurs at or prior to the Closing; (b) the occurrence of any event which will result, or has a reasonable prospect of resulting, in a Material Adverse Effect or in the failure to satisfy a condition specified in Section 8 or 10; or (c) any notice or other communication from any third person alleging that the consent of such third person is or may be required in connection with the transactions contemplated by this Agreement.

6.02 Access Prior to Closing. From the date hereof through the Closing Date, the Companies shall afford Purchaser and its representatives reasonable access during normal business hours, and in a manner so as not to interfere in any material respect with the normal operations of the business of the Bank, to the premises, properties, personnel, representatives, customers, books and records (including tax records), contracts and documents of or pertaining to the Bank and its business and such other additional information with respect thereto as Purchaser shall from time to time reasonably request.

6.03 Indemnification.

(a) Seller covenants and agrees to indemnify Purchaser against, and to hold Purchaser harmless from, any and all claims, losses, damage, fines, penalties or liabilities, and all costs and expenses (including without limitation reasonable legal fees), incurred by the Purchaser or the Bank resulting from, related to or arising out of: (i) any breach of any of the representations, warranties, covenants or agreements made by the Companies in or pursuant to this Agreement, or in any schedule, exhibit, certificate, financial statement, or other document attached to this Agreement or delivered pursuant to the terms of this Agreement; (ii) failure of the Seller to perform any covenant, agreement, obligation or undertaking made by or imposed upon them pursuant to this Agreement or any exhibit or other document attached to this Agreement or delivered pursuant hereto; (iii) any

claim against the Shares of the Bank sold hereunder; (iv) any claim arising out of or in connection with the any agreements by and between the Seller or the Bank and Cecorp, Inc related to the Bank's telephone banking services or otherwise; (v) any fraudulent or unauthorized loan originated by the employee terminated on August 3, 2007, or any claim or cause of action by such employee against the Bank or (iv) to the extent that any additional provision is added to the Insurance Reserve Account after 7/31/07, the purchase price shall be adjusted downward on a dollar-for-dollar basis, to the extent of any such addition to the reserve and to the extent that the Bank (or its successor) incurs any health insurance costs, expenses or claims in connection with the Banks health insurance plan or plans related to claims arising on or prior to closing, which are not properly reserved in the Health Insurance Reserve Account at closing, the Seller shall indemnify and hold the bank and Purchaser harmless for all such costs, expenses or claims.

(b) Purchaser covenants and agrees to indemnify Seller against, and to hold Seller harmless from, any and all claims, losses, damages, fines, penalties or liabilities, and all costs and expenses (including without limitation reasonable legal fees), incurred by the Seller resulting from, relating to, or arising out of: (i) any breach of the representations, warranties, covenants or agreements made by the Purchaser in or pursuant to this Agreement, or any schedule, exhibit, certificate, financial statement or other document attached to this Agreement or delivered pursuant to the terms of this Agreement; or (ii) failure of the Purchaser to perform any covenant, agreement, obligation or undertaking made by or imposed upon them pursuant to this Agreement, or any exhibit or other document attached to this Agreement or delivered pursuant thereto.

(c) All representations, warranties, covenants, agreements and obligations of the Companies under this Agreement and any schedule, exhibit, certificate, financial statement or other document attached to this Agreement or delivered pursuant hereto shall survive the Closing Date.

(d) Purchaser shall provide written notice to Seller of any claim for which Purchaser is entitled to or may seek indemnification within 90 days of discovery by Purchaser of such claim. Such notice shall state the nature of the claim and the amount of the claim. Failure to give such notice within 90 days of discovery by Purchaser of such claim shall in no way abrogate or diminish the Seller's obligations under this Section if Seller has or receives knowledge of the existence of any such claim by any other means or if such failure does not materially prejudice the Seller's ability to defend such claim.

(e) Except for claims arising out of sections 3.01, 3.02, 3.04, 3.36, 3.37, 4.01, 4.02, 6.12 and 7.04 which shall survive until the expiration of the applicable statute of limitations, no claim may be made after twenty-four (24) months have elapsed from the Closing Date. In the event that any such claim is made within the prescribed twenty-four (24) month period, the indemnity relating to such claim shall survive until such claim is resolved. Claims not made within such twenty-four (24) period shall cease and no indemnity shall be made therefore.

(f) In the event that any person or entity not a party to this Agreement shall make a demand or claim, or file or threaten to file any lawsuit, which demand, claim or lawsuit may result in any liability, damage or loss to one party hereto of the kind for which the party is entitled to indemnification, then, after written notice is provided by the indemnified party to the indemnifying party of such demand, claim or lawsuit, the indemnifying party shall have the option, at its cost and

expense, to retain counsel for the indemnified party to defend any such demand, claim or lawsuit. In the event that the indemnifying party shall fail to respond within seven (7) days after receipt of such notice of any such demand, claim or lawsuit, then the indemnified party shall retain counsel and conduct the defense of such demand, claim or lawsuit as it may, in its discretion, deem proper, at the cost and expense of the indemnifying party. In effecting the settlement of any such demand, claim or lawsuit, an indemnified party shall act in good faith, shall consult with the indemnifying party, and shall enter into only such settlement as the indemnifying party shall approve. (The indemnifying party's approval will be implied if it does not respond within ten (10) days of its receipt of the notice of such settlement offer).

6.04 **Conduct of Business.** From the date of this Agreement through the Closing and other than actions contemplated by this Agreement or necessary to consummate the transactions contemplated hereby, the Bank shall conduct its business in the ordinary course and consistent with its past practices including but not limited to compliance with the Bank's internal lending policy and procedures, including standards of creditworthiness, security requirements and lending limits; the Bank shall have continued to charge off loans in accordance with sound banking practices; the Bank shall have continued to operate and price deposit offerings in a reasonable manner as it has done over time in the ordinary course of business; and the Sellers shall have used their best efforts to operate and preserve the business, assets, liabilities and organization of the Bank. Without limiting the generality of the foregoing, the Companies shall not perform or fail to take any action that would be reasonably likely to result in a breach or violation of Section 3.07 of this Agreement, and the Sellers covenant and agree with the Purchaser that from the date hereof until the Closing, the Bank shall not, without the written consent of Purchaser or except as set forth on Schedule 6.03:

- (a) declare or pay any dividends or make any distributions to its shareholders in cash or in kind;
- (b) make any capital expenditures exceeding \$2,000 that are not made in the ordinary course of business or necessary to maintain existing assets in good repair;
- (c) make or permit any change in its capital stock or capital structure;
- (d) increase any salaries or other benefits to employees or pay any bonuses, except for the normal and customary merit increases that became effective October 1, 2007 as set forth in the Schedules attached hereto;
- (e) increase the current levels of employment level beyond the existing Full Time Equivalent of 12, provided however that the Seller shall consult with the Purchaser prior to replacing any such employee;
- (f) acquire or dispose of material assets other than in the ordinary course of business;
- (g) extend or renew loans or advance additional sums to a borrower whose loans, in whole or in part, have been classified or listed as special mention, or included on a problem or watch list, by any regulatory authority or the Bank;

- (h) make loans other than in accordance with sound management practices;
- (i) Intentionally omitted;
- (j) sell investment securities prior to maturity;
- (k) purchase investment securities, except for federal funds without Purchaser's prior consent;
- (l) acquire or agree to acquire, by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets, other than in connection with foreclosures, settlements in lieu of foreclosure or troubled loan or debt restructurings or in the ordinary course of business consistent with past practices;
- (m) take any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect;
- (n) other than activities in the ordinary course of business consistent with past practice, sell, lease, encumber, assign or otherwise dispose of, or agree to sell, lease, encumber, assign or otherwise dispose of, any of its assets, properties or other rights or agreements;
- (o) other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity;
- (p) file any application to relocate or terminate the operations of any of its banking offices;
- (q) incur any indebtedness for borrowed money or assume, guaranty, endorse or otherwise as an accommodation become responsible for the obligations of any other person, except for (i) in connection with banking transactions in the ordinary course of business; or (ii) short-term borrowings (including refinancings thereof) made at prevailing market rates and terms consistent with prior practice; or (iii) interbank borrowings made in the ordinary course of its banking business;
- (r) compromise or otherwise settle or adjust any assertion or claim of a material deficiency in taxes (or interest thereon or penalties in connection therewith), extend the statute of limitations with any tax authority or file any pleading in court in any tax litigation or any appeal from an asserted deficiency, or file or amend any income or other material federal, foreign, state or local tax return, or make any material tax election that is inconsistent with Seller's current tax election practices or that concerns a matter as to which Seller has no current tax election practice;

(s) make any investment by purchase of stock or securities (including an Investment Security), contributions to capital, property transfers or otherwise in any other Person;

(t) amend, modify or renew any Bank Contract or enter into any agreement or contract that would be required to be a Contract disclosed hereunder;

(u) make, acquire a participation in, or reacquire an interest in a participation sold of, any loan, commitment to make a loan or other extension of credit;

(v) grant any employee a severance payment or bonus in connection with said employee's termination.

(w) agree to do any of the foregoing.

6.05 Efforts to Perform. The Companies shall use all reasonable efforts to satisfy the covenants set forth in this Section 6 and in Section 7 and the conditions precedent set forth in Sections 8 and 10 of this Agreement in a timely and expeditious manner.

6.06 Exclusivity. In consideration of the substantial expenditures of time and expense to be undertaken by Purchaser in connection with the consummation of the transactions contemplated by this Agreement, for a period ending on the earlier of (a) March 30, 2008, (b) the termination of this Agreement, (c) the date (i) Purchaser or one of its Affiliates submits a notice to the appropriate federal regulator or regulators withdrawing its application to acquire control of the Bank or (ii) the appropriate federal regulator or regulators notify Seller, the Bank, Purchaser or one of Purchaser's Affiliates in writing that the appropriate federal regulator or regulators will not approve the application to acquire control of the Bank filed by Purchaser; or (d) the Closing, the Companies shall deal exclusively with Purchaser with respect to the sale of the Shares, the business of the Bank, or of the issuance of the equity interests of, or any assets or properties of, the Bank. In addition, during such time period, Seller shall not, and shall direct the Companies' officers, directors, financial advisors, accountants, attorneys, and other Affiliates (collectively, together with the Company, the "Company Group") to not (a) solicit submissions of proposal or offers from any person or entity other than Purchaser relating to any acquisition or purchase of all or any part of the equity interests, assets or properties of the Bank, the sale or issuance of any equity interests of the Bank or any entity formed by the Bank or any Affiliate of the Bank to which any of the equity interests or any assets or properties of the Bank may be contributed, or any merger or consolidation of the Bank or of any entity formed by the Bank or any Affiliate of the Bank to which any of its business, assets or properties may be contributed (each an "Acquisition Proposal"); or (b) participate in any discussions or negotiations regarding, or furnish any information to any person or entity other than Purchaser, or otherwise cooperate in any way or assist, facilitate, or encourage any Acquisition Proposal by any person or entity other than Purchaser; provided, however, nothing herein shall prohibit any director of any Company from exercising his or her fiduciary duties with respect to any unsolicited acquisition inquiries.

6.07 Approval of Shareholders. As promptly as practicable after the execution of this Agreement, Seller shall obtain valid and effective written consents in lieu of a meeting of the

holders of the minimum number of shares of Seller's capital stock required to approve this Agreement and the transactions contemplated by this Agreement (in either case, the "Shareholder Approval"). Seller shall use its commercially reasonable efforts to solicit and secure the Shareholder Approval.

6.08 Removal of Loans. Prior to the Closing, Seller shall cause all loans listed on Exhibit A to be sold at face value (including all principal and accrued interest). In addition, Purchaser shall have the right to inspect and review all loans and other credit commitments purchased or initiated by the Bank on or after 8/31/07 (the "Post Due-Diligence Loans"). Purchaser shall have the right to notify the Seller in writing ten (10) days prior to the closing of those Post Due Diligence Loans that it deems unacceptable (in its sole and absolute discretion) and the Bank and Seller shall cause such unacceptable loans be sold at face value (including all principal and accrued interest) on or prior to the Closing. No loans will be made during the ten (10)-day period prior to Closing.

6.09 Life Insurance. Intentionally Omitted

6.10 Non-Solicitation. From and after the Closing Date until the second anniversary of the Closing Date, Seller shall not, directly or indirectly, (1) solicit, induce or influence to hire, any individual who is employed by the Bank (other than Gene Richardson) as of the Closing Date; *provided, however*, that neither Seller nor its affiliates shall be prohibited from hiring or otherwise employing any such individual who shall not have been specifically solicited for such employment by Seller or its affiliates, (2) solicit, induce or influence, or attempt to solicit, induce or influence, any banking business of any borrower or depositor of the Bank as of the Closing Date; *provided, however*, that neither Seller nor its affiliates shall be prohibited from accepting unsolicited business from any such borrower or customer of Bank, or (3) establish a *de novo* branch or other banking office in any of the following counties: Adair, Guthrie, Madison, Greene and that portion of Dallas Counties that is west of Highway 169. From and after the Closing Date until the second anniversary of the Closing Date, Purchaser shall not, directly or indirectly (including through the Bank), (1) solicit, induce or influence to hire, any individual who is employed by Seller as of the Closing Date, *provided, however*, that neither Purchaser nor its affiliates shall be prohibited from hiring or otherwise employing any such individual who shall not have been specifically solicited for such employment by Purchaser or its affiliates, or (2) solicit, induce or influence, or attempt to solicit, induce or influence, any banking business or any borrower or depositor of the Seller or its affiliates (including Meta Bank) as of the Closing Date; *provided, however*, that neither Purchaser nor its affiliates shall be prohibited from accepting unsolicited business from any such borrower or customer of Seller or its affiliates.

6.11 Bank Merger and Data Processing Conversion. Seller agrees to cause the Bank to take such action as is necessary and appropriate to merge the Bank with and into Purchaser's subsidiary bank, Rolling Hills Bank & Trust, immediately after the consummation of the purchase. Furthermore, until such time after closing as the Bank can convert its data processing over to the Purchaser's Data Processing system, the Seller agrees to continue to provide to the Bank its existing data processing services upon the same terms and conditions and prices as the Seller currently provides such services; provided however that the Seller shall not be required to provide such data processing services more than 90 days after closing.

6.12 2007 Tax Returns and Tax Payments. The Seller shall cause the Bank to file its 2007 Iowa Franchise Tax return for the period ended September 30, 2007, and corresponding Iowa net operating loss carrybacks amendments to prior year Franchise Tax Returns to use all available loss carry backs and apply for refunds where possible. Such Franchise Tax Returns shall be filed prior to the closing date. At closing the Seller, Bank and Purchaser shall examine the tax accruals between the Seller and the Bank to determine appropriate accrual to be applied at closing. After agreement by the Parties of the proper accrual of both federal and state income and/or franchise taxes (in a manner consistent with GAAP, except that no asset shall be recorded for Iowa franchise tax refunds unless those refunds are reported on franchise tax returns filed prior to the closing date), the Seller and the Bank shall transfer funds to bring the inter company federal tax accrual account to -0- at closing. For example, if the Seller owes the Bank an amount equal to \$100,000 at closing for excess payment or tax benefits used by the Company, the Company would pay to the Bank \$100,000 prior to closing. Furthermore, if the Bank owed the Company \$75,000 at closing for accrued taxes payable, the Bank will pay \$75,000 to the Company prior to closing.

7. Covenants of Both Parties. Each party hereby covenants and agrees that:

7.01 Confidentiality.

(a) Subject to Section 7.02, no party shall at any time directly or indirectly copy, disseminate or use, for such party's own benefit or the benefit of any third party, any information that has been disclosed in confidence by the other party ("Confidential Information"), regardless of how the Confidential Information was acquired, except for the disclosure or use of the Confidential Information: (x) upon the advice of counsel required by law or legal process or (y) authorized in writing by the party that owns the Confidential Information. The parties may disclose each other's Confidential Information to their respective responsible officers, directors or employees (collectively, "Employees") with a *bona fide* need-to-know, but only to the extent necessary to carry out the purpose for which the Confidential Information was disclosed. The parties each agree to instruct all such Employees not to disclose such Confidential Information to third parties, without the prior written permission of the party disclosing such Confidential Information. Each party agrees to comply with all applicable laws, including without limitation, the Gramm-Leach-Bliley Act of 1999, in connection with disclosing any Confidential Information. Notwithstanding anything to the contrary contained in this paragraph, Confidential Information does not include information: (i) generally available to the public other than as a direct or indirect result of a disclosure by a party in violation of this Agreement; (ii) that is already in the receiving party's possession at the time of the disclosing party's disclosure of such Confidential Information, except as a result of the receiving party's or any third party's breach of a legal obligation; (iii) that becomes known to the party through disclosure by sources other than another party having the legal right to disclose such information; or (iv) is independently developed by the party without reference to or reliance upon the Confidential Information, where the burden of proof will be on the party to demonstrate independent development from its written records. Each party acknowledges that all of the Confidential Information is and shall remain the exclusive proprietary property of the party that discloses it, whether or not disclosed in connection with this Agreement.

(b) If this Agreement is terminated, upon the written request of the disclosing party, the receiving party shall return to the disclosing party, within ten days, all Confidential Information and all copies thereof whether in writing or other tangible form. Where impractical to return copies, such copies shall be destroyed. Within such ten-day period, an affidavit of the receiving party shall be delivered to the disclosing party attesting to the return and destruction of all Confidential Information.

(c) Each party acknowledges and agrees that remedies at law for a violation or attempted violation of any of the obligations in this Section 7.01 would be inadequate and would cause immediate irreparable harm to the other parties, and agrees that in the event of any such violation or attempted violation, each party is entitled to a temporary restraining order, temporary and permanent injunctions, and other equitable relief, without the necessity of posting any bond or proving any actual damage, in addition to all other rights and remedies which may be available.

7.02 Announcement. No party to this Agreement will issue any press release or make any other public disclosures concerning the transactions contemplated hereby or the terms of this Agreement without the prior written consent of the other parties. Notwithstanding the above, nothing in this Section 7.02 will preclude any party from making any disclosures required by law or necessary and proper in conjunction with the filing of any tax return or other document required to be filed with any governmental entity.

7.03 Efforts; Consents and Approvals .

(a) General . Each party shall use its commercially reasonable efforts to take all actions promptly and do all things necessary, proper or advisable to perform as required by this Agreement, including, without limitation, using all commercially reasonable efforts to cause the satisfaction of all conditions set forth in this Agreement for which the party is responsible as soon as reasonably practicable and to prepare, execute, acknowledge or verify, deliver, and file the additional documents, and take or cause to be taken the additional actions, as any party may reasonably request to carry out the purposes or intent of this Agreement.

(b) Consents; Approvals . The parties each will cooperate with one another and will use all commercially reasonable efforts to prepare all necessary documentation to effect promptly all necessary filings and to obtain all necessary permits, consents, approvals, orders and authorizations of or any exemptions by, all Persons and Governmental Authorities necessary to consummate the transactions contemplated herein. Each party hereto will keep the other parties hereto apprised of the status of any inquiries made of such party by any Governmental Authorities or members of their respective staffs with respect to this Agreement or the transactions contemplated hereby.

7.04 Taxes . The following provisions shall govern the allocation of responsibility as between Seller and Purchaser for certain Tax matters following the Closing Date:

(a) Pre-Closing and Post-Closing Taxes . Seller shall indemnify Purchaser and hold it harmless from and against any loss, claim, liability, expense, or other damage attributable to all Taxes, or the nonpayment thereof, of the Bank for all taxable periods ending on or before the

Closing Date and the portion through the end of the Closing Date for any taxable period that includes, but does not end on, the Closing Date ("Pre-Closing Tax Period"). Purchaser shall, and shall cause Bank to, indemnify Seller, hold it harmless from and against any loss, claim, liability, expense, or other damage attributable to all Taxes, or the nonpayment thereof, of the Bank for all taxable periods ending after the Closing Date and the portion including after the Closing Date for any taxable period that includes, but does not begin with, the Closing Date ("Post-Closing Tax Period"). In the case of any taxable period that includes, but does not end on, the Closing Date (a "Straddle Period"), the amount of any Taxes based on or measured by income or receipts of the Bank for the Pre-Closing Tax Period, or any personal property or real estate Taxes, shall be determined based on an interim closing of the books as of the close of business on the Closing Date and the amount of other Taxes of the Bank for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction, the numerator of which is the number of days in the taxable period ending on the Closing Date, and the denominator of which is the number of days in such Straddle Period.

(b) Responsibility for Filing Post-Closing Tax Returns. Purchaser shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Bank that are filed after the Closing Date (other than income Tax Returns with respect to periods for which a consolidated, unitary or combined income Tax Return of Seller shall include the operations of the Bank and any separate company Iowa returns required to be filed for the Bank for the tax period ending at or before the Closing Date. Purchaser and Seller shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information that are reasonably relevant to any such audit, litigation, or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Purchaser and Seller shall (A) retain all books and records with respect to Tax matters pertinent to the Bank relating to any taxable period beginning before the Closing Date until the expiration of the three year (3) statute of limitation (and, to the extent notified by Seller or Purchaser, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority; and (B) give the other Party reasonable written notice prior to transferring, destroying, or discarding any such books and records and, if the other Party so requests, Purchaser or Seller, as the case may be, shall allow the other Party to take possession of such books and records.

8. Conditions Precedent to Both Parties' Obligations. The respective obligations of each party to this Agreement to consummate and effect the transactions contemplated by this Agreement shall be subject to fulfillment at the Closing of each of the following conditions:

8.01 No Action. No action or proceeding before any Governmental Authority shall be pending or threatened wherein a judgment, decree or order would restrain, prohibit or invalidate any of the transactions contemplated by this Agreement or cause the contemplated transactions to be declared unlawful or rescinded.

8.02 Corporate Action. All corporate action necessary to authorize the execution and delivery of this Agreement and consummation of the transactions contemplated by this Agreement including, without limitation, that the Agreement shall have been validly approved and adopted by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of Seller entitled to vote thereon and whose approval is required under applicable law.

8.03 Government Approvals. Any governmental or other approvals or review of this Agreement or the transactions contemplated by this Agreement required under any Applicable Laws to consummate the transactions contemplated by this Agreement have been received, including, without limitation, the approval of the appropriate federal regulator or regulators to the change in ownership of the Bank, without the imposition of any condition to that approval which would have a material adverse effect on Purchaser or otherwise render consummation of the transactions contemplated by this Agreement unduly burdensome to Purchaser (as determined in Purchaser's reasonable discretion).

8.04. Assignment of Rights. Prior to the Closing of the transactions contemplated herein, the Bank shall assign to the Seller all of its right, title and interest in all loans, present or past, made to entities set forth on Schedule 8.04 (which Seller represents and warrants that said loans (a) are associated with Dan Nelson, Louis Pearlman and/or Stuart Car Wash, Inc.; and (b) were written off from the Banks books prior to June 30, 2007). The assignment shall include but not be limited to insurance settlements and other recoveries/compensation. The form and substance of such assignment shall be mutually agreeable to both the Seller and Purchaser.

9. Conditions Precedent to Seller's Obligations. The obligations of Seller under this Agreement are, at the option of Seller, subject to the fulfillment at the Closing of each of the following conditions:

9.01 Accuracy of Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement shall be true and correct in all respects as of the time immediately prior to the Closing as though made on and as of such time (other than those representations and warranties that address matters only as of a particular date or with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), except where the failure or failures of all such representations and warranties to be so true and correct, either individually or in the aggregate, do not create a material adverse effect with respect to Purchaser. Notwithstanding the foregoing, the provisions of Section 4.01 and 4.02 shall be true and correct in all respects.

9.02 Performance. Purchaser shall have performed in all material respects all of its obligations and shall have complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or before the Closing Date.

9.03 Officer's Certificate. Purchaser shall have furnished a certificate, dated the date of the Closing and signed by a duly authorized officer of Purchaser certifying that the conditions set forth in Sections 9.01 and 9.02 have been fulfilled.

9.04 Consideration. Purchaser shall have at or prior to the Closing delivered or caused to be delivered to Seller the Closing Cash Payment in accordance with Section 2.03(c) above.

9.05 Deliveries on or Prior to Closing. Purchaser shall have delivered the following documents at or prior to the Closing:

(a) certified copies of resolutions adopted by the Board of Directors of Purchaser authorizing the purchase of the Shares in accordance with this Agreement and compliance with the terms hereof;

(b) a certificate of status or good standing, as applicable, for Purchaser issued by the Iowa Secretary of State dated within one week of the Closing Date;

9.06 Other Documents. Purchaser shall have delivered to Seller such other documents as Seller may reasonably request for purposes of (a) evidencing the satisfaction of any condition referred to in section 9; or (b) otherwise facilitating the consummation or performance of any of the transactions contemplated by this Agreement.

10. Conditions Precedent to Purchaser's Obligations. The obligations of Purchaser under this Agreement are, at the option of Purchaser, subject to the fulfillment at the Closing of each of the following conditions:

10.01 Accuracy of Representations and Warranties. The representations and warranties of the Companies contained in this Agreement shall be true and correct in all respects as of the time immediately prior to the Closing as though made on and as of such time (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), except where the failure or failures of all such representations and warranties to be so true and correct, either individually or in the aggregate, do not create a Material Adverse Effect. This Section 10.01 shall give effect to any additions, deletions or other modifications to the Disclosure Schedule that may be included in any supplemental Disclosure Schedule delivered by the Companies to Purchaser during the time between the execution of this Agreement and the Closing if (a) such additions, deletions or other modifications were accepted in writing by Purchaser; (b) such additions, deletions or other modifications do not, together with any other breaches of the representations and warranties of the Companies contained in this Agreement, individually or in the aggregate, create a Material Adverse Effect; or (c) the Closing occurs. Notwithstanding the foregoing, the provisions of Sections 3.01, 3.02, 3.33, 3.35, 6.08, 6.09 and 6.10 shall be true and correct in all respects.

10.02 Performance. The Companies shall have performed in all material respects all obligations and shall have complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them on or before the Closing Date; *provided, however*, a breach of Section 6.01 hereof shall not constitute a basis for asserting a failure of satisfaction of this Section 10.02 unless such breach was willful.

10.03 Material Adverse Effect. Since the date hereof, a Material Adverse Effect shall not have occurred.

10.04 Officer's Certificate. Purchaser shall have received a certificate signed by a duly authorized officer of each Company certifying that all of the conditions in Sections 10.01, 10.02 and 10.03 have been satisfied.

10.05 Due Diligence. The Purchaser shall complete its due diligence review of the relationship of the Bank with its employees, customers, facilities and equipment within 20 days of the date of this agreement, which review shall be satisfactory to Purchaser in its sole discretion. Additionally the Purchaser shall have thirty (30) days to perform environmental due diligence on the Bank's properties, which review shall be satisfactory to Purchaser in its sole discretion. If the Purchaser determines not to proceed with this transaction as a result of such due diligence, the Purchaser shall deliver notice of termination to the Seller on or prior to the expiration of the time periods set forth above and neither party shall have any liability pursuant to this Agreement.

10.06 Deliveries on or Prior to Closing. The Companies, as applicable, shall have delivered or caused to be delivered to Purchaser the following documents at or prior to the Closing:

(a) Purchaser shall have received a certificate executed by Seller which shall (i) attach a copy of resolutions of the Board of Directors and minutes of the shareholders meeting of Seller authorizing Seller to enter into and consummate this Agreement and the transactions contemplated hereby, certified to be true and correct and (ii) attach current good standing certificates for each Company from the jurisdiction in which such Company is incorporated.

(b) Seller shall have delivered to Purchaser all stock certificates evidencing the Shares duly endorsed in blank or accompanied by stock powers duly endorsed in blank, in proper form for transfer, and with any required stock transfer stamps affixed.

(c) Seller shall have delivered to Purchaser a resignation duly executed by each of the directors of the Bank.

(d) Seller shall have delivered a waiver and release, duly executed by Seller, waiving all Claims it may have against the Bank and each of its officers and directors in a form and substance reasonably acceptable to Purchaser.

(e) Purchaser shall have received an opinion of Seller's legal counsel, in the form and substance of Exhibit B attached hereto.

10.07 Other Documents. Purchaser shall have received such other documents as Purchaser may reasonably request for the purpose of (i) evidencing the satisfaction of any condition referred to in this Section 10; (ii) vesting in Purchaser good and marketable title to the Shares free and clear of all Liens; or (iii) otherwise facilitating the consummation or performance of any of the transactions contemplated by this Agreement.

11. Termination and Waiver .

11.01 Termination . This Agreement may be terminated as follows:

(a) by mutual written consent of each Company and Purchaser;

(b) by Purchaser:

(i) if any condition set forth in Section 10 of this Agreement has not been satisfied or waived in writing (if capable of waiver) and the satisfaction of such condition has become impossible, unless the failure to satisfy such condition is due to a material breach of this Agreement by Purchaser;

(ii) if any representation or warranty made by the Companies is discovered to be or to have become untrue, incomplete or misleading and such breach (a) would result in the failure to satisfy the condition set forth in Section 10.01 hereof and (b) if capable of cure, remains uncured for a period of thirty (30) days after notice of such breach; or

(iii) if a Company shall have breached one or more agreements or covenants contained in this Agreement in any respect and such breach (a) would result in the failure to satisfy the condition set forth in Section 10.02 hereof and (b) if capable of cure, remains uncured for a period of thirty (30) days after notice of such breach.

(c) by Seller:

(i) if any condition set forth in Section 9 of this Agreement has not been satisfied or waived in writing (if capable of waiver) and the satisfaction of such condition has become impossible, unless the failure to satisfy such condition is due to a material breach of this Agreement by a Company;

(ii) if any representation or warranty made by Purchaser is discovered to be or to have become untrue, incomplete or misleading and such breach (a) would result in the failure to satisfy the condition set forth in Section 9.01 hereof, and (b) if capable of cure, remains uncured for a period of thirty (30) days after notice of such breach; or

(iii) if Purchaser shall have breached one or more agreements or covenants contained in this Agreement in any respect and such breach (a) would result in the failure to satisfy the condition set forth in Section 9.02 hereof, and (b) if capable of cure, remains uncured for a period of thirty (30) days after notice of such breach.

(d) by either Purchaser or Seller:

(i) if any condition set forth in Section 8 of this Agreement has not been satisfied and the satisfaction of such conditions has become impossible, unless the failure to satisfy such condition is due to a breach of this Agreement by the party seeking termination;

(ii) if the Closing has not occurred on or before April 30, 2008, unless the failure of the Closing to occur on or before such date is due to a breach of this Agreement by the party seeking termination;

(iii) if the Board of Directors of Seller, in accordance with its fiduciary duties receives and accepts another Acquisition Proposal pursuant to the terms of Section 6.06 above and such Acquisition Proposal was received and accepted by Seller's Board of Directors prior to approval of this Agreement by the shareholders of Seller in accordance with Section 6.07 above.

11.02 Effect of Termination. In the event of a valid termination of this Agreement as provided in Section 11.01 of this Agreement, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Purchaser or the Companies, or their respective officers, directors or owners or Affiliates; provided, however, that the provisions of Sections 7.01, 7.02, this Section 11.02, and Section 12 shall remain in full force and effect and shall survive any termination of this Agreement pursuant to this Section 11; provided further that nothing herein shall relieve a party from liability for a breach of this Agreement prior to such termination.

12. Miscellaneous.

12.01 Amendment and Severability. This Agreement may be amended only by a written agreement of the parties hereto. If any provision, clause or part of this Agreement or the application thereof under certain circumstances, is held invalid, the remainder of such provision and this Agreement, or the applications of each provision, clause or part under other circumstances, shall not be affected thereby.

12.02 Waiver. The failure of Purchaser or Seller to insist, in any one or more instances, upon performance of any of the terms or conditions of this Agreement, shall not be construed as a waiver or relinquishment of any rights granted hereunder or the future performance of any such term, covenant or condition.

12.03 Notices. Any notice to be given hereunder shall be deemed given and sufficient if in writing, when personally delivered, or three days after being deposited in the U.S. mail, postage prepaid, by Registered or Certified mail, or when deposited with Federal Express, United Parcel Service, or Airborne Express for delivery by overnight mail, or when sent by facsimile actually received by the receiving facsimile machine,

in the case of the Seller or the Bank, to:

Meta Financial Group, Inc.
Attention: Benjamin R. Guenther
121 East Fifth Street
Storm Lake, IA 50588
Fax: (712) 749-7502

with a copy to: Gary Armstrong
Mack Hansen Gadd Armstrong Brown
316 East Sixth Street
Storm Lake, IA 50588
Fax: (712) 732-7578

and, in the case of Purchaser to:

Anita Bancorporation
Attention: Chuck Edwards
1307 East Seventh Street
Atlantic, IA 50022
Fax: (712) 243-1423

with a copy to: BrownWinick Law Firm
Attn: John D. Hunter
4500 Westown Parkway, Suite 277
West Des Moines, IA 50266-6717
Facsimile No. (515) 323-8520

or to such other address as Sellers or Purchaser may designate by notice to the other given in accordance with this Section 12.03.

12.04 Benefit. This Agreement shall be binding upon and inure to the benefit and burden of and shall be enforceable by the parties, and their successors and permitted assigns. This Agreement may not be assigned by any party without the written consent of the other parties. Except as provided in Section 5.03 above, no person not a party to this Agreement shall be entitled to any rights of enforcement or otherwise under this Agreement.

12.05 Specific Performance. In the event of any controversy concerning the rights or obligations under this Agreement, such rights or obligations shall be enforceable in a court of equity by a decree of specific performance. Such remedy shall, however, be cumulative and nonexclusive and shall be in addition to any other remedy which the parties may have.

12.06 Dispute Resolution. This Agreement shall be governed by the laws of the State of Iowa and the Federal laws of the United States without giving effect to any rule or provision thereof which would cause the application of the law of any other state. Any controversy, claim or dispute arising hereunder or related hereto shall be heard in any court located in the United States District Court for the Southern District of Iowa. Each of the parties hereby consents to such jurisdiction and waives any claim of inconvenient forum.

12.07 Counterparts. This Agreement may be signed in any number of counterparts, and the signatures delivered by telecopy, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument and delivered in person. Signatures delivered by facsimile or in portable document format ("pdf") shall be binding for all purposes hereof.

12.08 Entire Agreement. This Agreement (including the schedules and exhibits referred to herein which are hereby incorporated by reference) and the other agreements executed simultaneously herewith constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, and negotiations, written and oral, between the parties with respect to the subject matter of this Agreement. Except as explicitly set forth herein, neither this Agreement nor any provision hereof is meant to confer upon any person other than the parties hereto any rights or remedies hereunder.

12.09 Captions. The captions included herein are included for convenience of reference only and shall not be considered in the construction or interpretation hereof.

12.10 Construction. Each party having participated in the negotiation and preparation of this Agreement and having been represented by counsel of its choosing, there shall be no presumption that any ambiguities herein be construed against any particular party. When a reference is made in this Agreement to sections, exhibits or schedules, such reference shall be to a section of or exhibit or schedule to this Agreement unless otherwise indicated. The table of contents and indices contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

IN WITNESS WHEREOF, the parties have executed this Agreement as of November 27, 2007.

PURCHASER:

ANITA BANCORPORATION

BY /s/ Charles N. Edwards
(signature)

Director / Treasurer
(title)

Charles N. Edwards
(print name)

THE BANK:

META BANK WEST CENTRAL

BY /s/ I. Eugene Richardson, Jr.
(signature)

President
(title)

I. Eugene Richardson, Jr.
(print name)

SELLER:

META FINANCIAL GROUP, INC.

BY /s/ James S. Haahr
(signature)

Chairman
(title)

James S. Haahr
(print name)



2007 ANNUAL REPORT



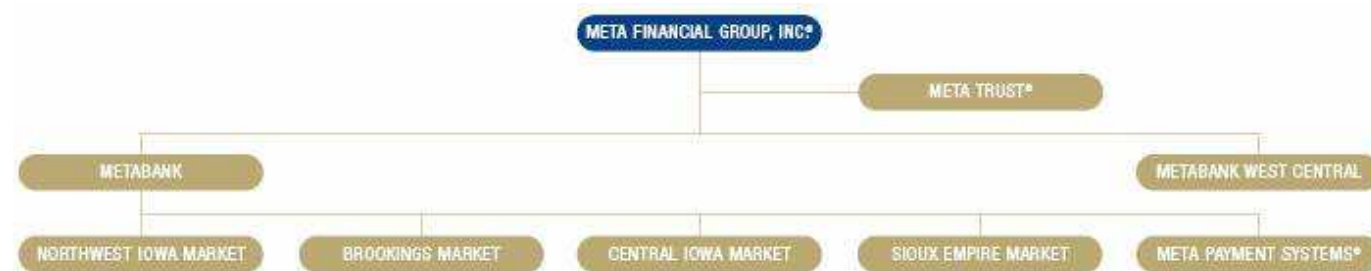
Meta means change.

Change is not merely necessary to life — it is life.

ALVIN TOFFLER

LET'S FACE IT. LIFE CHANGES. AND SO DOES BUSINESS. THAT IS WHY META FINANCIAL GROUP IS DEDICATED TO CHANGE. CHANGING THE WAY PEOPLE PAY. CHANGING THE WAY BUSINESSES MANAGE MONEY. CHANGING THE WAY PEOPLE BANK. CHANGE FOR THE BETTER. THAT IS WHAT META IS ABOUT.

COMPANY STRUCTURE



COMPANY PROFILE

Headquartered in Storm Lake, Iowa, Meta Financial Group, Inc. (Meta) (trading symbol: “CASH”) is a \$686 million bank holding company for MetaBank, MetaBank West Central, and Meta Trust Company. Its primary businesses are providing payment solutions nationally through its Meta Payment Systems (MPS) division and marketing deposits, loans and other financial services and products to meet the needs of its commercial, agricultural and retail customers in its bank markets. Meta shares are traded on the NASDAQ Global Market. SM

MPS is a recognized leader in the prepaid card industry and provides innovative payment solutions delivered nationally in collaboration with market-leading partners. MPS focuses on offering specific product solutions in the following areas: (i) prepaid cards, (ii) credit cards and lending solutions, and (iii) ATM sponsorship.

Meta operates its bank branches under a super-community banking philosophy with an emphasis on business banking that allows the Company to grow while maintaining its community bank roots, with local decision making and customer service. Administrative functions, transparent to the customer, are centralized to enhance the banks’ operational efficiencies and to improve customer service capabilities. MetaBank is a federally-chartered savings bank with four market areas: Brookings, Central Iowa, Northwest Iowa and Sioux Empire. MetaBank West Central is a state-chartered commercial bank located in West Central Iowa. Seventeen bank offices and two MPS/administrative offices support customers in Iowa, Nebraska, South Dakota and Tennessee and MPS clients across the country. Meta Trust provides professional trust services.

COMPARISON OF CUMULATIVE TOTAL RETURN OF CASH, INDUSTRY AND BROAD MARKET INDEXES



Banks are Members FDIC and Equal Housing Lenders. The Company and its subsidiaries exceed regulatory capital requirements.

CONTENTS

Company Structure & Profile	i
Letter to Shareholders	ii-iii
Financials	1-34
Directors & Senior Officers	35
Investor Information	36
Locations	37

To Fellow Shareholders



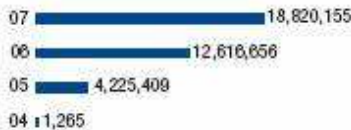
L TO R: J. TYLER HAAHR, JAMES S. HAAHR

ON BEHALF OF OUR LEADERSHIP TEAM AND META ASSOCIATES, WE ARE PLEASED TO SHARE ANOTHER YEAR OF PROGRESSION WITH YOU. META CONTINUES TO POSITION ITSELF AS A COMPANY THAT EMBRACES CHANGE—CHANGING THE WAY PEOPLE PAY, CHANGING THE WAY BUSINESSES MANAGE MONEY, AND CHANGING THE WAY PEOPLE BANK.

As a principal member of MasterCard,[®] Visa,[®] Discover[®] and the regional debit networks, Meta Payment Systems (MPS) expands the Company's opportunity and reach in the growing payments industry. It serves banks, card processors, and third-party marketing companies nationwide. MPS focuses on offering specific product solutions in the following areas: (i) prepaid cards, (ii) credit cards and lending solutions, and (iii) ATM sponsorship.

Annual consumer spending on prepaid cards is estimated to reach \$260 billion by 2009. ⁽¹⁾ As of fiscal year end, MPS supported clients by implementing more than 1,110 prepaid programs and issuing 35.7 million cards, up 94 percent and 49 percent from 2006 year end respectively. The success of its prepaid sponsorship program and launch of its new Simplexus[™] prepaid card product suite has contributed to exponential growth since its inception in 2004. Additionally, MPS's ATM Services unit now sponsors more than 44 percent of the white-label ATMs placed nationwide, up from 28 percent a year ago.

MPS FISCAL YEAR CARDS ISSUED



It's not a
coincidence
that Meta
means change.

MPS's focus on leadership, innovation and change is evident by several noteworthy accomplishments in 2007:

- Founding member of the National Branded Prepaid Card Association (NBPCA) Board of Directors;
- Successful launch of Simplexus[™] product suite;
- Market leader in ATM sponsorship;
- Rebate card programs issued for several Fortune 500 companies; and
- Successful pilot of contactless payment devices with MasterCard[®] and Visa.[®]

Meta understands the responsibility associated with being a recognized leader in the prepaid card industry. It respects its collaboration with market-leading partners in its efforts to deliver innovative payment solutions to improve the lives of its customers. Meta is bringing money to life.

FINANCIAL HIGHLIGHTS ⁽²⁾

While Meta made strides in 2007, the Company’s constant emphasis on long-term, profitable growth over short-term gains is becoming increasingly important as Meta prepares for its next opportunities—in both payment solutions and traditional banking.

Meta reported net income of \$1.2 million or \$0.45 per diluted share for fiscal year 2007. This compares to net income of \$3.7 million or \$1.46 per diluted share for fiscal year 2006. Earnings for 2007 were impacted by a large provision for loan losses related primarily to an impairment on a commercial loan relationship offset, in part, by a gain on the sale of four Northwest Iowa bank branches. 2006 earnings were impacted by non-recurring fee income associated with a portfolio of purchased prepaid debit cards.

An important highlight for Meta is its growth in total revenues. Total revenue for fiscal year 2007 rose to a record \$62.1 million, an increase of \$7.8 million or 14 percent over fiscal year 2006. Total revenue from MPS, a separate reportable business unit of the Company, was \$26.3 million for fiscal 2007, up 90 percent or \$12.5 million from fiscal 2006.

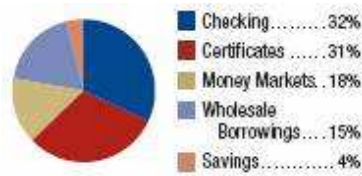
Net interest income for fiscal year 2007 was \$21.7 million, up \$2.1 million from fiscal year 2006. The 11 percent increase was driven by a higher net interest margin offset, in part, by a smaller earning asset base. Net interest margin continues its widening trend with a spread of 3.38 percent in fiscal year 2007, compared to 2.85 percent in 2006.

Contributing directly to Meta’s revenue and net interest income growth is a deliberate shift in its funding mix. Meta is replacing higher cost certificates of deposit, public funds deposits, and wholesale borrowings with low- and no-cost deposits that include checking, money market accounts and prepaid card product deposits.

FUNDING SOURCES 2007



FUNDING SOURCES 2006



Total low- and no-cost deposits rose 15 percent during fiscal year 2007 to \$356 million at September 30, 2007.(3) As of September 30, 2007, these deposits represented 58 percent of total funding liabilities, compared to 50 percent one year earlier. A significant portion of this growth came from deposits generated by MPS. The Company used these deposit increases to pay down wholesale borrowing sources. Total wholesale borrowings at September 30, 2007 were \$78.5 million, down 36 percent from \$114.8 million at September 30, 2006.

**LOW-COST
DEPOSIT BALANCES ⁽³⁾**
In millions



Low-cost deposits include checking and money market accounts.

Meta’s non-interest income also exhibited dramatic growth in fiscal year 2007, reaching a record \$22.1 million. The \$8.3 million or 61 percent increase from fiscal year 2006 can be attributed, in part, to MPS card fee income growth of \$4.6 million, or 42 percent, over 2006 and increases in loan fee and deposit fee income totaling \$150,000.

On the lending side, total loans, net of allowance for loan losses, fell \$23.4 million or 6 percent during fiscal year 2007. This includes \$2.2 million related to the branch sales. However, during the fourth quarter of fiscal 2007 there was an increase of \$1.9 million. The Company believes the pay downs and payoffs primarily in its originated and purchased commercial operating and commercial real estate portfolios are driven, in part, by a decrease in overall demand for credit and increased competition from secondary market investors.

Meta’s credit quality continues to exhibit positive trends. Non-performing loans at September 30, 2007 were 0.47 percent of total loans compared to 1.41 percent one year earlier. The Company’s underlying credit trends are very strong, and the Company continues to foster a conservative credit culture while it reduces its classified and nonperforming assets. Meta does not have any direct exposure to subprime mortgage loans.

Non-interest expense grew \$10.2 million or 37 percent during fiscal 2007. The primary contributors, compensation and card processing expenses, rose as a result of MPS’s significant growth and Meta’s proactive efforts to support future growth and product development.

Meta has hired executive level management, client relations, compliance and operations support staff within MPS, as well as software developers, IT support staff, and other administrative support within the Company to secure the necessary infrastructure needed to support growth in the Company’s fast-growing MPS and its larger bank markets. For example, Meta’s information technology staff has grown from five to 35 full-time employees within two years in order to maintain Meta’s systems and support research and development initiatives.

Additionally, the Company invested in card processing settlement functions for value loading, card sales and other items to support new product development and anticipated growth of existing products. Meta’s occupancy and equipment expenses also rose during fiscal year 2007. The Company added administrative office space for MPS in Sioux Falls, SD and Omaha, NE and invested in computer hardware and software. Meta believes these investments will actively support growth at MPS.



Bank branch structure is also changing in the Company. In November 2007, Meta announced an agreement to sell its MetaBank West Central

subsidiary with its three offices located in Stuart, Casey and Menlo, Iowa. The transaction will involve the sale of MetaBank West Central stock for approximately \$8.3 million, which is dependent on the satisfaction of routine contractual terms by the date of the sale. The sale is anticipated to close on or before March 30, 2008.

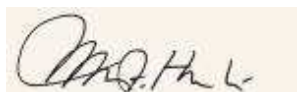
Meta also sold four branches in Northwest Iowa for a \$3.33 million gain recorded during the third quarter of fiscal 2007. The premium received from the sale of Meta's seven branches has been and will be utilized for MPS and traditional banking expansion in markets with greater growth potential. MetaBank opened a new administrative office and retail branch in downtown Des Moines, Iowa this year and opened six new bank offices in Sioux Falls, South Dakota and the Des Moines metro area within the last five years. The Company believes that additional offices in higher-growth markets will lead to further loan and deposit growth. Its ATM network, online offerings and other technological services also support the distribution of Meta services.

CHANGE FOR THE FUTURE

The Company is committed to profitable growth for its customers, employees and shareholders. Meta associates are working to execute three key initiatives that we believe will enhance long-term performance and earnings:

- Actively pursue MPS growth,
- Build commercial banking business, and
- Manage infrastructure and risk to support growth.

Thank you for your interest and investment in our company



JAMES S. HAAHR, Chairman of the Board



J. TYLER HAAHR, President & CEO

- (1) Mitchell, Richard. "Meeting the demand with rosy forecasts ahead, payment processors are tuned to servicing prepaid products," www.intelecard.com, May 7, 2006.
- (2) Information presented herein is qualified in its entirety by the Company's audited financial statements presented elsewhere herein.
- (3) 2007 low-cost deposit numbers exclude deposits from branches sold during the year and those related to the pending sale of MetaBank West Central.

FINANCIAL HIGHLIGHTS

(Dollars in Thousands except Per Share Data)

	2007	2006	2005	2004	2003
		(Restated)			
AT SEPTEMBER 30					
Total assets	\$ 686,080	\$ 740,921	\$ 775,839	\$ 780,799	\$ 772,285
Total loans, net	355,612	368,959	415,568	381,406	332,062
Total deposits	522,978	538,169	510,258	433,928	408,558
Shareholder's equity	48,098	45,099	42,959	47,274	43,031
Book value per common share	\$ 18.57	\$ 17.79	\$ 17.16	\$ 18.98	\$ 17.25
Total equity to assets	7.01%	6.09%	5.54%	6.05%	5.57%

FOR THE FISCAL YEAR

Total interest income and non-interest income-continuing operations	\$ 59,632	\$ 51,607	\$ 41,870	\$ 36,729	\$ 35,543
Net interest income-continuing operations	20,807	18,501	18,063	16,539	14,647
Income(loss)from continuing operations, net of tax	1,312	3,379	(652)	3,662	3,091
Income (loss) from discontinued operations, net of tax	(141)	309	(272)	325	306
Net income(loss)	1,171	3,688	(924)	3,987	3,397
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	\$ 0.50	\$ 1.34	\$ (0.27)	\$ 1.44	\$ 1.24
Income (loss) from discontinued operations	(0.05)	0.12	(0.11)	0.13	0.12
Net income (loss)	0.45	1.46	(0.38)	1.57	1.36
Return on average assets	0.17%	0.49%	-0.12%	0.51%	0.47%
Return on average assets-continuing operations	0.19%	0.45%	-0.08%	0.47%	0.43%
Return on average equity	2.69%	8.55%	-2.04%	8.69%	7.57%
Return on average equity-continuing operations	3.01%	7.83%	-1.44%	7.98%	6.89%
Net yield on interest-earning assets-continuing operations	3.38%	2.85%	2.59%	2.44%	2.35%

TOTAL ASSETS

In thousands



TOTAL LOANS, NET

In thousands



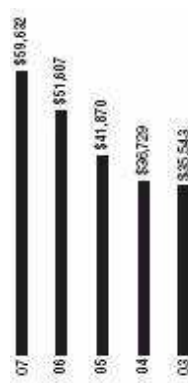
TOTAL DEPOSITS

In thousands



TOTAL REVENUES

In thousands



TOTAL NET INCOME

In thousands



FINANCIAL CONTENTS

Financial Highlights	1
Selected Consolidated Financial Information	2
Management's Discussion and Analysis	3
Report of Independent Registered Public Accounting Firm	11
Consolidated Statements of Financial Condition at September 30, 2007 and 2006	12
Consolidated Statements of Operations for the Years Ended September 30, 2007, 2006 and 2005	13
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended September 30, 2007, 2006 and 2005	14
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended September 30, 2007, 2006 and 2005	14
Consolidated Statements of Cash Flows for the Years Ended September 30, 2007, 2006 and 2005.	15
Notes to Consolidated Financial Statements	16

Meta Financial Group, Inc. and Subsidiaries
SELECTED CONSOLIDATED FINANCIAL INFORMATION

SEPTEMBER 30,	2007	2006	2005	2004	2003
		(Restated)			

SELECTED FINANCIAL CONDITION DATA
(In Thousands)

Total assets	\$ 686,080	\$ 740,921	\$ 775,839	\$ 780,799	\$ 772,285
Loans receivable, net	355,612	368,959	415,568	381,406	332,062
Securities available for sale	158,701	172,444	213,245	290,186	324,915
Goodwill	1,508	1,508	1,508	1,508	1,508
Deposits	522,978	538,169	510,258	433,928	408,558
Total borrowings	78,534	114,789	176,857	241,354	258,082
Shareholders' equity	48,098	45,099	42,959	47,274	43,031

YEAR ENDED SEPTEMBER 30,
SELECTED OPERATIONS DATA
(In Thousands, Except Per Share Data)

Total interest income	\$ 37,774	38,112	\$ 38,368	\$ 33,433	\$ 32,390
Total interest expense	16,967	19,611	20,305	16,894	17,743
Net interest income	20,807	18,501	18,063	16,539	14,647
Provision for loan losses	3,168	311	4,713	473	381
Net interest income after provision for loan losses	17,639	18,190	13,350	16,066	14,266
Total non-interest income	21,858	13,495	3,502	3,296	3,153
Total non-interest expense	36,958	26,640	17,995	13,797	12,778
Income (loss) from continuing operations before income tax expense (benefit)	2,539	5,045	(1,143)	5,565	4,641
Income tax expense (benefit)	1,227	1,666	(491)	1,903	1,550
Income (loss) from continuing operations	1,312	3,379	(652)	3,662	3,091
Income (loss) from discontinued operations, net of tax	(141)	309	(272)	325	306
Net income (loss)	1,171	3,688	(924)	3,987	3,397

Basic earnings (loss) per common share:

Income (loss) from continuing operations	\$ 0.52	\$ 1.36	\$ (0.27)	\$ 1.48	\$ 1.25
Income (loss) from discontinued operations	(0.06)	0.12	(0.11)	0.13	0.12
Net income (loss)	\$ 0.46	\$ 1.48	\$ (0.38)	\$ 1.61	\$ 1.37

Diluted earnings (loss) per common share:

Income (loss) from continuing operations	\$ 0.50	\$ 1.34	\$ (0.27)	\$ 1.44	\$ 1.23
Income (loss) from discontinued operations	(0.05)	0.12	(0.11)	0.13	0.12
Net income (loss)	\$ 0.45	\$ 1.46	\$ (0.38)	\$ 1.57	\$ 1.36

YEAR ENDED SEPTEMBER 30,
SELECTED FINANCIAL RATIOS AND OTHER DATA
PERFORMANCE RATIOS

Return on average assets	0.17%	0.49%	-0.12%	0.51%	0.47%
Return on average assets-continuing operations	0.19%	0.45%	-0.08%	0.47%	0.43%
Return on average equity	2.69%	8.55%	-2.04%	8.69%	7.57%
Return on average equity-continuing operations	3.01%	7.83%	-1.44%	7.98%	6.89%
Net interest margin-continuing operations	3.38%	2.85%	2.59%	2.44%	2.35%
Operating expense to average assets-continuing operations	5.26%	3.55%	2.29%	1.78%	1.78%

QUALITY RATIOS—CONTINUING OPERATIONS

Non-performing assets to total assets at end of year	0.38%	0.72%	0.92%	0.09%	0.27%
Allowance for loan losses to non-performing loans	196%	121%	280%	706%	475%

CAPITAL RATIOS

Shareholders' equity to total assets at end of period	7.01%	6.09%	5.54%	6.05%	5.57%
Average shareholders' equity to average assets	6.20%	5.76%	5.77%	5.91%	6.25%

OTHER DATA

Book value per common share outstanding	\$ 18.57	\$ 17.79	\$ 17.16	\$ 18.98	\$ 17.25
Dividends declared per share	0.52	0.52	0.52	0.52	0.52

Number of full-service offices

17

19

17

16

16

Meta Financial Group, Inc. and Subsidiaries

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

Meta Financial Group, Inc.® (the "Company") is a bank holding company whose primary subsidiaries are MetaBank (the "Bank") and MetaBank West Central ("MetaBank WC"). The Company focuses on two core businesses, its regional retail banking business and a national payments business, conducted through its Meta Payment Systems® ("MPS") division. The Company's retail bank business is focused on establishing and maintaining long-term relationships with customers, and is committed to serving the financial service needs of the communities in its market area. The retail bank's primary market area includes the following counties: Adair, Buena Vista, Dallas, Guthrie, and Polk located in central and northwestern Iowa, and Brookings, Lincoln, and Minnehaha located in east central South Dakota. The traditional bank segment attracts retail deposits from the general public and uses those deposits, together with other borrowed funds, to originate and purchase residential and commercial mortgage loans, and to originate consumer, agricultural and other commercial loans.

MPS, a division of the Bank, is an industry leader in the issuance of prepaid debit cards and is also a provider of a wide range of payment-related products and services, including prepaid debit cards, ATMs, credit cards and rebate cards. MPS pursues a strategy of working with industry-leading companies in a variety of industries to help them introduce new payment products to their customers. In addition, MPS partners with emerging companies to develop and introduce new payment products. MPS earns revenues from fees as well as being a significant provider of low- and no-cost demand deposits.

OVERVIEW OF CORPORATE DEVELOPMENTS

The Company continues to experience significant growth in its MPS division and is investing for further growth in this business unit. MPS continued to exhibit rapid growth during fiscal year 2007. On a business segment basis, its revenues (interest income plus non-interest income) grew by 58% over the previous year and now comprise 44% of the Company's total revenue from continuing operations compared to 32% in the prior year. The division was created in May 2004 to take advantage of opportunities in the growing area of prepaid debit cards, ATM sponsorship, and other payment products and services. MPS is now recognized as an industry leader in a number of different areas within the payment systems industry including prepaid debit cards and ATMs.

The Bank continues to emphasize expansion in the growing metropolitan areas of Sioux Falls, South Dakota and Des Moines, Iowa. The Company focuses primarily on establishing lending and deposit relationships with commercial businesses and commercial real estate developers in these communities. In March 2007, the Company also opened an administrative support office in Omaha, Nebraska. During the third quarter of fiscal 2007, the Company divested four of its branches in rural Northwest Iowa. The Company also has signed a definitive agreement to sell MetaBank WC, which includes three branches in rural West-Central Iowa, with an expectation that the transaction will close in the second quarter of fiscal 2008. After the transaction closes the Company will be a unitary thrift holding company, subject to the jurisdiction of the Office of Thrift Supervision ("OTS"). These transactions allow the Company to increase its focus on higher growth markets and business lines. The Company now operates 17 branches: in Brookings (1) and Sioux Falls (4), South Dakota, in Des Moines (6), Northwest (2), and West-Central (3), Iowa, as well as a non-retail service branch in Memphis, Tennessee.

The Company discovered in September 2007 that maintenance fees charged to and collected from holders of prepaid gift cards, which were issued through the Company's network of agent financial institutions, were not recognized as income in the appropriate periods. The impact to income from continuing operations before income tax expense for the fiscal year ended September 30, 2006 amounted to \$322,000.

In addition, during the quarter ended December 31, 2006, the Company determined that a material impairment of its assets related to a certain loan had occurred and recorded an additional \$690,000 provision for loan losses. The Company was subsequently informed by its independent accountants that, as a result of their consultation with their regulatory authorities, the additional provision should have been recorded in the quarter ended September 30, 2006 instead of the quarter ended December 31, 2006.

As a result of the above, the Company has restated its financial statements for the year ended September 30, 2006 to reflect an additional \$322,000 of card fee revenue, an additional provision for loan losses of \$690,000 and additional income tax benefit of \$135,000, resulting in a decrease to net income of \$233,000. The statement of financial condition for the year ending September 30, 2006 reflects a decrease in net loans of \$690,000, a decrease to deposits of \$322,000, a decrease to accrued expenses of \$135,000, and a decrease to retained earnings of \$233,000.

In November 2007, the Company also amended its Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2006, March 31, 2007, and June 30, 2007 for the above restatements. Net income, as restated for the three months ended December 31, 2006, increased \$550,000 due to additional prepaid card fee income of \$178,000 and reduction in the provision for loan losses of \$690,000. Net income, as restated for the three months ended March 31, 2007 and June 30, 2007, increased \$132,000 and \$152,000, respectively, due to additional prepaid card fee income.

The Company's stock trades on the NASDAQ Global Market under the symbol "CASH."

FINANCIAL CONDITION

The following discussion of the Company's consolidated financial condition should be read in conjunction with the Selected Consolidated Financial Information and Consolidated Financial Statements and the related notes included in this Annual Report.

The Company's total assets at September 30, 2007 were \$686.1 million, a decrease of \$54.8 million, or 7.4%, from \$740.9 million at September 30, 2006. The decrease in assets of \$54.8 million resulted primarily from decreases in the Company's cash, securities, and loan portfolios.

Total cash and cash equivalents and federal funds sold were \$86.3 million at September 30, 2007, a decrease of \$21.2 million, or 19.7%, from \$107.5 million at September 30, 2006. The decrease was primarily the result of the Company's sale of four branches in northwest Iowa. Cash and short term investments were used to fund the assumption of deposit liabilities by the acquiring institutions. In general, the Company maintains its cash investments in interest-bearing overnight deposits with various correspondent banks. Federal funds sold deposits are maintained at various large commercial banks.

The Company's portfolio of securities purchased under agreements to resell and available for sale decreased \$5.9 million, or 100%, to none at September 30, 2007. The Company's portfolio of investment securities available for sale consists primarily of mortgage-backed securities, most with balloon maturities, which have relatively short expected average lives and limited maturity extension risk. During fiscal year 2007, the Company purchased securities for its available for sale portfolio totaling \$13.2 million and sold securities available for sale in the amount of \$1.1 million. See Note 5 to the Notes to Consolidated Financial Statements.

The Company's portfolio of net loans receivable decreased by \$13.4 million, or 3.6%, to \$355.6 million at September 30, 2007 from \$369.0 million at September 30, 2006. The decrease was mainly the result of pay offs and pay downs in the Company's purchased loan participation portfolio, which is concentrated in commercial real estate and commercial operating credits. The Company experienced slight growth in its agricultural real estate and agricultural operating portfolios. See Note 6 to the Notes to Consolidated Financial Statements.

The Company owns stock in the Federal Home Loan Bank ("FHLB") of Des Moines as well as in the Federal Reserve Bank due to its membership and participation in these banking systems. The Company's investment in such stock decreased \$1.1 million, or 20.5%, to \$4.0 million at September 30, 2007 from \$5.1 million at September 30, 2006. The decrease was due to a decrease in the level of borrowings from the FHLB, which require a calculated level of stock investment based on a formula determined by the FHLB.

Total deposits decreased by \$15.2 million, or 2.8%, to \$523.0 million at September 30, 2007 from \$538.2 million at September 30, 2006. The majority of this net decrease was related to the sale of four branches in northwest Iowa. Additionally, however, the Company's deposit mix shifted away from higher costing certificates of deposit and money market deposits toward low- and no-cost checking deposits. Most of the increase in checking deposits was the result of prepaid card deposit growth at the Bank's MPS

MANAGEMENT'S DISCUSSION AND ANALYSIS

division. Total checking deposits increased by \$64.0 million, or 30.4%, to \$274.7 million at September 30, 2007 from \$210.7 million at September 30, 2006. Total savings and certificates of deposit declined \$61.8 million, or 27.0%, to \$167.0 million at September 30, 2007 from \$228.8 million at September 30, 2006. The decrease in savings and certificates resulted primarily from the sale of four branches and runoff of higher costing public funds deposits. Money market account balances also decreased during fiscal year 2007, decreasing \$17.4 million, or 17.6%, to \$81.3 million at September 30, 2007 from \$98.7 million at September 30, 2006. Money market deposits decreased primarily due to the sale of branches and fluctuations in several large accounts.

The Company's wholesale borrowings portfolio decreased \$36.3 million, or 31.6%, to \$78.5 million at September 30, 2007 from \$114.8 million at September 30, 2006. The Company continues to de-emphasize these high cost funding sources in an effort to decrease overall liability costs and to de-lever the Company's balance sheet. See Notes 10, 11, and 12 to the Notes to Consolidated Financial Statements.

Shareholders' equity increased \$3.0 million, or 6.6%, to \$48.1 million at September 30, 2007 from \$45.1 million at September 30, 2006. The increase was primarily the result of a favorable change in the accumulated other comprehensive loss on the Company's securities available for sale portfolio and by the reported fiscal 2007 net income (see "Results of Operations" below) offset by the payment of dividends on common stock. At September 30, 2007, the Company and both of its banking subsidiaries, MetaBank and MetaBankWC, continue to meet regulatory requirements for classification as well capitalized institutions. See Note 16 to the Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following discussion of the Company's Results of Operations should be read in conjunction with the Selected Consolidated Financial Information and Consolidated Financial Statements and the related notes included in this Annual Report.

Of increasing importance, the Company's Results of Operations are dependent on net interest income, non-interest income, non-interest expense, and income tax expense. Net interest income is the difference, or spread, between the average yield on interest earning assets and the average rate paid on interest-bearing liabilities. The interest rate spread is affected by regulatory, economic, and competitive factors that influence interest rates, loan demand, and deposit flows. The Company, like other financial institutions, is subject to interest rate risk to the extent that its interest-earning assets mature or reprice at different times, or on a different basis, than its interest-bearing liabilities.

The Company's non-interest income is derived primarily from card and ATM fees attributable to MPS and fees charged on loans and transaction accounts. The Company's fiscal year 2007 non-interest income was also impacted by a gain on sale of four branches in the amount of \$3.3 million. This income is offset, in part, by expenses, such as compensation and occupancy expenses associated with additional personnel and office locations as well as card processing expenses attributable to MPS. To a lesser extent, non-interest income is derived from gains or losses on the sale of securities available for sale as well as the Company's holdings of bank-owned life insurance. Additionally, non-interest income has been derived from the activities of Meta Trust Company[®] ("Meta Trust"), a wholly-owned subsidiary of Meta Financial Group, which provides a variety of professional trust services. Non-interest expense is also impacted by occupancy and equipment expenses and legal and consulting expenses.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006

GENERAL

The Company's income from continuing operations was \$1.3 million, or \$0.50 per diluted share, for the year ended September 30, 2007 compared to \$3.4 million, or \$1.34 per diluted share, for the year ended September 30, 2006. Net income was \$1.2 million, or \$0.45 per diluted share, for the year ended September 30, 2007 compared to \$3.7 million, or \$1.46 per diluted share, for the year ended September 30, 2006. Earnings in fiscal year 2007 were impacted by a large provision for loan losses related primarily to an impairment on a commercial loan relationship of \$5.0 million related to fraud by the borrower and a gain on the sale of four branches in northwest Iowa of \$3.3 million. Earnings in fiscal year 2006 were impacted by non-recurring fee income of \$2.6 million associated with a portfolio of purchased prepaid debit cards.

NET INTEREST INCOME

Net interest income from continuing operations for the year ended September 30, 2007 increased by \$2.3 million, or 12.5%, to \$20.8 million from \$18.5 million for the year ended September 30, 2006. The increase in net interest income reflects a higher net interest margin, offset in part by a smaller average earning asset base. Net interest margin increased 53 basis points to 3.38% in fiscal year 2007 from 2.85% in fiscal year 2006. The improvement resulted primarily from the shift in the Company's funding mix attributable to growth in non-interest-bearing deposits and decreases in higher costing certificates, public funds deposits, and wholesale borrowings.

The Company's average earning assets decreased \$33.1 million, or 5.1%, to \$616.3 million during fiscal year 2007 from \$649.5 million during fiscal year 2006. The decrease is primarily the result of the decrease in the loan portfolio. The Company's yield on earning assets rose 26 basis points to 6.13% during fiscal year 2007 from 5.87% during fiscal year 2006. The increase is the result primarily of increasing yields on the Company's other investments.

The Company's average total deposits and interest-bearing liabilities decreased \$40.7 million, or 6.2%, to \$616.7 million during fiscal year 2007 from \$657.4 million during fiscal year 2006. The decrease resulted mainly from a decrease in the Company's interest-bearing deposits and wholesale borrowings. Decreases in public funds deposits were more than offset by growth in non-interest bearing checking accounts. The

Company's cost of total deposits and interest-bearing liabilities decreased 23 basis points during fiscal year 2007 to 2.75% during fiscal year 2007 from 2.98% during fiscal year 2006. Despite an increasing interest rate environment in 2007, which drove the costs of certificates and money market deposits higher, the Company was able to limit the increase in its overall cost of funds by shifting its portfolio mix away from higher costing certificates, public funds deposits, and wholesale borrowings, into lower costing demand deposits.

PROVISION FOR LOAN LOSSES

In fiscal year 2007, the Company recorded a provision for loan losses of \$3.2 million, compared to \$311,000 for fiscal year 2006. The reduction in the provision in 2006 relates in part to the Company's settlement agreement with one of several participants in an auto-dealership related lending relationship. Additionally, shrinkage in the Company's loan portfolio during the year reduced the level of required loan loss allowances on the portfolio. The relatively large provision in fiscal year 2007 is the primary reason that net interest income after provision for loan losses decreased by \$551,000, from \$18.2 million in fiscal 2006 to \$17.6 million in fiscal year 2007. For fiscal year 2007, the Company's provision for loan losses of \$3.2 million consisted of the impairment of a commercial lending relationship due to the fraud by the borrower partially offset by a decrease in loans, a decrease in impaired loans and a \$500,000 recovery of a fidelity bond claim payment by the Company's insurance carrier.

Management closely monitors economic developments both regionally and nationwide, and considers these factors when assessing the adequacy of its allowance for loan losses. While the Company has no direct exposure to sub-prime loans, management is concerned that recent developments in the sub-prime mortgage market may have a ripple effect on residential real estate prices. In addition, the potential for an economic slowdown and recent increase in energy prices may strain the financial condition of some borrowers. Management therefore believes that future losses in the residential portfolio may be somewhat higher than historical experience. Over the past six years, loss rates in the commercial and multi-family real estate market have remained moderate. Management recognizes that low charge-off rates over the past several years reflect the strong economic environment and are not indicative of likely losses over a full business cycle. This observation, as well as the aforementioned concerns regarding an economic slowdown, has led management to the conclusion that future losses in this portfolio may be somewhat higher than recent historical experience, excluding loan losses related to fraud by borrowers. On the other hand, current trends in agricultural

Meta Financial Group, Inc. and Subsidiaries

MANAGEMENT'S DISCUSSION AND ANALYSIS

AVERAGE BALANCES, INTEREST RATES AND YIELDS

The following table presents, for the periods indicated, the 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. No tax equivalent adjustments have been made. Non-accruing loans have been included in the table as loans carrying a zero yield. Balances related to discontinued operations have been reclassified to non-interest earning assets and non-interest bearing liabilities for all periods presented.

YEAR ENDED SEPTEMBER 30,

	2007			2006			2005		
	Average Outstanding Balance	Interest Earned /Paid	Yield /Rate	Average Outstanding Balance	Interest Earned /Paid	Yield /Rate	Average Outstanding Balance	Interest Earned /Paid	Yield /Rate
<i>(Dollars in Thousands)</i>									
INTEREST-EARNING ASSETS									
Interest-earning assets:									
Loans receivable	\$ 354,465	\$ 25,584	7.22%	\$ 390,002	\$ 27,948	7.17%	\$ 409,783	\$ 28,103	6.86%
Mortgage-backed securities	135,007	5,500	4.07%	163,032	6,185	3.79%	239,514	8,688	3.63%
Other investments	126,853	6,690	5.27%	96,416	3,979	4.13%	47,730	1,577	3.30%
Total interest-earning assets	616,325	\$ 37,774	6.13%	649,450	\$ 38,112	5.87%	697,027	\$ 38,368	5.50%
Non-interest-earning assets	86,502			99,960			89,171		
Total assets	\$ 702,827			\$ 749,410			\$ 786,198		
Non-interest bearing deposits	\$ 230,930	\$ —	0.00%	\$ 147,520	\$ —	0.00%	\$ 31,896	\$ —	0.00%
INTEREST-BEARING LIABILITIES									
Interest-bearing checking	\$ 22,004	\$ 538	2.45%	\$ 21,852	\$ 789	3.61%	\$ 54,154	\$ 872	1.61%
Savings	17,586	471	2.68%	46,822	1,388	2.96%	55,541	1,306	2.35%
Money markets	67,087	2,301	3.43%	83,486	2,354	2.82%	50,269	895	1.78%
Time deposits	183,505	8,355	4.55%	215,815	8,225	3.81%	268,198	8,427	3.14%
FHLB advances	77,433	4,091	5.28%	115,102	7,237	4.77%	194,960	7,530	3.86%
Other borrowings	18,172	1,211	6.66%	26,846	1,367	5.09%	31,802	1,275	4.01%
Total interest-bearing liabilities	385,787	16,967	4.40%	509,923	19,611	3.85%	654,924	20,305	3.10%
Total deposits and interest-bearing liabilities	616,717	\$ 16,967	2.75%	657,443	\$ 19,611	2.98%	686,820	\$ 20,305	2.96%
Other non-interest bearing liabilities	42,557			48,831			54,027		
Total liabilities	659,274			706,274			740,847		
Shareholders' equity	43,553			43,136			45,351		
Total liabilities and shareholders' equity	\$ 702,827			\$ 749,410			\$ 786,198		
Net interest income and net interest rate spread including non-interest bearing deposits	\$ 20,807		3.38%	\$ 18,501		2.89%	\$ 18,063		2.54%
Net interest margin			3.38%			2.85%			2.59%

markets are very favorable. Higher commodity prices as well as higher yields have created positive economic conditions for most farmers. Nonetheless, management still expects that future losses in this portfolio, which have been very low, could be higher than recent historical experience. Management believes that the aforementioned possibility for a slowdown in economic growth during the next fiscal year may also negatively impact consumers' repayment capacities. Additionally, a sizable portion of the Company's consumer loan portfolio is secured by residential real estate, as discussed above, is an area to be closely monitored by management in view of its stated concerns.

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, 2007 reflects an adequate 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. In addition, the Company's determination of the allowance for loan losses is subject to review by its regulatory agencies, which can require the establishment of additional general or specific allowances.

NON-INTEREST INCOME

Non-interest income increased by \$8.4 million, or 62.0%, to \$21.9 million for the fiscal year 2007 from \$13.5 million for fiscal year 2006. Non-interest income in fiscal year 2007 was impacted by a gain on the sale of four branches in northwest Iowa of \$3.3 million. Non-interest income in the 2006 period was impacted by non-recurring pre-tax fee income of \$2.6 million related to a purchased portfolio of prepaid debit cards. Adjusting for these non-recurring items, non-interest income for fiscal year 2007 rose \$7.6 million, or 69.4%, over the same period in the prior fiscal year primarily due to an increase in card fee income. The majority of this growth is related to higher fee income earned on prepaid debit cards and other products and services offered by MPS.

Management performed an evaluation of whether the sale of the branches constituted discontinued operations, and concluded that the operations and cash flows of the branches sold were not discontinued operations. Revenue and expenses of the entity, including the gain on sale, are, therefore, included in the appropriate income statement line items for all periods presented.

NON-INTEREST EXPENSE

Non-interest expense increased by \$10.4 million, or 38.7%, to \$37.0 million for fiscal year 2007 from \$26.6 million for fiscal year 2006. Several

factors contributed to this increase. Compensation expense rose \$5.4 million during the year, from \$12.8 million in fiscal year 2006 to \$18.2 million in fiscal year 2007. The increase represents the addition of executive level management, client relations, compliance and operations support staff within MPS, as well as software developers, Information Technology (“IT”) support staff, and other administrative support within the Company. Many of the new employees at MPS and in IT will be focused on developing new product lines and increasing market penetration of our payments systems products and services.

Costs associated with the processing of card-related products at MPS also increased during fiscal year 2007. Card processing expense rose \$3.4 million from \$3.0 million in fiscal year 2006 to \$6.4 million in fiscal year 2007 as a result of the significant growth in

MANAGEMENT'S DISCUSSION AND ANALYSIS

RATE/VOLUME ANALYSIS

The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase related to higher outstanding balances and that due to the levels and volatility of interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e. changes in volume multiplied by old rate) and (ii) changes in rate (i.e. changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

YEAR ENDED SEPTEMBER 30,

(in Thousands)	2007 VS. 2006			2006 VS. 2005		
	Increase (Decrease) Due to Volume	Increase (Decrease) Due to Rate	Total Increase (Decrease)	Increase (Decrease) Due to Volume	Increase (Decrease) Due to Rate	Total Increase (Decrease)
INTEREST-EARNING ASSETS						
Loans Receivable	\$ (2,567)	\$ 203	\$ (2,364)	\$ (2,236)	\$ 2,081	\$ (155)
Mortgage-backed securities	(1,203)	518	(685)	(2,921)	418	(2,503)
Other investments	1,444	1,267	2,711	1,930	472	2,402
Total interest - earning asset s	\$ (2,326)	\$ 1,988	\$ (338)	\$ (3,227)	\$ 2,971	\$ (256)
INTEREST-BEARING LIABILITIES						
Interest-bearing checking	\$ 6	\$ (257)	\$ (251)	\$ 76	\$ (159)	\$ (83)
Savings	(794)	(123)	(917)	(124)	206	82
Money markets	521	(574)	(53)	775	684	1,459
Time deposits	(433)	563	130	2,239	(2,441)	(202)
FHLB advances	(2,086)	689	(1,397)	(4,776)	2,734	(2,042)
Other borrowings	(3,510)	3,354	(156)	(125)	217	92
Total interest-bearing liabilities	\$ (6,296)	\$ 3,652	\$ (2,644)	\$ (1,935)	\$ 1,241	\$ (694)
Net effect on net interest income	\$ 3,970	\$ (1,664)	\$ 2,306	\$ (1,292)	\$ 1,730	\$ 438

the division's product lines. These expenses stem primarily from MPS' Simplexus[®] prepaid card product and other prepaid card programs managed by MPS. Other card processing expense increases are attributable to settlement functions for value loading, card sales and anticipated growth of existing products. Management expects that these costs will continue to increase as MPS issues more cards; however, it is anticipated that overall costs will increase less than revenues associated with these cards.

The Company's occupancy and equipment expense also rose during fiscal year 2007, driven primarily by the addition of administrative office space in Sioux Falls and Omaha, as well as investment in computer hardware and software, primarily to support growth at MPS. Occupancy and equipment expense for fiscal year 2007 was \$4.0 million compared to \$2.9 million in fiscal year 2006.

INCOME TAX EXPENSE

Income tax expense from continuing operations for fiscal year 2007 was \$1.2 million, or an effective tax rate of 48.3%, compared to \$1.7 million, or an effective tax rate of 33.0%, in fiscal year 2006. The change is due primarily to the decrease in net income before income tax expense. The Company's recorded income tax expense was also impacted primarily by permanent differences between book and taxable income.

DISCONTINUED OPERATIONS

Income (loss) from discontinued operations was a loss of \$141,000 for fiscal year 2007 compared to income of \$309,000 for fiscal year 2006. The decrease was primarily related to an increase in provision for loan losses in the amount of \$703,000 as compared to the prior fiscal year. See Note 3 to the Notes to Consolidated Financial Statements for further discussion on discontinued operations.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND SEPTEMBER 30, 2005

GENERAL

The Company's income from continuing operations was \$3.4 million, or \$1.34 per diluted share, for the year ended September 30, 2006, compared to a net loss of \$652,000, or \$0.27 per diluted share, for the year ended September 30, 2005. Net income was \$3.7 million, or \$1.46 per diluted share, for the year ended September 30, 2006 compared to a net loss of \$924,000, or \$0.38 per diluted share, for the year ended September 30, 2005. Earnings in fiscal year 2006 were primarily impacted by card fees and non-recurring fee income, partially offset by higher compensation, occupancy, legal and consulting, and card processing expenses. Earnings in fiscal year 2005 were impacted by the provision for loan loss.

NET INTEREST INCOME

Net interest income from continuing operations for the year ended September 30, 2006 increased by \$438,000, or 2.4%, to \$18.5 million from \$18.1 million for the year ended September 30, 2005. The increase in net interest income reflects a higher net interest margin, offset in part by a smaller average earning asset base. Net interest margin increased 26 basis points to 2.85% in fiscal year 2006 from 2.59% in fiscal year 2005. The improvement resulted primarily from the shift in the Company's funding mix attributable to growth in non-interest-bearing and money market deposits and decreases in higher costing certificates, public funds deposits, and wholesale borrowings.

The Company's average earning assets decreased \$47.5 million, or 6.8%, to \$649.5 million during fiscal year 2006 from \$697.0 million during fiscal year 2005. The decrease is primarily the result of a smaller portfolio of mortgage-backed securities and loans. The Company's yield on earning assets rose 37 basis points to 5.87% during fiscal year 2006 from 5.50% during fiscal year 2005. The increase is the result primarily of increasing yields on the Company's adjustable rate loan portfolio due to an increasing interest rate environment during 2006.

The Company's average total deposits and interest-bearing liabilities decreased \$29.4 million, or 4.3%, to \$657.4 million during fiscal year 2006 from \$686.8 million during fiscal year 2005. The decrease resulted mainly from a decrease in the Company's portfolio of advances from the FHLB and other wholesale borrowings. Decreases in public funds deposits were more than offset by growth in non-interest bearing checking accounts. The Company's cost of total deposits and interest-bearing liabilities rose 2 basis points during fiscal year 2006 to 2.98% during fiscal year 2006 from 2.96%

MANAGEMENT'S DISCUSSION AND ANALYSIS

during fiscal year 2005. Despite an increasing interest rate environment in 2006, which drove the costs of certificates and money market deposits higher, the Company was able to limit the increase in its overall cost of funds by shifting its portfolio mix away from higher costing certificates, public funds deposits, and wholesale borrowings, into lower costing demand deposits.

PROVISION FOR LOAN LOSSES

In fiscal year 2006, the Company recorded a provision for loan losses of \$311,000 compared to \$4.7 million for fiscal year 2005. The provision in 2006 relates in part to the Company's settlement agreement with one of several participants in an auto-dealership related lending relationship. Additionally, shrinkage in the Company's loan portfolio during the year reduced the level of required loan loss allowances on the portfolio. The large provision for loan losses in fiscal year 2005 stemmed primarily from provisions related to losses in the aforementioned auto-dealership related loans. The relatively large provision in fiscal year 2005 and the provision in fiscal year 2006 is the primary reason that net interest income from continuing operations after provision for loan losses increased by \$4.8 million, from \$13.4 million in fiscal 2005 to \$18.2 million in fiscal year 2006.

Management closely monitors economic developments both regionally and nationwide, and considers these factors when assessing the adequacy of its allowance for loan losses. Although current economic conditions are relatively strong, management is aware that many economists have forecasted a slowdown in economic growth during calendar year 2007. Additionally, management has monitored the disinflationary trend in residential and commercial real estate prices in recent quarters. Economic conditions in the agricultural sector of the Company's market area are relatively strong. Recent rises in agricultural commodity prices will serve to offset more modest yields this year. The agricultural economy is accustomed to commodity price fluctuations and is generally able to handle such fluctuations without significant problems. The recent decrease in energy prices should also help to improve cash flows of consumers and businesses alike if the decrease persists during 2007.

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 reflects an adequate 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. In addition, the Company's determination of the allowance for loan losses is subject to review by its regulatory agencies, which can require the establishment of additional general or specific allowances.

NON-INTEREST INCOME

Non-interest income increased by \$10.0 million, or 285.4%, to \$13.5 million for the fiscal year 2006 from \$3.5 million from fiscal year 2005. The majority of this growth is related to higher card fee income earned on prepaid debit cards and other products and services offered by MPS. The increase also includes \$2.6 million of non-recurring fee income related to a purchased portfolio of prepaid debit cards.

NON-INTEREST EXPENSE

Non-interest expense increased by \$8.6 million, or 48.0%, to \$26.6 million for fiscal year 2006 from \$18.0 million for fiscal year 2005. Several factors contributed to this increase. Compensation expense rose \$1.9 million during the year, from \$10.9 million in fiscal year 2005 to \$12.8 million in fiscal year 2006. The increase stems primarily from staff acquisition costs related to growth at MPS and the staffing of two de novo branch facilities in the Sioux Falls market. The new branch in Des Moines did not significantly impact non-interest expense for the year, due to its opening late in the fiscal year.

Costs associated with the processing of card-related products at MPS also increased during fiscal year 2006. Card processing expense rose \$2.6 million from \$337,000 in fiscal year 2005 to \$3.0 million in fiscal year 2006 as a result of the significant growth in the division's product lines. These expenses stem primarily from fees charged by third party card and network transaction processors as well as costs associated with issuing MetaBank branded prepaid debit cards. Management expects that these costs will continue to rise as MPS issues more cards; however, it is anticipated that overall costs will rise less than revenues associated with these cards.

Legal and consulting expense increased \$2.2 million in fiscal year 2006, from \$815,000 in fiscal year 2005 to \$3.0 million in fiscal year 2006. Several factors contributed to this increase. The Company incurred expenses related to the aforementioned auto dealership-related loans during the course of foreclosing on and liquidating the remaining assets of the borrowers. Additionally, the Company has been named in several lawsuits by banks that participated with MetaBank in these lending relationships. The Company has also incurred expenses related to its retention of an outside consulting firm to complete implementation work related to section 404 of the Sarbanes-Oxley Act. At this time, the Company does not anticipate that expenses associated with this implementation work will continue at present levels over the long term. Finally, the Company outsourced a significant portion of its internal audit work to an outside consulting firm during fiscal year 2006.

INCOME TAX EXPENSE

Income tax expense from continuing operations for fiscal year 2006 was \$1.7 million, or an effective tax rate of 33.0%. In fiscal year 2005, the Company recorded an income tax benefit of \$491,000, or an effective tax rate of 43.0%, due to the net loss recorded that year. The increase in income taxes is primarily the result of the positive change in operating results between the comparable periods.

DISCONTINUED OPERATIONS

Income from discontinued operations was \$309,000 for fiscal year 2006 compared to a loss of \$272,000 for fiscal year 2005. The increase was primarily related to a decrease in provision for loan losses in the amount of \$845,000 as compared to the prior fiscal year. See Note 3 to the Notes to Consolidated Financial Statements for further discussion on discontinued operations.

CRITICAL ACCOUNTING POLICY

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most critical accounting policies to be those related to the allowance for loan losses and asset impairment judgments including the recoverability of goodwill.

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. As the Company adds new products and increases the complexity of its loan portfolio, it will enhance its methodology accordingly. Management may have reported a materially different amount for the provision for loan losses in the statement of operations to change the allowance for loan losses if its assessment of the above factors were different. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented in this Annual Report, as well as the portion of this

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis section entitled "Asset Quality." Although management believes the levels of the allowance as of both September 30, 2007 and September 30, 2006 were adequate to absorb probable losses inherent in the loan portfolio, a decline in local economic conditions or other factors could result in increasing losses. See Notes 1 and 6 to the Notes to Consolidated Financial Statements.

Goodwill represents the excess of acquisition costs over the fair value of the net assets acquired in a purchase acquisition. Goodwill is tested annually for impairment.

ASSET/LIABILITY MANAGEMENT AND MARKET RISK

QUALITATIVE ASPECTS OF MARKET RISK

As stated above, 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.

QUANTITATIVE ASPECTS OF 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 shareholder 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 net portfolio value 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 net portfolio value 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 5 years or less. 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 deposit portfolio, and due to the relatively short-term nature of its borrowed funds. The Company's growing portfolio of low- or no-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 new 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.

NET PORTFOLIO VALUE

The Company uses a net portfolio value ("NPV") approach to the quantification of interest rate risk. This approach calculates the difference between the present value of expected cash flows from assets and the present value of expected cash flows from liabilities, as well as cash flows from any off balance-sheet contracts. Management of the Company's assets and liabilities is performed within the context of the marketplace, but also within limits established by the Board of Directors on the amount of change in NPV that is acceptable given certain interest rate changes.

Presented below (including discontinued operations), as of September 30, 2007 and 2006, is an analysis of the Company's interest rate risk as measured by changes in NPV for an instantaneous and sustained parallel shift in the yield curve, in 100 basis point increments, up and down 200 basis points. As illustrated in the table below, the Company's NPV at September 30, 2007 was relatively balanced. Growth in the Company's portfolio of non-interest bearing deposits during fiscal year 2007 has contributed to a balance sheet that is slightly less asset sensitive, i.e. exhibits more favorable changes in a rising rate environment, as of September 30, 2007, than was the case at September 30, 2006.

Certain shortcomings are inherent in the method of analysis presented in the table. 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 table. Finally, the ability of some borrowers to service their debt may decrease in the event of an interest rate increase.

In addition to the NPV approach, the Company also reviews gap reports, which measure the differences in assets and liabilities repricing in given time periods, and net income simulations to assess its interest rate risk profile. Management reviews its interest rate risk profile on a quarterly basis.

ASSET QUALITY

It is management's belief, based on information available at fiscal year end, that the Company's current asset quality is satisfactory. At September 30, 2007, nonperforming assets, consisting of impaired/non-accruing loans, accruing loans delinquent 90 days or more, restructured loans, foreclosed real estate, and repossessed consumer property,

Change in Interest Rate (Basis Points)	Board Limit % Change	\$ Change	At September 30, 2007 % Change	\$ Change	At September 30, 2006 % Change
<i>Dollars In Thousands</i>					
+200 bp	(20)%	\$ 606	(1)%	\$ 548	1%
+100 bp	(10)	(221)	(1)	562	1
0	—	—	—	—	—
-100 bp	(10)	(545)	(1)	(907)	(1)
-200 bp	(20)	(3,226)	(4)	(4,139)	(6)

MANAGEMENT'S DISCUSSION AND ANALYSIS

totaled \$2.6 million, or 0.38% of total assets, compared to \$5.3 million, or 0.72% of total assets, at September 30, 2006.

Impaired/non-accruing and restructured loans at September 30, 2007 totaled \$1.7 million. Foreclosed real estate and repossessed assets at September 30, 2007 totaled \$318,000.

The Company maintains an allowance for loan losses because of the potential that some loans may not be repaid in full. See Note 1 to the Notes to Consolidated Financial Statements. At September 30, 2007, the Company had an allowance for loan losses in the amount of \$4.5 million as compared to \$6.4 million at September 30, 2006. Management's periodic review of the adequacy of the allowance for loan losses is based on various subjective and objective factors including the Company's past 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 allocate portions of the allowance for specifically identified problem loan situations, the majority of the allowance is based on judgmental factors related to the overall loan portfolio and is available for any loan charge-offs that may occur. As stated previously, 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 banks are subject to review by banking regulatory bodies, which have the authority to require management to make changes to the allowance for loan losses.

In determining the allowance for loan losses, the Company specifically identifies loans that it considers to have potential collectibility problems. Based on criteria established by Statement of Financial Accounting Standards (SFAS) No. 114, some of these loans are considered to be "impaired" while others are not considered to be impaired, but possess weaknesses that the Company believes merit additional analysis in establishing the allowance for loan losses. All other loans are evaluated by applying estimated loss ratios to various pools of loans. The Company then analyzes other factors (such as economic conditions) in determining the aggregate amount of the allowance needed.

At September 30, 2007, \$1.5 million of the allowance for loan losses was allocated to impaired loans, representing 65.1% of the related loan balances. See Note 6 to the Notes to Consolidated Financial Statements. \$639,000 of the allowance was allocated to other identified problem loan situations, representing 3.0% of the related loan balances, and \$2.4 million, representing 0.7% of the related loan balances, was allocated to the remaining overall loan portfolio based on historical loss experience and general economic conditions. At September 30, 2006, \$2.7 million of the allowance for loan losses was allocated to impaired loans, representing 51.5% of the related loan balances. \$1.1 million was allocated to other identified problem loan situations, and \$2.5 million was allocated against losses from the overall loan portfolio based on historical loss experience and general economic conditions.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, borrowings, principal and interest payments on loans and mortgage backed securities, and maturing investment securities. 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 relies on advertising, quality customer service, convenient locations, and competitive pricing to attract and retain its deposits and only solicits these deposits from its primary market area. Based on its experience, the Company believes that its consumer checking, savings, and money market accounts are relatively stable sources of deposits. The Company's ability to attract and retain time deposits has been, and will continue to be, affected by market conditions. However, the Company does not foresee any significant funding issues resulting from the sensitivity of time deposits to such market factors.

The Company is aware that, due to higher levels of concentration risk, the low- and no-cost checking deposits generated through MPS may carry a greater degree of liquidity risk than traditional consumer checking deposits. As a result, the Company closely monitors balances in these accounts, and maintains a portfolio of highly liquid assets to fund potential deposit outflows. To date, the Company has not experienced any inordinate or unusual outflows related to MPS, though no assurance can be given that this will continue to be the case.

MetaBank and MetaBank WC are required by regulation to maintain sufficient liquidity to assure their safe and sound operation. In the opinion of management, both MetaBank and MetaBank WC are in compliance with this requirement.

Liquidity management is both a daily and long term function of the Company's management strategy. The Company adjusts its investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) the projected availability of purchased loan products, (iii) expected deposit flows, (iv) yields available on interest bearing deposits, and (v) the objectives of its asset/liability management program. Excess liquidity is generally invested in interest earning overnight deposits and other short term government agency obligations. If the Company requires funds beyond its ability to generate them internally, it has additional borrowing capacity with the FHLB and other wholesale funding sources. The Company is not aware of any significant trends in the Company's liquidity or its ability to borrow additional funds if needed.

The primary investing activities of the Company are the origination and purchase of loans and the purchase of securities. During the years ended September 30, 2007, 2006 and 2005, the Company originated loans totaling \$274.5 million, \$306.6 million, and \$311.7 million, respectively. Purchases of loans totaled \$44.9 million, \$58.9 million, and \$29.7 million during the years ended September 30, 2007, 2006 and 2005, respectively. During the years ended September 30, 2007, 2006 and 2005, the Company purchased mortgage-backed securities and other securities available for sale in the amount of \$13.2 million, \$109,000 and \$17.6 million, respectively.

At September 30, 2007, the Company had unfunded loan commitments of \$50.3 million. See Note 17 to the Notes to Consolidated Financial

Statements. Certificates of deposit scheduled to mature in one year or less from September 30, 2007 totaled \$107.3 million. Based on its historical experience, management believes that a significant portion of such deposits will remain with the Company; however, there can be no assurance that the Company can retain all such deposits. Management believes that loan repayment and other sources of funds will be adequate to meet the Company's foreseeable short and long-term liquidity needs.

During July 2001, the Company's unconsolidated trust subsidiary, First Midwest Financial Capital Trust I, sold \$10.0 million in floating rate cumulative preferred securities. Proceeds from the sale were used to purchase subordinated debentures of Meta Financial Group, which mature in the year 2031, and are redeemable at any time after five years. The capital securities are required to be redeemed on July 25, 2031; however, the Company has the option to shorten the maturity date to a date not earlier than July 25, 2007. The Company used the proceeds for general corporate purposes. See Note 12 to the Notes to Consolidated Financial Statements.

The Company and its banking subsidiaries, MetaBank and MetaBank WC, meet regulatory requirements for classification as well capitalized institutions. See Note 16 to the Notes to Consolidated Financial Statements. The Company does not anticipate any significant changes to its capital structure.

On August 23, 2004, the Company announced that the Board of Directors had authorized the Company's ESOP to purchase up to 40,000 shares of the Company's stock through open market and privately negotiated transactions. The ESOP stock purchase was completed on April 18, 2005 at a total cost of \$897,000. At September 30, 2007, the ESOP held 16,562 unallocated shares, which will be used to fund future contributions to qualified employees.

The payment of dividends and repurchase of shares has the effect of reducing stockholders' equity. Prior to authorizing such transactions, the Board of Directors considers the effect the dividend or repurchase of shares would have on liquidity and regulatory capital ratios.

IMPACT OF INFLATION AND CHANGING PRICES

The Consolidated Financial Statements and Notes thereto presented in this Annual Report have been prepared in accordance with generally accepted accounting principles,

MANAGEMENT'S DISCUSSION AND ANALYSIS

which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation is reflected in the increased cost of the Company's operations. Unlike most industrial companies, virtually all the assets and liabilities of the Company are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction, or to the same extent, as the prices of goods and services.

IMPACT OF NEW ACCOUNTING STANDARDS

In June 2006, the FASB issued FASB Interpretation No. 48, ("FIN No. 48"), *Accounting for Uncertainty in Income Taxes*, an Interpretation of Statement No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, with earlier adoption permitted. The Company is currently assessing the financial statement impact of adopting FIN No. 48.

At its September 2006 meeting, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue No. 06-04, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. The consensus stipulates that an agreement by an employer to share a portion of the proceeds of a life insurance policy with an employee during the postretirement period is a postretirement benefit arrangement required to be accounted for under Statement No. 106 ("SFAS No. 106") or Accounting Principles Board ("APB") Opinion No. 12, Omnibus Opinion—1967. The consensus concludes that the purchase of a split-dollar life insurance policy does not constitute a settlement under SFAS No. 106 and, therefore, a liability for the postretirement obligation must be recognized under SFAS No. 106 if the benefit is offered under an arrangement that constitutes a plan or under APB No. 12 if it is not part of a plan. Issue 06-04 is effective for annual or interim reporting periods beginning after December 15, 2007. The Company has endorsement split-dollar life insurance policies and is currently assessing the financial statement impact of implementing EITF 06-04.

At its March 2007 meeting, the EITF reached a final consensus on Issue No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements*. A consensus was reached that an employer should recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with either FASB Statement No. 106 or APB Opinion No. 12, as appropriate, if the employer has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit based on the substantive agreement with the employee. A consensus also was reached that an employer should recognize and measure an asset based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. The consensus is effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years, with early application permitted. The Company has endorsement split-dollar life insurance policies and is currently assessing the financial statement impact of implementing EITF 06-10.

In September 2006, the FASB issued Statement No. 157, ("SFAS No. 157"), *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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. SFAS No. 157 does not require any new fair value measurements, but rather, it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. The Company does not expect that the adoption of SFAS No. 157 will have a material impact on its financial position, results of operation and cash flows.

FORWARD LOOKING STATEMENTS

The Company, and its wholly-owned subsidiaries, MetaBank, MetaBank WC, and Meta Trust, may from time to time make written or oral "forward-looking statements," including statements contained in this Annual Report and in its filings with the Securities and Exchange Commission ("SEC"), in its reports to shareholders, and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

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 the following subjects: future operating results; customer retention; loan and other product demand; important components of the Company's balance sheet and income statements; growth; new products and expansion and services, such as those offered by MPS or MetaBank; credit quality and adequacy of reserves; technology; and our employees. The following factors, among others, could cause the Company's financial performance to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: competition; 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 Federal Reserve Board; 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 litigation) attendant thereto and the perceived overall value of these products and services by users; the impact of changes in financial services' laws and regulations; technological changes; acquisitions; risk in general, including but not limited to those risks involving the MPS division; the growth of the Company's business as well as expenses related thereto; changes in consumer spending and saving habits; and the success of the Company at managing and collecting assets of borrowers in default.

The foregoing list of factors is not exclusive. Additional discussions of factors affecting the Company's business and prospects are contained

in the Company's periodic filings with the SEC. The Company expressly disclaims any intent or obligation to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or its subsidiaries.

The following table summarizes the Company's significant contractual obligations at September 30, 2007 (Dollars in Thousands):

Contractual Obligations	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Time deposits	\$ 156,723	\$ 107,305	\$ 42,679	\$ 6,739	\$ —
Long-term debt	68,224	21,224	30,000	10,000	7,000
Operating leases	12,985	1,251	2,807	2,987	5,940
Subordinate debentures					
Issued to capital trust	10,310	—	—	—	10,310
Data processing services	667	355	312	—	—
Total	<u>\$ 248,909</u>	<u>\$ 130,135</u>	<u>\$ 75,798</u>	<u>\$ 19,726</u>	<u>\$ 23,250</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**TO THE BOARD OF DIRECTORS
META FINANCIAL GROUP, INC. AND SUBSIDIARIES
STORM LAKE, IOWA**

We have audited the consolidated statements of financial condition of Meta Financial Group, Inc. and Subsidiaries as of September 30, 2007 and 2006, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended September 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meta Financial Group, Inc. and Subsidiaries as of September 30, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2007, in conformity with U.S. generally accepted accounting principles.

As described in Note 2 to the financial statements, the 2006 financial statements have been restated for errors in the application of an accounting principle and in the method of revenue recognition.

McGladrey & Pullen, LLP
Des Moines, Iowa
January 7, 2008

Meta Financial Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

Dollars in Thousands, Except Share and Per Share Data

SEPTEMBER 30, 2007 AND 2006

	2007	2006 (Restated)
ASSETS		
Cash and due from banks	\$ 1,210	\$ 7,228
Interest-bearing deposits in other financial institutions	10,110	100,243
Total cash and cash equivalents	11,320	107,471
Federal funds sold	75,000	—
Securities purchased under agreements to resell	—	5,891
Investment securities available for sale	25,960	27,424
Mortgage-backed securities available for sale	132,741	145,020
Loans receivable—net of allowance for loan losses of \$4,493 at September 30, 2007 and \$6,391 at September 30, 2006	355,612	368,959
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	4,015	5,053
Accrued interest receivable	4,189	4,076
Premises and equipment, net	19,707	16,886
Bank-owned life insurance	12,261	11,825
Assets related to discontinued operations, held for sale	35,770	40,298
Goodwill	1,508	1,508
Other assets	7,997	6,510
Total assets	\$ 686,080	\$ 740,921
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Non-interest-bearing checking	\$ 260,098	\$ 186,135
Interest-bearing checking	14,600	24,524
Savings Deposits	10,265	28,178
Money Market Deposits	81,292	98,697
Time certificates of deposit	156,723	200,635
Total deposits	522,978	538,169
Advances from Federal Home Loan Bank	68,000	89,300
Securities sold under agreements to repurchase	224	15,179
Subordinated debentures	10,310	10,310
Accrued interest payable	842	895
Liabilities related to discontinued operations, held for sale	30,949	37,747
Accrued expenses and other liabilities	4,679	4,222
Total liabilities	637,982	695,822
COMMITMENTS AND CONTINGENCIES (NOTES 17 AND 18)		
SHAREHOLDERS' EQUITY		
Preferred stock, 800,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$.01 par value; 5,200,000 shares authorized, 2,957,999 shares issued, 2,589,717 and 2,534,367 shares outstanding at September 30, 2007 and September 30, 2006, respectively	30	30
Additional paid-in capital	21,958	20,969
Retained earnings—substantially restricted	36,805	36,953
Accumulated other comprehensive (loss)	(3,345)	(4,548)
Unearned Employee Stock Ownership Plan shares	(377)	(509)
Treasury stock, 368,282 and 423,632 common shares, at cost, at September 30, 2007 and September 30, 2006, respectively	(6,973)	(7,796)
Total shareholders' equity	48,098	45,099
Total liabilities and shareholders' equity	\$ 686,080	\$ 740,921

See Notes to Consolidated Financial Statements.

Meta Financial Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Dollars in Thousands, Except Share and Per Share Data

YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

	2007		2006		2005
	(Restated)				
Interest and dividend income:					
Loans receivable, including fees	\$	25,584	\$	27,948	\$ 28,103
Mortgage-backed securities		5,500		6,185	8,688
Other investments		6,690		3,979	1,577
		37,774		38,112	38,368
Interest expense:					
Deposits		11,664		12,756	11,500
FHLB advances and other borrowings		5,303		6,855	8,805
		16,967		19,611	20,305
Net interest income		20,807		18,501	18,063
Provision for loan losses		3,168		311	4,713
Net interest income after provision for loan losses		17,639		18,190	13,350
Non-interest income:					
Card fees		15,375		10,821	1,240
Gain on sale of branch office		3,331		—	—
Deposit Fees		885		852	1,156
Loan Fees		580		446	272
Gain (loss) on sale of securities available for sale, net		496		—	(8)
Bank-owned life insurance income		436		555	444
Other income		755		821	398
		21,858		13,495	3,502
Non-interest expense:					
Compensation and benefits		18,248		12,794	10,922
Card processing expense		6,377		2,986	337
Occupancy and equipment expense		4,003		2,932	2,346
Legal and consulting expense		2,965		3,021	815
Data processing expense		911		628	579
Marketing		797		712	745
Other expense		3,657		3,567	2,251
		36,958		26,640	17,995
Income (loss) from continuing operations before income tax expense (benefit)		2,539		5,045	(1,143)
Income tax expense (benefit) from continuing operations		1,227		1,666	(491)
Income (loss) from continuing operations		1,312		3,379	(652)
Income (loss) from discontinued operations before taxes		(394)		458	(466)
Income tax expense (benefit) from discontinued operations		(253)		149	(194)
Income (loss) from discontinued operations		(141)		309	(272)
Net income (loss)	\$	1,171	\$	3,688	\$ (924)
Basic earnings (loss) per common share:					
Income (loss) from continuing operations	\$	0.52	\$	1.36	\$ (0.27)
Income (loss) from discontinued operations		(0.06)		0.12	(0.11)
Net income (loss)	\$	0.46	\$	1.48	\$ (0.38)
Diluted earnings (loss) per common share:					
Income (loss) from continuing operations	\$	0.50	\$	1.34	\$ (0.27)
Income (loss) from discontinued operations		(0.05)		0.12	(0.11)
Net income (loss)	\$	0.45	\$	1.46	\$ (0.38)

Dividends declared per common share:	\$	0.52	\$	0.52	\$	0.52
--------------------------------------	----	------	----	------	----	------

See Notes to Consolidated Financial Statements.

Meta Financial Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Dollars in Thousands, Except Share and Per Share Data

YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

	2007		2006 (Restated)		2005
Net income (loss)	\$	1,171	\$	3,688	\$ (924)
Other comprehensive income (loss):					
Change in net unrealized gain (loss) on securities available for sale		1,422		(2,186)	(3,109)
Gains (losses) realized in net income		496		—	(19)
		1,918		(2,186)	(3,090)
Deferred income tax effect		715		(819)	(1,149)
Total other comprehensive income (loss)		1,203		(1,367)	(1,941)
Total comprehensive income (loss)	\$	2,374	\$	2,321	\$ (2,865)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Dollars in Thousands, Except Share and Per Share Data

YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Net of Tax	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Shareholders' Equity
Balance, September 30, 2004	\$ 30	\$ 20,679	\$ 36,758	\$ (1,240)	\$ (395)	\$ (8,557)	\$ 47,275
Cash dividends declared on common stock (\$.52 per share)	—	—	(1,277)	—	—	—	(1,277)
Purchase of 1,000 common shares of treasury stock	—	—	—	—	—	(26)	(26)
Issuance of 13,630 common shares from treasury stock due to exercise of stock options	—	(83)	—	—	—	314	231
Purchase of 30,000 common shares for ESOP	—	—	—	—	(684)	—	(684)
14,000 common shares committed to be released under the ESOP	—	51	—	—	254	—	305
Change in net unrealized losses on securities available for sale, net	—	—	—	(1,941)	—	—	(1,941)
Net (loss) for year ended September 30, 2005	—	—	(924)	—	—	—	(924)
Balance, September 30, 2005	\$ 30	\$ 20,647	\$ 34,557	\$ (3,181)	\$ (825)	\$ (8,269)	\$ 42,959
Balance, September 30, 2005	\$ 30	\$ 20,647	\$ 34,557	\$ (3,181)	\$ (825)	\$ (8,269)	\$ 42,959
Cash dividends declared on common stock (\$.52 per share)	—	—	(1,292)	—	—	—	(1,292)
Issuance of 18,712 common shares from treasury stock due to exercise of stock options	—	(156)	—	—	—	429	273
Issuance of 3,667 common shares from treasury stock due to issuance of nonvested shares	—	(44)	—	—	—	44	—
Stock compensation	—	481	—	—	—	—	481
14,500 common shares committed to be released under the ESOP	—	41	—	—	316	—	357
Change in net unrealized losses on securities available for sale, net	—	—	—	(1,367)	—	—	(1,367)
Net income for year ended September 30, 2006 (Restated)	—	—	3,688	—	—	—	3,688
Balance, September 30, 2006 (Restated)	30	\$ 20,969	\$ 36,953	\$ (4,548)	\$ (509)	\$ (7,796)	\$ 45,099
Balance, September 30, 2006 (Restated)	\$ 30	\$ 20,969	\$ 36,953	\$ (4,548)	\$ (509)	\$ (7,796)	\$ 45,099
Cash dividends declared on common stock (\$.52 per share)	—	—	(1,319)	—	—	—	(1,319)
Issuance of 55,350 common shares from treasury stock due to exercise of stock options	—	(130)	—	—	—	823	693
Stock compensation	—	1,117	—	—	—	—	1,117
5,750 common shares committed to be released under the ESOP	—	2	—	—	132	—	134
Change in net unrealized losses on securities available for sale, net	—	—	—	1,203	—	—	1,203
Net income for year ended September 30, 2007	—	—	1,171	—	—	—	1,171
Balance, September 30, 2007	\$ 30	\$ 21,958	\$ 36,805	\$ (3,345)	\$ (377)	\$ (6,973)	\$ 48,098

See Notes to Consolidated Financial Statements.

Meta Financial Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Thousands, Except Share and Per Share Data

YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

	2007	2006	2005
		(Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) from continuing operations	\$ 1,312	\$ 3,379	\$ (652)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Effect of contribution to employee stock ownership plan	134	357	305
Depreciation, amortization and accretion, net	2,580	3,025	3,012
Provision for loan losses	3,168	311	4,713
Stock compensation	1,117	481	—
(Gain) on sale of branch office	(3,331)	—	—
(Gain) on sale of other	(71)	(64)	(48)
(Gain) loss on sale of investments, net	(496)	—	8
Net change in accrued interest receivable	(127)	(176)	(417)
Net change in other assets	(2,410)	(2,264)	(649)
Net change in accrued interest payable	(53)	31	451
Net change in accrued expenses and other liabilities	649	3,295	(1,244)
Net cash provided by operating activities	2,472	8,375	5,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities available for sale	(13,216)	(109)	(17,628)
Net change in Fed Funds sold	(75,000)	—	—
Proceeds from sales of securities available for sale	1,098	—	19,470
Net change in securities purchased under agreement to resell	5,891	31,622	(25,108)
Proceeds from maturities and principal repayments of securities available for sale	27,089	38,263	70,317
Loans purchased	(44,912)	(58,929)	(29,730)
Net change in loans receivable	52,830	107,707	(13,774)
Proceeds from sales of foreclosed real estate	318	4,281	22
Cash transferred to buyer on sale of branch	(33,665)	—	—
Net change in FHLB / FRB stock	1,038	2,419	2,768
Proceeds from the sale of premises and equipment	18	—	—
Purchase of premises and equipment	(4,758)	(3,762)	(4,348)
Net cash provided by (used) in investing activities	(83,269)	121,492	1,989
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in checking, savings, and money market deposits	37,562	77,642	75,255
Net change in time deposits	(15,882)	(49,731)	858
Net repayments of advances from Federal Home Loan Bank	(21,300)	(57,250)	(64,350)
Net change in securities sold under agreements to repurchase	(14,955)	(5,328)	(12,042)
Cash dividends paid	(1,319)	(1,291)	(1,277)
Purchase of shares by ESOP	—	—	(684)
Proceeds from exercise of stock options	540	187	230
Purchase of treasury stock	—	—	(26)
Other, net	—	—	385
Net cash (used in) financing activities	(15,354)	(35,771)	(1,651)
Net change in cash and equivalents	(96,151)	94,096	5,817
Cash and cash equivalents at beginning of period	107,471	13,375	7,558
Cash and cash equivalents at end of period	\$ 11,320	\$ 107,471	\$ 13,375
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for:			
Interest	\$ 17,020	\$ 19,620	\$ 19,844
Income taxes	570	1,689	606
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Loans transferred to foreclosed real estate	\$ 318	\$ 50	\$ 4,728
SALE OF BRANCH			
Assets disposed:			
Loans	\$ (2,223)	\$ —	\$ —

Accrued interest receivable	(14)	—	—
Premises and equipment	(130)	—	—
Liabilities assumed by buyer:			
Noninterest-bearing demand, savings, NOW and money market demand deposits	11,141	—	—
Time deposits	28,030	—	—
Other liabilities	192	—	—
(Gain) on sale of office property, net	(3,331)	—	—
Cash paid	33,665	—	—

See Notes to Consolidated Financial Statements.

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Meta Financial Group, Inc. (the “Company”), a bank holding company located in Storm Lake, Iowa, and its wholly owned subsidiaries which include MetaBank (the “Bank”), a federally chartered savings bank whose primary regulator is the Office of Thrift Supervision, MetaBank West Central (“MBWC”), a state chartered commercial bank whose primary federal regulator is the Federal Reserve (together the “Banks”), First Services Financial Limited and Brookings Service Corporation, which offer noninsured investment products, and Meta Trust Company, ® which offers various trust services. The Company also owns 100% of First Midwest Financial Capital Trust I (the “Trust”), which was formed in July 2001 for the purpose of issuing trust preferred securities. The Company presents the activity in the Trust under Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities*, which requires the Company to use the equity method of accounting for this investment. All significant intercompany balances and transactions have been eliminated. The results of discontinued operations have been reported separately in the consolidated financial statements and the previously reported financial statements have been reclassified.

NATURE OF BUSINESS AND INDUSTRY SEGMENT INFORMATION

The primary source of income for the Company is interest from the purchase or origination of consumer, commercial, agricultural, commercial real estate, and residential real estate loans. Additionally, a significant source of income for the Company relates to payment processing services for prepaid debit cards, ATM sponsorship, and other money transfer systems and services. The Company accepts deposits from customers in the normal course of business primarily in northwest and central Iowa and eastern South Dakota. The Company operates in the banking industry, which accounts for the majority of its revenues and assets. The Company uses the “management approach” for reporting information about segments in annual and interim financial statements. The management approach is based on the way the chief operating decision-maker organizes segments within a company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure and any other manner in which management disaggregates a company. Based on the management approach model, the Company has determined that its business is comprised of two reporting segments.

Assets held in trust or fiduciary capacity are not assets of the Company and, accordingly, are not included in the accompanying consolidated financial statements.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain significant estimates include the allowance for loan losses, the valuation of goodwill and the fair values of securities and other financial instruments. These estimates are reviewed by management regularly; however, they are particularly susceptible to significant changes in the future.

CASH AND CASH EQUIVALENTS AND FEDERAL FUNDS SOLD

For purposes of reporting cash flows, cash and cash equivalents is defined to include the Company’s cash on hand and due from financial institutions and short-term interest-bearing deposits in other financial institutions. The Company reports cash flows net for customer loan transactions, securities purchased under agreement to resell, deposit transactions, securities sold under agreements to repurchase, and Federal Home Loan Bank of Des Moines (“FHLB”) advances with terms less than 90 days. The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The total of those reserve balances was none and approximately \$5.95 million at September 30, 2007 and 2006, respectively. The Company at times maintains balances in excess of insured limits at various financial institutions including the FHLB, the Federal Reserve Bank, and other private institutions. At September 30, 2007 the Company had \$10,000 of interest bearing deposits held at the FHLB. At September 30, 2007 the Company had \$75,000 of federal funds sold at several private institutions. The Company does not believe these carry a significant risk of loss, but cannot provide assurances that no losses could occur if these institutions were to become insolvent.

SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

Securities purchased under agreement to resell generally mature or reprice within one week and are carried at cost.

SECURITIES

The Company classifies all securities as available for sale. Available for sale securities are those the Company may decide to sell if needed for liquidity, asset-liability management or other reasons. Available for sale securities are reported at fair value, with net unrealized gains and losses reported as other comprehensive income or loss as a separate component of shareholders’ equity, net of tax.

Gains and losses on the sale of securities are determined using the specific identification method based on amortized cost and are reflected in

results of operations at the time of sale. Interest and dividend income, adjusted by amortization of purchase premium or discount over the estimated life of the security using the level yield method, is included in income as earned.

Declines in the fair value of individual securities below their amortized cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer, for a period of time sufficient to allow for any anticipated recovery in fair value.

LOANS RECEIVABLE

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances reduced by the allowance for loan losses and any deferred fees or costs on originated loans.

Interest income on loans is accrued over the term of the loans based upon the amount of principal outstanding except when serious doubt exists as to the collectibility of a loan, in which case the accrual of interest is discontinued. Interest income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower has the ability to make contractual interest and principal payments, in which case the loan is returned to accrual status.

LOAN ORIGATION FEES, COMMITMENT FEES AND RELATED COSTS

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method.

ALLOWANCE FOR LOAN LOSSES

Because some loans may not be repaid in full, an allowance for loan losses is recorded. 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 adequacy 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

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

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 anticipated 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. If these allocations cause the allowance for loan losses to require an increase, such increase is reported as a component of the provision for loan losses.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified either as doubtful, substandard, or special mention. For such loans that are also classified as impaired, 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.

Smaller-balance homogeneous loans are evaluated for impairment in total. Such loans include residential first mortgage loans secured by one-to-four family residences, residential construction loans, and automobile, manufactured homes, home equity and second mortgage loans. Commercial and agricultural loans and mortgage loans secured by other properties are evaluated individually for impairment. 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 90 days or more. Non-accrual loans are often also considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

FORECLOSED REAL ESTATE AND REPOSSESSED ASSETS

Real estate properties and repossessed assets acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of cost or fair value less selling costs at the date of foreclosure, establishing a new cost basis. Any reduction to fair value from the carrying value of the related loan at the time of acquisition is accounted for as a loan loss and charged against the allowance for loan losses. Valuations are periodically performed by management and valuation allowances are increased through a charge to income for reductions in fair value or increases in estimated selling costs.

INCOME TAXES

The Company records income tax expense based on the amount of taxes due on its tax return plus deferred taxes computed based on the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, using enacted tax rates. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

PREMISES AND EQUIPMENT

Land is carried at cost. Buildings, furniture, fixtures, leasehold improvements and equipment are carried at cost, less accumulated depreciation and amortization computed principally by using the straight-line method over the estimated useful lives of the assets, which range from 15 to 39 years for buildings, 5 to 20 years for leasehold improvements and 3 to 7 years for furniture, fixtures and equipment. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

TRANSFERS OF FINANCIAL ASSETS

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

BANK-OWNED LIFE INSURANCE

Bank-owned life insurance represents the cash surrender value of investments in life insurance contracts. Earnings on the contracts are based on the earnings on the cash surrender value, less mortality costs.

EMPLOYEE STOCK OWNERSHIP PLAN

The Company accounts for its employee stock ownership plan (ESOP) in accordance with AICPA Statement of Position (SOP) 93-6. Under SOP 93-6, the cost of shares issued to the ESOP, but not yet allocated to participants, are presented in the consolidated balance sheets as a reduction of shareholders' equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation

to participant accounts. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to additional paid-in capital. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings. Dividends on unallocated shares are used to reduce the accrued interest and principal amount of the ESOP's loan payable to the Company.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company, in the normal course of business, makes commitments to make loans which are not reflected in the consolidated financial statements.

GOODWILL

Goodwill is not amortized but is subject to an impairment test at least annually or more often if conditions indicate a possible impairment.

ASSETS AND LIABILITIES RELATED TO DISCONTINUED OPERATIONS

Assets and liabilities related to discontinued operations are carried at the lower of cost or estimated market value in the aggregate.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Company enters into sales of securities under agreements to repurchase with primary dealers only, which provide for the repurchase of the same security. Securities sold under agreements to repurchase identical securities are collateralized by assets which are held in safekeeping in the name of the Bank or by the dealers who arranged the transaction. Securities sold under agreements to repurchase are treated as financings, and the obligations to repurchase such securities are reflected as a liability. The securities underlying the agreements remain in the asset accounts of the Company.

REVENUE RECOGNITION

Interest revenue from loans and investments is recognized on the accrual basis of accounting as the interest is earned according to the terms of the particular loan or investment. Income from service and other customer charges is recognized as earned. Card fee revenue within the MPS division is recognized as services are performed and service charges are earned in accordance with the terms of the various programs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

EARNINGS PER COMMON SHARE (EPS)

Basic EPS is based on the net income divided by the weighted average number of common shares outstanding during the period. Allocated ESOP shares are considered outstanding for earnings per common share calculations, as they are committed to be released; unallocated ESOP shares are not considered outstanding. Diluted EPS shows the dilutive effect of additional potential common shares issuable under stock option plans. EPS, both basic and diluted, have been computed on a continuing and discontinued operations basis.

COMPREHENSIVE INCOME

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes the net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects, and is recognized as a separate component of shareholders' equity.

STOCK COMPENSATION

Effective October 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), *Share-Based Payment*, using a modified prospective application. Prior to that date, the Company accounted for stock option awards under APB Opinion No. 25, *Accounting for Stock Issued to Employees*. In accordance with SFAS No. 123(R), 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 recording of such compensation expense began on October 1, 2005 for shares not yet vested as of that date and for all new grants subsequent to that date. Prior years' results have not been restated. 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 Company assumes no projected forfeitures on its stock based compensation, since actual historical forfeiture rates on its stock based incentive awards has been negligible.

RECLASSIFICATIONS

Certain 2006 amounts have been reclassified to conform to the 2007 presentation. 2006 and 2005 amounts have been reclassified for discontinued operations for comparative purposes.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FASB Interpretation No. 48, ("FIN No. 48"), *Accounting for Uncertainty in Income Taxes*, an Interpretation of Statement No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, with earlier adoption permitted. The Company is currently assessing the financial statement impact of adopting FIN No. 48.

At its September 2006 meeting, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue No. 06-04, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. The consensus stipulates that an agreement by an employer to share a portion of the proceeds of a life insurance policy with an employee during the postretirement period is a postretirement benefit arrangement required to be accounted for under Statement No. 106 ("SFAS No. 106") or Accounting Principles Board ("APB") Opinion No. 12, *Omnibus Opinion—1967*. The consensus concludes that the purchase of a split-dollar life insurance policy does not constitute a settlement under SFAS No. 106 and, therefore, a liability for the postretirement obligation must be recognized under SFAS No. 106 if the benefit is offered under an arrangement that constitutes a plan or under APB No. 12 if it is not part of a plan. Issue 06-04 is effective for annual or interim reporting periods beginning after December 15, 2007. The Company has endorsement split-dollar life insurance policies and is currently assessing the financial statement impact of implementing EITF 06-04.

At its March 2007 meeting, the EITF reached a final consensus on Issue No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements*. A consensus was reached that an employer should recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with either FASB Statement No. 106 or APB Opinion No. 12, as appropriate, if the employer has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit based on the substantive agreement with the employee. A consensus also was reached that an employer should recognize and measure an asset based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. The consensus is effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years, with early application permitted. The Company has endorsement split-dollar life insurance policies and is currently assessing the financial statement impact of implementing EITF 06-10.

In September 2006, the FASB issued Statement No. 157, ("SFAS No. 157"), *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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. SFAS No. 157 does not require any new fair value measurements, but rather, it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. The Company does not expect that the adoption of SFAS No. 157 will have a material

impact on its financial position, results of operation and cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 2. RESTATEMENT OF FINANCIAL INFORMATION

The Company discovered in September 2007 that maintenance fees charged to and collected from holders of prepaid gift cards, which were issued through the Company's network of agent financial institutions, were not recognized as income in the appropriate periods. The impact to income from continuing operations before income tax expense for the fiscal year ended September 30, 2006 amounted to \$322.

In addition, during the quarter ended December 31, 2006, the Company determined that a material impairment of its assets related to a certain loan had occurred and recorded an additional \$690 provision for loan losses. The Company was later informed by its independent accountants that as a result of their consultation with their regulatory authorities the additional provision should have been recorded in the quarter ended September 30, 2006 instead of the quarter ended December 31, 2006.

As a result of the above, the Company has restated its statements of operations for the year ended September 30, 2006 to reflect an additional \$322 of card fee revenue, an additional provision for loan losses of \$690 and additional income tax benefit of \$135, resulting in a decrease to net income of \$233. The statement of financial condition for the year ending September 30, 2006 reflects a decrease in net loans of \$690, a decrease to deposits of \$322, a decrease to accrued expenses of \$135, and a decrease to retained earnings of \$233. In addition, the Company has also corrected the interim periods of the year ended September 30, 2007 for these items.

NOTE 3. DISCONTINUED BANK OPERATIONS

SALE OF METABANK WEST CENTRAL

Subsequent to September 30, 2007, the Company has entered into an agreement to sell MBWC. MBWC has three branch offices in Stuart, Casey, and Menlo, Iowa. MBWC is a state chartered commercial bank whose primary federal regulator is the Federal Reserve Bank of Chicago. The transaction will involve the sale of the stock of MBWC for approximately \$8.3 million and is anticipated to close on March 30, 2008, subject to various closing conditions, including regulatory approval. The Company expects to record a gain on sale of approximately \$2.5 million upon the close of the transaction. The activity related to MBWC is accounted for as discontinued operations.

Activities related to discontinued bank operations have been recorded separately with current and prior period amounts reclassified as assets and liabilities related to discontinued operations on the consolidated statements of financial condition and as discontinued operations on the consolidated statements of operations and consolidated statement of cash flows. The notes to the consolidated financial statements have also been adjusted to eliminate the effect of discontinued bank operations.

Presented below are condensed financial statements for MBWC.

CONDENSED STATEMENTS OF FINANCIAL CONDITION — DISCONTINUED OPERATIONS

YEAR ENDED SEPTEMBER 30,

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 9,583	\$ 1,882
Investments and mortgage-backed securities, available for sale	11,658	13,732
Loans receivable, net	9,599	19,621
Other assets	4,930	5,064
Total assets related to discontinued operations	\$ 35,770	\$ 40,299
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$ 24,610	\$ 27,220
Other borrowings	6,300	10,265
Other liabilities	39	262
Total liabilities related to discontinued operations	\$ 30,949	\$ 37,747

CONDENSED STATEMENTS OF OPERATIONS — DISCONTINUED OPERATIONS

YEAR ENDED SEPTEMBER 30,

	2007	2006	2005
Interest income	\$ 2,221	\$ 2,466	\$ 2,725
Interest expense	1,305	1,331	1,549
Net interest income	916	1,135	1,176
Provision for loan losses	627	(76)	769
Net interest income after provision for loan losses	289	1,211	407
Noninterest income	216	233	229

Noninterest expense	899	986	1,102
Net income (loss) before income tax expense	(394)	458	(466)
Income tax expense (benefit)	(253)	149	(194)
Net income (loss) from discontinued operations	\$ (141)	\$ 309	\$ (272)

Meta Financial Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 4. EARNINGS PER COMMON SHARE (EPS)

A reconciliation of the income (loss) and common stock share amounts used in the computation of basic and diluted EPS for the fiscal years ended September 30, 2007, 2006 and 2005 is presented below:

	2007	2006 (Restated)	2005
EARNINGS (LOSS)			
Income (loss) from continuing operations	\$ 1,312	\$ 3,379	\$ (652)
Discontinued operations, net of tax	(141)	309	(272)
Net income (loss)	\$ 1,171	\$ 3,688	\$ (924)

BASIC EPS

Weighted average common shares outstanding	2,550,193	2,511,754	2,497,954
Less weighted average unallocated ESOP and nonvested shares	(25,213)	(27,949)	(37,063)
Weighted average common shares outstanding	2,524,980	2,483,805	2,460,891

EARNINGS (LOSS) PER COMMON SHARE

Income (loss) from continuing operations	\$ 0.52	\$ 1.36	\$ (0.27)
Discontinued operations, net of tax	(0.06)	0.12	(0.11)
Net income (loss)	\$ 0.46	\$ 1.48	\$ (0.38)

DILUTED EPS

Weighted average common shares outstanding for basis earnings per common share	2,524,980	2,483,805	2,460,891
Add dilutive effect of assumed exercises of stock options, net of tax benefits	92,916	38,052	—
Weighted average common and dilutive potential common shares outstanding	2,617,896	2,521,857	2,460,891

EARNINGS (LOSS) PER COMMON SHARE

Income (loss) from continuing operations	\$ 0.50	\$ 1.34	\$ (0.27)
Discontinued operations, net of tax	(0.05)	0.12	(0.11)
Net income (loss)	\$ 0.45	\$ 1.46	\$ (0.38)

The calculation of the diluted loss per share for the year ended September 30, 2005 does not reflect the assumed exercise of 46,624 stock options because the effect would have been anti-dilutive due to the net loss for the period. Stock options totaling 26,682, 99,355, and 60,315 were not considered in computing diluted earnings per common share for the years ended September 30, 2007, 2006, and 2005, respectively, because they were not dilutive.

NOTE 5. SECURITIES

Year end securities available for sale were as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
2007				
Debt securities				
Trust preferred and corporate securities	\$ 26,784	\$ 172	\$ (2,546)	\$ 24,410
Obligations of states and political subdivisions	1,534	17	(1)	1,550
Mortgage-backed securities	135,432	76	(2,767)	132,741
Total debt securities	\$ 163,750	\$ 265	\$ (5,314)	\$ 158,701

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
2006				
Debt securities				
Trust preferred and corporate securities	\$ 26,773	\$ 114	\$ (608)	\$ 26,279
Obligations of states and political subdivisions	96	—	(1)	95
Mortgage-backed securities	151,417	15	(6,412)	145,020
Other	110	—	(1)	109

Total debt securities	\$	178,396	\$	129	\$	(7,022)	\$	171,503
-----------------------	----	---------	----	-----	----	---------	----	---------

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at September 30, 2007 and 2006 are as follows:

2007	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Debt securities						
Trust preferred and corporate securities	\$ —	\$ —	\$ 22,238	\$ (2,546)	\$ 22,238	\$ (2,546)
Obligations of states and political subdivisions	432	(1)	—	—	432	(1)
Mortgage-backed securities	4,082	(33)	121,102	(2,734)	125,184	(2,767)
Total debt securities	\$ 4,514	\$ (34)	\$ 143,340	\$ (5,280)	\$ 147,854	\$ (5,314)

2006	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Debt securities						
Trust preferred and corporate securities	\$ —	\$ —	\$ 24,165	\$ (608)	\$ 24,165	\$ (608)
Obligations of states and political subdivisions	—	—	95	(1)	95	(1)
Mortgage-backed securities	49	(1)	144,766	(6,411)	144,815	(6,412)
Other	110	(1)	—	—	110	(1)
Total debt securities	\$ 159	\$ (2)	\$ 169,026	\$ (7,020)	\$ 169,185	\$ (7,022)

As of September 30, 2007, the investment portfolio included 33 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, no other-than-temporary impairment was recorded at September 30, 2007. In addition, the Company has the intent and ability to hold these investment securities for a period of time sufficient to allow for an anticipated recovery.

The amortized cost and fair value of debt securities by contractual maturity 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.

SEPTEMBER 30, 2007

	Amortized Cost	Fair Value
Due in one year or less	\$ 1,000	\$ 999
Due after one year through five years	541	548
Due after five years through ten years	559	569
Due after ten years	26,218	23,844
	28,318	25,960
Mortgage-backed securities	135,432	132,741
Total debt securities	\$ 163,750	\$ 158,701

Activities related to the sale of securities available for sale are summarized below.

	2007	2006	2005
Proceeds from sales	\$ 1,098	\$ —	\$ 19,470
Gross gains on sales	496	—	178
Gross (losses) on sales	—	—	(186)

Meta Financial Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 6. LOANS RECEIVABLE, NET

Year end loans receivable were as follows:

	2007	2006 (Restated)
One to four family residential mortgage loans	\$ 45,407	\$ 58,165
Commercial and multi-family real estate loans	169,877	159,107
Agricultural real estate loans	16,582	14,098
Consumer loans	36,763	30,067
Commercial business loans	58,705	87,202
Agricultural business loans	33,143	28,661
	360,477	377,300
Less:		
Allowance for loan losses	(4,493)	(6,391)
Undisbursed portion of loans in process	(254)	(1,773)
Net deferred loan origination fees	(117)	(177)
	\$ 355,612	\$ 368,959

Annual activity in the allowance for loan losses was as follows:

	2007	2006 (Restated)	2005
Beginning balance	\$ 6,391	\$ 6,793	\$ 5,144
Provision for loan losses	3,168	311	4,713
Recoveries	549	329	147
Charge offs	(5,615)	(1,042)	(3,211)
Ending balance	\$ 4,493	\$ 6,391	\$ 6,793

Virtually all of the Company's originated loans are to Iowa- and South Dakota-based individuals and organizations. The Company's purchased loans totaled \$44,100 at September 30, 2007, which were secured by properties located, as a percentage of total loans, as follows: 4% in Iowa, 3% in Washington, 2% in Minnesota, 1% each in South Dakota and Oregon, and the remaining 1% in eight other states. The Company's purchased loans totaled approximately \$49,000 at September 30, 2006, which were secured by properties located, as a percentage of total loans, as follows: 4% in Iowa, 2% in Arizona, 1% each in Minnesota, South Dakota, Illinois, Florida, California, and Washington, and the remaining 1% in eight other states.

The Company originates and purchases commercial real estate loans. These loans are considered by management to be of somewhat greater risk of uncollectibility due to the dependency on income production. The Company's commercial real estate loans include \$19,400 of loans secured by hotel properties and \$21,800 of multi-family properties at September 30, 2007. The Company's commercial real estate loans include \$9,500 of loans secured by hotel properties and \$29,400 of multi-family properties at September 30, 2006. The remainder of the commercial real estate portfolio is diversified by industry. The Company's policy for requiring collateral and guarantees varies with the creditworthiness of each borrower.

Impaired loans, which include nonaccrual loans, were as follows:

	2007	2006
Year-end impaired loans with no allowance for loan losses allocated	\$ —	\$ —
Year-end impaired loans with allowance for loan losses allocated	2,270	5,251
Amount of the allowance allocated to impaired loans	1,478	2,705
Average of impaired loans during the year	4,536	5,540

Interest income and cash interest collected on impaired loans was not material during the years ended September 30, 2007, and 2006, and 2005.

NOTE 7. LOAN SERVICING

Loans serviced for others are not reported as assets. The unpaid principal balances of these loans at year end were as follows:

	2007	2006
Mortgage loan portfolios serviced for FNMA	\$ 20,422	\$ 22,900
Other	9,192	9,384
	\$ 29,614	\$ 32,284

Meta Financial Group, Inc. and Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Dollars in Thousands, Except Share and Per Share Data

NOTE 8. PREMISES AND EQUIPMENT, NET

Year end premises and equipment were as follows:

	2006		2005	
Land	\$	2,751	\$	2,761
Buildings		14,384		12,681
Furniture, fixtures, and equipment		10,928		8,373
		28,063		23,815
Less accumulated depreciation		(8,356)		(6,929)
	\$	19,707	\$	16,886

Depreciation of premises and equipment included in occupancy and equipment expense was approximately \$1,800, \$1,200, and \$930 for the years ended September 30, 2007, 2006, and 2005, respectively.

NOTE 9. DEPOSITS

Certificates of deposit in denominations of \$100 or more were approximately \$35,700 and \$40,700 at September 30, 2007, and 2006, respectively.

At September 30, 2007, the scheduled maturities of certificates of deposit were as follows for the years ending September 30:

2008	\$	107,305
2009		24,148
2010		18,531
2011		3,640
2012		3,099
	\$	156,723

NOTE 10. ADVANCES FROM THE FEDERAL HOME LOAN BANK

At September 30, 2007, the Company's advances from the FHLB had fixed rates ranging from 3.24% to 7.02% with a weighted average rate of 5.43%. The scheduled maturities of FHLB advances were as follows for the years ending September 30:

2008	\$	21,000
2009		11,000
2010		19,000
2011		10,000
2012		—
Thereafter		7,000
	\$	68,000

Advances totaling \$26,700, with a weighted average fixed rate of 5.75%, carry quarterly call provisions, whereby the FHLB can elect to accelerate the maturity of these borrowings. These advances are shown in the above table at their stated maturity dates, which range from 2008 to 2010.

As of September 30, 2006, the Company's advances from the FHLB totaled \$89,300 and carried a weighted average rate of 4.96%.

MetaBank has executed blanket pledge agreements whereby the Bank assigns, transfers, and pledges to the FHLB and grant to the FHLB a security interest in all mortgage collateral and securities collateral. The Bank has the right to use, commingle, and dispose of the collateral it has assigned to the FHLB. Under the agreement, the Bank must maintain "eligible collateral" that has a "lending value" at least equal to the "required collateral amount," all as defined by the agreement.

At year end 2007, and 2006, the Bank pledged securities with fair values of approximately \$46,600 and \$44,200, respectively, against specific FHLB advances. In addition, qualifying mortgage loans of approximately \$31,800, and \$79,100 were pledged as collateral at September 30, 2007 and 2006, respectively.

NOTE 11. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase totaled approximately \$224 and \$15,200 at September 30, 2007 and 2006, respectively.

An analysis of securities sold under agreements to repurchase follows:

	2007		2006	
Highest month-end balance	\$	15,470	\$	20,369
Average balance		6,462		16,616
Weighted average interest rate during the period		3.37%		3.01%
Weighted average interest rate at end of period		5.16%		3.13%

The Company pledged securities with fair values of approximately \$20,500 at September 30, 2006, as collateral for securities sold under agreements to repurchase.

NOTE 12. SUBORDINATED DEBENTURES AND TRUST PREFERRED SECURITIES

Subordinated debentures are due to First Midwest Financial Capital Trust I, a 100%-owned unconsolidated subsidiary of the Company. The debentures were issued in 2001 in conjunction with the Trust's issuance of 10,000 shares of Trust Preferred Securities. The debentures bear the same interest rate and terms as the trust preferred securities. The debentures are included on the balance sheet as liabilities.

The Company issued all of the 10,000 authorized shares of trust preferred securities of First Midwest Financial Capital Trust I holding solely subordinated debt securities. Distributions are paid semi-annually. Cumulative cash distributions are calculated at a variable rate of LIBOR (as defined) plus 3.75% (9.06% at September 30, 2007 and 9.30% at September 30, 2006), not to exceed 12.5%. The Company may, at one or more times, defer interest payments on the capital securities for up to 10 consecutive semi-annual periods, but not beyond July 25, 2031. At the end of any deferral period, all accumulated and unpaid distributions are required to be paid. The capital securities are required to be redeemed on July 25, 2031; however, the Company has the option to shorten the maturity date to a date not earlier than July 25, 2007. The redemption price is \$1 per capital security plus any accrued and unpaid distributions to the date of redemption plus, if redeemed prior to July 25, 2011, a redemption premium as defined in the Indenture agreement.

Holders of the capital securities have no voting rights, are unsecured and rank junior in priority of payment to all of the Company's indebtedness and senior to the Company's common stock.

Although the securities issued by the trusts are not included as a component of shareholders' equity, the securities are treated as capital for regulatory purposes, subject to certain limitations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 13. EMPLOYEE STOCK OWNERSHIP AND PROFIT SHARING PLANS

The Company maintains an Employee Stock Ownership Plan (ESOP) for eligible employees who have 1,000 hours of employment with the Bank, have worked one year at the Bank and who have attained age 21. The ESOP has borrowed money from the Company to purchase shares of the Company's common stock. Shares purchased by the ESOP are held in suspense for allocation among participants as the loan is repaid. ESOP expense of \$134, \$357 and \$305 was recorded for the years ended September 30, 2007, 2006 and 2005, respectively. Contributions of \$132, \$316 and \$254 were made to the ESOP during the years ended September 30, 2007, 2006 and 2005, respectively.

Contributions to the ESOP and shares released from suspense in an amount proportional to the repayment of the ESOP loan are allocated among ESOP participants on the basis of compensation in the year of allocation. Benefits generally become 100% vested after seven years of credited service. Prior to the completion of seven years of credited service, a participant who terminates employment for reasons other than death or disability receives a reduced benefit based on the ESOP's vesting schedule. Forfeitures are reallocated among remaining participating employees in the same proportion as contributions. Benefits are payable in the form of stock upon termination of employment. The Company's contributions to the ESOP are not fixed, so benefits payable under the ESOP cannot be estimated.

For the years ended September 30, 2007, 2006 and 2005, 5,750, 14,500 and 14,000 shares with a fair value of \$23.30, \$24.60 and \$21.79 per share, respectively, were released. Also for the years ended September 30, 2007, 2006 and 2005, allocated shares and total ESOP shares reflect 26,440, 11,332, and 45,042 shares, respectively, withdrawn from the ESOP by participants who are no longer with the Company or by participants diversifying their holdings and 3,521, 5,358, and 5,152 shares, respectively, purchased for dividend reinvestment.

Year-end ESOP shares are as follows:

	2007	2006	2005
Allocated shares	221,283	238,454	229,928
Unearned shares	16,562	22,312	36,812
Total ESOP shares	237,845	260,766	266,740
Fair value of unearned shares	\$ 660	\$ 549	\$ 687

The Company also has a profit sharing plan covering substantially all full-time employees. Contribution expense to the profit sharing plan, included in compensation and benefits, for the years ended September 30, 2007, 2006, and 2005 was \$311, \$322, and \$233, respectively.

NOTE 14. SHARE BASED COMPENSATION PLANS

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

Effective October 1, 2005, the Company adopted SFAS No. 123(R), *Share-Based Payment* using a modified prospective application. Prior to adopting this standard, the Company accounted for stock options under APB Opinion No. 25, *Accounting for Stock Issued to Employees*. As a result of the adoption of SFAS No. 123 (R), the Company, during the year ended September 30, 2006, began recording expense associated with the awarding of stock options and restricted stock. Results for the year ended September 30, 2005 have not been restated to reflect the impact of this change. The following tables show the effect to income, net of tax benefits, of share-based expense recorded in the years ended September 30, 2007 and 2006, as well as the pro forma effect to income and earnings per share had the Company used the accounting methodology under SFAS No. 123(R) for fiscal year 2005.

YEAR ENDED SEPTEMBER 30,

	2007	2006	2005
Total employee stock-based compensation expense recognized in income, net of tax effects of \$191 and \$163, respectively	\$ 926	\$ 318	\$ —

YEAR ENDED SEPTEMBER 30,

	2005
Net (loss) as reported	\$ (924)
Deduct: Total employee stock-based compensation expense determined under fair value based method for all awards, net of tax effects	(154)
Pro forma net (loss)	\$ (1,078)

(Loss) per common share — basic	
As reported	(0.38)
Pro forma	(0.44)
(Loss) per common share — diluted	
As reported	(0.38)
Pro forma	(0.44)

As of September 30, 2007, stock based compensation expense not yet recognized in income totaled \$906, which is expected to be recognized over a weighted average remaining period of 1.31 years.

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

At grant date, the fair value of options awarded to recipients is estimated using a Black-Scholes valuation model. The exercise price of stock options equals the fair market value of the underlying stock at the date of grant. The following table shows the key valuation assumptions used for options granted during the years ended September 30, 2007, 2006, and 2005, and other information. Options are issued for 10 year periods with 100% vesting generally occurring either at grant date or over a four year period.

YEAR ENDED SEPTEMBER 30,

	2007	2006	2005
Risk-free interest rate	4.46 -5.14%	4.40 -5.09%	4.30%
Expected annual standard deviation			
Range	19.52 -19.72%	19.46 -20.60%	20.60%
Weighted average	19.62%	19.93%	20.60%
Expected life (years)	7	7	7
Expected dividend yield			
Range	1.25 -1.77%	2.13 -2.55%	2.76%
Weighted average	1.40%	2.32%	2.76%
Weighted average fair value of options granted during period	\$ 10.29	\$ 5.51	\$ 4.03
Intrinsic value of options exercised during period	\$ 1,486	\$ 218	\$ 98

Although authorized under the Company's 2002 Omnibus Incentive Plan, the Company had not, prior to fiscal year 2006, awarded nonvested (restricted) shares to employees or directors. The Company did award nonvested shares during the fiscal years ended 2007 and 2006. Nonvested shares vest immediately or over a period of four years. The following table shows the weighted average fair value of nonvested shares awarded and the total fair value of nonvested shares which vested during the fiscal years ended 2007 and 2006. The fair value is determined based on the fair market value of the Company's stock on the grant date.

YEAR ENDED SEPTEMBER 30,

	2007	2006	2005
Weighted average fair value of nonvested shares granted during period	\$ 39.84	\$ 24.43	n/a
Total fair value of nonvested shares vested during period	\$ 162	\$ 90	n/a

In addition to the Company's active 2002 Omnibus Incentive Plan, the Company also maintains the 1995 Stock Option and Incentive Plan, and the 1993 Stock Option and Incentive Plan. No new options were, or could have been, awarded under the 1995 plan during the year ended September 30, 2007; however, previously awarded but unexercised options were outstanding under these plans during the year.

The following tables shows the activity of options and nonvested shares granted, exercised, or forfeited under all of the Company's option and incentive plans during the year ended September 30, 2007 and 2006.

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (YRS)	AGGREGATE INTRINSIC VALUE
Options outstanding, September 30, 2006	386,425	\$ 19.79	6.65	\$ 1,793
Granted	128,168	37.62		
Exercised	(88,824)	16.73		
Forfeited or expired	(1,500)	23.26		
Options outstanding, September 30, 2007	424,269	\$ 25.81	7.71	\$ 5,971
Options exercisable end of year	266,819	\$ 24.07	7.14	\$ 4,207
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (YRS)	AGGREGATE INTRINSIC VALUE
Options outstanding, September 30, 2005	311,328	\$ 18.11	5.99	\$ 669
Granted	114,903	23.16		
Exercised	(28,250)	14.57		

Forfeited or expired	(11,556)		20.71			
Options outstanding, September 30, 2006	386,425	\$	19.79	6.65	\$	1,793
Options exercisable end of year	276,925	\$	18.74	5.75	\$	1,575

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR MKT VAL AT GRANT
Nonvested shares outstanding, September 30, 2006	8,333	\$ 24.43
Granted	2,400	39.84
Vested	(4,067)	33.52
Forfeited or expired	—	—
Nonvested shares outstanding, September 30, 2007	6,666	\$ 24.43
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR MKT VAL AT GRANT
Nonvested shares outstanding, September 30, 2005	—	\$ —
Granted	12,000	24.43
Vested	(3,667)	24.43
Forfeited or expired	—	—
Nonvested shares outstanding, September 30, 2006	8,333	\$ 24.43

NOTE 15. INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return on a fiscal year basis.

The provision for income taxes from continuing operations consists of:

Years ended September 30,

	2007	2006	2005
Federal:			
Current	\$ 405	\$ 1,347	\$ 275
Deferred	644	20	(663)
	1,049	1,367	(388)
State:			
Current	78	293	(20)
Deferred	100	6	(83)
	178	299	(103)
Income tax expense (benefit)	\$ 1,227	\$ 1,666	\$ (491)

Total income tax expense (benefit) differs from the statutory federal income tax rate as follows:

Years ended September 30,

	2007	2006	2005
Income tax expense (benefit) at 35% federal tax rate	\$ 889	\$ 1,766	\$ (401)
Increase (decrease) resulting from:			
State income taxes net of federal benefit	89	163	(9)
Nontaxable buildup in cash surrender value	(153)	(194)	(151)
ISO expense	191	61	—
Tax exempt income	(5)	(97)	(5)
Nondeductible expenses	125	25	31
Other, net	91	(58)	44
Total income tax expense (benefit)	\$ 1,227	\$ 1,666	\$ (491)

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

Year-end deferred tax assets and liabilities included in other assets consist of:

September 30,

	2007	2006
DEFERRED TAX ASSETS:		
Bad debts	\$ 1,688	\$ 2,379
Stock based compensation	253	91
Net unrealized losses on securities available for sale	1,883	2,444
Other, net	101	209
	3,925	5,123
DEFERRED TAX LIABILITIES:		
FHLB stock dividend	(452)	(452)
Premises and equipment	(588)	(460)
Deferred loan fees	(118)	(140)
	(1,158)	(1,052)
Net deferred tax assets	\$ 2,767	\$ 4,072

Federal income tax laws provided savings banks with additional bad debt deductions through September 30, 1987 totaling \$6,700 for the Bank. Accounting standards do not require a deferred tax liability to be recorded on this amount, which liability otherwise would total approximately \$2,300 at September 30, 2007, and 2006. If the Bank were to be liquidated or otherwise cease to be a bank, or if tax laws were to change, the \$2,300 would be recorded as expense.

NOTE 16. CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

The Company has two primary subsidiaries, MetaBank and MBWC. MetaBank and MBWC are subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory or discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, MetaBank and MBWC must meet specific quantitative capital guidelines using their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The requirements are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require MetaBank and MBWC 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). As of September 30, 2007, MetaBank and MBWC met all capital adequacy requirements.

MetaBank's and MBWC's actual and required capital amounts and ratios are presented in the following table.

	ACTUAL		MINIMUM REQUIREMENT FOR CAPITAL ADEQUACY PURPOSES		MINIMUM REQUIREMENT TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
SEPTEMBER 30, 2007:						
MetaBank						
Tangible capital (to tangible assets)	\$ 49,475	7.59%	\$ 9,773	1.50%	\$ n/a	n/a
Tier 1 (core) capital (to adjusted total assets)	49,475	7.59%	26,062	4.00%	32,577	5.00%
Tier 1 (core) capital (to risk-weighted assets)	49,475	11.32%	17,465	4.00%	26,198	6.00%
Total risk based capital (to risk weighted assets)	52,770	12.08%	34,931	8.00%	43,663	10.00%
MetaBank West Central						
Tier 1 capital (to average assets)	3,930	10.22	1,539	4.00	1,923	5.00
Tier 1 risk based capital (to risk weighted assets)	3,930	19.16	820	4.00	1,230	6.00
Total risk based capital (to risk weighted assets)	4,077	19.88	1,641	8.00	2,051	10.00
SEPTEMBER 30, 2006 (RESTATED):						
MetaBank						
Tangible capital (to tangible assets)	\$ 48,376	6.94%	\$ 10,452	1.50%	\$ n/a	n/a
Tier 1 (core) capital (to adjusted total assets)	48,376	6.94%	27,872	4.00%	34,840	5.00%
Tier 1 (core) capital (to risk-weighted assets)	48,376	10.86%	17,826	4.00%	26,739	6.00%
Total risk based capital (to risk weighted assets)	54,858	12.31%	35,652	8.00%	44,565	10.00%
MetaBank West Central						
Tier 1 capital (to average assets)	4,071	9.71	1,677	4.00	2,097	5.00
Tier 1 risk based capital (to risk weighted assets)	4,071	14.90	1,093	4.00	1,640	6.00
Total risk based capital (to risk weighted assets)	4,338	15.87	2,186	8.00	2,733	10.00

Regulations limit the amount of dividends and other capital distributions that may be paid by a financial institution without prior approval of its

primary regulator. The regulatory restriction is based on a three-tiered system with the greatest flexibility being afforded to well-capitalized (Tier 1) institutions. MetaBank and MBWC are currently Tier 1 institutions. Accordingly, MetaBank and MBWC can make, without prior regulatory approval, distributions during a calendar year up to 100% of their retained net income for the calendar year-to-date plus retained net income for the previous two calendar years (less any dividends previously paid) as long as they remain well-capitalized, as defined in prompt corrective action regulations, following the proposed distribution. Accordingly, at September 30, 2007, approximately \$2,700 of MetaBank's retained earnings were potentially available for distribution to the Company.

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 17. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company's subsidiary banks make various commitments to extend credit which are not reflected in the accompanying consolidated financial statements.

At September 30, 2007 and 2006, unfunded loan commitments approximated \$50,300 and \$54,200 respectively, excluding undisbursed portions of loans in process. Unfunded loan commitments at September 30, 2007 and 2006 were principally for variable rate loans. 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 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.

Securities with fair values of approximately \$24,100 and \$26,400 at September 30, 2007 and 2006, respectively, were pledged as collateral for public funds on deposit. Securities with fair values of approximately \$1,900 and \$9,100 at September 30, 2007 and 2006, respectively, were pledged as collateral for individual, trust and estate deposits.

Under employment agreements with certain executive officers, certain events leading to separation from the Company could result in cash payments totaling approximately \$3,000 as of September 30, 2007.

LEGAL PROCEEDINGS

MetaBank has been named in several lawsuits whose eventual outcome could have an adverse effect on the consolidated financial position or results of operations of the Company. Because the likelihood or amount of an adverse resolution to these matters cannot currently be reasonably estimated, the Company has not recorded a contingent liability related to these potential claims.

On June 11, 2004, the Sioux Falls School District filed suit in the Second Judicial Circuit Court alleging that MetaBank, a wholly-owned subsidiary of the Company, improperly allowed funds, which belonged to the school district, to be deposited into, and subsequently withdrawn from, a corporate account established by an employee of the school district. The school district is seeking in excess of \$600. MetaBank has submitted the claim to its insurance carrier, and is working with counsel to vigorously contest the suit.

MetaBank, in conjunction with a roster of participating banks, had provided a series of loans and lines of credit to DNAG and SDAC. Plaintiffs allege that the MetaBank entities "participated in the fraudulent scheme" by virtue of providing these lines of credit and loans despite being aware of the predatory consumer practices of the Nelson companies, and that MetaBank profited by receiving undisclosed "special benefits" for providing these loans. DNAG, SDAC and Nelson have since filed for bankruptcy. Plaintiffs also allege that MetaBank did not vigorously pursue claims against Nelson and fellow DNAG executive Chris Tapken in their respective personal bankruptcies in order to allow these individuals to emerge with control over assets of their former companies. The claims against J. Tyler Haahr personally have now been dismissed. The MetaBank entities filed a motion to dismiss this complaint for failure to state a cause of action. This motion has been briefed and argued to the court, and a decision is pending. It would be premature to predict MetaBank's likelihood of success or amount of exposure in this lawsuit. MetaBank intends to vigorously contest these claims. MetaBank's liability insurer has already agreed to provide coverage to the MetaBank entities and J. Tyler Haahr for this claim, and has retained and is paying for counsel to defend this action.

Related to this matter, MetaBank was the lead lender and servicer of approximately \$32,000 in loans to DNAG, SDAC, one other related auto dealership and their owners, including Nelson. Approximately \$22,200 of the total had been sold to ten participating financial institutions. Each participation agreement with the ten participant banks provides that the participant bank shall own a specified percentage of the outstanding loan balance at any given time. Each agreement also recites a maximum dollar amount of participations for participants. MetaBank allocated to some participants an ownership in the outstanding loan balance in excess of the percentage specified in the participation agreement, but within the maximum amount authorized. MetaBank believes that in each instance this was done with the full knowledge and consent of the participant. Several participants have demanded that their participations be adjusted to match the percentage specified in the participant agreement. Based on the total loan recoveries projected as of September 30, 2007, MetaBank calculated that it would cost approximately \$953 to adjust these participations as the participants would have them adjusted. A few participants have more recently asserted that MetaBank owes them additional monies based on additional legal theories. MetaBank denies any obligation to make the requested adjustments on these or related claims. Other than as disclosed below, MetaBank cannot predict at this time whether any of these claims will be the subject of litigation.

During the three months ended June 30, 2006 or shortly thereafter, three lawsuits were filed against the Company's MetaBank subsidiary. Three of the complaints are related to the Company's alleged actions in connection with its activities as lead lender to three companies involved in auto sales, service, and financing and their owner. An additional bank, North American Banking Company, joined the First Midwest Bank-Deerfield Branches case, and these three bank plaintiffs were then joined in the action brought by First Premiere Bank against MetaBank. All four

of these banks are now plaintiffs in one consolidated federal lawsuit, as discussed below. In addition, Home Federal Bank has brought a separate action, discussed below, in state court. These actions are currently in discovery proceedings, and the amount of costs associated with these actions cannot be determined at this time. The Company intends, however, to vigorously defend its actions. Subject to a reservation of rights, the Company's insurance carrier has agreed to cover the four claims described above and is currently paying for counsel to defend all four actions.

First Premier Bank, North American Banking Company, First Midwest Bank-Deerfield Branches and Mid-Country Bank v. MetaBank (Civ. No. 06-4114). On June 28, 2006, First Midwest Bank-Deerfield Branches and Mid-Country Bank filed suit against MetaBank in South Dakota's Second Judicial Circuit Court, Minnehaha County, in the above titled action. These consolidated complaints allege that plaintiff banks, who were participating lenders with MetaBank on a series of loans made to DNAG and SDAC, suffered damages exceeding \$1,000 as a result of MetaBank's placement and administration of the loans that were the subject of the loan participation agreements. The complaint sounds in breach of contract, negligence, gross negligence, negligent misrepresentation, fraud in the inducement, unjust enrichment and breach of fiduciary duty. On July 17, 2006, MetaBank removed the case from state court to the United States District Court for the District of South Dakota, where the action has been assigned case no. Civ. 06-4114. Plaintiff(s) moved to remand the case back to state court, but this motion was denied. As noted above, North American Banking Company has been allowed by the United States District Court to join this action with similar claims and allegations against MetaBank. A scheduling order was recently submitted to the United States District Court and discovery is continuing.

Home Federal Bank v. J. Tyler Haahr, Daniel A. Nelson and MetaBank (Civ. No. 06- 2230). On June 26, 2006, Home Federal Bank filed suit against MetaBank and two individuals, J. Tyler Haahr and Daniel A. Nelson, in South Dakota's Second Judicial Circuit Court, Minnehaha County in the above titled action. The complaint alleges that Home Federal, a participating lender with MetaBank on a series of loans made to DNAG and SDAC, suffered damages exceeding \$3,800 as a result of failure to make disclosures regarding an investigation of Nelson, DNAG and SDAC by the Iowa Attorney General at the time Home Federal agreed to an extension of the loan participation agreements. The complaint sounds in fraud, negligent misrepresentation, breach of fiduciary duty, conspiracy and breach of duty of good faith and fair dealing. Discovery in that matter is proceeding.

There are no other material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 18. LEASE COMMITMENTS

The Company has leased property under various noncancelable operating lease agreements which expire at various times through 2024, and require annual rentals ranging from \$3 to \$667 plus the payment of the property taxes, normal maintenance, and insurance on certain property.

The following table shows the total minimum rental commitment at September 30, 2007, under the leases.

2008	\$	1,251
2009		1,409
2010		1,398
2011		1,492
2012		1,495
Thereafter		5,940
	\$	12,985

NOTE 19. SEGMENT REPORTING

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. The Company has determined that it has two reportable segments: The traditional banking segment consisting of its banking subsidiaries, MetaBank and MetaBank West Central, and Meta Payment Systems, ® a division of MetaBank. MetaBank and MetaBank West Central operate as traditional community banks providing deposit, loan, and other related products to individuals and small businesses, primarily in the communities where their offices are located. Meta Payment Systems ® provides a number of products and services, primarily to third parties, including financial institutions and other businesses. These products and services include issuance of prepaid debit cards, sponsorship of ATMs into the debit networks, ACH origination services, and a gift card program. Other related programs are in the process of development. The remaining grouping under the caption "All Others" consists of the operations of the Meta Financial Group, Inc. and Meta Trust Company. ® MetaBank West Central is accounted for as discontinued bank operations. It was reported as part of the traditional banking segment, and has been separately classified to show the effect of continuing operations.

Fiscal year 2006 results for net interest income and non-interest expenses have been restated to be consistent with the fiscal year 2007 adoption of new deposit valuation and expense allocation methodologies between the Traditional Banking Segment, the Holding Company, and MPS.

The primary result of this change in allocation was to increase the earnings credit paid by the bank for deposits originated within the MPS division and also to allocate a higher portion of expenses to MPS based on growth in departments which provide administrative support to MPS.

Transactions between affiliates, the resulting revenues of which are shown in the intersegment revenue category, are conducted at market prices, meaning prices that would be paid if the companies were not affiliates.

	TRADITIONAL BANKING	META PAYMENT SYSTEMS ®	ALL OTHERS	TOTAL
YEAR ENDED SEPTEMBER 30, 2007				
Net interest income (loss)	\$ 10,967	\$ 10,748	\$ (908)	\$ 20,807
Provision for loan losses	3,168	—	—	\$ 3,168
Non-interest income	5,956	15,576	326	\$ 21,858
Non-interest expense	15,476	21,128	354	\$ 36,958
Income (loss) from continuing operations before tax	(1,721)	5,196	(936)	\$ 2,539
Income tax expense (benefit)	(512)	1,862	(123)	\$ 1,227
Income (loss) from continuing operations	\$ (1,209)	\$ 3,334	\$ (813)	\$ 1,312
Inter-segment revenue (expense)	\$ (6,119)	\$ 6,119	\$ —	\$ —
Total assets	391,416	254,643	4,251	\$ 650,310
Total deposits	280,076	242,902	—	\$ 522,978
DISCONTINUED OPERATIONS-TRADITIONAL BANKING				
Net interest income	\$ 916			
Provision for loan losses	627			
Non-interest income	216			
Non-interest expense	899			
(Loss) from discontinued operations before tax	(394)			
Income tax (benefit)	(253)			
(Loss) from discontinued operations	(141)			

Total assets	\$	35,770			
Total deposits		24,610			

YEAR ENDED SEPTEMBER 30, 2006 (RESTATED)

Net interest income (loss)	\$	13,082	\$	5,673	\$	(254)	\$	18,501
Provision for loan losses		311		—		—	\$	311
Non-interest income		2,326		11,066		103	\$	13,495
Non-interest expense		15,068		11,234		338	\$	26,640
Income (loss) from continuing operations before tax		29		5,505		(489)	\$	5,045
Income tax expense (benefit)		(175)		1,958		(117)	\$	1,666
Income (loss) from continuing operations	\$	204	\$	3,547	\$	(372)	\$	3,379

Inter-segment revenue (expense)	\$	(3,406)	\$	3,406	\$	—	\$	—
Total assets		530,649		166,883		3,091	\$	700,623
Total deposits		375,377		162,792		—	\$	538,169

Meta Financial Group, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

	TRADITIONAL BANKING	META PAYMENT SYSTEMS [®]	ALL OTHERS	TOTAL
DISCONTINUED OPERATIONS-TRADITIONAL BANKING				
Net interest income	\$ 1,135			
Provision for loan losses	(76)			
Non-interest income	233			
Non-interest expense	986			
Income from discontinued operations before tax	458			
Income tax expense	149			
Income from discontinued operations	\$ 309			
Total assets	\$ 40,298			
Total deposits	27,220			
YEAR ENDED SEPTEMBER 30, 2005				
Net interest income (loss)	\$ 18,108	\$ 411	\$ (456)	\$ 18,063
Provision for loan losses	4,713	—	—	4,713
Non-interest income	2,286	1,591	(375)	3,502
Non-interest expense	13,969	3,247	779	17,995
Income (loss) from continuing operations before tax	1,712	(1,245)	(1,610)	(1,143)
Income tax expense (benefit)	481	(438)	(534)	(491)
Income (loss) from continuing operations	\$ 1,231	\$ (807)	\$ (1,076)	\$ (652)
Inter-segment revenue (expense)	\$ (365)	\$ 365		\$ —
Total assets	654,565	70,906	1,016	\$ 726,487
Total deposits	437,720	72,537	—	\$ 510,257
DISCONTINUED OPERATIONS-TRADITIONAL BANKING				
Net interest income	\$ 1,176			
Provision for loan losses	769			
Non-interest income	229			
Non-interest expense	1,102			
(Loss) from discontinued operations before tax	(466)			
Income tax (benefit)	(194)			
(Loss) from discontinued operations	\$ (272)			
Total assets	\$ 49,352			
Total deposits	30,784			

NOTE 20. PARENT COMPANY FINANCIAL STATEMENTS

Presented below are condensed financial statements for the parent company, Meta Financial Group, Inc.

CONDENSED STATEMENTS OF FINANCIAL CONDITION
SEPTEMBER 30,

	2007	2006 (Restated)
ASSETS		
Cash and cash equivalents	\$ 2,211	\$ 1,849
Securities available for sale	1,173	1,679
Investment in subsidiaries	53,623	51,518
Loan receivable from ESOP	376	509
Other assets	2,224	620
Total assets	\$ 59,607	\$ 56,175
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Loan payable to subsidiaries	\$ 710	\$ 710
Subordinated debentures	10,310	10,310
Other liabilities	489	56
Total liabilities	\$ 11,509	\$ 11,076

SHAREHOLDERS' EQUITY				
Common stock		30		30
Additional paid-in capital		21,958		20,969
Retained earnings		36,805		36,953
Accumulated other comprehensive (loss)		(3,345)		(4,548)
Unearned Employee Stock Ownership Plan shares		(377)		(509)
Treasury stock, at cost		(6,973)		(7,796)
Total shareholders' equity	\$	48,098	\$	45,099
Total liabilities and shareholders' equity	\$	59,607	\$	56,175

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

CONDENSED STATEMENTS OF OPERATIONS

YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

	2007	2006	2005
		(Restated)	
Dividend income from subsidiaries	\$ 1,250	\$ 3,700	\$ 2,510
Gain on sale of investments	225	—	—
Other income	125	191	304
Total income	1,600	3,891	2,814
Interest expense	1,033	936	762
Other expense	146	1,956	1,060
Total expense	1,179	2,892	1,822
Income before income taxes and equity in undistributed net income of subsidiaries	421	998	992
Income tax (benefit)	(87)	(835)	(503)
Income before equity in undistributed net income (loss of subsidiaries)	508	1,833	1,495
Equity in undistributed net income (loss) of subsidiaries	663	1,855	(2,419)
Net income (loss)	\$ 1,171	\$ 3,688	\$ (924)

CONDENSED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2007, 2006 AND 2005

	2007	2006	2005
		(Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 1,171	\$ 3,688	\$ (924)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Equity in undistributed net (income) loss of subsidiaries	(663)	(1,855)	2,419
(Gain) on sale of securities available for sale	(225)	—	—
Change in other assets	(1,605)	574	(368)
Change in other liabilities	1,764	244	181
Net cash provided by operating activities	442	2,652	1,308
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiary	(100)	(75)	(275)
Maturity of securities available for sale	—	500	500
Proceeds from the sale of securities available for sale	727	—	—
Loan to ESOP	—	—	(684)
Net change in loan receivable	—	—	1,261
Repayments on loan receivable from ESOP	133	316	254
Net cash provided by investment activities	760	741	1,056
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in loan payable to subsidiaries	—	(490)	(1,350)
Cash dividends paid	(1,319)	(1,292)	(1,277)
Proceeds from exercise of stock options	479	187	230
Purchase of treasury stock	—	—	(26)
Net cash (used in financing activities)	(840)	(1,595)	(2,422)
Net change in cash and cash equivalents	\$ 362	\$ 1,798	\$ (58)
CASH AND CASH EQUIVALENTS			
Beginning of year	\$ 1,849	\$ 52	\$ 110
End of year	2,211	1,849	52

The extent to which the Company may pay cash dividends to shareholders will depend on the cash currently available at the Company, as well as

the ability of the subsidiary banks to pay dividends to the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 21. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	December 31	March 31	June 30	September 30
FISCAL YEAR 2007 (AS RESTATED)				
Interest income	\$ 9,783	\$ 9,720	\$ 8,933	\$ 9,338
Interest expense	4,792	4,277	4,058	3,840
Net interest income	4,991	5,443	4,875	5,498
Provision for loan losses	4,063	(225)	(500)	(170)
Net income (loss) from continuing operations	(2,296)	620	2,234	754
Income (loss) from discontinued operations	(408)	115	330	(178)
Net income (loss)	(2,704)	735	2,564	576
Earnings (loss) per common and common equivalent share—basic				
Income (loss) from continuing operations	\$ (0.92)	\$ 0.25	\$ 0.88	\$ 0.29
Income (loss) from discontinued operations	(0.16)	0.04	0.13	(0.07)
Net income (loss)	(1.08)	0.29	1.01	0.22
Earnings (loss) per common and common equivalent share —diluted				
Income (loss) from continuing operations	\$ (0.92)	0.24	0.84	0.28
Income (loss) from discontinued operations	(0.16)	0.04	0.12	(0.07)
Net income (loss)	(1.08)	0.28	0.96	0.21
Dividend declared per share	0.13	0.13	0.13	0.13
FISCAL YEAR 2006 (AS RESTATED)				
Interest income	\$ 9,550	\$ 9,569	\$ 9,439	\$ 9,554
Interest expense	5,116	4,873	4,858	4,764
Net interest income	4,434	4,696	4,581	4,790
Provision for loan losses	58	(345)	28	570
Net income from continuing operations	401	193	2,135	650
Income (loss) from discontinued operations	114	68	348	(221)
Net income	515	261	2,483	429
Earnings (loss) per common and common equivalent share — basic				
Income from continuing operations	\$ 0.16	\$ 0.08	\$ 0.86	\$ 0.26
Income (loss) from discontinued operations	0.05	0.03	0.14	(0.09)
Net income	0.21	0.11	1.00	0.17
Earnings (loss) per common and common equivalent share — diluted				
Income from continuing operations	0.16	0.07	0.84	0.26
Income (loss) from discontinued operations	0.05	0.03	0.14	(0.09)
Net income	0.21	0.10	0.98	0.17
Dividend declared per share	0.13	0.13	0.13	0.13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

NOTE 22. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table discloses the Company's estimated fair value amounts of its financial instruments. 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 September 30, 2007 and 2006, 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 subsidiary banks' 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 September 30, 2007 and 2006. The information presented is subject to change over time based on a variety of factors.

Years ended September 30,

	2007		2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Restated)			
FINANCIAL ASSETS				
Cash and cash equivalents	\$ 11,320	\$ 11,320	\$ 107,471	\$ 107,471
Federal funds sold	75,000	75,000	—	—
Securities purchased under agreements to resell	—	—	5,891	5,891
Securities available for sale	158,701	158,701	172,444	172,444
Loans receivable, net	355,612	354,489	368,959	366,421
FHLB and FRB stock	4,015	4,015	5,053	5,053
Accrued interest receivable	4,189	4,189	4,076	4,076
FINANCIAL LIABILITIES				
Noninterest bearing demand deposits	260,098	260,098	186,135	186,135
Interest bearing demand deposits, savings, and money markets	106,157	106,157	151,399	151,399
Certificates of deposit	156,723	156,980	200,635	199,307
Total deposits	522,978	523,235	538,169	536,841
Advances from FHLB	68,000	69,873	89,300	90,757
Securities sold under agreements to repurchase	224	224	15,179	15,064
Subordinated debentures	10,310	12,574	10,310	10,524
Accrued interest payable	842	842	895	895
Off-balance-sheet instruments, loan commitments	—	—	—	—

Meta Financial Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands, Except Share and Per Share Data

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company's financial instruments at September 30, 2007 and 2006.

CASH AND CASH EQUIVALENTS

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

SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

The carrying amount of securities purchased under agreement to resell is assumed to approximate the fair value.

SECURITIES AVAILABLE FOR SALE

To the extent available, quoted market prices or dealer quotes were used to determine the fair value of securities available for sale. For those securities which are thinly traded, or for which market data was not available, management estimated fair value using other available data. The amount of securities for which quoted market prices were not available is not material to the portfolio as a whole.

LOANS RECEIVABLE, NET

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 with similar credit ratings and for similar remaining maturities. When using the discounting method to determine fair value, loans were gathered by homogeneous groups with similar terms and conditions and discounted at a target rate at which similar loans would be made to borrowers as of September 30, 2007 and 2006. In addition, when computing the estimated fair value for all loans, allowances for loan losses have been subtracted from the calculated fair value for consideration of credit quality.

FHLB AND FEDERAL RESERVE STOCK

The fair value of such stock is assumed to approximate book value since the Company is generally 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, and money markets is assumed to approximate fair value, since such deposits are immediately withdrawable without penalty. The fair value of time certificates of deposit was estimated by discounting expected future cash flows by the current rates offered on certificates of deposit with similar remaining maturities.

In accordance with SFAS No. 107, no value has been assigned to the Company's long-term relationships with its deposit customers (core value of deposits intangible) since such intangible is not a financial instrument as defined under SFAS No. 107.

ADVANCES FROM FHLB

The fair value of such advances was estimated by discounting the expected future cash flows using current interest rates as of September 30, 2007 and 2006 for advances with similar terms and remaining maturities.

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 as of September 30, 2007 and 2006 over the contractual maturity of such borrowings.

ACCRUED INTEREST PAYABLE

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

LOAN COMMITMENTS

The commitments to originate and purchase loans have terms that are consistent with current market terms. Accordingly, the Company estimates that the fair values of these commitments are not significant.

LIMITATIONS

It must be noted that fair value estimates are made at a specific point in time, 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.

BOARD OF DIRECTORS

James S. Haahr

Chairman of the Board for Meta Financial Group, MetaBank, and MetaBank West Central

E. Wayne Cooley

Consultant Emeritus of the Iowa Girls' High School Athletic Union

E. Thurman Gaskill

Iowa State Senator and Grain and Livestock Farming Operation Owner

J. Tyler Haahr

President and Chief Executive Officer for Meta Financial Group and MetaBank, Chief Executive Officer for MetaBank West Central, and President of Meta Trust

Brad C. Hanson

Executive Vice President for Meta Financial Group and MetaBank and President of Meta Payment Systems Division

Frederick V. Moore

President of Buena Vista University

Rodney G. Muilenburg

Retired Dairy Specialist Manager for Purina Mills, Inc.

Jeanne Partlow

Retired Chairman of the Board and President of Iowa Savings Bank

SENIOR OFFICERS

James S. Haahr

Chairman of the Board for Meta Financial Group, MetaBank, and MetaBank West Central

J. Tyler Haahr

President and Chief Executive Officer for Meta Financial Group and MetaBank, Chief Executive Officer for MetaBank West Central, and President of Meta Trust

Troy Moore

Executive Vice President and Chief Operating Officer for Meta Financial Group and MetaBank

Brad C. Hanson

Executive Vice President for Meta Financial Group and MetaBank and President of Meta Payment Systems Division

David W. Leedom

Acting Chief Financial Officer for Meta Financial Group, MetaBank, and MetaBank West Central

Brian R. Bond

Senior Vice President and Chief Lending Officer

Ron Butterfield

Senior Vice President for Meta Payment Systems Division

Michael Conlin

Senior Vice President Agent Products for Meta Payment Systems Division

Andrew Crowe

Senior Vice President of Product Development and Emerging Product Management for Meta Payment Systems Division

Merid Eshete

Senior Vice President and Chief Audit Executive

Scott Galit

Executive Vice President for Meta Payment Systems Division

Ben Guenther

President of MetaBank Northwest Iowa Market

John Hagy

Chief Risk Officer and General Counsel

Tim D. Harvey

President of MetaBank Brookings Market

Sandra K. Hegland

Senior Vice President of Human Resources

Eric Miller

Senior Vice President of Messaging for Meta Payment Systems Division

I. Eugene Richardson, Jr.

President of MetaBank Central Iowa Market and MetaBank West Central and Member of the MetaBank West Central Board of Directors

Grant Rogers

Senior Vice President of Prepaid for Meta Payment Systems Division

Trent Sorbe

Senior Vice President of Credit for Meta Payment Systems Division

Kathy M. Thorson

President of MetaBank Sioux Empire Market

INVESTOR INFORMATION

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will convene at 1:00 pm on Tuesday, February 12, 2008. The meeting will be held in the Board Room of MetaBank, 121 East Fifth Street, Storm Lake, Iowa. Further information with regard to this meeting can be found in the proxy statement.

General Counsel

Mack, Hansen, Gadd, Armstrong & Brown, P.C.
316 East Sixth Street
P.O. Box 278
Storm Lake, Iowa 50588

Special Counsel

Katten Muchin Rosenman, LLP
1025 Thomas Jefferson Street NW
East Lobby, Suite 700
Washington, D.C. 20007-5201

Independent Auditors

McGladrey & Pullen LLP
400 Locust Street, Suite 640
Des Moines, Iowa 50309-2372

Shareholder Services and Investor Relations

Shareholders desiring to change the name, address, or ownership of stock; to report lost certificates; or to consolidate accounts, should contact the corporation's transfer agent:

Registrar & Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
Telephone: 800.368.5948
Email: invrelations@rtco.com
Web site: www.rtco.com

Form 10-K

Copies of the Company's Annual Report on Form 10-K for the year ended September 30, 2007 (excluding exhibits thereto) may be obtained without charge by contacting:

Investor Relations
Meta Financial Group
MetaBank Building
121 East Fifth Street
P.O. Box 1307
Storm Lake, Iowa 50588
Telephone: 712.732.4117
Email: invrelations@metacash.com
Web site: www.metacash.com

DIVIDEND AND STOCK MARKET INFORMATION

Meta Financial Group's common stock trades on the NASDAQ Global Market SM under the symbol "CASH."

Quarterly dividends for 2006 and 2007 were \$0.13. The price range of the common stock, as reported on the Nasdaq System, is as follows:

	FISCAL YEAR 2007		FISCAL YEAR 2006	
	LOW	HIGH	LOW	HIGH
FIRST QUARTER	\$ 24.15	\$ 29.80	\$ 18.55	\$ 23.00
SECOND QUARTER	27.32	35.50	19.04	28.10
THIRD QUARTER	31.00	38.22	21.01	23.18
FOURTH QUARTER	37.50	42.00	22.32	25.73

Dividend payment decisions are made with consideration of a variety of factors including earnings, financial condition, market considerations, and regulatory restrictions. Restrictions on dividend payments are described in Note 17 of the Notes to Consolidated Financial Statements included in this Annual Report.

As of September 30, 2007, Meta had 2,589,717 shares of common stock outstanding, which were held by 221 shareholders of record, and 424,269 shares subject to outstanding options. The shareholders of record number does not reflect approximately 500 persons or entities who hold their stock in nominee or “street” name.

The following securities firms were acting as market makers for Meta stock during the year ended September 30, 2007: Automated Trading Desk; B-Trade Services LLC; Citadel Derivatives Group LLC; Credit Suisse Securities USA; Evolution Financial Technologies; Howe Barnes Investments, Inc.; Knight Equity Markets, L.P.; Merriman Curhan Ford and Company; and UBS Securities LLC.



**METABANK
NORTHWEST IOWA MARKET**

STORM LAKE MAIN OFFICE

121 East Fifth Street
P.O. Box 1307
Storm Lake, Iowa 50588
712.732.4117
800.792.6815
712.732.8122 fax

Storm Lake Plaza
1413 North Lake Avenue
P.O. Box 1307
Storm Lake, Iowa 50588
712.732.6655
712.732.7924 fax

**METABANK
WEST CENTRAL**

WEST CENTRAL MAIN OFFICE

615 South Division
P.O. Box 606
Stuart, Iowa 50250
515.523.2203
800.523.8003
515.523.2460 fax

Casey
101 East Logan
P.O. Box 97
Casey, Iowa 50048
641.746.3366
800.746.3367
641.746.2828 fax

Menlo
501 Sherman
P.O. Box 36
Menlo, Iowa 50164
641.524.4521

**METABANK
MEMPHIS MARKET**

Cordova Main Office
7000 Goodlett Farms Parkway
Cordova, Tennessee 38106
901.380.8200

**METABANK
CENTRAL IOWA MARKET**

CENTRAL IOWA MAIN OFFICE

Downtown Des Moines
418 Sixth Avenue, Suite 205
Des Moines, IA 50309
515.243.0630
515.447.4242 fax

Highland Park
3624 Sixth Avenue
Des Moines, Iowa 50313
515.288.4866

515.288.3104 fax

Ingersoll
3401 Ingersoll Avenue
Des Moines, Iowa 50312
515.274.9674
515.274.9675 fax

Jordan Creek
270 South 68th Street
West Des Moines, Iowa 50266
515.223.0440
515.223.0439 fax

Urbandale
4848 86th Street
Urbandale, Iowa 50322
515.309.9800
515.309.9801 fax

West Des Moines
3448 Westown Parkway
West Des Moines, Iowa 50266
515.226.8474
515.226.8475 fax

**METABANK
BROOKINGS MARKET**

BROOKINGS MAIN OFFICE
600 Main Avenue
P.O. Box 98
Brookings, South Dakota 57006
605.692.2314
800.842.7452
605.692.7059 fax

**METABANK
SIOUX EMPIRE MARKET**

SIOUX FALLS MAIN OFFICE
4900 South Western Avenue
P.O. Box 520
Sioux Falls, South Dakota 57101
605.338.0059
605.338.0155 fax

North Minnesota
1600 North Minnesota Avenue
P.O. Box 520
Sioux Falls, South Dakota 57101
605.338.3470
605.338.3471 fax

South Minnesota
2500 South Minnesota Avenue
P.O. Box 520
Sioux Falls, South Dakota 57101
605.977.7500
605.977.7501 fax

West 12th Street
2104 West 12th Street
P.O. Box 520
Sioux Falls, South Dakota 57101
605.336.8900
605.336.8901 fax



META PAYMENT SYSTEMS AND ADMINISTRATIVE OFFICES

Sioux Falls
5501 South Broadband Lane
Sioux Falls, South Dakota 57108
605.361.4347
866.550.6382
605.338.0596 fax

Omaha
4235 N 90th Street
Omaha, Nebraska 68134
402.573.0567
402.573.3360 fax



META TRUST
4900 South Western Avenue
Sioux Falls, South Dakota 57101
605.782.1780
605.338.0155 fax



metapay.com
metabankonline.com



Change your thoughts
and you change your world.
NORMAN VINCENT PEALE



MetaBank Building
121 East Fifth Street
P.O. Box 1307
Storm Lake, Iowa 50588
metacash.com

SUBSIDIARIES OF THE REGISTRANT

Parent	Subsidiary	Percentage of Ownership	State of Incorporation or Organization
Meta Financial Group, Inc.	MetaBank	100%	Federal
Meta Financial Group, Inc.	MetaBank WC	100%	Iowa
Meta Financial Group, Inc.	First Midwest Financial Capital Trust I	100%	Delaware
Meta Financial Group, Inc.	Meta Trust Company	100%	South Dakota
MetaBank	First Services Financial Limited	100%	Iowa
First Services Financial Limited	Brookings Service Corporation	100%	South Dakota

The financial statements of Meta Financial Group, Inc. are consolidated with those of its subsidiaries, except First Midwest Financial Capital Trust I.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Meta Financial Group, Inc.
Storm Lake, Iowa

We consent to the incorporation by reference in the Meta Financial Group, Inc. Registration Statements on Form S-8 of Meta Financial Group, Inc., pertaining to the Meta Financial Group, Inc. 1995 Stock Option and Incentive Plan and the Meta Financial Group, Inc. 2002 Omnibus Incentive Plan, of our report dated January 7, 2008, relating to our audit of the consolidated financial statements, which appears in the Annual Report on Form 10-K of Meta Financial Group, Inc. and subsidiaries for the year ended September 30, 2007.

/s/ McGladrey & Pullen, LLP
McGladrey & Pullen, LLP

Des Moines, Iowa
January 10, 2008

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, J. Tyler Haahr, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 annual report;
4. The registrant's other certifying officers 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)) 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that as materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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 function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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: January 10, 2008

/s/ J. Tyler Haahr
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David W. Leedom, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers 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)) 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) 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 as materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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 function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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: January 10, 2008

/s/ David W. Leedom
Acting Chief Financial Officer

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

In connection with the Annual Report of Meta Financial Group, Inc. (the "Company") on Form 10-K for the year ended September 30, 2006, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, J. Tyler Haahr, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted 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
Chief Executive Officer
January 10, 2008

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

In connection with the Annual Report of Meta Financial Group, Inc. (the "Company") on Form 10-K for the year ended September 30, 2007, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, David W. Leedom, the Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted 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/ David W. Leedom
Name: David W. Leedom
Acting Chief Financial Officer
January 10, 2008
