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

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

For the quarterly period ended June 30, 2021

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 0-22140



**META FINANCIAL GROUP INC.®**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

42-1406262

(I.R.S. Employer Identification No.)

5501 South Broadband Lane, Sioux Falls, South Dakota 57108

(Address of principal executive offices and Zip Code)

(877) 497-7497

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	CASH	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated  
filer ☒

Accelerated  
filer ☐

Non-accelerated  
filer ☐

Smaller reporting  
company ☐

Emerging growth  
company ☐

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

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

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

Class:	Outstanding at August 2, 2021:
Common Stock, \$.01 par value	31,920,165 Shares
Nonvoting Common Stock, \$.01 par value	0 Nonvoting shares

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**META FINANCIAL GROUP, INC.**  
**FORM 10-Q**

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# PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements.

### **META FINANCIAL GROUP, INC. AND SUBSIDIARIES** Condensed Consolidated Statements of Financial Condition

(Dollars in Thousands, Except Share and Per Share Data)

	June 30, 2021	September 30, 2020
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 720,243	\$ 427,367
Investment securities available for sale, at fair value	854,023	814,495
Mortgage-backed securities available for sale, at fair value	1,063,582	453,607
Investment securities held to maturity, at cost	60,228	87,183
Mortgage-backed securities held to maturity, at cost	4,019	5,427
Loans held for sale	87,905	183,577
Loans and leases	3,496,670	3,322,765
Allowance for credit losses	(91,208)	(56,188)
Federal Reserve Bank and Federal Home Loan Bank stocks, at cost	28,433	27,138
Accrued interest receivable	16,230	16,628
Premises, furniture, and equipment, net	44,107	41,608
Rental equipment, net	211,368	205,964
Bank-owned life insurance	94,142	92,315
Foreclosed real estate and repossessed assets, net	1,204	9,957
Goodwill	309,505	309,505
Intangible assets	34,898	41,692
Prepaid assets	7,482	8,328
Deferred taxes, net	20,072	17,723
Other assets	88,909	82,983
<b>Total assets</b>	<b>\$ 7,051,812</b>	<b>\$ 6,092,074</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing checking	5,385,569	4,356,630
Interest-bearing checking	255,509	157,571
Savings deposits	93,608	47,866
Money market deposits	63,920	48,494
Time certificates of deposit	11,425	20,223
Wholesale deposits	78,840	348,416
<b>Total deposits</b>	<b>5,888,871</b>	<b>4,979,200</b>
Short-term borrowings	—	—
Long-term borrowings	93,634	98,224
Accrued interest payable	1,853	1,923
Accrued expenses and other liabilities	190,821	165,419
<b>Total liabilities</b>	<b>6,175,179</b>	<b>5,244,766</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, 3,000,000 shares authorized, no shares issued and no shares outstanding at June 30, 2021 and September 30, 2020, respectively	—	—
Common stock, \$0.01 par value; 90,000,000 shares authorized, 32,123,004 and 34,479,164 shares issued, 31,919,780 and 34,360,890 shares outstanding at June 30, 2021 and September 30, 2020, respectively	319	344
Common stock, Nonvoting, \$0.01 par value; 3,000,000 shares authorized, no shares issued, none outstanding at June 30, 2021 and September 30, 2020, respectively	—	—
Additional paid-in capital	602,720	594,569
Retained earnings	262,578	234,927
Accumulated other comprehensive income	15,222	17,542
Treasury stock, at cost, 203,224 and 118,274 common shares at June 30, 2021 and September 30, 2020, respectively	(5,696)	(3,677)
<b>Total equity attributable to parent</b>	<b>875,143</b>	<b>843,705</b>
Noncontrolling interest	1,490	3,603
<b>Total stockholders' equity</b>	<b>876,633</b>	<b>847,308</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,051,812</b>	<b>\$ 6,092,074</b>

See Notes to Condensed Consolidated Financial Statements.

**META FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
(Dollars in Thousands, Except Share and Per Share Data)				
Interest and dividend income:				
Loans and leases, including fees	\$ 62,287	\$ 59,911	\$ 192,415	\$ 199,107
Mortgage-backed securities	3,446	2,269	8,176	7,151
Other investments	4,250	5,226	13,207	18,176
	<u>69,983</u>	<u>67,406</u>	<u>213,798</u>	<u>224,434</u>
Interest expense:				
Deposits	188	3,130	1,429	20,712
FHLB advances and other borrowings	1,320	2,139	4,045	9,197
	<u>1,508</u>	<u>5,269</u>	<u>5,474</u>	<u>29,909</u>
<b>Net interest income</b>	<b>68,475</b>	<b>62,137</b>	<b>208,324</b>	<b>194,525</b>
Provision for credit losses	4,612	15,093	40,991	55,796
<b>Net interest income after provision for credit losses</b>	<b>63,863</b>	<b>47,044</b>	<b>167,333</b>	<b>138,729</b>
Noninterest income:				
Refund transfer product fees	12,073	4,595	35,400	33,726
Tax advance product fees	891	28	47,413	31,840
Payment card and deposit fees	29,203	21,302	81,641	65,957
Other bank and deposit fees	338	214	709	1,083
Rental income	9,976	11,231	29,707	34,682
Net gain realized on investment securities	—	—	6	—
Gain on divestitures	—	—	—	19,275
Gain (loss) on sale of other	5,955	1,214	10,935	969
Other income	4,017	2,464	15,550	11,512
<b>Total noninterest income</b>	<b>62,453</b>	<b>41,048</b>	<b>221,361</b>	<b>199,044</b>
Noninterest expense:				
Compensation and benefits	38,604	32,102	114,867	100,631
Refund transfer product expense	2,435	(139)	8,642	7,482
Tax advance product expense	(25)	(11)	2,534	2,820
Card processing	6,809	7,128	20,138	19,432
Occupancy and equipment expense	7,381	6,502	21,017	20,169
Operating lease equipment depreciation	8,122	8,536	23,122	25,237
Legal and consulting	5,680	4,660	16,972	15,242
Intangible amortization	2,013	2,636	6,784	8,714
Impairment expense	505	—	2,217	750
Other expense	9,999	9,827	33,775	38,291
<b>Total noninterest expense</b>	<b>81,523</b>	<b>71,241</b>	<b>250,068</b>	<b>238,768</b>
<b>Income before income tax expense</b>	<b>44,793</b>	<b>16,851</b>	<b>138,626</b>	<b>99,005</b>
Income tax expense (benefit)	4,934	(2,426)	9,600	3,870
<b>Net income before noncontrolling interest</b>	<b>39,859</b>	<b>19,277</b>	<b>129,026</b>	<b>95,135</b>
Net income attributable to noncontrolling interest	1,158	1,087	3,221	3,573
<b>Net income attributable to parent</b>	<b>\$ 38,701</b>	<b>\$ 18,190</b>	<b>\$ 125,805</b>	<b>\$ 91,562</b>
<b>Earnings per common share</b>				
Basic	\$ 1.21	\$ 0.53	\$ 3.87	\$ 2.54
Diluted	\$ 1.21	\$ 0.53	\$ 3.87	\$ 2.54

See Notes to Condensed Consolidated Financial Statements.

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

(Dollars in Thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net income before noncontrolling interest	\$ 39,859	\$ 19,277	\$ 129,026	\$ 95,135
Other comprehensive income (loss):				
Change in net unrealized gain (loss) on debt securities	3,081	8,067	(3,996)	2,576
Net (gain) realized on investment securities	—	—	(6)	—
	3,081	8,067	(4,002)	2,576
Unrealized gain (loss) on currency translation	121	295	692	(269)
Deferred income tax effect	789	2,021	(990)	651
Total other comprehensive income (loss)	2,413	6,341	(2,320)	1,656
Total comprehensive income	42,272	25,618	126,706	96,791
Total comprehensive income attributable to noncontrolling interest	1,158	1,087	3,221	3,573
Comprehensive income attributable to parent	\$ 41,114	\$ 24,531	\$ 123,485	\$ 93,218

See Notes to Condensed Consolidated Financial Statements.

**META FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(Dollars in Thousands, Except Share and Per Share Data)

	Meta Financial Group, Inc. Stockholders' Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Treasury Stock	Total Meta Stockholders' Equity	Noncontrolling Interest	Total Equity
<b>Three Months Ended June 30, 2021</b>								
Balance, March 31, 2021	\$ 319	\$ 601,222	\$ 225,471	\$ 12,809	\$ (5,655)	\$ 834,166	\$ 1,092	\$ 835,258
Cash dividends declared on common stock (\$0.05 per share)	—	—	(1,594)	—	—	(1,594)	—	(1,594)
Shares repurchased	—	—	—	—	(41)	(41)	—	(41)
Stock compensation	—	1,498	—	—	—	1,498	—	1,498
Total other comprehensive income	—	—	—	2,413	—	2,413	—	2,413
Net income	—	—	38,701	—	—	38,701	1,158	39,859
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(760)	(760)
<b>Balance, June 30, 2021</b>	<b>\$ 319</b>	<b>\$ 602,720</b>	<b>\$ 262,578</b>	<b>\$ 15,222</b>	<b>\$ (5,696)</b>	<b>\$ 875,143</b>	<b>\$ 1,490</b>	<b>\$ 876,633</b>
<b>Three Months Ended June 30, 2020</b>								
Balance, March 31, 2020	\$ 346	\$ 590,682	\$ 212,027	\$ 1,654	\$ (3,397)	\$ 801,312	\$ 3,762	\$ 805,074
Cash dividends declared on common stock (\$0.05 per share)	—	—	(1,717)	—	—	(1,717)	—	(1,717)
Issuance of common shares due to exercise of stock options	—	88	—	—	—	88	—	88
Shares repurchased	—	—	—	—	(15)	(15)	—	(15)
Stock compensation	—	1,923	—	—	—	1,923	—	1,923
Total other comprehensive income	—	—	—	6,341	—	6,341	—	6,341
Net income	—	—	18,190	—	—	18,190	1,087	19,277
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(1,062)	(1,062)
<b>Balance, June 30, 2020</b>	<b>\$ 346</b>	<b>\$ 592,693</b>	<b>\$ 228,500</b>	<b>\$ 7,995</b>	<b>\$ (3,412)</b>	<b>\$ 826,122</b>	<b>\$ 3,787</b>	<b>\$ 829,909</b>

(Dollars in Thousands, Except Share and Per Share Data)

	Meta Financial Group, Inc. Stockholders' Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Meta Stockholders' Equity	Noncontrolling Interest	Total Equity
<b>Nine Months Ended June 30, 2021</b>								
Balance, September 30, 2020	\$ 344	\$ 594,569	\$ 234,927	\$ 17,542	\$ (3,677)	\$ 843,705	\$ 3,603	\$ 847,308
Adoption of Accounting Standards Update 2016-13, net of income taxes	—	—	(8,351)	—	—	(8,351)	(2,452)	(10,803)
Cash dividends declared on common stock (\$0.15 per share)	—	—	(4,804)	—	—	(4,804)	—	(4,804)
Issuance of common shares due to ESOP	2	3,034	—	—	—	3,036	—	3,036
Shares repurchased	(27)	27	(84,999)	—	(2,019)	(87,018)	—	(87,018)
Stock compensation	—	5,090	—	—	—	5,090	—	5,090
Total other comprehensive (loss)	—	—	—	(2,320)	—	(2,320)	—	(2,320)
Net income	—	—	125,805	—	—	125,805	3,221	129,026
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(2,882)	(2,882)
<b>Balance, June 30, 2021</b>	<b>\$ 319</b>	<b>\$ 602,720</b>	<b>\$ 262,578</b>	<b>\$ 15,222</b>	<b>\$ (5,696)</b>	<b>\$ 875,143</b>	<b>\$ 1,490</b>	<b>\$ 876,633</b>
<b>Nine Months Ended June 30, 2020</b>								
Balance, September 30, 2019	\$ 378	\$ 580,826	\$ 252,813	\$ 6,339	\$ (445)	\$ 839,911	\$ 4,047	\$ 843,958
Cash dividends declared on common stock (\$0.15 per share)	—	—	(5,370)	—	—	(5,370)	—	(5,370)
Issuance of common shares due to exercise of stock options	—	293	—	—	—	293	—	293
Issuance of common shares due to restricted stock	2	—	—	—	—	2	—	2
Issuance of common shares due to ESOP	1	3,219	—	—	—	3,220	—	3,220
Shares repurchased	(35)	35	(110,505)	—	(2,967)	(113,472)	—	(113,472)
Stock compensation	—	8,320	—	—	—	8,320	—	8,320
Total other comprehensive income	—	—	—	1,656	—	1,656	—	1,656
Net income	—	—	91,562	—	—	91,562	3,573	95,135
Net investment by (distribution to) noncontrolling interests	—	—	—	—	—	—	(3,833)	(3,833)
<b>Balance, June 30, 2020</b>	<b>\$ 346</b>	<b>\$ 592,693</b>	<b>\$ 228,500</b>	<b>\$ 7,995</b>	<b>\$ (3,412)</b>	<b>\$ 826,122</b>	<b>\$ 3,787</b>	<b>\$ 829,909</b>

See Notes to Condensed Consolidated Financial Statements.



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

(Dollars in Thousands)	Nine Months Ended June 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income before noncontrolling interest	\$ 129,026	\$ 95,135
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion, net	43,561	46,123
Stock compensation	5,090	8,320
Provision (recovery):		
Credit losses	40,991	55,796
Deferred taxes	(1,360)	2,289
Loans held for sale:		
Originations	(472,935)	(63,396)
Proceeds from sales	694,063	168,814
Net change	2,495	22,612
Fair value adjustment of foreclosed real estate	481	568
Net realized (gain) loss:		
Other assets	28	361
Divestitures	—	(19,275)
Foreclosed real estate and repossessed assets	(4)	5,039
Securities available for sale, net	(6)	—
Loans held for sale	(9,804)	(4,069)
Lease receivables and equipment	(1,076)	(2,302)
Net change:		
Other assets	(3,742)	(20,623)
Deposits held for sale	—	1,535
Accrued interest payable	(70)	(5,082)
Accrued expenses and other liabilities	25,402	(10,218)
Accrued interest receivable	398	1,738
Change in bank-owned life insurance value	(1,827)	(1,870)
Impairment on assets held for sale	—	242
<b>Net cash provided by operating activities</b>	<b>450,711</b>	<b>281,737</b>
<b>Cash flows from investing activities:</b>		
Securities available for sale:		
Purchases	(976,502)	(60,024)
Proceeds from sales	50,468	—
Proceeds from maturities and principal repayments	266,673	166,477
Securities held to maturity:		
Proceeds from maturities and principal repayments	27,041	28,642
Loans and leases:		
Purchases	(145,639)	(120,406)
Proceeds from sales	13,822	3,099
Net change	(177,944)	(73,360)
Proceeds from sales of foreclosed real estate and repossessed assets	8,285	23,086
Federal Reserve Bank and Federal Home Loan Bank stock:		
Purchases	(1,295)	(472,000)
Redemption	—	471,080
Rental equipment:		
Purchases	(36,800)	(48,279)
Proceeds from sales	11,744	13,262
Net change	(2,303)	2,625
Premises, furniture, and equipment:		
Purchases	(9,448)	(8,573)
Proceeds from sales	86	—
Proceeds from divestitures	—	3,498
<b>Net cash (used in) investing activities</b>	<b>(971,812)</b>	<b>(70,873)</b>
<b>Cash flows from financing activities:</b>		
Net change:		
Checking, savings, and money market deposits	1,188,046	4,440,032
Time certificates of deposit	(8,798)	(84,285)

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Wholesale deposits	(269,576)	(813,495)
FHLB and other borrowings	—	(165,000)
Federal funds	—	(477,000)
Securities sold under agreements to repurchase	—	(4,019)
Distribution to noncontrolling interest	(2,882)	(3,833)
Proceeds from other liabilities	80	1,633
Principal payments:		
Other liabilities	(4,775)	(5,977)
Capital lease obligations	(24)	(1,729)
Cash dividends paid	(4,804)	(5,370)
Issuance of common stock due to ESOP	3,036	3,220
Issuance of common stock due to restricted stock	—	2
Proceeds from exercise of stock options and issuance of common stock	—	293
Shares repurchased	(87,018)	(113,472)
Net cash provided by financing activities	813,285	2,771,000
Effect of exchange rate changes on cash	692	(268)
Net change in cash and cash equivalents	292,876	2,981,596
Cash and cash equivalents at beginning of fiscal year	427,367	126,545
Cash and cash equivalents at end of fiscal period	<u>\$ 720,243</u>	<u>\$ 3,108,141</u>

(Dollars in Thousands)	Nine Months Ended June 30,	
	2021	2020
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 5,544	\$ 34,991
Income taxes	4,147	5,775
Franchise taxes	200	231
Other taxes	671	492
<b>Supplemental schedule of non-cash investing activities:</b>		
Transfers		
Loans and leases to foreclosed real estate and repossessed assets	9	5,983
Loans and leases to rental equipment	14,844	(573)
Rental equipment to loan and leases	14,014	691
Loans and leases to held for sale	118,037	325,092
Other assets to held for sale	—	7,858
Deposits to held for sale	—	288,975
Recognition of operating lease ROU assets, net of measurements	12,954	27,019

See Notes to Condensed Consolidated Financial Statements.



## NOTE 1. BASIS OF PRESENTATION

The interim unaudited Condensed Consolidated Financial Statements contained herein should be read in conjunction with the audited consolidated financial statements and accompanying notes to the consolidated financial statements for the fiscal year ended September 30, 2020 included in Meta Financial Group, Inc.'s ("Meta" or the "Company") Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on November 30, 2020. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the audited consolidated financial statements have been omitted.

The financial information of the Company included herein has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of the three and nine months ended June 30, 2021 are not necessarily indicative of the results expected for the fiscal year ending September 30, 2021.

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These changes and reclassifications did not impact previously reported net income or comprehensive income.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ADOPTED ACCOUNTING STANDARDS UPDATES ("ASU")

Significant accounting policies in effect and disclosed within the Company's most recent audited consolidated financial statements as of September 30, 2020 remain substantially unchanged with the exception of the accounting policies for allowance for credit losses and securities impairment as a result of adopting ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related ASUs, as described below.

*Allowance for Credit Losses ("ACL").* The ACL represents management's estimate of current credit losses expected to be incurred by the loan and lease portfolio over the life of each financial asset as of the balance sheet date. The Company individually evaluates loans and leases that do not share similar risk characteristics with other financial assets for impairment, which generally means loans and leases identified as troubled debt restructurings or loans and leases on nonaccrual status. All other loans and leases are evaluated collectively for impairment. A reserve for unfunded credit commitments such as letters of credit and binding unfunded loan commitments is recorded in other liabilities on the Condensed Consolidated Statements of Financial Condition.

Individually evaluated loans and leases are a key component of the ACL. Generally, the Company measures impairment on individually evaluated loans based on the fair value of the collateral less estimated selling costs, as the Company considers these financial assets to be collateral dependent. If an individually evaluated loan or lease is not collateral dependent, impairment is measured at the present value of expected future cash flows discounted at the loan or lease initial effective interest rate.

The impairment of all other loans and leases is evaluated collectively by various characteristics. The collective evaluation of expected losses in all commercial finance portfolios is based on a cohort loss rate and adjustments for forward-looking information, including industry and macroeconomic forecasts. The cohort loss rate is a life of loan loss rate that immediately reverts to historical loss information for the remaining maturity of the financial asset. Management has elected to use a twelve-month reasonable and supportable forecast for forward-looking information. Factors utilized in the determination of the allowance include historical loss experience, current economic forecasts and measurement date credit characteristics such as product type, delinquency, and industry. The unfunded credit commitments depend on these same factors, as well as estimates of lines of credit usage. The various quantitative and qualitative factors used in the methodologies are reviewed quarterly.

The collective evaluation of expected credit losses for certain consumer lending portfolios utilize different methodologies when estimating expected credit losses. The Company's student loan portfolio utilizes a roll-rate historical loss rate and adjustments for forward-looking information, including macroeconomic conditions. Management has elected to use a twelve-month reasonable and supportable forecast with an immediate reversion to historical loss rates. Factors utilized in the determination of the allowance include historical loss experience, current economic forecasts, and measurement date credit characteristics including delinquency.

Loans and leases are charged off to the extent they are deemed uncollectible. Net charge-offs are included in historical data utilized for calculating the ACL. For commercial loans, the Company generally fully charges off or charges down to net realizable value (fair value of collateral, less estimated costs to sell) for loans secured by collateral when management judges the loan to be uncollectible, repayment is deemed to be protracted beyond a reasonable timeframe, the loan has been classified as a loss by either the Company's internal loan review process or its banking regulatory agencies, the Company has filed bankruptcy and the loss becomes evident owing to lack of assets, or the loans meets a defined number of days past due unless the loan is both well-secured and is in the process of collection. For consumer loans, the Company fully charges off or charges down to net realizable value when deemed uncollectible due to bankruptcy or other factors or meets a defined number of days past due.

The amount of ACL depends significantly on management's estimates or key factors and assumptions affecting valuation, appraisals of collateral, evaluations of performance and status, the amounts and timing of future cash flows expected to be received, forecasts of future economic conditions and reversion periods. Such estimates, appraisals, evaluations, cash flows and forecasts may be subject to frequent adjustments due to changing economic prospects of borrowers, lessees, properties or economic conditions. These estimates are reviewed quarterly and adjustments, if necessary, are recorded in the provision for credit losses in the periods in which they become known.

Accrued interest receivable is presented separately on the Condensed Consolidated Statements of Financial Condition, and an ACL is not recorded for these balances. Generally, when a loan or lease is placed on nonaccrual status, typically when the collection of interest or principal is 90 days or more past due, uncollected interest accrued in prior years is charged off against the ACL and interest accrued in the current year is reversed against interest income.

Management maintains a framework of controls over the estimation process for the ACL, including review of collective reserve methodologies for compliance with GAAP. Management has a quarterly process to review the appropriateness of historical observation periods and loss assumptions and risk ratings assigned to loans and leases, if applicable. Management reviews its qualitative framework and the effect on the collective reserve compared with relevant credit risk factors and consistency with credit trends. Management also maintains controls over information systems, models and spreadsheets used in the quantitative components of the reserve estimate. This includes the quality and accuracy of historical data used to derive loss rates, the inputs to industry and macroeconomic forecasts and the reversion periods utilized. The results of this process are summarized and presented to management quarterly for their approval of the recorded allowance. See Note 6. Loans and Leases, Net for further information.

**Securities Impairment.** The Company evaluates investment securities held-to-maturity for credit losses on a quarterly basis and records any such losses as a component of provision for credit losses in the Condensed Consolidated Statements of Operations. The Company has concluded that its portfolio as of June 30, 2021 has a zero risk of credit loss due to the U.S. Government financial guarantees underlying the securities within the held-to-maturity portfolio and as a result has not recorded an allowance for credit loss.

The Company evaluates investment securities available-for-sale for credit losses on a quarterly basis and records any such losses as a component of provision for credit losses in the Condensed Consolidated Statements of Operations. See Note 5. Securities for further information.

#### **Adopted ASUs**

Effective October 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent related ASUs (collectively "Topic 326"), which changes the impairment model for most financial assets, including trade and other receivables, debt securities held-to-maturity, loans, net investments in leases, purchased financial assets with credit deterioration, and off-balance sheet credit exposures. ASU 2016-13 requires the use of a current expected credit loss ("CECL") methodology to determine the allowance for credit losses for loans and debt securities held-to-maturity. CECL requires loss estimates for the remaining estimated life of the assets to be measured using historical loss data, adjustments for current conditions, and adjustments for reasonable and supportable forecasts of future economic conditions. The Company adopted CECL using the modified retrospective approach with a cumulative effect adjustment to Retained Earnings recorded on October 1, 2020.

Our adoption resulted in an ACL as of October 1, 2020 that is larger than the allowance for loan and lease losses (“ALLL”) that would have been recorded under legacy guidance on the same date by \$12.8 million in total for all portfolios. A portion of this increase is a result of new requirements to record ACL on acquired loans and leases, regardless of any credit mark recorded. Under legacy guidance, credit marks were included in the determination of fair value adjustments reflected as a discount to the carrying value of the loans and leases and an ALLL was not recorded on acquired loans and leases until evidence of credit deterioration existed post acquisition. The remaining credit and interest mark will continue to accrete over the life of the loan or lease but will no longer be considered when estimating the ACL for acquired loans and leases under CECL. The adoption of CECL also resulted in an increase in the liability of unfunded commitments of \$0.8 million. For other assets in scope of the standard such as held-to-maturity debt securities and trade and other receivables, the impact from this ASU was inconsequential. The cumulative tax effected adjustment to record ACL and to increase the unfunded commitments liability resulted in a reduction to retained earnings of \$8.4 million along with \$2.5 million attributable to noncontrolling interests. Post adoption, as loans and leases are added to the portfolio, the Company expects higher levels of ACL determined by CECL assumptions, resulting in accelerated recognition of provision for credit losses, as compared to historical results. In response to the COVID-19 pandemic, regulatory agencies have published a final rule that provides the option to delay the cumulative effect of the day 1 impact to CECL adoption on regulatory capital for two years, followed by a three-year phase in period. Management has elected this five-year transition period consistent with the final rule. Additional and modified disclosure requirements under CECL are included in Note 5. Securities and Note 6. Loans and Leases, Net.

The Company also adopted the following ASUs on October 1, 2020, none of which had a material impact on the Company's Condensed Consolidated Financial Statements:

- ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*.
- ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*.
- ASU 2018-17, *Consolidation (Topic 810) – Targeted Improvements to Related Party Guidance for Variable Interest Entities*.

#### **ASUs to be Adopted**

**ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes***. The amendments in this ASU are intended to simplify the accounting for income taxes by removing certain exceptions to the general rules found in Topic 740, *Income Taxes*. The majority of the amendments are to be applied on a prospective basis. This ASU is effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of this guidance on the consolidated financial statements.

**ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying Interactions between Topics 321, 323 and 815***. This ASU clarifies the interactions between Topic 321, Topic 323 and Topic 815, including accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of this guidance on the consolidated financial statements.

**ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting***. The amendments in this ASU provide optional expedients and exceptions to applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform if certain criteria are met. The amendments include a one-time sale or transfer election of held-to-maturity debt securities impacted by reference rate reform. The amendments in this ASU are effective upon issuance through December 31, 2022. The Company is currently evaluating the impact of this guidance on the consolidated financial statements.

**ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs***. This ASU clarifies that an entity should amortize any premium, if applicable, to the next call date, which is the first date when a call option at a specified price becomes exercisable. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of this guidance on the consolidated financial statements.

**ASU 2020-10, Codification Improvements.** This ASU provides clarification, corrects unintended application of guidance, and makes minor improvements to various Topics that are not expected to have a significant impact on the Company's current accounting policies and practices. Amendments within this ASU are effective for fiscal years beginning after December 15, 2020.

### NOTE 3. SIGNIFICANT EVENTS

#### COVID-19 Pandemic

The COVID-19 pandemic began impacting the U.S. and global economies in the first calendar quarter of 2020, with significant deterioration of macroeconomic conditions and markets into 2021. In response to the impacts of COVID-19, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020. In addition to the CARES Act, the U.S. federal government enacted the Consolidated Appropriations Act of 2021 ("CAA") on December 27, 2020 and the American Rescue Plan Act of 2021 ("ARP Act") on March 11, 2021, which provide additional COVID-19 relief to American families and business.

The Company is participating in the Paycheck Protection Program ("PPP"), which is being administered by the Small Business Administration ("SBA"). It is the Company's understanding that loans funded through the PPP program are fully guaranteed by the U.S. government and that a portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. See Note 6. Loans and Leases, Net for further information related to this program.

In response to the COVID-19 pandemic impact on customers, the Company engaged and continues to engage in more frequent communication with borrowers to better understand their situation and challenges and offered credit-worthy borrowers experiencing temporary hardship certain loan and lease modifications ("COVID modifications"), such as payment deferrals, as a result of interagency guidance issued on March 22, 2020 encouraging companies to work with customers impacted by COVID-19. The Company elected to treat COVID modifications on leases as part of the enforceable rights and obligations of the parties under the existing lease contract, resulting in these payment deferrals being treated as variable lease payments under the existing lease versus lease modifications. Additionally, for COVID modifications on loans, the Company adjusted its effective interest rate to reflect the payment deferral modification and continued accruing interest during this period. Short-term modifications made on a good faith basis in response to COVID-19 borrowers whose payments were current prior to any relief, are not to be considered troubled debt restructurings, and will not be considered delinquent so long as they meet their revised obligations under the modification agreement.

The table below presents the outstanding balances of active COVID-19 related modifications.

(Dollars in Thousands)	As of the Period Ended		
	June 30, 2021	March 31, 2021	December 31, 2020
<b>National Lending</b>			
Term lending	\$ 2,955	\$ 5,460	\$ 18,321
Asset based lending	—	—	1,124
Lease financing	275	379	1,637
Commercial finance	3,230	5,839	21,082
Consumer credit products	19	301	1,210
Other consumer finance	1,609	1,627	2,682
Consumer finance	1,628	1,928	3,892
<b>Total National Lending</b>	<b>4,858</b>	<b>7,767</b>	<b>24,974</b>
<b>Community Banking</b>			
Commercial real estate and operating	36,632	58,707	60,319
<b>Total Community Banking</b>	<b>36,632</b>	<b>58,707</b>	<b>60,319</b>
<b>Total loans and leases</b>	<b>41,490</b>	<b>66,474</b>	<b>85,293</b>
<b>Total COVID-19 related modifications</b>	<b>\$ 41,490</b>	<b>\$ 66,474</b>	<b>\$ 85,293</b>

#### NOTE 4. DIVESTITURES

During the fiscal year ended September 30, 2020, the Company sold the Bank's Community Bank division, a component of the Company's Corporate segment, to Central Bank, a state-chartered bank headquartered in Storm Lake, Iowa. The sale included \$290.5 million of deposits; \$268.6 million of loans; \$4.9 million of premises, furniture, and equipment; and \$1.3 million of other assets and closed February 29, 2020 (the "Closing Date"). The sale resulted in a gain of \$19.3 million before tax that was recognized within noninterest income on the Company's Condensed Consolidated Statements of Operations.

The Company entered a servicing agreement with Central Bank for the retained Community Bank loan portfolio that became effective on the Closing Date. The Company recognized \$2.2 million and \$1.4 million in servicing fee expense during the nine months ended June 30, 2021 and 2020, respectively, and \$3.5 million for the fiscal year ended September 30, 2020.

Since the Closing Date, the Company has entered into subsequent loan portfolio sale agreements with Central Bank. The Company sold no additional loans from the retained Community Bank portfolio in the three months ended June 30, 2021 and 2020, and \$233.0 million and none for the nine months ended June 30, 2021 and 2020, respectively. The sales did not result in any significant gains or losses to the Condensed Consolidated Statements of Operations.

As of June 30, 2021, the Company had \$18.1 million of community bank loans classified as held for sale and expects to sell those loans in the upcoming fourth fiscal quarter. See Note 6. Loans and Leases, Net for additional information.



**NOTE 5. SECURITIES**

The amortized cost, gross unrealized gains and losses and estimated fair values of available for sale ("AFS") and held to maturity ("HTM") debt securities are presented below.

(Dollars in Thousands)	Securities Available For Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
<b>At June 30, 2021</b>				
Debt securities AFS				
SBA securities	\$ 162,922	\$ 6,263	\$ —	\$ 169,185
Obligations of states and political subdivisions	2,758	8	—	2,766
Non-bank qualified obligations of states and political subdivisions	267,031	7,423	(104)	274,350
Asset-backed securities	405,857	2,760	(895)	407,722
Mortgage-backed securities	1,059,321	9,866	(5,605)	1,063,582
Total debt securities AFS	<u>\$ 1,897,889</u>	<u>\$ 26,320</u>	<u>\$ (6,604)</u>	<u>\$ 1,917,605</u>
<b>At September 30, 2020</b>				
Debt securities AFS				
SBA securities	\$ 159,722	\$ 5,391	\$ (158)	\$ 164,955
Obligations of states and political subdivisions	825	16	—	841
Non-bank qualified obligations of states and political subdivisions	314,819	8,978	(23)	323,774
Asset-backed securities	329,139	2,015	(6,229)	324,925
Mortgage-backed securities	439,879	14,567	(839)	453,607
Total debt securities AFS	<u>\$ 1,244,384</u>	<u>\$ 30,967</u>	<u>\$ (7,249)</u>	<u>\$ 1,268,102</u>

  

(Dollars in Thousands)	Securities Held To Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
<b>At June 30, 2021</b>				
Debt securities HTM				
Non-bank qualified obligations of states and political subdivisions	\$ 60,228	\$ 1,104	\$ (2)	\$ 61,330
Mortgage-backed securities	4,019	72	—	4,091
Total debt securities HTM	<u>\$ 64,247</u>	<u>\$ 1,176</u>	<u>\$ (2)</u>	<u>\$ 65,421</u>
<b>At September 30, 2020</b>				
Debt securities HTM				
Non-bank qualified obligations of states and political subdivisions	\$ 87,183	\$ 1,040	\$ (29)	\$ 88,194
Mortgage-backed securities	5,427	124	—	5,551
Total debt securities HTM	<u>\$ 92,610</u>	<u>\$ 1,164</u>	<u>\$ (29)</u>	<u>\$ 93,745</u>

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

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
(Dollars in Thousands)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)
<b>At June 30, 2021</b>						
Debt securities AFS						
Non-bank qualified obligations of states and political subdivisions	24,357	(104)	—	—	24,357	(104)
Asset-backed securities	124,158	(234)	94,726	(661)	218,884	(895)
Mortgage-backed securities	695,230	(4,207)	55,415	(1,398)	750,645	(5,605)
Total debt securities AFS	<u>\$ 843,745</u>	<u>\$ (4,545)</u>	<u>\$ 150,141</u>	<u>\$ (2,059)</u>	<u>\$ 993,886</u>	<u>\$ (6,604)</u>

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
(Dollars in Thousands)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)
<b>At September 30, 2020</b>						
Debt securities AFS						
SBA securities	\$ 32,257	\$ (102)	\$ 9,875	\$ (56)	\$ 42,132	\$ (158)
Non-bank qualified obligations of states and political subdivisions	6,265	(6)	3,103	(17)	9,368	(23)
Asset-backed securities	106,474	(1,089)	178,686	(5,140)	285,160	(6,229)
Mortgage-backed securities	138,338	(839)	—	—	138,338	(839)
Total debt securities AFS	<u>\$ 283,334</u>	<u>\$ (2,036)</u>	<u>\$ 191,664</u>	<u>\$ (5,213)</u>	<u>\$ 474,998</u>	<u>\$ (7,249)</u>

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
(Dollars in Thousands)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)
<b>At June 30, 2021</b>						
Debt securities HTM						
Non-bank qualified obligations of states and political subdivisions	2,859	(2)	—	—	2,859	(2)
Total debt securities HTM	<u>\$ 2,859</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,859</u>	<u>\$ (2)</u>

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
(Dollars in Thousands)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)
<b>At September 30, 2020</b>						
Debt securities HTM						
Non-bank qualified obligations of states and political subdivisions	\$ 7,397	\$ (9)	\$ 3,637	\$ (20)	\$ 11,034	\$ (29)
Total debt securities HTM	<u>\$ 7,397</u>	<u>\$ (9)</u>	<u>\$ 3,637</u>	<u>\$ (20)</u>	<u>\$ 11,034</u>	<u>\$ (29)</u>

The adoption of CECL was inconsequential to debt securities AFS. At June 30, 2021, there were no ACL for debt securities AFS. At June 30, 2021, there were 49 securities AFS in an unrealized loss position. Management assessed each investment security with unrealized losses for credit impairment and determined substantially all unrealized losses on these securities were due to credit spreads and interest rates versus credit impairment. As part of that assessment, management evaluated and concluded that it is more-likely-than-not that the Company will not be required and does not intend to sell any of the securities prior to recovery of the amortized cost.

The amortized cost and fair value of debt securities by contractual maturity are shown below. Certain securities have call features that allow the issuer to call the security prior to maturity. Expected maturities may differ from contractual maturities in mortgage-backed securities ("MBS") because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, MBS are not included in the maturity categories in the following maturity summary. The expected maturities of certain SBA securities may differ from contractual maturities because the borrowers may have the right to prepay the obligation. However, certain prepayment penalties may apply.

	At June 30, 2021		At September 30, 2020	
(Dollars in Thousands)				
Securities AFS at Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 245	\$ 245	\$ 1,385	\$ 1,398
Due after one year through five years	17,884	18,467	20,805	21,769
Due after five years through ten years	53,273	55,337	32,441	34,025
Due after ten years	767,166	779,974	749,874	757,303
	838,568	854,023	804,505	814,495
Mortgage-backed securities	1,059,321	1,063,582	439,879	453,607
Total securities AFS, at fair value	\$ 1,897,889	\$ 1,917,605	\$ 1,244,384	\$ 1,268,102

	At June 30, 2021		At September 30, 2020	
(Dollars in Thousands)				
Securities HTM at Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due after ten years	\$ 60,228	\$ 61,330	\$ 87,183	\$ 88,194
	60,228	61,330	87,183	88,194
Mortgage-backed securities	4,019	4,091	5,427	5,551
Total securities HTM, at cost	\$ 64,247	\$ 65,421	\$ 92,610	\$ 93,745

Other investments, at cost, include equity securities without a readily determinable fair value, which are included in other assets on the Condensed Consolidated Statements of Financial Condition, and shares of stock in the Federal Reserve Bank (the "FRB") of Minneapolis and the FHLB of Des Moines.

#### Equity Securities

Equity securities without a readily determinable fair value totaled \$14.7 million at June 30, 2021 and \$11.0 million at September 30, 2020.

#### FRB Stock

The Bank is required by federal law to subscribe to capital stock (divided into shares of \$100 each) as a member of the FRB of Minneapolis with an amount equal to six per centum of the paid-up capital stock and surplus. One-half of the subscription is paid at time of application, and one-half is subject to call of the Board of Governors of the Federal Reserve System. FRB of Minneapolis stock held by the Bank totaled \$19.7 million at June 30, 2021 and September 30, 2020. These equity securities are 'restricted' in that they can only be owned by member banks.

#### FHLB Stock

The Company's borrowings from the FHLB are secured by a blanket collateral agreement with respect to 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.

The investments in the FHLB stock are required investments related to the Company's membership in and current borrowings from the FHLB of Des Moines. The investments in the FHLB of Des Moines could be adversely impacted by the financial operations of the FHLB and actions of their regulator, the Federal Housing Finance Agency.

The FHLB stock is carried at cost since it is generally redeemable at par value. The carrying value of the stock held at the FHLB was \$8.8 million and \$7.5 million at June 30, 2021 and September 30, 2020, respectively.

These equity securities are 'restricted' in that they can only be sold back to the respective institution from which they were acquired or another member institution at par. Therefore, FRB and FHLB stocks are less liquid than other marketable equity securities, and the fair value approximates cost. The Company evaluates impairment for investments held at cost on at least an annual basis based on the ultimate recoverability of the par value.

#### Equity Security Impairment

For investments held at cost, impairment is evaluated on at least an annual basis on the recoverability of the par value. All other equity investments, including those under the equity method, are reviewed for other-than-temporary impairment on at least a quarterly basis. The Company recognized \$2.0 million in impairment recognized for such investments for the nine months ended June 30, 2021.

#### NOTE 6. LOANS AND LEASES, NET

Loans and leases consist of the following:

(Dollars in Thousands)	June 30, 2021	September 30, 2020
<b>National Lending</b>		
Term lending	\$ 920,279	\$ 805,323
Asset based lending	263,237	182,419
Factoring	320,629	281,173
Lease financing	282,940	281,084
Insurance premium finance	417,652	337,940
SBA/USDA	263,709	318,387
Other commercial finance	118,081	101,658
Commercial finance	2,586,527	2,307,984
Consumer credit products	105,440	89,809
Other consumer finance	122,316	134,342
Consumer finance	227,756	224,151
Tax services	41,268	3,066
Warehouse finance	335,704	293,375
Total National Lending	3,191,255	2,828,576
<b>Community Banking</b>		
Commercial real estate and operating	294,810	457,371
Consumer one-to-four family real estate and other	1,349	16,486
Agricultural real estate and operating	7,825	11,707
Total Community Banking	303,984	485,564
Total loans and leases	3,495,239	3,314,140
Net deferred loan origination costs (fees)	1,431	8,625
Total gross loans and leases	3,496,670	3,322,765
Allowance for credit losses	(91,208)	(56,188)
Total loans and leases, net	\$ 3,405,462	\$ 3,266,577

During the nine months ended June 30, 2021, the Company transferred \$118.0 million of Community Banking loans to held for sale. During the nine months ended June 30, 2020, the Company transferred \$325.1 million of Community Banking loans to held for sale.

During the nine months ended June 30, 2021 and 2020, the Company originated \$472.9 million of other consumer finance, SBA/USDA, and consumer credit product loans as held for sale and \$63.4 million of SBA/USDA and consumer credit product loans as held for sale, respectively.

The Company sold held for sale loans resulting in proceeds of \$694.1 million and gains on sale of \$9.8 million during the nine months ended June 30, 2021. The Company sold held for sale loans resulting in proceeds of \$440.5 million and gains on sale of \$7.0 million during the nine months ended June 30, 2020.

Loans purchased and sold by portfolio segment, including participation interests, for the three and nine months ended were as follows:

(Dollars in Thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
<b>Loans Purchased</b>				
Loans held for investment:				
Total National Lending	\$ 46,153	\$ —	\$ 142,389	\$ 103,888
Total Community Banking	403	2,728	3,250	16,518
<b>Total purchases</b>	<b>\$ 46,556</b>	<b>\$ 2,728</b>	<b>\$ 145,639</b>	<b>\$ 120,406</b>
<b>Loans Sold</b>				
Loans held for sale:				
Total National Lending	\$ 118,132	\$ 8,524	\$ 464,378	\$ 168,814
Total Community Banking	—	—	232,979	271,681
Loans held for investment:				
Total Community Banking	1,816	—	13,822	3,099
<b>Total sales</b>	<b>\$ 119,948</b>	<b>\$ 8,524</b>	<b>\$ 711,179</b>	<b>\$ 443,594</b>

*Leasing Portfolio.* The net investment in direct financing and sales-type leases was comprised of the following:

(Dollars in Thousands)	June 30, 2021	September 30, 2020
Carrying amount	\$ 297,370	\$ 299,487
Unguaranteed residual assets	14,770	17,203
Unamortized initial direct costs	520	2,078
Unearned income	(29,200)	(35,606)
<b>Total net investment in direct financing and sales-type leases</b>	<b>\$ 283,460</b>	<b>\$ 283,162</b>

The carrying amount of direct financing and sales-type leases subject to residual value guarantees was \$5.0 million at June 30, 2021.

The components of total lease income were as follows:

(Dollars in Thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
<b>Interest income - loans and leases</b>				
Interest income on net investments in direct financing and sales-type leases	\$ 6,344	\$ 4,496	\$ 17,779	\$ 12,958
<b>Leasing and equipment finance noninterest income</b>				
Lease income from operating lease payments	10,047	11,391	29,824	33,857
Profit (loss) recorded on commencement date on sales-type leases	85	103	215	590
Other <sup>(1)</sup>	901	554	2,657	3,135
Total leasing and equipment finance noninterest income	11,033	12,048	32,696	37,582
<b>Total lease income</b>	<b>\$ 17,377</b>	<b>\$ 16,544</b>	<b>\$ 50,475</b>	<b>\$ 50,540</b>

<sup>(1)</sup> Other leasing and equipment finance noninterest income consists of gains (losses) on sales of leased equipment, fees and service charges on leases and gains (losses) on sales of leases.

Undiscounted future minimum lease payments receivable for direct financing and sales-type leases and a reconciliation to the carrying amount recorded were as follows:

(Dollars in Thousands)	June 30, 2021
Remaining in 2021	\$ 28,766
2022	108,161
2023	80,606
2024	48,993
2025	22,798
Thereafter	8,046
Equipment under leases not yet commenced	—
Total undiscounted future minimum lease payments receivable for direct financing and sales-type leases	297,370
Third-party residual value guarantees	—
Total carrying amount of direct financing and sales-type lease	\$ 297,370

The Company did not record any contingent rental income from direct financing and sales-type leases in the nine months ended June 30, 2021.

The COVID-19 pandemic began impacting the U.S. and global economies in the first calendar quarter of 2020, with significant deterioration of macroeconomic conditions and markets into 2021. Although macroeconomic conditions and markets have improved since the beginning of 2021, the ultimate impact of this pandemic on the Company's loan and lease portfolio is difficult to predict. Management continues to evaluate the loan and lease portfolio in order to assess the impact on repayment sources and underlying collateral that could result in additional losses and the impact to our customers and businesses as a result of COVID-19 and will refine our estimate as more information becomes available.

Effective October 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent related ASUs on a modified retrospective basis. Financial information at and for the quarter ended June 30, 2021 is reflected as such. The historical information disclosed is in accordance with Topic 310.

Activity in the allowance for credit losses and balances of loans and leases by portfolio segment was as follows:

	Three Months Ended June 30, 2021				
(Dollars in Thousands)	Beginning Balance	Provision (Recovery) for Credit Losses <sup>(2)</sup>	Charge-offs	Recoveries	Ending Balance
<b>Allowance for credit losses:</b>					
<b>National Lending</b>					
Term lending	\$ 27,315	\$ 1,199	\$ (1,998)	\$ 515	\$ 27,031
Asset based lending	1,749	21	—	212	1,982
Factoring	3,210	33	1	17	3,261
Lease financing	6,863	842	(916)	130	6,919
Insurance premium finance	1,326	(1,200)	(120)	1,583	1,589
SBA/USDA	3,300	(171)	—	—	3,129
Other commercial finance	541	183	—	—	724
Commercial finance	44,304	907	(3,033)	2,457	44,635
Consumer credit products	990	21	—	—	1,011
Other consumer finance	10,093	(180)	(2,327)	57	7,643
Consumer finance	11,083	(159)	(2,327)	57	8,654
Tax services	29,146	4,685	(9,505)	17	24,343
Warehouse finance	332	—	—	—	332
Total National Lending	84,865	5,433	(14,865)	2,531	77,964
<b>Community Banking</b>					
Commercial real estate and operating	13,965	(767)	—	—	13,198
Consumer one-to-four family real estate and other	17	(13)	—	—	4
Agricultural real estate and operating	45	(3)	—	—	42
Total Community Banking	14,027	(783)	—	—	13,244
Total loans and leases	98,892	4,650	(14,865)	2,531	91,208
Unfunded commitments <sup>(1)</sup>	779	(38)	—	—	741
Total	\$ 99,671	\$ 4,612	\$ (14,865)	\$ 2,531	\$ 91,949

<sup>(1)</sup> Reserve for unfunded commitments is recognized within other liabilities on the Condensed Consolidated Statements of Financial Condition.

<sup>(2)</sup> As a result of the adoption of CECL, effective October 1, 2020, the provision for credit losses includes the provision for unfunded commitments that was previously included within other noninterest expense.

	Nine Months Ended June 30, 2021					
(Dollars in Thousands)	Beginning Balance	Impact of CECL Adoption	Provision (Recovery) for Credit Losses <sup>(2)</sup>	Charge-offs	Recoveries	Ending Balance
<b>Allowance for credit losses:</b>						
<b>National Lending</b>						
Term lending	\$ 15,211	\$ 9,999	\$ 8,621	\$ (7,787)	\$ 987	\$ 27,031
Asset based lending	1,406	164	1,399	(1,199)	212	1,982
Factoring	3,027	987	(1,928)	—	1,175	3,261
Lease financing	7,023	(556)	2,375	(2,264)	341	6,919
Insurance premium finance	2,129	(965)	(609)	(925)	1,959	1,589
SBA/USDA	940	2,720	(532)	—	1	3,129
Other commercial finance	182	364	178	—	—	724
Commercial finance	29,918	12,713	9,504	(12,175)	4,675	44,635
Consumer credit products	845	—	166	—	—	1,011
Other consumer finance	2,821	5,998	1,568	(2,964)	220	7,643
Consumer finance	3,666	5,998	1,734	(2,964)	220	8,654
Tax services	2	—	32,819	(9,505)	1,027	24,343
Warehouse finance	294	(1)	39	—	—	332
Total National Lending	33,880	18,710	44,096	(24,644)	5,922	77,964
<b>Community Banking</b>						
Commercial real estate and operating	21,867	(5,616)	(2,909)	(144)	—	13,198
Consumer one-to-four family real estate and other	298	(247)	(47)	—	—	4
Agricultural real estate and operating	143	(74)	(27)	—	—	42
Total Community Banking	22,308	(5,937)	(2,983)	(144)	—	13,244
Total loans and leases	56,188	12,773	41,113	(24,788)	5,922	91,208
Unfunded commitments <sup>(1)</sup>	32	831	(122)	—	—	741
Total	\$ 56,220	\$ 13,604	\$ 40,991	\$ (24,788)	\$ 5,922	\$ 91,949

<sup>(1)</sup> Reserve for unfunded commitments is recognized within other liabilities on the Condensed Consolidated Statements of Financial Condition.

<sup>(2)</sup> As a result of the adoption of CECL, effective October 1, 2020, the provision for credit losses includes the provision for unfunded commitments that was previously included within other noninterest expense.



Three Months Ended June 30, 2020					
(Dollars in Thousands)	Beginning Balance	Provision (Recovery) for Loan and Lease Losses	Charge-offs	Recoveries	Ending Balance
<b>Allowance for loan and lease losses:</b>					
<b>National Lending</b>					
Term lending	\$ 11,647	\$ 5,672	\$ (2,831)	\$ 25	\$ 14,513
Asset based lending	2,826	(953)	(42)	—	1,831
Factoring	4,444	(1,997)	(140)	362	2,669
Lease financing	2,683	4,293	(357)	91	6,710
Insurance premium finance	2,142	596	(736)	367	2,369
SBA/USDA	1,558	716	(1,134)	—	1,140
Other commercial finance	552	(381)	—	—	171
Commercial finance	25,852	7,946	(5,240)	845	29,403
Consumer credit products	1,082	(111)	—	—	971
Other consumer finance	3,414	358	(567)	44	3,249
Consumer finance	4,496	247	(567)	44	4,220
Tax services	21,320	(100)	(9,797)	14	11,437
Warehouse finance	334	(56)	—	—	278
Total National Lending	52,002	8,037	(15,604)	903	45,338
<b>Community Banking</b>					
Commercial real estate and operating	10,069	6,688	—	—	16,757
Consumer one-to-four family real estate and other	2,350	586	—	—	2,936
Agricultural real estate and operating	934	(218)	—	—	716
Total Community Banking	13,353	7,056	—	—	20,409
Total	\$ 65,355	\$ 15,093	\$ (15,604)	\$ 903	\$ 65,747

Nine Months Ended June 30, 2020					
(Dollars in Thousands)	Beginning balance	Provision (recovery) for loan and lease losses	Charge-offs	Recoveries	Ending balance
<b>Allowance for loan and lease losses:</b>					
<b>National Lending</b>					
Term lending	\$ 5,533	\$ 14,753	\$ (6,003)	\$ 230	\$ 14,513
Asset based lending	2,437	(611)	(42)	47	1,831
Factoring	3,261	(509)	(875)	792	2,669
Lease financing	1,275	5,841	(725)	319	6,710
Insurance premium finance	1,024	2,671	(1,809)	483	2,369
SBA/USDA	383	2,007	(1,250)	—	1,140
Other commercial finance	683	(512)	—	—	171
Commercial finance	14,596	23,640	(10,704)	1,871	29,403
Consumer credit products	1,044	(73)	—	—	971
Other consumer finance	5,118	(474)	(2,208)	813	3,249
Consumer finance	6,162	(547)	(2,208)	813	4,220
Tax services	—	20,407	(9,797)	827	11,437
Warehouse finance	263	15	—	—	278
Total National Lending	21,021	43,515	(22,709)	3,511	45,338
<b>Community Banking</b>					
Commercial real estate and operating	6,208	10,549	—	—	16,757
Consumer one-to-four family real estate and other	1,053	1,883	—	—	2,936
Agricultural real estate and operating	867	(151)	—	—	716
Total Community Banking	8,128	12,281	—	—	20,409
Total	\$ 29,149	\$ 55,796	\$ (22,709)	\$ 3,511	\$ 65,747

The following table provide additional disclosures previously required by ASC Topic 310 related to the Company's September 30, 2020 balances.

	Allowance			Loans and Leases		
	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment	Total	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment	Total
(Dollars in Thousands)						
<b>Recorded Investment</b>						
<b>National Lending</b>						
Term lending	\$ 3,155	\$ 12,056	\$ 15,211	\$ 26,085	\$ 779,238	\$ 805,323
Asset based lending	355	1,051	1,406	5,317	177,102	182,419
Factoring	274	2,753	3,027	5,071	276,102	281,173
Lease financing	1,194	5,829	7,023	4,697	276,387	281,084
Insurance premium finance	—	2,129	2,129	—	337,940	337,940
SBA/USDA	—	940	940	1,436	316,951	318,387
Other commercial finance	—	182	182	—	101,658	101,658
Commercial finance	4,978	24,940	29,918	42,606	2,265,378	2,307,984
Consumer credit products	—	845	845	—	89,809	89,809
Other consumer finance	—	2,821	2,821	1,987	132,355	134,342
Consumer finance	—	3,666	3,666	1,987	222,164	224,151
Tax services	—	2	2	—	3,066	3,066
Warehouse finance	—	294	294	—	293,375	293,375
Total National Lending	4,978	28,902	33,880	44,593	2,783,983	2,828,576
<b>Community Banking</b>						
Commercial real estate and operating	141	21,726	21,867	160	457,211	457,371
Consumer one-to-four family real estate and other	—	298	298	104	16,382	16,486
Agricultural real estate and operating	—	143	143	6,421	5,286	11,707
Total Community Banking	141	22,167	22,308	6,685	478,879	485,564
Total	\$ 5,119	\$ 51,069	\$ 56,188	\$ 51,278	\$ 3,262,862	\$ 3,314,140

Information on impaired loans and leases, all of which are deemed to be collateral dependent and are evaluated individually for the ACL was as follows:

(Dollars in Thousands)		June 30, 2021
<b>National Lending</b>		
Term lending		\$ 25,994
Asset based lending		—
Factoring		1,232
Lease financing		2,946
SBA/USDA		600
Commercial finance		30,772
Consumer credit products		2,197
Consumer finance		2,197
Total National Lending		32,969
<b>Community Banking</b>		
Commercial real estate and operating		17,896
Consumer one-to-four family real estate and other		110
Agricultural real estate and operating		4,657
Total Community Banking		22,663
Total		\$ 55,632

Information on impaired loans and leases as of September 30, 2020 was as follows:

(Dollars in Thousands)	Recorded Balance	Unpaid Principal Balance	Specific Allowance
<b>Loans and leases without a specific valuation allowance</b>			
<b>National Lending</b>			
Term lending	\$ 17,349	\$ 18,823	\$ —
Asset based lending	3,914	3,914	—
Factoring	3,892	4,967	—
Lease financing	1,797	1,805	—
SBA/USDA	1,436	2,263	—
Commercial finance	28,388	31,772	—
Other consumer finance	1,987	2,104	—
Consumer finance	1,987	2,104	—
<b>Total National Lending</b>	<b>30,375</b>	<b>33,876</b>	<b>—</b>
<b>Community Banking</b>			
Consumer one-to-four family real estate and other	104	104	—
Agricultural real estate and operating	6,421	6,421	—
<b>Total Community Banking</b>	<b>6,525</b>	<b>6,525</b>	<b>—</b>
<b>Total</b>	<b>\$ 36,900</b>	<b>\$ 40,401</b>	<b>\$ —</b>
<b>Loans and leases with a specific valuation allowance</b>			
<b>National Lending</b>			
Term lending	\$ 8,736	\$ 8,736	\$ 3,155
Asset based lending	1,403	1,403	355
Factoring	1,179	1,191	274
Lease financing	2,900	2,900	1,194
Commercial finance	14,218	14,230	4,978
<b>Total National Lending</b>	<b>14,218</b>	<b>14,230</b>	<b>4,978</b>
<b>Community Banking</b>			
Commercial real estate and operating	160	160	141
<b>Total Community Banking Loans</b>	<b>160</b>	<b>160</b>	<b>141</b>
<b>Total</b>	<b>\$ 14,378</b>	<b>\$ 14,390</b>	<b>\$ 5,119</b>

In response to the ongoing COVID-19 pandemic, the Company allowed modifications, such as payment deferrals and temporary forbearances, to credit-worthy borrowers who are experiencing temporary hardship due to the effects of COVID-19. Accordingly, if all payments were less than 30 days past due prior to the onset of the pandemic effects, the loan or lease will not be reported as past due during the deferral or forbearance period. As of June 30, 2021, \$41.5 million of loan and lease balances that were granted deferral payments by the Company were still in their deferment period due to performing borrowers experiencing temporary hardship from COVID-19. These modifications consisted solely of payment deferrals ranging from 30 days to six months. These modifications are in line with applicable regulatory guidelines and, therefore, they are not reported as troubled debt restructurings. Other than the loan modifications that are on nonaccrual status, the Company is accruing and recognizing interest income on these modifications during the payment deferral period. The Company continues to regularly assess the collectability of the income on these active deferral relationships and considers adjustments to the accruing status on an individual case basis.

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

Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered by the Bank's primary regulator, the Office of the Comptroller of the Currency (the "OCC"), to be of lesser quality as "substandard," "doubtful" or "loss."

The Company has various portfolios of consumer finance and tax services loans that present unique risks. Due to the unique risks associated with these portfolios, the Company monitors other credit quality indicators in their evaluation of the appropriateness of the allowance for credit losses on these portfolios, and as such, these loans are not included in the asset classification table below. The outstanding balances of consumer finance loans and tax services loans were \$227.8 million and \$41.3 million at June 30, 2021, respectively, and \$224.2 million and \$3.1 million at September 30, 2020, respectively. The amortized cost basis of loans and leases by asset classification and year of origination was as follows:

	Amortized Cost Basis									
(Dollars in Thousands)	Term Loans and Leases by Origination Year							Revolving Loans and Leases		
As of June 30, 2021	2021	2020	2019	2018	2017	Prior			Total	
Term lending										
Pass	\$ 310,845	\$ 333,608	\$ 119,271	\$ 62,381	\$ 4,217	\$ 5,433	\$ —	\$ 835,755		
Watch	6,568	9,609	5,821	450	43	1,397	—	23,888		
Special Mention	595	3,934	6,579	1,026	35	1,241	—	13,410		
Substandard	7,732	8,347	19,708	4,347	162	359	—	40,655		
Doubtful	71	1,207	4,982	311	—	—	—	6,571		
Total	325,811	356,705	156,361	68,515	4,457	8,430	—	920,279		
Asset based lending										
Pass	—	—	—	—	—	—	162,787	162,787		
Watch	—	—	—	—	—	—	66,290	66,290		
Special Mention	—	—	—	—	—	—	19,253	19,253		
Substandard	—	—	—	—	—	—	14,907	14,907		
Total	—	—	—	—	—	—	263,237	263,237		
Factoring										
Pass	—	—	—	—	—	—	278,665	278,665		
Watch	—	—	—	—	—	—	19,261	19,261		
Special Mention	—	—	—	—	—	—	11,853	11,853		
Substandard	—	—	—	—	—	—	10,850	10,850		
Total	—	—	—	—	—	—	320,629	320,629		
Lease financing										
Pass	87,134	118,080	38,073	10,010	4,766	687	—	258,750		
Watch	4,574	10,358	490	349	253	197	—	16,221		
Special Mention	1,119	558	114	206	39	—	—	2,036		
Substandard	—	571	3,961	844	36	156	—	5,568		
Doubtful	—	133	167	65	—	—	—	365		
Total	92,827	129,700	42,805	11,474	5,094	1,040	—	282,940		
Insurance premium finance										
Pass	411,729	5,080	14	—	—	—	—	416,823		
Watch	421	34	—	—	—	—	—	455		
Special Mention	72	11	—	—	—	—	—	83		
Substandard	16	45	—	—	—	—	—	61		
Doubtful	187	43	—	—	—	—	—	230		
Total	412,425	5,213	14	—	—	—	—	417,652		
SBA/USDA										
Pass	108,286	80,971	23,094	22,268	8,066	4,222	—	246,907		
Watch	—	—	926	822	2,272	935	—	4,955		
Special Mention	—	6,755	675	1,803	—	—	—	9,233		
Substandard	—	—	—	1,196	695	723	—	2,614		
Total	108,286	87,726	24,695	26,089	11,033	5,880	—	263,709		
Other commercial finance										
Pass	19,070	17,525	9,387	6,277	3,579	59,273	—	115,111		

Watch	556	—	—	—	847	1,292	—	2,695
Substandard	—	—	—	275	—	—	—	275
Total	19,626	17,525	9,387	6,552	4,426	60,565	—	118,081
<b>Warehouse finance</b>								
Pass	—	—	—	—	—	—	335,704	335,704
Total	—	—	—	—	—	—	335,704	335,704
<b>Total National Lending</b>								
Pass	937,063	555,264	189,839	100,936	20,628	69,614	777,156	2,650,500
Watch	12,120	20,001	7,237	1,621	3,415	3,820	85,551	133,765
Special Mention	1,786	11,258	7,368	3,035	76	1,241	31,106	55,870
Substandard	7,748	8,963	23,669	6,662	893	1,238	25,757	74,930
Doubtful	258	1,383	5,149	376	—	—	—	7,166
Total	958,975	596,869	233,262	112,630	25,012	75,913	919,570	2,922,231
<b>Commercial real estate and operating</b>								
Pass	—	13,841	85,971	63,844	27,728	528	—	191,912
Watch	—	924	3,128	10,952	15,834	2,656	—	33,494
Special Mention	—	—	224	13,681	—	669	—	14,574
Substandard	—	300	1,497	44,948	4,472	3,613	—	54,830
Total	—	15,065	90,820	133,425	48,034	7,466	—	294,810
<b>Consumer 1-4 family real estate and other</b>								
Pass	—	—	157	234	368	355	—	1,114
Substandard	—	—	108	—	—	127	—	235
Total	—	—	265	234	368	482	—	1,349
<b>Agricultural real estate and other</b>								
Pass	—	—	—	108	—	2,586	—	2,694
Substandard	—	3,277	—	1,263	—	591	—	5,131
Total	—	3,277	—	1,371	—	3,177	—	7,825
<b>Total Community Bank</b>								
Pass	—	13,841	86,128	64,185	28,097	3,469	—	195,720
Watch	—	924	3,128	10,952	15,834	2,656	—	33,494
Special Mention	—	—	224	13,681	—	669	—	14,574
Substandard	—	3,577	1,605	46,212	4,471	4,331	—	60,196
Total	—	18,342	91,085	135,030	48,402	11,125	—	303,984
<b>Total Loans and Leases</b>								
Pass	937,063	569,104	275,967	165,121	48,725	73,084	777,156	2,846,220
Watch	12,120	20,925	10,365	12,573	19,249	6,476	85,551	167,259
Special Mention	1,786	11,258	7,592	16,717	76	1,909	31,106	70,444
Substandard	7,748	12,541	25,274	52,873	5,364	5,569	25,757	135,126
Doubtful	258	1,383	5,149	376	—	—	—	7,166
Total	\$ 958,975	\$ 615,211	\$ 324,347	\$ 247,660	\$ 73,414	\$ 87,038	\$ 919,570	\$ 3,226,215

The recorded investment of loans and leases by asset classification was as follows:

Asset Classification	Pass	Watch	Special Mention	Substandard	Doubtful	Total
<b>As of September 30, 2020</b>	(Dollars in Thousands)					
<b>National Lending</b>						
Term lending	\$ 725,101	\$ 29,637	\$ 24,501	\$ 21,249	\$ 4,835	\$ 805,323
Asset based lending	102,013	62,512	12,577	5,317	—	182,419
Factoring	217,245	45,200	13,657	5,071	—	281,173
Lease financing	264,700	8,879	2,808	4,148	549	281,084
Insurance premium finance	336,364	284	222	701	369	337,940
SBA/USDA	308,549	8,328	74	1,436	—	318,387
Other commercial finance	100,727	931	—	—	—	101,658
Commercial finance	2,054,699	155,771	53,839	37,922	5,753	2,307,984
Warehouse finance	293,375	—	—	—	—	293,375
Total National Lending	2,348,074	155,771	53,839	37,922	5,753	2,601,359
<b>Community Banking</b>						
Commercial real estate and operating	336,236	98,295	4,049	18,211	580	457,371
Consumer one-to-four family real estate and other	15,648	41	609	188	—	16,486
Agricultural real estate and operating	1,526	—	4,930	5,251	—	11,707
Total Community Banking	353,410	98,336	9,588	23,650	580	485,564
Total loans and leases	\$ 2,701,484	\$ 254,107	\$ 63,427	\$ 61,572	\$ 6,333	\$ 3,086,923

Past due loans and leases were as follows:

(Dollars in Thousands)	Accruing and Nonaccruing Loans and Leases					Nonperforming Loans and Leases			
	30-59 Days Past Due	60-89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans and Leases Receivable	> 89 Days Past Due and Accruing	Non-accrual balance	Total
<b>As of June 30, 2021</b>									
Loans held for sale	\$ —	\$ —	\$ —	\$ —	\$ 87,905	\$ 87,905	\$ —	\$ —	\$ —
<b>National Lending</b>									
Term lending	11,146	6,714	4,820	22,680	897,599	920,279	2,073	14,470	16,543
Asset based lending	—	—	—	—	263,237	263,237	—	—	—
Factoring	—	—	—	—	320,629	320,629	—	37	37
Lease financing	9,076	3,514	2,550	15,140	267,800	282,940	1,403	2,208	3,611
Insurance premium finance	552	422	874	1,848	415,804	417,652	874	—	874
SBA/USDA	1,343	—	600	1,943	261,766	263,709	—	600	600
Other commercial finance	—	—	—	—	118,081	118,081	—	—	—
Commercial finance	22,117	10,650	8,844	41,611	2,544,916	2,586,527	4,350	17,315	21,665
Consumer credit products	843	1,009	525	2,377	204,642	207,019	469	—	469
Other consumer finance	—	—	—	—	20,737	20,737	—	—	—
Consumer finance	843	1,009	525	2,377	225,379	227,756	469	—	469
Tax services	—	40,958	—	40,958	310	41,268	—	—	—
Warehouse finance	—	—	—	—	335,704	335,704	—	—	—
Total National Lending	22,960	52,617	9,369	84,946	3,106,309	3,191,255	4,819	17,315	22,134
<b>Community Banking</b>									
Commercial real estate and operating	11	—	—	11	294,799	294,810	—	17,896	17,896
Consumer one-to-four family real estate and other	51	—	—	51	1,298	1,349	—	108	108
Agricultural real estate and operating	—	—	1,769	1,769	6,056	7,825	—	1,769	1,769
Total Community Banking	62	—	1,769	1,831	302,153	303,984	—	19,773	19,773
<b>Total loans and leases held for investment</b>	<b>23,022</b>	<b>52,617</b>	<b>11,138</b>	<b>86,777</b>	<b>3,408,462</b>	<b>3,495,239</b>	<b>4,819</b>	<b>37,088</b>	<b>41,907</b>
<b>Total loans and leases</b>	<b>\$ 23,022</b>	<b>\$ 52,617</b>	<b>\$ 11,138</b>	<b>\$ 86,777</b>	<b>\$ 3,496,367</b>	<b>\$ 3,583,144</b>	<b>\$ 4,819</b>	<b>\$ 37,088</b>	<b>\$ 41,907</b>

(Dollars in Thousands)	Accruing and Nonaccruing Loans and Leases						Nonperforming Loans and Leases		
	30-59 Days Past Due	60-89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans and Leases Receivable	> 89 Days Past Due and Accruing	Non-accrual balance	Total
<b>As of September 30, 2020</b>									
<b>Loans held for sale</b>	\$ —	\$ —	\$ —	\$ —	\$ 183,577	\$ 183,577	\$ —	\$ —	\$ —
<b>National Lending</b>									
Term lending	11,900	3,851	6,390	22,141	783,182	805,323	266	16,274	16,540
Asset based lending	17	—	—	17	182,402	182,419	—	—	—
Factoring	—	—	—	—	281,173	281,173	—	1,096	1,096
Lease financing	194	9,746	6,882	16,822	264,262	281,084	4,344	3,583	7,927
Insurance premium finance	1,227	748	2,364	4,339	333,601	337,940	2,364	—	2,364
SBA/USDA	—	—	1,027	1,027	317,360	318,387	427	600	1,027
Other commercial finance	—	—	—	—	101,658	101,658	—	—	—
Commercial finance	13,338	14,345	16,663	44,346	2,263,638	2,307,984	7,401	21,553	28,954
Consumer credit products	377	358	499	1,233	88,576	89,809	499	—	499
Other consumer finance	600	536	373	1,509	132,833	134,342	373	—	373
Consumer finance	977	894	872	2,743	221,408	224,151	872	—	872
Tax services	—	—	1,743	1,743	1,323	3,066	1,743	—	1,743
Warehouse finance	—	—	—	—	293,375	293,375	—	—	—
<b>Total National Lending</b>	<b>14,315</b>	<b>15,239</b>	<b>19,278</b>	<b>48,832</b>	<b>2,779,744</b>	<b>2,828,576</b>	<b>10,016</b>	<b>21,553</b>	<b>31,569</b>
<b>Community Banking</b>									
Commercial real estate and operating	—	—	630	630	456,741	457,371	50	580	630
Consumer one-to-four family real estate and other	905	114	50	1,069	15,417	16,486	—	50	50
Agricultural real estate and operating	—	—	1,769	1,769	9,938	11,707	—	1,769	1,769
<b>Total Community Banking</b>	<b>905</b>	<b>114</b>	<b>2,449</b>	<b>3,468</b>	<b>482,096</b>	<b>485,564</b>	<b>50</b>	<b>2,399</b>	<b>2,449</b>
<b>Total loans and leases held for investment</b>	<b>15,220</b>	<b>15,353</b>	<b>21,727</b>	<b>52,300</b>	<b>3,261,840</b>	<b>3,314,140</b>	<b>10,066</b>	<b>23,952</b>	<b>34,018</b>
<b>Total loans and leases</b>	<b>\$ 15,220</b>	<b>\$ 15,353</b>	<b>\$ 21,727</b>	<b>\$ 52,300</b>	<b>\$ 3,445,417</b>	<b>\$ 3,497,717</b>	<b>\$ 10,066</b>	<b>\$ 23,952</b>	<b>\$ 34,018</b>



Nonaccrual loans and leases by year of origination were as follows:

(Dollars in Thousands)	Amortized Cost Basis									
	Term Loans and Leases by Origination Year						Revolving Loans and Leases	Total	Nonaccrual With No ACL	
	2021	2020	2019	2018	2017	Prior				
<b>June 30, 2021</b>										
<b>National Lending</b>										
Term lending	\$ 20	\$ 2,506	\$ 6,862	\$ 2,865	\$ 147	\$ 2,070	\$ —	\$ 14,470	\$ 7,558	
Asset based lending	—	—	—	—	—	—	—	—	—	
Factoring	—	—	13	—	—	24	—	37	37	
Lease financing		248	1,519	276	9	156	—	2,208	824	
SBA/USDA					600	—	—	600	600	
Commercial finance	20	2,754	8,394	3,141	756	2,250	—	17,315	9,019	
<b>Total National Lending</b>	20	2,754	8,394	3,141	756	2,250	—	17,315	9,019	
<b>Community Banking</b>										
Commercial real estate and operating	—	300	700	16,896	—	—	—	17,896	—	
Consumer one-to-four family real estate and other	—	—	108	—	—	—	—	108	108	
Agricultural real estate and operating	—	—	—	1,263	—	506	—	1,769	1,769	
<b>Total Community Banking</b>	—	300	808	18,159	—	506	—	19,773	1,877	
<b>Total nonaccrual loans and leases</b>	\$ 20	\$ 3,054	\$ 9,202	\$ 21,300	\$ 756	\$ 2,756	\$ —	\$ 37,088	\$ 10,896	

Loans and leases that are 90 days or more delinquent and accruing by year of origination were as follows:

(Dollars in Thousands)	Amortized Cost Basis							
	Term Loans and Leases by Origination Year						Revolving Loans and Leases	Total
	2021	2020	2019	2018	2017	Prior		
<b>June 30, 2021</b>								
<b>National Lending</b>								
Term lending	\$ 1,142	\$ 685	\$ 36	\$ 196	\$ 14	\$ —	\$ —	\$ 2,073
Lease financing	356	426	223	372	26	—	—	1,403
Insurance premium finance	769	105	—	—	—	—	—	874
Commercial finance	2,267	1,216	259	568	40	—	—	4,350
Other consumer finance	—	—	—	—	—	383	—	383
Consumer finance <sup>(1)</sup>	—	—	—	—	—	383	—	383
<b>Total National Lending</b>	2,267	1,216	259	568	40	383	—	4,733
<b>Total 90 days or more delinquent and accruing</b>	\$ 2,267	\$ 1,216	\$ 259	\$ 568	\$ 40	\$ 383	\$ —	\$ 4,733

<sup>(1)</sup> Consumer credit products are not included in the table as they are evaluated under a separate methodology for allowance for credit loss purposes that considers the overall Program structure. Refer to the Company's most recent audited financial statements for additional information on these Programs.

Certain loans and leases 90 days or more past due as to interest or principal continue to accrue because they are (1) well-secured and in the process of collection or (2) one-to-four family real estate loans or consumer loans exempt under regulatory rules from being classified as non-accrual until later delinquency, usually 120 days past due.

When analysis of borrower or lessee 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 or lease is evaluated for impairment. Often, this is associated with a delay or shortfall in scheduled payments, as described above.

The following table provides the average recorded investment in non-accrual loans and leases:

(Dollars in Thousands)	Average Recorded Investment	
	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2021
<b>National Lending</b>		
Term lending	\$ 14,964	\$ 14,190
Asset based lending	127	591
Factoring	33	337
Lease financing	2,435	2,994
SBA/USDA	600	600
Commercial finance	18,159	18,712
Total National Lending	18,159	18,712
<b>Community Banking</b>		
Commercial real estate and operating	17,896	14,235
Consumer one-to-four family real estate and other	136	140
Agricultural real estate and operating	1,769	1,769
Total Community Banking	19,801	16,144
Total loans and leases	\$ 37,960	\$ 34,856

The recognized interest income on the Company's nonaccrual loans and leases for the three and nine months ended June 30, 2021 was not significant.

The following table provides the average recorded investment in impaired loans and leases:

(Dollars in Thousands)	Three Months Ended June 30, 2020		Nine Months Ended June 30, 2020	
	Average Recorded Investment	Recognized Interest Income	Average Recorded Investment	Recognized Interest Income
<b>National Lending</b>				
Term lending	\$ 28,848	\$ 121	\$ 24,946	\$ 240
Asset based lending	935	—	571	—
Factoring	4,715	—	4,387	—
Lease financing	2,946	2	2,929	14
SBA/USDA	3,162	—	3,530	—
Commercial finance	40,606	123	36,363	254
Other consumer finance	1,999	37	1,775	111
Consumer finance	1,999	37	1,775	111
Total National Lending	42,605	160	38,138	365
<b>Community Banking</b>				
Commercial real estate and operating	405	1	511	27
Consumer one-to-four family real estate and other	131	—	101	9
Agricultural real estate and operating	2,437	10	2,677	(134)
Total Community Banking	2,973	11	3,289	(98)
Total loans and leases	\$ 45,578	\$ 171	\$ 41,427	\$ 267

The Company's troubled debt restructurings ("TDRs") typically involve forgiving a portion of interest or principal on existing loans, making loans at a rate materially less than current market rates, or extending the term of the loan. There were \$3.9 million of national lending loans that were modified in a TDR during the three months ended June 30, 2021, all of which were modified to extend the term of the loan, and no community banking loans. There were \$1.4 million of national lending loans and leases that were modified in a TDR during the three months ended June 30, 2020 and no community banking loans.

During the nine months ended June 30, 2021, there were \$6.0 million of national lending loans that were modified in a TDR, all of which were modified to extend the term of the loan, and no community bank loans. There were \$5.5 million of national lending loans and leases and \$0.6 million of community banking loans that were modified in a TDR during the nine months ended June 30, 2020.

During the nine months ended June 30, 2021, the Company had \$0.6 million of national lending loans and no community banking loans that were modified in a TDR within the previous 12 months and for which there was a payment default. During the nine months ended June 30, 2020, the Company had \$3.3 million of community banking loans and \$1.3 million national lending loans that were modified in a TDR within the previous 12 months and for which there was a payment default. TDR net charge-offs and the impact of TDRs on the Company's allowance for credit losses were insignificant during the quarters ended June 30, 2021 and June 30, 2020.

**NOTE 7. EARNINGS PER COMMON SHARE ("EPS")**

The Company has granted restricted share awards with dividend rights that are considered to be participating securities. Accordingly, a portion of the Company's earnings is allocated to those participating securities in the earnings per share calculation under the two-class method. Basic earnings per common share is computed using the two-class method by dividing income available to common stockholders after the allocation of dividends and undistributed earnings to the participating securities by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated using the more dilutive of the treasury stock method or the two-class method. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, and is computed after giving consideration to the weighted average dilutive effect of the Company's stock options, performance share units, and nonvested restricted stock, where applicable. Diluted EPS under the two-class method also considers the allocation of earnings to the participating securities. Antidilutive securities are disregarded in earnings per share calculations. Diluted EPS shown below reflects the two-class method, as diluted EPS under the two-class method was more dilutive than under the treasury stock method.

A reconciliation of net income and common stock share amounts used in the computation of basic and diluted earnings per share is presented below.

(Dollars in Thousands, Except Share and Per Share Data)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
<b>Basic income per common share:</b>				
Net income attributable to Meta Financial Group, Inc.	\$ 38,701	\$ 18,190	\$ 125,805	\$ 91,562
Dividends and undistributed earnings allocated to participating securities	(729)	(432)	(2,411)	(2,097)
Basic net earnings available to common stockholders	37,972	17,758	123,394	89,465
Undistributed earnings allocated to nonvested restricted stockholders	699	391	2,318	1,974
Reallocation of undistributed earnings to nonvested restricted stockholders	(699)	(391)	(2,316)	(1,973)
Diluted net earnings available to common stockholders	\$ 37,972	\$ 17,758	\$ 123,396	\$ 89,466
<b>Effect of dilutive securities<sup>(1)</sup></b>				
Stock options	—	21,497	—	21,634
Performance share units	18,054	—	19,944	—
Total effect of dilutive securities	18,054	21,497	19,944	21,634
Total weighted-average diluted common shares outstanding	31,338,947	33,815,651	31,900,597	35,201,702
<b>Net earnings per common share:</b>				
Basic earnings per common share	\$ 1.21	\$ 0.53	\$ 3.87	\$ 2.54
Diluted earnings per common share <sup>(2)</sup>	\$ 1.21	\$ 0.53	\$ 3.87	\$ 2.54

<sup>(1)</sup> Represents the effect of the assumed exercise of stock options and vesting of performance share units and restricted stock, as applicable, utilizing the treasury stock method.

<sup>(2)</sup> Excluded from the computation of diluted earnings per share for the three months ended June 30, 2021 and 2020, respectively, were 601,693 and 821,884 weighted average shares of nonvested restricted stock because their inclusion would be anti-dilutive. Excluded from the computation of diluted earnings per share for the nine months ended June 30, 2021 and 2020, respectively, were 622,954 and 824,809 weighted average shares of nonvested restricted stock because their inclusion would be anti-dilutive.

#### NOTE 8. RENTAL EQUIPMENT, NET

Rental equipment consists of the following:

(Dollars in Thousands)	June 30, 2021	September 30, 2020
Computers and IT networking equipment	\$ 16,878	\$ 15,926
Motor vehicles and other	81,881	52,913
Office furniture and equipment	52,276	74,197
Solar panels and equipment	122,483	118,808
Total	273,518	261,844
Accumulated depreciation	(63,766)	(57,601)
Unamortized initial direct costs	1,616	1,721
Net book value	\$ 211,368	\$ 205,964

Undiscounted future minimum lease payments expected to be received for operating leases were as follows:

(Dollars in Thousands)	June 30, 2021
Remaining in 2021	\$ 9,517
2022	31,311
2023	27,132
2024	19,511
2025	13,704
Thereafter	20,303
Total undiscounted future minimum lease payments receivable for operating leases	\$ 121,478

#### NOTE 9. FORECLOSED REAL ESTATE AND REPOSSESSED ASSETS

The following table provides an analysis of changes in foreclosed real estate and repossessed assets:

(Dollars in Thousands)	Nine Months Ended June 30,	
	2021	2020
Balance, beginning of period	\$ 9,957	\$ 29,494
Additions	9	5,983
Reductions:		
Write-downs	481	568
Sales	8,285	23,086
(Gain) loss on sale	(4)	5,039
Total reductions	8,762	28,693
Balance, ending of period	\$ 1,204	\$ 6,784

At June 30, 2021 and September 30, 2020, the Company had established a valuation allowance of \$1.0 million and \$0.5 million for repossessed assets, respectively. As of June 30, 2021 and September 30, 2020, the Company had no loans or leases in the process of foreclosure.

During the fiscal year ended September 30, 2020, the Company sold \$28.1 million of other real estate owned ("OREO"), which consisted of assets related to a Community Bank agriculture real estate customer. The sale consisted of 30-plus parcels of land and the Company recognized a \$5.0 million loss that was included in the "Gain (loss) on sale of other" line on the Condensed Consolidated Statements of Operations. The Company also recognized \$1.1 million in deferred rental income and \$0.2 million in OREO expenses related to these foreclosed properties.

#### NOTE 10. GOODWILL AND INTANGIBLE ASSETS

The Company held a total of \$309.5 million of goodwill at June 30, 2021. The recorded goodwill is a result of multiple business combinations that have been consummated since fiscal year 2015, with the most recent being the merger with Crestmark pursuant to the Crestmark Acquisition that closed on August 1, 2018. Goodwill is assessed for impairment at least annually or more often if conditions indicate a possible impairment. The assessment is done at a reporting unit level, which is one level below the operating segments. There have been no changes to the carrying amount of goodwill during the nine months ended June 30, 2021.

The changes in the carrying amount of the Company's intangible assets for the nine months ended June 30, 2021 and 2020 were as follows:

(Dollars in Thousands)	Trademark <sup>(1)</sup>	Non-Compete <sup>(2)</sup>	Customer Relationships <sup>(3)</sup>	All Others <sup>(4)</sup>	Total
Balance as of September 30, 2020	\$ 10,901	\$ 422	\$ 24,333	\$ 6,036	\$ 41,692
Acquisitions during the period	—	—	—	14	14
Amortization during the period	(816)	(286)	(5,202)	(480)	(6,784)
Write-offs during the period	—	—	—	(24)	(24)
Balance as of June 30, 2021	\$ 10,085	\$ 136	\$ 19,131	\$ 5,546	\$ 34,898
Gross carrying amount	\$ 14,624	\$ 2,481	\$ 82,088	\$ 10,131	\$ 109,324
Accumulated amortization	(4,539)	(2,345)	(52,709)	(4,367)	(63,960)
Accumulated impairment	—	—	(10,248)	(218)	(10,466)
Balance as of June 30, 2021	\$ 10,085	\$ 136	\$ 19,131	\$ 5,546	\$ 34,898

<sup>(1)</sup> Book amortization period of 5-15 years. Amortized using the straight line and accelerated methods.

<sup>(2)</sup> Book amortization period of 3-5 years. Amortized using the straight line method.

<sup>(3)</sup> Book amortization period of 10-30 years. Amortized using the accelerated method.

<sup>(4)</sup> Book amortization period of 3-20 years. Amortized using the straight line method.

(Dollars in Thousands)	Trademark <sup>(1)</sup>	Non-Compete <sup>(2)</sup>	Customer Relationships <sup>(3)</sup>	All Others <sup>(4)</sup>	Total
Balance as of September 30, 2019	\$ 11,959	\$ 827	\$ 33,207	\$ 6,817	\$ 52,810
Acquisitions during the period	—	—	—	35	35
Amortization during the period	(793)	(310)	(7,112)	(499)	(8,714)
Write-offs during the period	—	—	—	(157)	(157)
Balance as of June 30, 2020	\$ 11,166	\$ 517	\$ 26,095	\$ 6,196	\$ 43,974
Gross carrying amount	\$ 14,624	\$ 2,480	\$ 82,088	\$ 10,112	\$ 109,304
Accumulated amortization	(3,458)	(1,963)	(45,745)	(3,726)	(54,892)
Accumulated impairment	—	—	(10,248)	(190)	(10,438)
Balance as of June 30, 2020	\$ 11,166	\$ 517	\$ 26,095	\$ 6,196	\$ 43,974

<sup>(1)</sup> Book amortization period of 5-15 years. Amortized using the straight line and accelerated methods.

<sup>(2)</sup> Book amortization period of 3-5 years. Amortized using the straight line method.

<sup>(3)</sup> Book amortization period of 10-30 years. Amortized using the accelerated method.

<sup>(4)</sup> Book amortization period of 3-20 years. Amortized using the straight line method.

The estimated amortization expense of intangible assets assumes no activities, such as acquisitions, which would result in additional amortizable intangible assets. Estimated amortization expense of intangible assets in the remaining three months of fiscal 2021 and subsequent fiscal years was as follows:

(Dollars in Thousands)	June 30, 2021
Remaining in 2021	\$ 1,762
2022	6,419
2023	5,101
2024	4,383
2025	3,827
2026	3,253
Thereafter	10,153
Total anticipated intangible amortization	\$ 34,898

The Company tests intangible assets for impairment at least annually or more often if conditions indicate a possible impairment. There were no impairments to intangible assets during the nine months ended June 30, 2021 and 2020.

**NOTE 11. OPERATING LEASE RIGHT-OF-USE ASSETS AND LIABILITIES**

Operating lease ROU assets, included in other assets, were \$35.4 million at June 30, 2021.

Operating lease liabilities, included in accrued expenses and other liabilities, were \$37.6 million at June 30, 2021.

Undiscounted future minimum operating lease payments and a reconciliation to the amount recorded as operating lease liabilities were as follows:

(Dollars in Thousands)	June 30, 2021
Remaining in 2021	\$ 1,232
2022	4,687
2023	4,180
2024	4,152
2025	4,027
Thereafter	24,926
Total undiscounted future minimum lease payments	43,204
Discount	(5,652)
Total operating lease liabilities	\$ 37,552

The weighted-average discount rate and remaining lease term for operating leases were as follows:

	June 30, 2021
Weighted-average discount rate	2.31 %
Weighted-average remaining lease term (years)	11.00

The components of total lease costs for operating leases were as follows:

(Dollars in Thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Lease expense	\$ 1,191	\$ 920	\$ 3,136	\$ 2,533
Short-term and variable lease cost	35	118	167	452
ROU asset impairment	—	—	224	—
Sublease income	(126)	(188)	(411)	(552)
Total lease cost for operating leases	\$ 1,100	\$ 850	\$ 3,116	\$ 2,433

**NOTE 12. STOCKHOLDERS' EQUITY**
**Repurchase of Common Stock**

The Company's Board of Directors authorized the November 20, 2019 share repurchase program to repurchase up to 7,500,000 shares of the Company's outstanding common stock. This authorization is effective from November 21, 2019 through December 31, 2022. During the nine months ended June 30, 2021, and 2020, the Company repurchased 2,684,408 and 3,498,394 shares, respectively, as part of the share repurchase program.

Under the repurchase program, repurchased shares were retired and designated as authorized but unissued shares. The Company accounts for repurchased shares using the par value method under which the repurchase price is charged to paid-in capital up to the amount of the original proceeds of those shares. When the repurchase price is greater than the original issue proceeds, the excess is charged to retained earnings. As of June 30, 2021, the remaining number of shares available for repurchase under this program was 1,550,173 shares of common stock.

For the nine months ended June 30, 2021, and 2020, the Company also repurchased 84,950 and 89,613 shares, or \$2.0 million and \$3.0 million of common stock, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock.

### NOTE 13. STOCK COMPENSATION

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

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

The following tables show the activity of nonvested (restricted) shares and PSUs granted, vested, or forfeited under the 2002 Omnibus Incentive Plan for the nine months ended June 30, 2021. There were no options granted, exercised, or forfeited under this plan during the nine months ended June 30, 2021.

(Dollars in Thousands, Except Per Share Data)	Number of Shares	Weighted Average Fair Value at Grant
Nonvested shares outstanding, September 30, 2020	790,083	\$ 30.03
Granted	189,187	30.78
Vested	(277,429)	30.19
Forfeited or expired	(103,798)	29.66
Nonvested shares outstanding, June 30, 2021	598,043	\$ 30.26

(Dollars in Thousands, Except Per Share Data)	Number of Units	Weighted Average Fair Value at Grant
Performance share units outstanding, September 30, 2020	—	\$ —
Granted <sup>(1)</sup>	60,984	34.03
Vested	—	—
Forfeited or expired	—	—
Performance share units outstanding, June 30, 2021	60,984	\$ 34.03

<sup>(1)</sup> The number of PSUs granted reflects the target number of PSUs able to be earned under a given award.

At June 30, 2021, stock-based compensation expense not yet recognized in income totaled \$7.2 million, which is expected to be recognized over a weighted average remaining period of 2.01 years.

### NOTE 14. INCOME TAXES

The Company recorded an income tax expense of \$9.6 million for the nine months ended June 30, 2021, resulting in an effective tax rate of 6.92%, compared to an income tax expense of \$3.9 million, or an effective tax rate of 3.91%, for the nine months ended June 30, 2020. The Company's effective tax rate was lower than the U.S. statutory rate of 21% primarily because of the anticipated effect of investment tax credits during fiscal year 2021. The Company's effective tax rate in the future will depend in part on actual investment tax credits earned as part of its financing of solar energy projects.



The table below compares the income tax expense components for the periods presented.

(Dollars in Thousands)	Nine Months Ended June 30,	
	2021	2020
Provision at statutory rate	\$ 28,435	\$ 20,041
Tax-exempt income	(674)	(936)
State income taxes	6,120	4,475
Interim period effective rate adjustment	(5,181)	(8,850)
Tax credit investments, net - federal	(18,854)	(9,863)
Research tax credit	(323)	(1,709)
IRC 162(m) nondeductible compensation	677	1,250
Other, net	(600)	(538)
Income tax expense	\$ 9,600	\$ 3,870
Effective tax rate	6.92 %	3.91 %

#### NOTE 15. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments to extend credit that are not reflected in the accompanying Condensed Consolidated Financial Statements as described below.

At June 30, 2021 and September 30, 2020, unfunded loan commitments approximated \$1.32 billion and \$1.22 billion, respectively, excluding undisbursed portions of loans in process. Commitments, which are disbursed subject to certain limitations, extend over various periods of time. Generally, unused commitments are canceled upon expiration of the commitment term as outlined in each individual contract.

The Company had no commitments to purchase securities at June 30, 2021 or September 30, 2020. The Company had no commitments to sell securities at June 30, 2021 or September 30, 2020.

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

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

#### Legal Proceedings

The Bank was served, on October 14, 2016, with a lawsuit captioned Card Limited, LLC v. MetaBank dba Meta Payment Systems, Civil No. 2:16-cv-00980 in the United States District Court for the District of Utah. This action was initiated by a former prepaid program manager of the Bank, which was terminated by the Bank in fiscal year 2016. Card Limited alleges that, after all of the programs were wound down, there were two accounts with positive balances to which Card Limited is entitled. The Bank's position is that Card Limited is not entitled to the funds contained in said accounts. The total amount to which Card Limited claims it is entitled is \$4.0 million. The Court ruled in favor of MetaBank on cross motions for summary judgment and vacated the trial. Card Limited has appealed the decision, but thereafter agreed to settle this claim for a nominal amount. This payment has been made and the case has been dismissed.

On February 9, 2018, the Bank's AFS/IBEX division filed a lawsuit in the United States District Court for the Eastern District of New York captioned AFS/IBEX, a division of MetaBank v. Aegis Managing Agency Limited ("AMA"), Aegis Syndicate 1225 (together with AMA, the "Aegis defendants"), CRC Insurance Services, Inc. ("CRC"), and Transportation Underwriters, Inc. The suit was filed against commercial insurance underwriters and brokers that facilitated the issuance of commercial insurance policies to Red Hook Construction Group-II, LLC ("Red Hook"). The Bank's position is that both CRC and Transportation Underwriters represented to the Bank that, upon cancellation of the insurance policies prior to their stated terms, any unearned premiums would be refunded. The Bank then provided insurance premium financing to Red Hook, and Red Hook executed a written premium finance agreement pursuant to which Red Hook assigned its rights to any unearned premiums to the Bank. After the policies were cancelled, the Aegis defendants failed to return the unearned insurance premiums totaling just over \$1.6 million owed to the Bank under the insurance policies and the premium finance agreement. The Bank is seeking recovery of all amounts to which it is entitled at law or equity and intends to vigorously pursue its claims against the defendants. Following the trial court granting a Motion for Summary Judgment filed by the Bank, the parties have agreed to a formal settlement of this matter on terms acceptable to the Bank.

From time to time, the Company or its subsidiaries are subject to certain legal proceedings and claims in the ordinary course of business. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While management currently believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position or its results of operations, legal proceedings are inherently uncertain and unfavorable resolution of some or all of these matters could, individually or in the aggregate, have a material adverse effect on the Company's and its subsidiaries' respective businesses, financial condition or results of operations.

#### NOTE 16. REVENUE FROM CONTRACTS WITH CUSTOMERS

Topic 606 applies to all contracts with customers unless such revenue is specifically addressed under existing guidance. The table below presents the Company's revenue by operating segment. For additional descriptions of the Company's operating segments, including additional financial information and the underlying management accounting process, see Note 17. Segment Reporting to the Condensed Consolidated Financial Statements.

(Dollars in Thousands) Three Months Ended June 30,	Consumer		Commercial		Corporate Services/Other		Consolidated Company	
	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income <sup>(1)</sup>	\$ 23,254	\$ 25,754	\$ 44,728	\$ 36,104	\$ 493	\$ 279	\$ 68,475	\$ 62,137
Noninterest income:								
Refund transfer product fees	12,073	4,595	—	—	—	—	12,073	4,595
Tax advance product fees <sup>(1)</sup>	891	28	—	—	—	—	891	28
Payment card and deposit fees	29,203	21,302	—	—	—	—	29,203	21,302
Other bank and deposit fees	—	—	334	213	4	1	338	214
Rental income <sup>(1)</sup>	6	5	9,970	11,226	—	—	9,976	11,231
Gain (loss) on sale of other <sup>(1)</sup>	—	—	5,982	1,214	(27)	—	5,955	1,214
Other income <sup>(1)</sup>	1,056	324	1,702	1,267	1,259	873	4,017	2,464
Total noninterest income	43,229	26,254	17,988	13,920	1,236	874	62,453	41,048
Revenue	\$ 66,483	\$ 52,008	\$ 62,716	\$ 50,024	\$ 1,729	\$ 1,153	\$ 130,928	\$ 103,185

<sup>(1)</sup> These revenues are not within the scope of Topic 606. Additional details are included in other footnotes to the accompanying financial statements. The scope of Topic 606 explicitly excludes net interest income as well as many other revenues for financial assets and liabilities, including loans, leases, and securities.

(Dollars in Thousands)

Nine Months Ended June 30,	Consumer		Commercial		Corporate Services/Other		Consolidated Company	
	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income <sup>(1)</sup>	\$ 70,686	\$ 58,473	\$ 128,980	\$ 112,866	\$ 8,658	\$ 23,186	\$ 208,324	\$ 194,525
Noninterest income:								
Refund transfer product fees	35,400	33,726	—	—	—	—	35,400	33,726
Tax advance product fees <sup>(1)</sup>	47,413	31,840	—	—	—	—	47,413	31,840
Payment card and deposit fees	81,641	65,957	—	—	—	—	81,641	65,957
Other bank and deposit fees	—	—	694	759	15	324	709	1,083
Rental income <sup>(1)</sup>	16	14	29,691	33,354	—	1,314	29,707	34,682
Net gain realized on investment securities <sup>(1)</sup>	—	—	—	—	6	—	6	—
Gain on divestitures <sup>(1)</sup>	—	—	—	—	—	19,275	—	19,275
Gain (loss) on sale of other <sup>(1)</sup>	—	(19)	10,198	6,131	737	(5,143)	10,935	969
Other income <sup>(1)</sup>	2,135	2,709	6,511	4,178	6,904	4,625	15,550	11,512
Total noninterest income	166,605	134,227	47,094	44,422	7,662	20,395	221,361	199,044
Revenue	\$ 237,291	\$ 192,700	\$ 176,074	\$ 157,288	\$ 16,320	\$ 43,581	\$ 429,685	\$ 393,569

<sup>(1)</sup> These revenues are not within the scope of Topic 606. Additional details are included in other footnotes to the accompanying financial statements. The scope of Topic 606 explicitly excludes net interest income as well as many other revenues for financial assets and liabilities, including loans, leases, and securities.

Following is a discussion of key revenues within the scope of Topic 606. The Company provides services to customers that have related performance obligations that must be completed to recognize revenue. Revenues are generally recognized immediately upon the completion of the service or over time as services are performed. Any services performed over time generally require that the Company renders services each period; therefore, the Company measures progress in completing these services based upon the passage of time. Revenue from contracts with customers did not generate significant contract assets and liabilities.

**Refund Transfer Product Fees.** Refund transfer fees are specific to the tax products offered by Refund Advantage and EPS. These fees are for products, services such as payment processing, and product referral commissions. Software partner fees paid and/or incurred are recorded on a net basis. The Company's obligation for product fees and commissions is satisfied at the time of the product delivery and obligation for payment processing is satisfied at the time of processing. The transaction price for such activity is based upon stand-alone fees within the terms and conditions. At June 30, 2021 and September 30, 2020, there were no receivables related to refund transfer fees, which reflect earned revenue with unconditional rights to payment for product fee income. All refund transfer fees are recorded within the Consumer reporting segment.

**Card Fees.** Card fees relate to MPS, Community Bank, Refund Advantage and EPS products. These fees are for products and services such as card activation, product support, processing, and servicing. The Company earns these fees based upon the underlying terms and conditions with each cardholder over the contract term. Agreements with the Company's cardholders are considered daily service contracts as they are not fixed in duration. The Company's obligation for card activation and product support fees is satisfied at the time of product delivery, while the obligation for processing and servicing is satisfied over the course of each month. The transaction price for such activity is based upon the stand-alone fees within the terms and conditions of the cardholder agreements. Card fee revenue also includes income from sponsorships, associations and networks, and interchange income. Sponsorship income relates to fees charged to the Company's ATM sponsorship partners, where the obligation is satisfied over the course of each month. Association and network income reflect incentives, performance bonuses and rebates with MasterCard and Visa. The obligation for such income is satisfied at the time when certain thresholds of transaction volume have been met. Interchange income is generated by cardholder activity, and therefore the Company's obligations are satisfied as activity occurs. The transaction price for such activity is based on underlying rates and activity thresholds within the terms and conditions of the applicable agreements. Card fee revenue also includes breakage revenue. Breakage represents the estimated amount that will not be redeemed by the holder of unregistered, unused prepaid cards for goods or services. Breakage revenue is recognized ratably over the expected customer usage period and is an estimate based on cardholder behavior and breakage rates. Breakage is also impacted by escheatment laws. Card fees are recorded within both the Consumer and Commercial reporting segments, the substantial majority of which is derived from the Company's payments divisions and reported in payments card and deposit fees. Card fees related to the Community Bank are reported within other bank and deposit fees.

**Bank and Deposit Fees.** Fees are earned on depository accounts for consumer and commercial customers and include fees for account services, overdraft services, safety deposit box rentals, and event-driven services (i.e. returned checks, ATM surcharge, card replacement, wire transfers, and stop pays). The Company's obligation for event-driven services is satisfied at the time of the event when the service is delivered, while its obligation for account services is satisfied over the course of each month. The Company's obligation for overdraft services is satisfied at the time of overdraft. The transaction price for such activity is based upon stand-alone fees within the terms and conditions of the deposit agreements. Bank and deposit fees are recorded within both the Consumer and Commercial reporting segments, the majority of which are derived from the Company's payments divisions. Bank and deposit fees related to the Community Bank are reported within other bank and deposit fees.

**Principal vs Agent.** The Consumer reporting segment includes principal/agent relationships. Within this segment, MPS relationships are recorded on a gross basis within the Condensed Consolidated Statements of Operations, as Meta is the principal in the contract, with the exception of association/network contracts and partner/processor contracts for prepaid cards, which are recorded on a net basis within the Condensed Consolidated Statements of Operations as Meta is the agent in these contracts. Also within this segment, Tax Service relationships are recorded on a gross basis within the Condensed Consolidated Statements of Operations, as Meta is the principal in the contract, with the exception of contracts with software providers and merchants, which are recorded on a net basis within the Condensed Consolidated Statements of Operations as Meta is the agent in these contracts.

#### **NOTE 17. 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. Operating segments are aggregated into reportable segments if certain criteria are met.

The Company reports its results of operations through the following three business segments: Consumer, Commercial, and Corporate Services/Other. The Meta Payment Systems and Tax Services divisions, as well as the Consumer Credit Products and ClearBalance business lines, are reported in the Consumer segment. The Crestmark and AFS divisions are reported in the Commercial segment. The Community Bank division, Warehouse Finance, and Student Loan lending portfolio are included in the Corporate Services/Other segment. The Corporate Services/Other segment also includes certain shared services as well as treasury related functions such as the investment portfolio, wholesale deposits and borrowings. The Company does not report indirect general and administrative expenses in the Consumer and Commercial segments. Beginning October 1, 2020, Warehouse Finance, formerly reported in the Consumer segment, is now included in the Corporate Services/Other segment. Prior periods have been reclassified to conform to the current presentation.

The Company adopted ASU 2018-02 as of October 1, 2020. The amendments in this ASU allow for a reclassification from AOCI to Retained Earnings for stranded tax effects from the Tax Cuts and Jobs Act of 2017 ("TCJA"). For the Company, these amendments are limited to any unrealized gains and losses held in Other Comprehensive Income for debt securities AFS held at the time of the TCJA enactment. The Company determined there were no stranded tax effects from the TCJA enactment and has not made any reclassification from AOCI to Retained Earnings upon adoption of this ASU.

The following tables present segment data for the Company:

(Dollars in Thousands)	Three Months Ended June 30, 2021			
	Consumer	Commercial	Corporate Services/Other	Total
Net interest income	\$ 23,254	\$ 44,728	\$ 493	\$ 68,475
Provision (recovery) for credit losses	4,507	870	(765)	4,612
Noninterest income	43,229	17,988	1,236	62,453
Noninterest expense	20,561	28,604	32,358	81,523
Income (loss) before income tax expense	41,415	33,242	(29,864)	44,793
Total assets	337,438	3,086,556	3,627,818	7,051,812
Total goodwill	87,145	222,360	—	309,505
Total deposits	5,715,197	8,941	164,733	5,888,871

(Dollars in Thousands)	Three Months Ended June 30, 2020			
	Consumer	Commercial	Corporate Services/Other	Total
Net interest income	\$ 25,754	\$ 36,104	\$ 279	\$ 62,137
Provision (recovery) for loan and lease losses	(210)	7,946	7,357	15,093
Noninterest income	26,254	13,920	874	41,048
Noninterest expense	15,282	26,729	29,230	71,241
Income (loss) before income tax expense	36,936	15,349	(35,434)	16,851
Total assets	372,549	2,690,719	5,715,758	8,779,026
Total goodwill	87,145	222,360	—	309,505
Total deposits	6,767,516	9,243	813,566	7,590,325

(Dollars in Thousands)	Nine Months Ended June 30, 2021			
	Consumer	Commercial	Corporate Services/Other	Total
Net interest income	\$ 70,686	\$ 128,980	\$ 8,658	\$ 208,324
Provision (recovery) for credit losses	34,893	9,540	(3,442)	40,991
Noninterest income	166,605	47,094	7,662	221,361
Noninterest expense	68,912	83,601	97,555	250,068
Income (loss) before income tax expense	133,486	82,933	(77,793)	138,626
Total assets	337,438	3,086,556	3,627,818	7,051,812
Total goodwill	87,145	222,360	—	309,505
Total deposits	5,715,197	8,941	164,733	5,888,871

(Dollars in Thousands)	Nine Months Ended June 30, 2020			
	Consumer	Commercial	Corporate Services/Other	Total
Net interest income	\$ 58,473	\$ 112,866	\$ 23,186	\$ 194,525
Provision for loan and lease losses	20,334	23,641	11,821	55,796
Noninterest income	134,227	44,422	20,395	199,044
Noninterest expense	62,473	80,815	95,480	238,768
Income (loss) before income tax expense	109,893	52,832	(63,720)	99,005
Total assets	372,549	2,690,719	5,715,758	8,779,026
Total goodwill	87,145	222,360	—	309,505
Total deposits	6,767,516	9,243	813,566	7,590,325

#### NOTE 18. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The fair value hierarchy is as follows:

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

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

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

*Debt Securities Available for Sale and Held to Maturity.* Debt securities available for sale are recorded at fair value on a recurring basis and debt securities held to maturity are carried at amortized cost.

The fair value of debt securities available for sale, categorized primarily as Level 2, is recorded using prices obtained from independent asset pricing services that are based on observable transactions, but not quoted markets. Management reviews the prices obtained from independent asset pricing servicing for unusual fluctuations and comparison to current market trading activity.

*Equity Securities.* Marketable equity securities and certain non-marketable equity securities are recorded at fair value on a recurring basis. The fair values of marketable equity securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The following tables summarize the fair values of debt securities available for sale and equity securities as they are measured at fair value on a recurring basis:

(Dollars in Thousands)	Fair Value At June 30, 2021			
	Total	Level 1	Level 2	Level 3
<b>Debt securities AFS</b>				
SBA securities	\$ 169,185	\$ —	\$ 169,185	\$ —
Obligations of states and political subdivisions	2,766	—	2,766	—
Non-bank qualified obligations of states and political subdivisions	274,350	—	274,350	—
Asset-backed securities	407,722	—	407,722	—
Mortgage-backed securities	1,063,582	—	1,063,582	—
<b>Total debt securities AFS</b>	<b>\$ 1,917,605</b>	<b>\$ —</b>	<b>\$ 1,917,605</b>	<b>\$ —</b>
Common equities and mutual funds <sup>(1)</sup>	\$ 3,324	\$ 3,324	\$ —	\$ —
Non-marketable equity securities <sup>(2)</sup>	\$ 4,724	\$ —	\$ —	\$ —

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at June 30, 2021 and September 30, 2020.

<sup>(2)</sup> Consists of certain non-marketable equity securities that are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

(Dollars in Thousands)	Fair Value At September 30, 2020			
	Total	Level 1	Level 2	Level 3
<b>Debt securities AFS</b>				
SBA securities	\$ 164,955	\$ —	\$ 164,955	\$ —
Obligations of states and political subdivisions	841	—	841	—
Non-bank qualified obligations of states and political subdivisions	323,774	—	323,774	—
Asset-backed securities	324,925	—	324,925	—
Mortgage-backed securities	453,607	—	453,607	—
<b>Total debt securities AFS</b>	<b>\$ 1,268,102</b>	<b>\$ —</b>	<b>\$ 1,268,102</b>	<b>\$ —</b>
Common equities and mutual funds <sup>(1)</sup>	\$ 2,969	\$ 2,969	\$ —	\$ —
Non-marketable equity securities <sup>(2)</sup>	\$ 2,784	\$ —	\$ —	\$ —

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at June 30, 2021 and September 30, 2020.

<sup>(2)</sup> Consists of certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

**Foreclosed Real Estate and Repossessed Assets.** Real estate properties and repossessed assets are initially recorded at the fair value less selling costs at the date of foreclosure, establishing a new cost basis. The carrying amount represents the lower of the new cost basis or the fair value less selling costs of foreclosed assets that were measured at fair value subsequent to their initial classification as foreclosed assets.

**Loans and Leases.** The Company does not record loans and leases at fair value on a recurring basis. However, if a loan or lease is individually evaluated for risk of credit loss and repayment is expected to be solely provided by the values of the underlying collateral, the Company measures fair value on a nonrecurring basis. Fair value is determined by the fair value of the underlying collateral less estimated costs to sell. The fair value of the collateral is determined based on internal estimates and/or assessments provided by third-party appraisers and the valuation relies on discount rates ranging from 4% to 90%.

The following table summarizes the assets of the Company that are measured at fair value in the Condensed Consolidated Statements of Financial Condition on a non-recurring basis:

(Dollars in Thousands)	Fair Value At June 30, 2021			
	Total	Level 1	Level 2	Level 3
Impaired loans and leases, net				
Commercial finance	\$ 4,312	\$ —	\$ —	\$ 4,312
Total National Lending	4,312	—	—	4,312
Commercial real estate and operating	9,029	—	—	9,029
Total Community Banking	9,029	—	—	9,029
Total impaired loans and leases, net	13,341	—	—	13,341
Foreclosed assets, net	1,204	—	—	1,204
Total	\$ 14,545	\$ —	\$ —	\$ 14,545

(Dollars in Thousands)	Fair Value At September 30, 2020			
	Total	Level 1	Level 2	Level 3
Impaired loans and leases, net				
Commercial finance	\$ 9,240	\$ —	\$ —	\$ 9,240
Total National Lending	9,240	—	—	9,240
Commercial real estate and operating	20	—	—	20
Total Community Banking	20	—	—	20
Total impaired loans and leases, net	9,260	—	—	9,260
Foreclosed assets, net	9,957	—	—	9,957
Total	\$ 19,217	\$ —	\$ —	\$ 19,217

Quantitative Information About Level 3 Fair Value Measurements					
(Dollars in Thousands)	Fair Value at June 30, 2021	Fair Value at September 30, 2020	Valuation Technique	Unobservable Input	Range of Inputs
Impaired loans and leases, net	\$ 13,341	9,260	Market approach	Appraised values <sup>(1)</sup>	4% - 90%
Foreclosed assets, net	\$ 1,204	9,957	Market approach	Appraised values <sup>(1)</sup>	4% - 30%

<sup>(1)</sup> The Company generally relies on external appraisers to develop this information. Management reduced the appraised value by estimating selling costs and other inputs in a range of 4% to 90%.

Management discloses the estimated fair value of financial instruments, including assets and liabilities on and off the Condensed Consolidated Statements of Financial Condition, for which it is practicable to estimate fair value. These fair value estimates were made at June 30, 2021 and September 30, 2020 based on relevant market information and information about financial instruments. Fair value estimates are intended to represent the price at which an asset could be sold or a liability could be settled. However, since there is no active market for certain financial instruments of the Company, the estimates of fair value are subjective in nature, involve uncertainties, and include matters of significant judgment. Changes in assumptions as well as tax considerations could significantly affect the estimated values. Accordingly, 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.



The following tables present the carrying amount and estimated fair value of the financial instruments held by the Company:

June 30, 2021					
(Dollars in Thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and cash equivalents	\$ 720,243	\$ 720,243	\$ 720,243	\$ —	\$ —
Debt securities available for sale	1,917,605	1,917,605	—	1,917,605	—
Debt securities held to maturity	64,247	65,421	—	65,421	—
Common equities and mutual funds <sup>(1)</sup>	3,324	3,324	3,324	—	—
Non-marketable equity securities <sup>(1)(2)</sup>	19,474	19,474	—	14,750	—
Loans held for sale	87,905	87,905	—	87,905	—
Loans and leases receivable	3,495,239	3,498,673	—	—	3,498,673
Federal Reserve Bank and Federal Home Loan Bank stocks	28,433	28,433	—	28,433	—
Accrued interest receivable	16,230	16,230	16,230	—	—
<b>Financial liabilities</b>					
Deposits	5,888,871	5,888,971	5,851,452	37,519	—
Other short- and long-term borrowings	93,634	94,979	—	94,979	—
Accrued interest payable	1,853	1,853	1,853	—	—

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at June 30, 2021.

<sup>(2)</sup> Includes certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

September 30, 2020					
(Dollars in Thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and cash equivalents	\$ 427,367	\$ 427,367	\$ 427,367	\$ —	\$ —
Debt securities available for sale	1,268,102	1,268,102	—	1,268,102	—
Debt securities held to maturity	92,610	93,745	—	93,745	—
Common equities and mutual funds <sup>(1)</sup>	2,969	2,969	2,969	—	—
Non-marketable equity securities <sup>(1)(2)</sup>	14,784	14,784	—	12,000	—
Loans held for sale	183,577	183,577	—	183,577	—
Loans and leases receivable	3,314,140	3,307,037	—	—	3,307,037
Federal Reserve Bank and Federal Home Loan Bank stocks	27,138	27,138	—	27,138	—
Accrued interest receivable	16,628	16,628	16,628	—	—
<b>Financial liabilities</b>					
Deposits	4,979,200	4,980,073	4,705,028	275,045	—
Other short- and long-term borrowings	98,224	100,185	—	100,185	—
Accrued interest payable	1,923	1,923	1,923	—	—

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at September 30, 2020.

<sup>(2)</sup> Includes certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

## NOTE 19. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after June 30, 2021. During this period, up to the filing date of this Quarterly Report on Form 10-Q, management did not identify any material subsequent events that would require recognition or disclosure in our Condensed Consolidated Financial Statements as of or for the quarter ended June 30, 2021.

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

### META FINANCIAL GROUP, INC.® AND SUBSIDIARIES

#### FORWARD-LOOKING STATEMENTS

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

You can identify forward-looking statements by words such as "may," "hope," "will," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," "could," "future," or the negative of those terms, or other words of similar meaning or similar expressions. You should carefully read statements that contain these words because they discuss our future expectations or state other "forward-looking" information. These forward-looking statements are based on information currently available to us and assumptions about future events, and include statements with respect to the Company's beliefs, expectations, estimates, and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. Such risks, uncertainties and other factors may cause our actual growth, results of operations, financial condition, cash flows, performance and business prospects and opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Such statements address, among others, the following subjects: future operating results; expectations in connection with the impact of the ongoing COVID-19 pandemic and related governmental actions on the Company and MetaBank; industry and the capital markets; customer retention; loan and other product demand; expectations concerning acquisitions and divestitures; new products and services; credit quality; the level of net charge-offs and the adequacy of the allowance for credit losses; technology; and the Company's employees. The following factors, among others, could cause the Company's financial performance and results of operations to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: maintaining our executive management team; expected growth opportunities may not be realized or may take longer to realize than expected; the potential adverse effects of the ongoing COVID-19 pandemic and any governmental or societal responses thereto including the deployment and efficacy of the COVID-19 vaccines, or other unusual and infrequently occurring events; actual changes in interest rates and the Fed Funds rate; additional changes in tax laws; the strength of the United States' economy, in general, and the strength of the local economies in which the Company operates; changes in trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"); inflation, market, and monetary fluctuations; the timely and efficient development of, and acceptance of, new products and services offered by the Company or its strategic partners, as well as risks (including reputational and litigation) attendant thereto, and the perceived overall value of these products and services by users; the Bank's ability to maintain its Durbin Amendment exemption; the risks of dealing with or utilizing third parties, including, in connection with the Company's refund advance business, the risk of reduced volume of refund advance loans as a result of reduced customer demand for or usage of Meta's strategic partners' refund advance products; our relationship with, and any actions which may be initiated by our regulators; the impact of changes in financial services laws and regulations, including, but not limited to, laws and regulations relating to the tax refund industry and the insurance premium finance industry and recent and potential changes in response to the ongoing COVID-19 pandemic, including various laws and the rules and regulations that may be promulgated thereunder; technological changes, including, but not limited to, the protection of our electronic systems and information; the impact of acquisitions and divestitures; litigation risk; the growth of the Company's business, as well as expenses related thereto; continued maintenance by MetaBank of its status as a well-capitalized institution; changes in consumer spending and saving habits; the impact of our participation as prepaid card issuer for government stimulus and other programs and potentially similar programs in the future; losses from fraudulent or illegal activity; technological risks and developments, and cyber threats, attacks or events; and the success of the Company at maintaining its high quality asset level and managing and collecting assets of borrowers in default should problem assets increase.

The foregoing list of factors is not exclusive. We caution you not to place undue reliance on these forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q speak only as of the date hereof, and the Company does not undertake any obligation to update, revise, or clarify these forward-looking statements whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in its entirety by the cautionary statements contained or referred to in this section. Additional discussions of factors affecting the Company's business and prospects are reflected under the caption "Risk Factors" and in other sections of the Company's Annual Report on Form 10-K for the Company's fiscal year ended September 30, 2020, and in other filings made with the SEC. The Company expressly disclaims any intent or obligation to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Company or its subsidiaries, whether as a result of new information, changed circumstances, or future events or for any other reason.

## GENERAL

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

The Company's common stock trades on the NASDAQ Global Select Market under the symbol "CASH."

The following discussion focuses on the consolidated financial condition of the Company at June 30, 2021, compared to September 30, 2020, and the consolidated results of operations for the three and nine months ended June 30, 2021 and 2020. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 2020 and the related management's discussion and analysis of financial condition and results of operations contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

## EXECUTIVE SUMMARY

### Business Development Highlights for the 2021 Fiscal Third Quarter

The following highlights certain business developments during the quarter ended June 30, 2021:

- Published our inaugural 2020 Environmental, Social and Governance ("ESG") Report, highlighting the Company's vision, culture, and mission of financial inclusion for all®. The Company's 2020 ESG report can be downloaded at <https://www.metafinancialgroup.com/environmental-social-governance>.
- Launched the Company's Community Impact Program, focused on financial inclusion, personal and family financial empowerment, educational support, and disaster relief. Concentrating on these four areas positions MetaBank to encourage long-lasting positive impact in our communities.
- Expanded our renewable energy investment tax credit ("ITC") financing, originating \$72.0 million for the first nine months of fiscal 2021, resulting in \$18.9 million in total net ITC.
- Entered into a new Banking as a Service ("BaaS") partnership with Clair, a social impact embedded fintech startup. The Company will act as both the issuing bank and bank services provider, offering digital banking services for users of Clair.

### Financial Highlights for the 2021 Fiscal Third Quarter

Total revenue for the third quarter was \$130.9 million, an increase of \$27.7 million compared to \$103.2 million for the same quarter in fiscal 2020, primarily driven by a timing shift of refund transfer product fee and additional payments card fee income from government stimulus programs.

Net interest income for the third quarter was \$68.5 million, an increase of \$6.4 million compared to \$62.1 million in the third quarter last year, reflecting a decrease in deposit interest expense. Net interest margin ("NIM") improved to 3.75% for the third quarter from 3.28% during the same period of last year, chiefly due to the decrease of cash associated with the Company's participation in the EIP program and an increase in national lending loans and leases.

Total gross loans and leases at June 30, 2021 decreased \$1.5 million, to \$3.50 billion, compared to June 30, 2020 and decreased \$152.8 million, or 4%, when compared to March 31, 2021. The decrease compared to the linked quarter was primarily driven by the seasonal nature of the taxpayer advance loans. Average deposits from the Payments division for the fiscal 2021 third quarter increased nearly 8% to \$6.79 billion when compared to the prior year quarter largely driven by excess cash on consumer cards related to government stimulus programs.

### **Tax Season Recap**

During the fiscal 2021 third quarter, total tax services product revenue was \$13.6 million compared to \$4.6 million in the prior year quarter. The significant increase for the quarter was mostly related to delayed timing of refund transfer income due to the extension of the tax filing deadline by the Internal Revenue Service ("IRS"). Total tax services product income, net of losses and direct product expenses, increased 19% when comparing the first nine months of fiscal 2021 to the prior year period. The 2021 tax season benefited by the addition of the H&R Block relationship and has been successful despite the challenges caused by an increase in consumer liquidity due to stimulus payments throughout the 2021 tax season.

### **EIP Program Update**

Of the 16.5 million prepaid cards issued in conjunction with the three EIP stimulus programs, totaling approximately \$24.15 billion, \$2.81 billion remain outstanding as of June 30, 2021, of which only \$98.1 million remain on Meta's balance sheet with the remainder being held at other banks.

### **FINANCIAL CONDITION**

At June 30, 2021, the Company's total assets increased by \$959.7 million to \$7.05 billion compared to September 30, 2020, primarily due to increases of \$649.5 million in investment securities available for sale and \$292.9 million in cash and cash equivalents.

Total cash and cash equivalents was \$720.2 million at June 30, 2021, increasing from \$427.4 million at September 30, 2020, primarily resulting from the receipt of EIP related deposits. The Bank has been working with other banks to transfer these temporary deposits off the balance sheet. Otherwise, the Company maintains its cash investments primarily in interest-bearing overnight deposits with the FHLB of Des Moines and the FRB. At June 30, 2021, the Company did not have any federal funds sold.

The total investment portfolio increased \$621.1 million, or 46%, to \$1.98 billion at June 30, 2021, compared to \$1.36 billion at September 30, 2020, as purchases exceeded maturities and principal pay downs. The Company's portfolio of securities customarily consists primarily of MBS, which have expected lives much shorter than the stated final maturity, non-bank qualified obligations of states and political subdivisions, which mature in approximately 15 years or less, and other tax exempt municipal mortgage related pass through securities which have average lives much shorter than their stated final maturities. All MBS held by the Company at June 30, 2021 were issued by a U.S. Government agency or instrumentality. Of the total MBS at June 30, 2021, \$1.06 billion, at fair value, were classified as available for sale, and \$4.0 million, at cost, were classified as held to maturity. Of the total investment securities at June 30, 2021, \$854.0 million, at fair value, were classified as available for sale and \$60.2 million, at cost, were classified as held to maturity. During the nine months ended June 30, 2021, the Company purchased \$976.5 million of investment securities.

Loans held for sale at June 30, 2021 totaled \$87.9 million, decreasing from \$183.6 million at September 30, 2020. This decrease was primarily driven by sales of the retained Community Bank loan portfolio to Central Bank during the nine months ended June 30, 2021.

The Company's total loans and leases increased \$181.1 million, or 5%, to \$3.50 billion at June 30, 2021, from \$3.31 billion at September 30, 2020. The increase was primarily driven by growth in the commercial finance and tax services portfolios partially offset by the continued decrease in community banking loan balances. See Note 6 to the "Notes to Condensed Consolidated Financial Statements" of this Quarterly Report on Form 10-Q.

National lending loans and leases increased \$362.7 million, or 13% to \$3.19 billion at June 30, 2021 compared to September 30, 2020. Within the National Lending portfolios, commercial finance loans and leases increased \$278.5 million, tax services loans increased \$38.2 million, consumer finance increased \$3.6 million and warehouse finance increased \$42.3 million at June 30, 2021 compared to September 30, 2020. The increase in commercial finance loan balances was largely driven by the asset based lending and commercial insurance premium finance categories. The seasonality of the Company's tax services business led to the increase in tax services loans at June 30, 2021 compared to September 30, 2020.

Community banking loans decreased \$181.6 million, or 37%, at June 30, 2021 compared to September 30, 2020, primarily attributable to loan portfolio sales along with continued principal payments and payoffs. As of June 30, 2021, the Company had \$18.1 million community banking loans classified as held for sale.

Through the Bank, the Company owns stock in the FHLB due to the Bank's membership and participation in this banking system as well as stock in the Federal Reserve Bank. The FHLB requires a level of stock investment based on a pre-determined formula. The Company's investment in these stocks increased \$1.3 million, or 5%, to \$28.4 million at June 30, 2021 from \$27.1 million at September 30, 2020, resulting from the purchase of FHLB membership stock.

Total end-of-period deposits increased \$909.7 million, or 18%, at June 30, 2021 to \$5.89 billion as compared to September 30, 2020, primarily driven by an increase in noninterest-bearing deposits of \$1.03 billion, which was largely attributable to the balances on the EIP cards. The increase in deposits has been mitigated as a result of Meta's ability to shift most of the remaining EIP program card balances from its balance sheet to other banks. As of June 30, 2021, EIP program card balances outstanding totaled \$2.81 billion, of which Meta held \$98.1 million on its balance sheet.

The average balance of total deposits and interest-bearing liabilities was \$7.41 billion for the nine-months ended June 30, 2021, compared to \$6.09 billion for the same period of the prior fiscal year. The average balance of noninterest-bearing deposits for the nine-months ended June 30, 2021 increased \$2.74 billion, or 69%, to \$6.73 billion compared to the same period in the prior year. These increases were primarily attributable to EIP related deposit balances.

The Company's total borrowings decreased \$4.6 million, or 5%, from \$98.2 million at September 30, 2020 to \$93.6 million at June 30, 2021. The Company also has an available no-fee line of credit with JP Morgan of \$25.0 million with no funds advanced at June 30, 2021.

At June 30, 2021, the Company's stockholders' equity totaled \$876.6 million, an increase of \$29.3 million, from \$847.3 million at September 30, 2020. The increase was primarily attributable to growth in retained earnings and an increase in additional paid-in capital. The Company and Bank remained above the federal regulatory minimum capital requirements at June 30, 2021, continued to be classified as well-capitalized, and in good standing with the regulatory agencies. See "Liquidity and Capital Resources" for further information.

#### Payments Noninterest-bearing Checking Deposits

The Company may hold negative balances associated with cardholder programs in the payments division that are included within noninterest-bearing deposits on the Company's Condensed Consolidated Statements of Financial Condition. Negative balances can relate to any of the following payments functions:

- Prefundings: The Company deploys funds to cards prior to receiving cash (typically 2-3 days) where the prefunding balance is netted at a pooled partner level utilizing ASC 210-20.
- Discount fundings: The Company funds cards in an amount that is estimated to be less than final breakage values on card programs. Consumers may spend more than is estimated. These discounts are netted at a pooled partner level using ASC 210-20. The majority of these discount fundings relate to one partner.
- Demand Deposit Account ("DDA") overdrafts: Certain programs offered allow cardholders traditional DDA overdraft protection services whereby cardholders can spend a limited amount in excess of their available card balance. When overdrawn, these accounts are re-classified as loans on the balance sheet within the Consumer Finance category.

The Company meets the Right of Set off criteria in ASC 210-20, Balance Sheet - Offsetting, for all payments negative deposit balances with the exception of DDA overdrafts. The following table summarizes the Company's negative deposit balances within the payments division:

(Dollars in Thousands)	June 30, 2021	September 30, 2020
Noninterest-bearing deposits	\$ 5,756,589	\$ 4,960,276
Prefunding	(344,417)	(528,131)
Discount funding	(13,097)	(62,443)
DDA overdrafts	(13,506)	(13,072)
Noninterest-bearing checking, net	<u>\$ 5,385,569</u>	<u>\$ 4,356,630</u>

## RESULTS OF OPERATIONS

### General

The Company recorded net income of \$38.7 million, or \$1.21 per diluted share, for the three months ended June 30, 2021, compared to net income of \$18.2 million, or \$0.53 per diluted share, for the three months ended June 30, 2020. Total revenue for the fiscal 2021 third quarter was \$130.9 million, compared to \$103.2 million for the same quarter in fiscal 2020. The increase in net income was primarily driven by a decrease in provision for credit loss expense and an increase in noninterest income.

The Company recorded net income of \$125.8 million, or \$3.87 per diluted share, for the nine months ended June 30, 2021, compared to \$91.6 million, or \$2.54 per diluted share, compared to the same period in the prior year. Total revenue for the nine months ended June 30, 2021 was \$429.7 million, compared to \$393.6 million for the same period of the prior year, an increase of 9%.

### Net Interest Income

Net interest income for the fiscal 2021 third quarter was \$68.5 million, an increase of 10%, from \$62.1 million for the same quarter in fiscal 2020. The increase was primarily driven by a reduction in total interest expense, partially offset by lower overall yields realized on investments and loans and leases. For the nine months ended June 30, 2021, net interest income was \$208.3 million, an increase of 7%, from \$194.5 million compared to the same period in the prior year.

During the fiscal 2021 third quarter, interest expense decreased \$3.8 million, and loan and lease interest income increased \$2.4 million. The third quarter average outstanding balance of loans and leases decreased by \$4.2 million compared to the prior year quarter, primarily due to the decrease in community bank and healthcare receivable loan portfolios offset by growth of the remaining commercial loan portfolios. The Company's average interest-earning assets for the fiscal 2021 third quarter decreased by \$291.8 million, to \$7.32 billion compared with the prior year quarter, primarily due to the decrease in cash and fed funds sold, total investments, and community bank loans offset by growth of the national lending loans and leases.

Fiscal 2021 third quarter NIM increased to 3.75% from 3.28% for the third quarter last year. The overall reported tax equivalent yield ("TEY") on average earning assets increased by 26 basis points to 3.85% compared to the prior year quarter, primarily driven by a reduction in low-yielding cash held at the Federal Reserve. The TEY on the securities portfolio was 1.62% compared to 2.22% for the comparable period last year.

For the nine months ended June 30, 2021, NIM was 3.68%, decreasing 53 basis points from 4.21% compared to the same period in the prior year. Net interest margin, tax-equivalent for the nine months ended June 30, 2021 was 3.70%, a decrease of 55 basis points compared to the same period in the prior year.

The Company's cost of funds for all deposits and borrowings averaged 0.09% during the fiscal 2021 third quarter, compared to 0.28% during the prior year quarter, primarily driven by a reduction in wholesale deposit balances. The Company's overall cost of deposits was 0.01% in the fiscal 2021 third quarter, compared to 0.17% in the same quarter last year.

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

	Three Months Ended June 30,					
	2021			2020		
(Dollars in Thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>
<b>Interest-earning assets:</b>						
Cash & fed funds sold	\$ 1,867,988	\$ 528	0.11 %	\$ 2,692,270	\$ 783	0.12 %
Mortgage-backed securities	882,042	3,446	1.57 %	342,174	2,269	2.67 %
Tax exempt investment securities	263,401	884	1.70 %	417,042	1,658	2.02 %
Asset-backed securities	438,163	1,651	1.51 %	336,562	1,770	2.11 %
Other investment securities	246,493	1,187	1.93 %	197,643	1,014	2.06 %
<b>Total investments</b>	<b>1,830,099</b>	<b>7,168</b>	<b>1.62 %</b>	<b>1,293,420</b>	<b>6,711</b>	<b>2.22 %</b>
Total commercial finance	2,616,942	48,641	7.46 %	2,160,175	40,375	7.52 %
Total consumer finance	241,813	3,916	6.50 %	247,824	4,635	7.52 %
Total tax services	91,804	604	2.64 %	39,845	—	— %
Total warehouse finance	332,759	5,151	6.21 %	304,839	4,582	6.05 %
National Lending loans and leases	3,283,318	58,312	7.12 %	2,752,683	49,592	7.25 %
Community Banking loans	335,415	3,975	4.75 %	870,245	10,319	4.77 %
<b>Total loans and leases</b>	<b>3,618,733</b>	<b>62,287</b>	<b>6.90 %</b>	<b>3,622,928</b>	<b>59,911</b>	<b>6.65 %</b>
<b>Total interest-earning assets</b>	<b>7,316,820</b>	<b>\$ 69,983</b>	<b>3.85 %</b>	<b>7,608,618</b>	<b>\$ 67,406</b>	<b>3.59 %</b>
Noninterest-earning assets	841,738			830,589		
<b>Total assets</b>	<b>\$ 8,158,558</b>			<b>\$ 8,439,206</b>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing checking <sup>(2)</sup>	\$ 336,576	\$ —	— %	\$ 226,382	\$ —	— %
Savings	107,803	5	0.02 %	55,572	1	0.01 %
Money markets	58,517	66	0.45 %	40,091	33	0.33 %
Time deposits	11,877	27	0.91 %	25,392	113	1.78 %
Wholesale deposits	86,295	90	0.42 %	817,414	2,983	1.47 %
<b>Total interest-bearing deposits</b>	<b>601,068</b>	<b>188</b>	<b>0.13 %</b>	<b>1,164,852</b>	<b>3,130</b>	<b>1.08 %</b>
Overnight fed funds purchased	11	—	0.25 %	59,055	48	0.33 %
FHLB advances	—	—	— %	110,000	670	2.45 %
Subordinated debentures	73,907	1,148	6.23 %	73,738	1,153	6.29 %
Other borrowings	20,657	172	3.35 %	27,032	268	3.98 %
<b>Total borrowings</b>	<b>94,575</b>	<b>1,320</b>	<b>5.60 %</b>	<b>269,825</b>	<b>2,139</b>	<b>3.19 %</b>
<b>Total interest-bearing liabilities</b>	<b>695,643</b>	<b>1,508</b>	<b>0.87 %</b>	<b>1,434,677</b>	<b>5,269</b>	<b>1.48 %</b>
Noninterest-bearing deposits	6,380,371	—	— %	6,057,314	—	— %
<b>Total deposits and interest-bearing liabilities</b>	<b>7,076,014</b>	<b>\$ 1,508</b>	<b>0.09 %</b>	<b>7,491,991</b>	<b>\$ 5,269</b>	<b>0.28 %</b>
Other noninterest-bearing liabilities	225,862			122,940		
<b>Total liabilities</b>	<b>7,301,876</b>			<b>7,614,931</b>		
Shareholders' equity	856,682			824,276		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,158,558</b>			<b>\$ 8,439,206</b>		
Net interest income and net interest rate spread including noninterest-bearing deposits		<b>\$ 68,475</b>	<b>3.76 %</b>		<b>\$ 62,137</b>	<b>3.30 %</b>
<b>Net interest margin</b>			<b>3.75 %</b>			<b>3.28 %</b>
<b>Tax-equivalent effect</b>			<b>0.02 %</b>			<b>0.02 %</b>
<b>Net interest margin, tax-equivalent<sup>(3)</sup></b>			<b>3.77 %</b>			<b>3.31 %</b>

<sup>(1)</sup> Tax rate used to arrive at the TEY for the three months ended June 30, 2021 and 2020 was 21%.

<sup>(2)</sup> Of the total balance, \$336.2 million are interest-bearing deposits where interest expense is paid by a third party and not by the Company.

<sup>(3)</sup> Net interest margin expressed on a fully-taxable-equivalent basis ("net interest margin, tax-equivalent") is a non-GAAP financial measure. The tax-equivalent adjustment to net interest income recognizes the estimated income tax savings when comparing taxable and tax-exempt assets and adjusting for federal and state exemption of interest income. The Company believes that it is a standard practice in the banking industry to present net interest margin expressed on a fully taxable equivalent basis and, accordingly, believes the presentation of this non-GAAP financial measure may be useful for peer comparison purposes.



	Nine Months Ended June 30,					
	2021			2020		
(Dollars in Thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>
<b>Interest-earning assets:</b>						
Cash & fed funds sold	\$ 2,279,550	\$ 2,461	0.14 %	\$ 992,935	\$ 1,934	0.26 %
Mortgage-backed securities	620,919	8,176	1.76 %	358,942	7,151	2.66 %
Tax exempt investment securities	298,276	3,232	1.83 %	454,202	6,130	2.28 %
Asset-backed securities	384,397	4,141	1.44 %	315,000	6,395	2.71 %
Other investment securities	232,852	3,373	1.94 %	195,851	3,718	2.54 %
<b>Total investments</b>	<b>1,536,444</b>	<b>18,922</b>	<b>1.72 %</b>	<b>1,323,994</b>	<b>23,394</b>	<b>2.52 %</b>
Total commercial finance	2,501,911	140,570	7.51 %	2,053,414	126,799	8.25 %
Total consumer finance	245,627	15,632	8.51 %	260,950	15,811	8.09 %
Total tax services	274,706	7,156	3.48 %	192,971	6,384	4.42 %
Total warehouse finance	310,593	14,930	6.43 %	294,852	13,542	6.13 %
National Lending loans and leases	3,332,837	178,288	7.15 %	2,802,186	162,536	7.75 %
Community Banking loans	409,869	14,127	4.61 %	1,048,689	36,571	4.66 %
<b>Total loans and leases</b>	<b>3,742,706</b>	<b>192,415</b>	<b>6.87 %</b>	<b>3,850,875</b>	<b>199,106</b>	<b>6.91 %</b>
<b>Total interest-earning assets</b>	<b>7,558,700</b>	<b>\$ 213,798</b>	<b>3.80 %</b>	<b>6,167,804</b>	<b>\$ 224,434</b>	<b>4.90 %</b>
Noninterest-earning assets	858,088			886,320		
<b>Total assets</b>	<b>\$ 8,416,788</b>			<b>\$ 7,054,124</b>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing checking <sup>(2)</sup>	\$ 258,020	\$ 1	— %	\$ 222,772	\$ 480	0.29 %
Savings	79,095	11	0.02 %	50,308	16	0.04 %
Money markets	55,816	146	0.35 %	63,077	390	0.83 %
Time deposits	14,046	118	1.12 %	75,231	1,134	2.01 %
Wholesale deposits	174,715	1,153	0.88 %	1,224,090	18,690	2.04 %
<b>Total interest-bearing deposits</b>	<b>581,692</b>	<b>1,429</b>	<b>0.33 %</b>	<b>1,635,478</b>	<b>20,712</b>	<b>1.69 %</b>
Overnight fed funds purchased	7	—	0.25 %	245,030	2,805	1.53 %
FHLB advances	—	—	— %	110,000	2,019	2.45 %
Subordinated debentures	73,864	3,442	6.23 %	73,698	3,471	6.29 %
Other borrowings	22,307	603	3.61 %	29,792	903	4.05 %
<b>Total borrowings</b>	<b>96,178</b>	<b>4,045</b>	<b>5.62 %</b>	<b>458,520</b>	<b>9,197</b>	<b>2.68 %</b>
<b>Total interest-bearing liabilities</b>	<b>677,870</b>	<b>5,474</b>	<b>1.08 %</b>	<b>2,093,998</b>	<b>29,909</b>	<b>1.91 %</b>
Noninterest-bearing deposits	6,727,627	—	— %	3,991,561	—	— %
<b>Total deposits and interest-bearing liabilities</b>	<b>7,405,497</b>	<b>\$ 5,474</b>	<b>0.10 %</b>	<b>6,085,559</b>	<b>\$ 29,909</b>	<b>0.66 %</b>
Other noninterest-bearing liabilities	184,825			136,722		
<b>Total liabilities</b>	<b>7,590,322</b>			<b>6,222,281</b>		
Shareholders' equity	826,466			831,843		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,416,788</b>			<b>\$ 7,054,124</b>		
Net interest income and net interest rate spread including noninterest-bearing deposits		<b>\$ 208,324</b>	<b>3.70 %</b>		<b>\$ 194,525</b>	<b>4.24 %</b>
<b>Net interest margin</b>			<b>3.68 %</b>			<b>4.21 %</b>
<b>Tax-equivalent effect</b>			<b>0.02 %</b>			<b>0.04 %</b>
<b>Net interest margin, tax-equivalent<sup>(3)</sup></b>			<b>3.70 %</b>			<b>4.25 %</b>

<sup>(1)</sup> Tax rate used to arrive at the TEY for the six months ended June 30, 2021 and 2020 was 21%.

<sup>(2)</sup> Of the total balance, \$218.5 million are interest-bearing deposits where interest expense is paid by a third party and not by the Company.

<sup>(3)</sup> Net interest margin expressed on a fully-taxable-equivalent basis ("net interest margin, tax-equivalent") is a non-GAAP financial measure. The tax-equivalent adjustment to net interest income recognizes the estimated income tax savings when comparing taxable and tax-exempt assets and adjusting for federal and state exemption of interest income. The Company believes that it is a standard practice in the banking industry to present net interest margin expressed on a fully taxable equivalent basis and, accordingly, believes the presentation of this non-GAAP financial measure may be useful for peer comparison purposes.



#### **Provision for Credit Losses**

The Company recorded a \$4.6 million and a \$41.0 million provision for credit losses for the three and nine months ended June 30, 2021, as compared to a \$15.1 million and \$55.8 million provision for credit losses for the same period of the prior year. The decrease in the overall provision compared to the prior year was due in large part to the increase in the allowance as part of the Company's response to the emerging COVID-19 pandemic during the fiscal 2020 third quarter. Net charge-offs were \$12.3 million for the quarter ended June 30, 2021, compared to \$14.7 million for the quarter ended June 30, 2020. The majority of the net charge-offs for the quarter were attributable to seasonal tax-related loan products.

#### **Noninterest Income**

Noninterest income for the fiscal 2021 third quarter increased to \$62.5 million from \$41.0 million for the same period of the prior year. This increase was primarily related to card fee income and refund transfer fee income. Card fees benefited from increased card balances related to stimulus programs. Refund transfer fee income was higher compared to last year due to refund transfer volume shift from the second fiscal quarter because of the delay in the 2021 tax season.

Noninterest income for the nine months ended June 30, 2021 increased by \$22.3 million, or 11%, to \$221.4 million compared to the same period in the prior fiscal year.

#### **Noninterest Expense**

Noninterest expense increased 14% to \$81.5 million for the fiscal 2021 third quarter, from \$71.2 million for the same quarter last year, primarily driven by increases in compensation and benefits due to a return to more normalized incentive accruals in fiscal year 2021 and additional employees to support growth. Refund transfer product expense was also higher than the same quarter last year, due largely to a shift in volume into the fiscal 2021 third quarter as a result of the delayed IRS filing date.

Noninterest expense for the nine months ended June 30, 2021 increased by \$11.3 million, or 5%, to \$250.1 million compared to the same period in the prior year.

#### **Income Tax Expense**

The Company recorded an income tax expense of \$4.9 million, representing an effective tax rate of 11.0%, for the fiscal 2021 third quarter, compared to an income tax benefit of \$2.4 million, representing an effective tax rate of (14.4)%, for the fiscal 2020 third quarter. The increase in the recorded income tax expense reflected an increase in fiscal 2021 third quarter earnings, whereas the prior year's income tax benefit was chiefly the result of adjustments needed for the ratably recognized investment tax credits and lower earnings forecast at that time due to COVID-19.

The Company originated \$13.5 million in solar leases during the fiscal 2021 third quarter, compared to \$1.3 million during last year's third quarter. Investment tax credits related to solar leases are recognized ratably based on income throughout each fiscal year. The timing and impact of future solar tax credits are expected to vary from period to period, and Meta intends to undertake only those tax credit opportunities that meet the Company's underwriting and return criteria.

#### **Nonperforming Assets and Allowance for Loan and Lease Losses**

Generally, when a loan or lease becomes delinquent 90 days or more or when the collection of principal or interest becomes doubtful, the Company will place the loan or lease on a non-accrual status and, as a result, previously accrued interest income on the loan or lease is reversed against current income. The loan or lease will generally remain on a non-accrual status until six months of good payment history has been established or management believes the financial status of the borrower has been significantly restored. Certain relationships in the table below are over 90 days past due and still accruing. The Company considers these relationships as being in the process of collection. Insurance premium finance loans, consumer finance and tax services loans are generally not placed on non-accrual status, but are instead written off when the collection of principal and interest become doubtful.

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

The Company believes that the level of allowance for credit losses at June 30, 2021 was appropriate and reflected probable losses related to these loans and leases; however, there can be no assurance that all loans and leases will be fully collectible or that the present level of the allowance will be adequate in the future. See the section below titled “Allowance for Credit Losses” for further information.

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

(Dollars in Thousands)	June 30, 2021	September 30, 2020
<b>Nonperforming loans and leases</b>		
<b>Nonaccruing loans and leases:</b>		
Term lending	\$ 14,470	\$ 16,274
Factoring	37	1,096
Lease financing	2,208	3,583
SBA/USDA	600	600
Commercial finance	17,315	21,553
<b>Total National Lending</b>	17,315	21,553
Commercial real estate and operating	17,896	580
Consumer one-to-four family real estate and other	108	50
Agricultural real estate and operating	1,769	1,769
<b>Total Community Banking</b>	19,773	2,399
<b>Total</b>	37,088	23,952
<b>Accruing loans and leases delinquent &gt;89 days past due:</b>		
Term lending	2,073	266
Lease financing	1,403	4,344
Insurance premium finance	874	2,364
SBA/USDA	—	427
Commercial finance	4,350	7,401
Consumer credit products	469	499
Other consumer finance	—	373
Consumer finance	469	872
Tax services	—	1,743
<b>Total National Lending</b>	4,819	10,016
Commercial real estate and operating	—	50
<b>Total Community Banking</b>	—	50
<b>Total</b>	4,819	10,066
<b>Total nonperforming loans and leases</b>	41,907	34,018
<b>Other assets</b>		
Nonperforming operating leases	1,995	4,045
<b>Foreclosed and repossessed assets:</b>		
Commercial finance	1,204	9,957
<b>Total</b>	1,204	9,957
<b>Total other assets</b>	3,199	14,002
<b>Total nonperforming assets</b>	\$ 45,106	\$ 48,020
<b>Total as a percentage of total assets</b>	0.63 %	0.79 %

At June 30, 2021, nonperforming loans and leases totaled \$41.9 million, representing 1.17% of total loans and leases, compared to \$34.0 million, or 0.97% of total loans and leases at September 30, 2020.

As of June 30, 2021, \$41.5 million of the loans and leases that were granted deferral payments by the Company were still in their deferment period. As of September 30, 2020, loans and leases totaling \$170.0 million were within their deferment period.

**Classified Assets.** Federal regulations provide for the classification of loans, leases, and other assets such as debt and equity securities considered by our primary regulator, the OCC, to be of lesser quality as “substandard,” “doubtful” or “loss,” with each such classification dependent on the facts and circumstances surrounding the assets in question. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the Bank will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such minimal value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

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

Meta is now revising its credit administration policies and reviewing its loan portfolio to better align with OCC guidance for national banks, a process that began during the quarter ending June 30, 2021 and is expected to be completed by September 30, 2021. We expect these credit policy revisions will have an impact on our loan and lease risk ratings, resulting in downgrades of certain credits in several categories. Our loan and collateral management practices have proven effective in managing losses during previous economic cycles; and while we expect this process will result in setting a new baseline for portfolio metrics going forward, it does not indicate a deterioration in our portfolio’s expected performance.

On the basis of management’s review of its loans, leases, and other assets, at June 30, 2021, the Company had classified \$135.1 million of its assets as substandard, \$7.2 million as doubtful and none as loss. At September 30, 2020, the Company classified \$61.6 million of its assets as substandard, \$6.3 million as doubtful and none as loss.

**Allowance for Credit Losses.** Effective October 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent related ASUs (collectively “Topic 326”), which changes the impairment model for most financial assets, including trade and other receivables, debt securities held-to-maturity, loans, net investments in leases, purchased financial assets with credit deterioration, and off-balance sheet credit exposures. ASU 2016-13 requires the use of a CECL methodology to determine the ACL for loans and debt securities held-to-maturity. CECL requires loss estimates for the remaining estimated life of the assets to be measured using historical loss data, adjustments for current conditions, and adjustments for reasonable and supportable forecasts of future economic conditions.

The ACL represents management’s estimate of current credit losses expected to be incurred by the loan and lease portfolio over the life of each financial asset as of the balance sheet date. The Company individually evaluates loans and leases that do not share similar risk characteristics with other financial assets for impairment, generally this means loans and leases identified as troubled debt restructurings or loans and leases on nonaccrual status. All other loans and leases are evaluated collectively for impairment. A reserve for unfunded credit commitments such as letters of credit and binding unfunded loan commitments is recorded in other liabilities on the Condensed Consolidated Statements of Financial Condition.

Individually evaluated loans and leases are a key component of the ACL. Generally, the Company measures impairment on individually evaluated loans based on the fair value of the collateral less estimated selling costs, as the Company considers these financial assets to be collateral dependent. If an individually evaluated loan or lease is not collateral dependent, impairment is measured at the present value of expected future cash flows discounted at the loan or lease initial effective interest rate.

At June 30, 2021, the Company had established an ACL totaling \$91.2 million, compared to \$56.2 million at September 30, 2020. The increase in the allowance at June 30, 2021 was driven primarily by the adoption of the CECL accounting standard noted above, along with the seasonal allowance build in the tax services portfolio. The CECL methodology requires loss estimates for the remaining estimated life of the assets to be measured using historical loss data, adjustments for current conditions, and adjustments for reasonable and supportable forecasts of future economic conditions, which led to the increase in the ACL as of the October 1, 2020 adoption date.

The following table presents the Company's allowance for loan and lease losses as a percentage of its total loans and leases.

	As of the Period Ended					
	June 30, 2021	March 31, 2021	December 31, 2020	October 1, 2020 <sup>(1)</sup>	September 30, 2020	June 30, 2020
Commercial finance	1.73 %	1.77 %	1.88 %	1.85 %	1.30 %	1.36 %
Consumer finance	3.80 %	4.70 %	4.39 %	4.31 %	1.64 %	1.75 %
Tax services	58.99 %	12.90 %	1.53 %	0.06 %	0.06 %	59.67 %
Warehouse finance	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %
National Lending	2.44 %	2.57 %	1.89 %	1.86 %	1.20 %	1.68 %
Community Banking	4.36 %	4.03 %	4.01 %	3.37 %	4.59 %	2.55 %
<b>Total loans and leases</b>	<b>2.61 %</b>	<b>2.71 %</b>	<b>2.10 %</b>	<b>2.08 %</b>	<b>1.70 %</b>	<b>1.88 %</b>

<sup>(1)</sup> Represents the Company's allowance coverage ratio upon the adoption of the Accounting Standards Update 2016-13 using September 30, 2020 loan and lease and allowance balances plus the CECL allowance adjustment.

Management closely monitors economic developments and considers these factors when assessing the appropriateness of its ACL. The Company's allowance for credit losses as a percentage of total loans and leases decreased to 2.61% at June 30, 2021 from 2.71% at March 31, 2021. The decrease in the total loans and leases coverage ratio reflected a seasonal reduction in the allowance of the tax services loan portfolios. The coverage ratios for the other non-tax-related loan categories remained relatively similar to the March 31, 2021 quarter. The Company expects to continue to diligently monitor the ACL and adjust as necessary in future periods to maintain an appropriate and supportable level.

Management believes that, based on a detailed review of the loan and lease portfolio, historic loan and lease losses, current economic conditions, the size of the loan and lease portfolio and other factors, the level of the ACL at June 30, 2021 reflected an appropriate allowance against inherent credit losses from the lending portfolio. Although the Company maintains its ACL at a level it considers to be appropriate, investors and others are cautioned that there can be no assurance that future losses will not exceed estimated amounts, or that additional provisions for loan and lease losses will not be required in future periods. In addition, the Company's determination of the ACL is subject to review by the OCC, which can require the establishment of additional general or specific allowances.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's financial statements are prepared in accordance with GAAP. The financial information contained within these financial statements is, to a significant extent, based on approximate measures of the financial effects of transactions and events that have already occurred. Management has identified its critical accounting policies, which are those policies that, in management's view, are most important in the portrayal of our financial condition and results of operations, and include those for the ACL, goodwill and identifiable intangible assets. These policies involve complex and subjective decisions and assessments. Some of these estimates may be uncertain at the time they are made, could change from period to period, and could have a material impact on the financial statements. A discussion of the Company's critical accounting policies and estimates can be found in the Company's Annual Report on Form 10-K for the year ended September 30, 2020. There were no significant changes to these critical accounting policies and estimates during the first nine months of fiscal 2021.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, derived principally through its payments divisions, borrowings, principal and interest payments on loans and mortgage-backed securities, and maturing investment securities. In addition, the Company utilizes wholesale deposit sources to provide temporary funding when necessary or when favorable terms are available. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan repayments are influenced by the level of interest rates, general economic conditions and competition. The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposits and loan commitments, to maintain liquidity, and to meet operating expenses. At June 30, 2021, the Company had commitments to originate and purchase loans and unused lines of credit totaling \$1.32 billion. The Company believes that loan repayments and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

Pursuant to the Basel III Capital Rules, the Company and the Bank, respectively, are subject to regulatory capital adequacy requirements promulgated by the Federal Reserve and the OCC. The Basel III Capital Rules became effective for us and the Bank on January 1, 2015, subject to phase-in periods for certain of their components and other provisions. Failure by the Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by our regulators that could have a material adverse effect on our consolidated financial statements. Under the capital requirements and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum ratios (set forth in the table below) of total risk-based capital and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio consisting of Tier 1 capital (as defined) to average assets (as defined). At June 30, 2021, both the Bank and the Company remained above the applicable federal regulatory minimum capital requirements, continued to be classified as well-capitalized, and remained in good standing with the regulatory agencies. The Company and the Bank made the accumulated other comprehensive income ("AOCI") opt-out election; under the rule, non-advanced approach banking organizations were given a one-time option to exclude certain AOCI components.

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

At June 30, 2021	Company	Bank	Minimum to be Adequately Capitalized Under Prompt Corrective Action Provisions	Minimum to be Well Capitalized Under Prompt Corrective Action Provisions
Tier 1 leverage capital ratio	6.85 %	7.83 %	4.00 %	5.00 %
Common equity Tier 1 capital ratio	12.76 %	14.94 %	4.50 %	6.50 %
Tier 1 capital ratio	13.11 %	14.96 %	6.00 %	8.00 %
Total capital ratio	16.18 %	16.22 %	8.00 %	10.00 %

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

	Standardized Approach <sup>(1)</sup> June 30, 2021
(Dollars in Thousands)	
Total stockholders' equity	\$ 876,633
Adjustments:	
LESS: Goodwill, net of associated deferred tax liabilities	301,179
LESS: Certain other intangible assets	35,100
LESS: Net deferred tax assets from operating loss and tax credit carry-forwards	17,753
LESS: Net unrealized gains on available-for-sale securities	14,750
LESS: Noncontrolling interest	1,490
ADD: Adoption of Accounting Standards Update 2016-13	13,913
Common Equity Tier 1 Capital <sup>(1)</sup>	520,274
Long-term borrowings and other instruments qualifying as Tier 1	13,661
Tier 1 minority interest not included in common equity tier 1 capital	932
Total Tier 1 Capital	534,867
Allowance for loan and lease losses	51,317
Subordinated debentures (net of issuance costs)	73,936
Total Capital	\$ 660,119

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

The following table provides a reconciliation of tangible common equity and tangible common equity excluding AOCI, each of which is used in calculating tangible book value data, to Total Stockholders' Equity. Each of tangible common equity and tangible common equity excluding AOCI is a non-GAAP financial measure that is commonly used within the banking industry.

	June 30, 2021
(Dollars in Thousands)	
Total Stockholders' Equity	\$ 876,633
LESS: Goodwill	309,505
LESS: Intangible assets	34,898
Tangible common equity	532,230
LESS: AOCI	15,222
Tangible common equity excluding AOCI	\$ 517,008

Since January 1, 2016, the Company and the Bank have been required to maintain a capital conservation buffer above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively composed of Common Equity Tier 1 capital, and it applies to each of the three risk-based capital ratios but not the leverage ratio. The required Common Equity Tier 1 risk-based, Tier 1 risk-based and total risk-based capital ratios with the buffer are currently 7.0%, 8.5% and 10.5%, respectively.

Based on current and expected continued profitability and subject to continued access to capital markets, we believe that the Company and the Bank will continue to meet the capital conservation buffer of 2.5% in addition to required minimum capital ratios.

## CONTRACTUAL OBLIGATIONS

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations" in the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 2020 for a summary of our contractual obligations as of September 30, 2020. There were no material changes outside the ordinary course of our business in contractual obligations from September 30, 2020 through June 30, 2021.

## OFF-BALANCE SHEET FINANCING ARRANGEMENTS

For discussion of the Company's off-balance sheet financing arrangements at June 30, 2021, see Note 15 to our Condensed Consolidated Financial Statements included in Part I, Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q. Depending on the extent to which the commitments or contingencies described in Note 15 occur, the effect on the Company's capital and net income could be significant.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

#### MARKET RISK

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

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

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 the need to fulfill the Company's asset/liability management goals.

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

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

#### Interest Rate Risk ("IRR")

*Overview.* The Company actively manages interest rate risk, as changes in market interest rates can have a significant impact on reported earnings. The Company's interest rate risk analysis is designed to compare income and economic valuation simulations in market scenarios designed to alter the direction, magnitude and speed of interest rate changes, as well as the slope of the yield curve. The Company does not currently engage in trading activities to control interest rate risk although it may do so in the future, if deemed necessary, to help manage interest rate risk.

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



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

The EAR analysis used in the following table reflects the required analysis used no less than quarterly by management. It models basis point parallel shifts in market interest rates over the next one-year period. The following table shows the results of the scenarios as of June 30, 2021:

#### Net Sensitive Earnings at Risk

(Dollars in Thousands)	Book Value	Change in Interest Income/Expense for a given change in interest rates					
		Over / (Under) Base Case Parallel Shift					
		-100	Base	+100	+200	+300	+400
Total interest-sensitive income	6,268,481	263,528	277,435	304,821	332,381	360,703	389,144
Total interest-sensitive expense	509,340	672	824	1,954	3,111	4,281	5,493
Net interest-sensitive income		262,856	276,611	302,867	329,270	356,422	383,651
Percentage change from base	—	-5.0 %	— %	9.5 %	19.0 %	28.9 %	38.7 %

The EAR analysis reported at June 30, 2021, shows that Total Interest Sensitive Income will change more rapidly than Total Interest Sensitive Expense over the next year. IRR is a snapshot in time. The Company's business and deposits are predictably cyclical on a weekly, monthly and yearly basis. The Company's static IRR results could vary depending on which day of the week the month ends, primarily related to payroll processing and timing of when certain programs are prefunded and when the funds are received.

The Company believes that its portfolio of noninterest-bearing deposits provides a stable and profitable funding vehicle and a significant competitive advantage in a rising interest rate environment, as the Company's cost of funds would likely remain low.

Under EVE analysis, the economic value of financial assets, liabilities and off-balance sheet instruments is derived under each rate scenario. The economic value of equity is calculated as the difference between the estimated market value of assets and liabilities, net of the impact of off-balance sheet instruments.

The EVE analysis used in the following table reflects the required analysis used no less than quarterly by management. It models immediate basis point parallel shifts in market interest rates. The following table shows the results of the scenarios as June 30, 2021:

#### Economic Value Sensitivity

	Standard (Parallel Shift)				
	Economic Value of Equity at Risk %				
	-100	+100	+200	+300	+400
Percentage change from base	-13.8 %	9.3 %	16.4 %	22.2 %	27.7 %

The EVE at risk reported at June 30, 2021 shows that the economic value of equity position is expected to benefit from rising interest rates due to the large amount of noninterest-bearing funding.



**Item 4. Controls and Procedures.**

**CONTROLS AND PROCEDURES**

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

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Management, under the direction of its Chief Executive Officer and Chief Financial Officer, is responsible for maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "1934 Act")) that are designed to ensure that information required to be disclosed in reports filed or submitted under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on Form 10-Q, management evaluated the Company's disclosure controls and procedures. The evaluation was performed under the direction of the Company's Chief Executive Officer and Chief Financial Officer to determine the effectiveness, as of June 30, 2021, of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, at June 30, 2021, the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the three months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Based on this evaluation, management concluded that, as of the end of the period covered by this report, there were no changes in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the fiscal third quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting except as set forth above.

**META FINANCIAL GROUP, INC.**  
**PART II - OTHER INFORMATION**

**FORM 10-Q**

**Item 1. Legal Proceedings**

See “Legal Proceedings” under Note 15 to the “Notes to Condensed Consolidated Financial Statements” which is incorporated herein by reference.

**Item 1A. Risk Factors**

A description of our risk factors can be found in “Item 1A. Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. There were no material changes to those risk factors during the nine months ended June 30, 2021, except that the following risk factors are hereby added:

**We will be subject to heightened regulatory requirements if our total assets grow in excess of \$10 billion as of December 31 of any calendar year.**

As of June 30, 2021, our total assets were \$7.05 billion. While we intend to remain under the \$10 billion asset level, our total assets could exceed \$10 billion at the end of this calendar year. Our total assets increased substantially during certain periods of fiscal 2020 and fiscal 2021 as a result of our distribution of prepaid debit cards as part of the EIP program and deposits our prepaid partners received related to the EIP program. Although we did not expect the EIP program deposits to expand our total assets beyond \$10 billion, these deposits, in combination with Child Tax Credit (CTC) deposits, could result in such an increase. In addition to our current regulatory requirements, banks with \$10 billion or more in total assets are, among other things: examined directly by the CFPB with respect to various federal consumer financial laws; subject to reduced dividends on the Bank’s holdings of Federal Reserve Bank of Minneapolis common stock; subject to limits on interchange fees pursuant to the Durbin Amendment to the Dodd-Frank Act; subject to certain enhanced prudential standards; no longer treated as a “small institution” for FDIC deposit insurance assessment purposes; and no longer eligible to elect to be subject to the Community Bank Leverage ratio. Compliance with these additional ongoing requirements may necessitate additional personnel, the design and implementation of additional internal controls, or the incurrence of other significant expenses, any of which could have a significant adverse effect on our business, financial condition or results of operations. Our regulators may also consider our preparation for compliance with these regulatory requirements in the course of examining our operations generally or when considering any request from us or the Bank.

**We will become subject to reduced interchange income and could face related adverse business consequences if our total assets grow in excess of \$10 billion as of December 31 of any calendar year.**

Debit card interchange fee restrictions set forth in Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is known as the Durbin Amendment, as implemented by regulations of the Federal Reserve, cap the maximum debit interchange fee that a debit card issuer may receive per transaction. Debit card issuers with total consolidated assets of less than \$10 billion are exempt from these interchange fee restrictions. The exemption for small issuers ceases to apply as of July 1 of the year following the calendar year in which the debit card issuer has total consolidated assets of \$10 billion or more at calendar year-end. Our total assets increased substantially during certain periods of fiscal 2020 and fiscal 2021 as a result of our distribution of prepaid debit cards as part of the EIP program and deposits our prepaid partners received related to the EIP program. Although we do not expect the EIP program deposits to expand our total assets beyond \$10 billion at calendar year end, these deposits, in combination with CTC deposits, could result in such an increase. Any reduction in interchange income as a result of the loss of the exemption for small issuers under the Durbin Amendment could have a significant adverse effect on our business, financial condition and results of operations. Moreover, our loss of eligibility under the exemption for small issuers could adversely affect or reduce our ability to maintain certain of our fee-sharing prepaid card partnerships, which have the right to terminate our agreement with respect to certain financial services under such circumstances. See risk factor “We are dependent upon relationships with various third parties with respect to our operations, and our ability to maintain such relationships and the ability of such third parties to perform in accordance with the applicable agreements, could adversely affect our business” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

(a) None.

(b) None.

(c) Issuer Purchases of Equity Securities.

Meta's Board of Directors authorized a 7,500,000 share repurchase program on November 20, 2019 that is scheduled to expire on December 31, 2022. The share repurchase program became effective on November 21, 2019. The Company suspended its share repurchase activity in March 2020 and resumed repurchase activity during September 2020. The table below sets forth information regarding repurchases of our common stock during the fiscal 2021 third quarter.

Period	Total Number of Shares Repurchased <sup>(1)</sup>	Average Price Paid per Share <sup>(1),(2)</sup>	Total Number Of Shares Purchased As Part of Publicly Announced Plans Or Programs	Maximum Number Of Shares that may yet be Purchased Under the Plans or Programs
April 1 to 30	—	\$ —	—	1,550,173
May 1 to 31	829	49.26	—	1,550,173
June 1 to 30	—	—	—	1,550,173
Total	829		—	

<sup>(1)</sup> These shares were acquired in satisfaction of the tax withholding obligations of holders of restricted stock unit awards, which vested during the quarter.

<sup>(2)</sup> The average price paid per share is calculated on a trade date basis for all open market transactions and excludes commissions and other transaction expenses.

**Item 6. Exhibits.**

Exhibit Number	Description
10.1*	Severance and General Release Agreement, effective as of April 30, 2021, by and between MetaBank, N.A., and Sheree S. Thornsberry (incorporated by reference to Exhibit 10.1 of Meta Financial Corporation's Form 8-K filed with the SEC on May 3, 2021).
10.2+	Executive Nonqualified Deferred Compensation Plan Adoption Agreement (incorporated by reference to Exhibit 10.1 of Meta Financial Corporation's Form 8-K filed with the SEC on May 20, 2021).
10.3+	Executive Nonqualified Deferred Compensation Plan Document (incorporated by reference to Exhibit 10.2 of Meta Financial Corporation's Form 8-K filed with the SEC on May 20, 2021).
10.4+	First Amendment to the MetaBank, National Association Amended and Restated Supplemental Employees' Investment Plan for Salaried Employees (incorporated by reference to Exhibit 10.3 of Meta Financial Corporation's Form 8-K filed with the SEC on May 20, 2021).
<a href="#">31.1</a>	Section 302 certification of Chief Executive Officer.
<a href="#">31.2</a>	Section 302 certification of Chief Financial Officer.
<a href="#">32.1</a>	Section 906 certification of Chief Executive Officer.
<a href="#">32.2</a>	Section 906 certification of Chief Financial Officer.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 formatted in Inline Extensible Business Reporting Language (iXBRL) includes: (i) Cover Page, (ii) Condensed Consolidated Statements of Financial Condition, (iii) Condensed Consolidated Statements of Operations, (iv) Condensed Consolidated Statements of Comprehensive Income, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, (vi) Condensed Consolidated Statements of Cash Flows, and (vii) Notes to Condensed Consolidated Financial Statements, tagged in summary and in detail.
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101).

\* Certain schedules or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that the Company may request confidential treatment for any schedule or exhibit so furnished.

+ Management contract or compensatory plan or arrangement.

**META FINANCIAL GROUP, INC.**

**SIGNATURES**

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

**META FINANCIAL GROUP, INC.**

Date: August 9, 2021

By: /s/ Bradley C. Hanson  
Bradley C. Hanson,  
President, Chief Executive Officer and Director

Date: August 9, 2021

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

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

I, Bradley C. Hanson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Meta Financial Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2021

/s/ Bradley C. Hanson  
President and Chief Executive Officer

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

I, Glen W. Herrick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Meta Financial Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2021

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

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

In connection with the Quarterly Report on Form 10-Q of Meta Financial Group, Inc. (the "Company") for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradley C. Hanson, the Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Bradley C. Hanson  
Name: Bradley C. Hanson  
President and Chief Executive Officer  
August 9, 2021



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

In connection with the Quarterly Report on Form 10-Q of Meta Financial Group, Inc. (the "Company") for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glen W. Herrick, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Glen W. Herrick

Name: Glen W. Herrick

Executive Vice President and Chief Financial Officer

August 9, 2021