MEXICO FUND INC
Form 8-K
March 07, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 28, 2018

The Mexico Fund, Inc.
(Exact name of registrant as specified in its charter)

Maryland	811-02409	13 306 9854
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

6700 Alexander Bell Drive, Suite 200
Columbia, Maryland 21046
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(202) 261-7941

(none)
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure

Pursuant to Regulation FD Rules 100-103, The Mexico Fund, Inc. (the "Fund") furnishes the Monthly Summary Report of the Fund's Investment Adviser.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

The following exhibit is filed as part of this report:

(i) February 2018 Monthly Summary Report

SIGNATURE

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 hereunto duly authorized.

The Mexico Fund, Inc.

Date: March 7, 2018 By: /s/ Douglas P. Dick
Douglas P. Dick
Secretary

ALIGN: bottom">
190,000

Securities sold under agreements to repurchase

5,526

9,146

Subordinated debentures

10,310

10,310

Accrued interest payable

167

291

Contingent liability

331

331

Accrued expenses and other liabilities

11,403

16,644

Total liabilities

1,734,897

1,549,005

STOCKHOLDERS' EQUITY

Preferred stock, 3,000,000 shares authorized, no shares issued or outstanding at March 31, 2014 and September 30, 2013, respectively

-

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Common stock, $.01 par value; 10,000,000 shares authorized, 6,173,674 and 6,132,744 shares issued, 6,129,299 and 6,070,654 shares outstanding at March 31, 2014 and September 30, 2013, respectively

62

61

Additional paid-in capital

93,984

92,963

Retained earnings

77,826

71,268

Accumulated other comprehensive income (loss)

(15,485
)

(20,285
)
Treasury stock, 44,375 and 62,090 common shares, at cost, at March 31, 2014 and September 30, 2013, respectively

(727
)

(1,023
)
Total stockholders' equity

155,660

142,984

Total liabilities and stockholders’ equity

$
1,890,557

$
1,691,989

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Interest and dividend income:				
Loans receivable, including fees	$4,750	$3,735	$9,221	$7,862
Mortgage-backed securities	3,925	3,111	7,608	6,045
Other investments	3,388	2,872	6,396	5,441
	12,063	9,718	23,225	19,348
Interest expense:				
Deposits	221	284	494	709
FHLB advances and other borrowings	323	529	699	937
	544	813	1,193	1,646
Net interest income	11,519	8,905	22,032	17,702
Provision (recovery) for loan losses	300	(300)	300	(300)
Net interest income after provision for loan losses	11,219	9,205	21,732	18,002
Non-interest income:				
Card fees	12,055	13,960	24,948	25,496
Loan fees	438	234	645	502
Bank-owned life insurance	281	293	570	418
Deposit fees	140	154	297	322
Gain (loss) on sale of securities available for sale, net (Includes $98 and $97 reclassified from accumulated other comprehensive income for net gains on available for sale securities for the three and six months ended March 31, 2014, respectively)	98	322	97	1,976
Gain (loss) on foreclosed real estate	2	87	5	(313)
Other income	49	45	88	104
Total non-interest income	13,063	15,095	26,650	28,505
Non-interest expense:				
Compensation and benefits	10,019	9,116	18,970	17,393
Card processing	3,573	4,978	7,818	8,663
Occupancy and equipment	2,498	1,986	4,549	4,007
Legal and consulting	783	854	2,166	1,774
Data processing	338	291	672	611
Marketing	213	201	433	471
Impairment on assets held for sale	-	361	-	361
Other expense	2,319	2,798	4,196	5,383
Total non-interest expense	19,743	20,585	38,804	38,663

Income before income tax expense	4,539	3,715	9,578	7,844
Income tax expense (Includes $36 and $35 income tax expense reclassified from accumulated other comprehensive income for the three and six months ended March 31, 2014, respectively)	395	568	1,432	1,572
Net income	$4,144	$3,147	$8,146	$6,272
Earnings per common share:				
Basic	$0.68	$0.57	$1.34	$1.15
Diluted	$0.67	$0.57	$1.32	$1.14

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Net income	$4,144	$3,147	$8,146	$6,272
Other comprehensive income (loss):				
Change in net unrealized gain (loss) on securities	14,286	(8,303)	7,745	(11,446)
Losses (gains) realized in net income	(98)	(322)	(97)	(1,976)
	14,188	(8,625)	7,648	(13,422)
Deferred income tax effect	5,180	(3,299)	2,848	(5,134)
Total other comprehensive income (loss)	9,008	(5,326)	4,800	(8,288)
Total comprehensive income (loss)	$13,152	$(2,179)	$12,946	$(2,016)

See Notes to Condensed Consolidated Financial Statements.
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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Six Months Ended March 31, 2014 and 2013
(Dollars in Thousands, Except Share and Per Share Data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, September 30, 2012	$ 56	$ 78,769	$ 60,776	$ 8,513	$ (2,255)	$ 145,859
Cash dividends declared on common stock ($0.26 per share)	-	-	(1,426)	-	-	(1,426)
Issuance of common shares from the sales of equity securities	-	(123)	-	-	-	(123)
Issuance of 54,033 common shares from treasury stock due to issuance of restricted stock	-	(10)	-	-	970	960
Stock compensation	-	121	-	-	-	121
Net change in unrealized losses on securities, net of income taxes	-	-	-	(8,288)	-	(8,288)
Net income	-	-	6,272	-	-	6,272
Balance, March 31, 2013	$ 56	$ 78,757	$ 65,622	$ 225	$ (1,285)	$ 143,375
Balance, September 30, 2013	$ 61	$ 92,963	$ 71,268	$ (20,285)	$ (1,023)	$ 142,984
Cash dividends declared on common stock ($0.26 per share)	-	-	(1,588)	-	-	(1,588)
Issuance of common shares from the sales of equity securities	1	(52)	-	-	-	(51)
Issuance of 17,715 common shares from treasury stock due to exercise of stock options	-	1,040	-	-	296	1,336
Stock compensation	-	33	-	-	-	33
Net change in unrealized losses on securities, net of income taxes	-	-	-	4,800	-	4,800

Net income	-	-	8,146	-	-	8,146
Balance, March 31, 2014	$ 62	$ 93,984	$ 77,826	$ (15,485)	$ (727)	$ 155,660

See Notes to Condensed Consolidated Financial Statements.
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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in Thousands)

	Six Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income	$8,146	$6,272
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion, net	8,979	9,634
Provision (recovery) for loan losses	300	(300)
Provision (recovery) for deferred taxes	(694)	-
(Gain) loss on other assets	(39)	(6)
(Gain) loss on sale of securities available for sale, net	(97)	(1,976)
Net change in accrued interest receivable	(1,026)	(1,516)
Impairment on assets held for sale	-	361
Net change in other assets	(1,875)	(2,303)
Net change in accrued interest payable	(124)	10
Net change in accrued expenses and other liabilities	(5,241)	(55,554)
Net cash provided by (used in) operating activities	8,329	(45,378)
Cash flows from investing activities:		
Purchase of securities available for sale	(257,319)	(406,511)
Proceeds from sales of securities available for sale	68,167	150,059
Proceeds from maturities and principal repayments of securities available for sale	39,650	116,302
Purchase of securities held to maturity	(7,410)	-
Proceeds from securities held to maturity	3,302	-
Purchase of bank owned life insurance	(500)	(18,000)
Loans purchased	(1,784)	(1,075)
Net change in loans receivable	(44,103)	(2,571)
Proceeds from sales of foreclosed real estate	-	427
Federal Home Loan Bank stock purchases	(186,691)	(204,522)
Federal Home Loan Bank stock redemptions	186,040	204,700
Proceeds from the sale of premises and equipment	1,169	5
Purchase of premises and equipment	(969)	(3,690)
Net cash provided by (used in) investing activities	(200,448)	(164,876)
Cash flows from financing activities:		
Net change in checking, savings, and money market deposits	238,479	196,252
Net change in time deposits	(58,602)	(18,826)
Repayment of FHLB and other borrowings	-	(4,000)
Proceeds from federal funds purchased	15,000	-
Net change in securities sold under agreements to repurchase	(3,620)	(18,724)
Cash dividends paid	(1,588)	(1,426)
Stock compensation	33	121
Proceeds from issuance of common stock	1,285	837
Net cash provided by (used in) financing activities	190,987	154,234

Net change in cash and cash equivalents	(1,132)	(56,020)
Cash and cash equivalents at beginning of period	40,063	145,051
Cash and cash equivalents at end of period	$38,931	$89,031
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$1,317	$1,637
Income taxes	2,677	3,342

See Notes to Condensed Consolidated Financial Statements.

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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, 2013 included in Meta Financial Group, Inc.'s ("Meta Financial" or the "Company") Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on December 16, 2013. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the audited consolidated financial statements have been omitted.

The financial information of the Company included herein has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments), that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of the three and six month periods ended March 31, 2014, are not necessarily indicative of the results expected for the year ending September 30, 2014.

NOTE 2. CREDIT DISCLOSURES

The allowance for loan losses represents management's estimate of probable loan losses which have been incurred as of the date of the consolidated financial statements. The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Estimating the risk of loss and the amount of loss on any loan is necessarily subjective. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management may periodically allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge-offs that occur.

Loans are considered impaired if full principal or interest payments are not probable in accordance with the contractual loan terms. Impaired loans are carried at the present value of expected future cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent.

The allowance consists of specific, general, and unallocated components. The specific component relates to impaired loans. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers loans not considered impaired and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Smaller-balance homogenous loans are collectively evaluated for impairment. Such loans include residential first mortgage loans secured by one-to-four family residences, residential construction loans, and automobile, manufactured homes, home equity and second mortgage loans. Commercial and agricultural loans and mortgage loans secured by other properties are evaluated individually for impairment. When analysis of borrower operating results and financial condition indicates that underlying cash flows of the borrower's business are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Often this is associated with a delay or shortfall in payments of 90 days or more. Non-accrual loans and all troubled debt restructurings are considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

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Loans receivable at March 31, 2014 and September 30, 2013 are as follows:

	March 31, 2014	September 30, 2013
	(Dollars in Thousands)	
One to four family residential mortgage loans	$99,727	$82,287
Commercial and multi-family real estate loans	211,335	192,786
Agricultural real estate loans	35,206	29,552
Consumer loans	27,112	30,314
Commercial operating loans	22,030	16,264
Agricultural operating loans	35,770	33,750
Total Loans Receivable	431,180	384,953
Less:		
Allowance for loan losses	(4,572)	(3,930)
Net deferred loan origination fees	(593)	(595)
Total Loans Receivable, Net	$426,015	$380,428

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Activity in the allowance for loan losses and balances of loans receivable by portfolio segment for the three and six month periods ended March 31, 2014 and 2013 is as follows:

	1-4 Family Residential	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	Unallocated	Total
Three Months Ended March 31, 2014								
Allowance for loan losses:								
Beginning balance	$ 341	$ 1,552	$ 124	$ 72	$ 56	$ 248	$ 1,865	$ 4,258
Provision (recovery) for loan losses	(54)	114	111	(1)	(4)	230	(96)	300
Loan charge offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	14	-	-	14
Ending balance	$ 287	$ 1,666	$ 235	$ 71	$ 66	$ 478	$ 1,769	$ 4,572
Six Months Ended March 31, 2014								
Allowance for loan losses:								
Beginning balance	$ 333	$ 1,937	$ 112	$ 74	$ 49	$ 267	$ 1,158	$ 3,930
Provision (recovery) for loan losses	(46)	(599)	123	(3)	3	211	611	300
Loan charge offs	-	-	-	-	-	-	-	-
Recoveries	-	328	-	-	14	-	-	342
Ending balance	$ 287	$ 1,666	$ 235	$ 71	$ 66	$ 478	$ 1,769	$ 4,572
Ending balance: individually evaluated for impairment	25	366	-	-	-	-	-	391
Ending balance: collectively evaluated for impairment	262	1,300	235	71	66	478	1,769	4,181
Total	$ 287	$ 1,666	$ 235	$ 71	$ 66	$ 478	$ 1,769	$ 4,572
Loans:								
Ending balance: individually evaluated for impairment	673	5,703	-	-	30	-	-	6,406
Ending balance: collectively evaluated for impairment	99,054	205,632	35,206	27,112	22,000	35,770	-	424,774
Total	$ 99,727	$ 211,335	$ 35,206	$ 27,112	$ 22,030	$ 35,770	$ -	$ 431,180

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	1-4 Family Residential	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	Unallocated	Total
Three Months Ended March 31, 2013								
Allowance for loan losses:								
Beginning balance	$ 188	$ 2,870	$ 1	$ 3	$ 50	$ 18	$ 833	$ 3,963
Provision (recovery) for loan losses	77	(543)	-	-	(65)	(1)	232	(300)
Loan charge offs	-	-	-	-	-	-	-	-
Recoveries	-	2	-	1	40	-	-	43
Ending balance	$ 265	$ 2,329	$ 1	$ 4	$ 25	$ 17	$ 1,065	$ 3,706
Six Months Ended March 31, 2013								
Allowance for loan losses:								
Beginning balance	$ 193	$ 3,113	$ 1	$ 3	$ 49	$ -	$ 612	$ 3,971
Provision (recovery) for loan losses	72	(778)	-	-	(64)	17	453	(300)
Loan charge offs	-	(8)	-	-	-	-	-	(8)
Recoveries	-	2	-	1	40	-	-	43
Ending balance	$ 265	$ 2,329	$ 1	$ 4	$ 25	$ 17	$ 1,065	$ 3,706
Ending balance: individually evaluated for impairment	9	636	-	-	-	-	-	645
Ending balance: collectively evaluated for impairment	256	1,693	1	4	25	17	1,065	3,061
Total	$ 265	$ 2,329	$ 1	$ 4	$ 25	$ 17	$ 1,065	$ 3,706
Loans:								
Ending balance: individually evaluated for impairment	682	9,382	-	-	59	-	-	10,123
Ending balance: collectively evaluated for impairment	65,061	164,812	27,843	29,404	14,609	23,112	-	324,841
Total	$ 65,743	$ 174,194	$ 27,843	$ 29,404	$ 14,668	$ 23,112	$ -	$ 334,964

Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered by our regulator, the Office of the Comptroller of the Currency (the “OCC”), to be of lesser quality as “substandard,” “doubtful” or “loss.” The loan classification and risk rating definitions are as follows:

Pass- A pass asset is of sufficient quality in terms of repayment, collateral and management to preclude a special mention or an adverse rating.

Watch- A watch asset is generally credit performing well under current terms and conditions but with identifiable weakness meriting additional scrutiny and corrective measures. Watch is not a regulatory classification but can be used to designate assets that are exhibiting one or more weaknesses that deserve management's attention. These assets are of better quality than special mention assets.

Special Mention- Special mention assets are credits with potential weaknesses deserving management's close attention and if left uncorrected, may result in deterioration of the repayment prospects for the asset. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Special mention is a temporary status with aggressive credit management required to garner adequate progress and move to watch or higher.

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The adverse classifications are as follows:

Substandard- A substandard asset is inadequately protected by the net worth and/or repayment ability or by a weak collateral position. Assets so classified will have well-defined weaknesses creating a distinct possibility the Bank will sustain some loss if the weaknesses are not corrected. Loss potential does not have to exist for an asset to be classified as substandard.

Doubtful- A doubtful asset has weaknesses similar to those classified substandard, with the degree of weakness causing the likely loss of some principal in any reasonable collection effort. Due to pending factors the asset's classification as loss is not yet appropriate.

Loss- A loss asset is considered uncollectible and of such little value that the asset's continuance on the Bank's balance sheet is no longer warranted. This classification does not necessarily mean an asset has no recovery or salvage value leaving room for future collection efforts.

General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When assets are classified as "loss," the 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.

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

The asset classification of loans at March 31, 2014 and September 30, 2013 are as follows:

March 31, 2014

	1-4 Family Residential	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	Total
Pass	$ 99,083	$ 206,253	$ 32,121	$ 27,112	$ 22,030	$ 28,523	$415,122
Watch	316	862	-	-	-	1,810	2,988
Special Mention	83	99	1,940	-	-	147	2,269
Substandard	245	4,121	1,145	-	-	5,290	10,801
Doubtful	-	-	-	-	-	-	-
	$ 99,727	$ 211,335	$ 35,206	$ 27,112	$ 22,030	$ 35,770	$431,180

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September 30, 2013

	1-4 Family Residential	Commercial and Multi-Family Real Estate	Agricultural Real Estate	Consumer	Commercial Operating	Agricultural Operating	Total
Pass	$ 81,719	$ 177,513	$ 26,224	$ 30,314	$ 16,251	$ 26,362	$358,383
Watch	239	7,791	3,328	-	13	1,690	13,061
Special Mention	84	102	-	-	-	5,698	5,884
Substandard	245	7,380	-	-	-	-	7,625
Doubtful	-	-	-	-	-	-	-
	$ 82,287	$ 192,786	$ 29,552	$ 30,314	$ 16,264	$ 33,750	$384,953

One- to Four-Family Residential Mortgage Lending. One- to four-family residential mortgage loan originations are generated by the Company's marketing efforts, its present customers, walk-in customers and referrals. The Company offers fixed-rate and adjustable rate mortgage ("ARM") loans for both permanent structures and those under construction. The Company's one- to four-family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas.

The Company originates one- to four-family residential mortgage loans with terms up to a maximum of 30-years and with loan-to-value ratios up to 100% of the lesser of the appraised value of the security property or the contract price. The Company generally requires that private mortgage insurance be obtained in an amount sufficient to reduce the Company's exposure to at or below the 80% loan to value level, unless the loan is insured by the Federal Housing Administration, guaranteed by Veterans Affairs or guaranteed by the Rural Housing Administration. Residential loans generally do not include prepayment penalties.

The Company currently offers one, three, five, seven and ten year ARM loans. These loans have a fixed-rate for the stated period and, thereafter, such loans adjust annually. These loans generally provide for an annual cap of up to 200 basis points and a lifetime cap of 600 basis points over the initial rate. As a consequence of using an initial fixed-rate and caps, the interest rates on these loans may not be as rate sensitive as the Company's cost of funds. The Company's ARMs do not permit negative amortization of principal and are not convertible into a fixed rate loan. The Company's delinquency experience on its ARM loans has generally been similar to its experience on fixed-rate residential loans. The current low mortgage interest rate environment makes ARM loans relatively unattractive and very few are currently being originated.

Due to consumer demand, the Company also offers fixed-rate mortgage loans with terms up to 30 years, most of which conform to secondary market, i.e., Fannie Mae, Ginnie Mae, and Freddie Mac standards. Interest rates charged on these fixed-rate loans are competitively priced according to market conditions.

In underwriting one- to four-family residential real estate loans, the Company evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. Properties securing real estate loans made by the Company are appraised by independent appraisers approved by the Board of Directors. The Company generally requires borrowers to obtain an attorney's title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. Real estate loans originated by the Company generally contain a "due on sale" clause allowing the Company to declare the unpaid principal balance due and payable upon the sale of the security property. The Company has not engaged in sub-prime residential mortgage originations.

Commercial and Multi-Family Real Estate Lending. The Company engages in commercial and multi-family real estate lending in its primary market area and surrounding areas and, in order to supplement its loan portfolio, has

purchased whole loan and participation interests in loans from other financial institutions. The purchased loans and loan participation interests are generally secured by properties primarily located in the Midwest.
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The Company's commercial and multi-family real estate loan portfolio is secured primarily by apartment buildings, office buildings, and hotels. Commercial and multi-family real estate loans generally are underwritten with terms that do not exceed 20 years, have loan-to-value ratios of up to 80% of the appraised value of the security property, and are typically secured by personal guarantees of the borrowers. The Company has a variety of rate adjustment features and other terms in its commercial and multi-family real estate loan portfolio. Commercial and multi-family real estate loans provide for a margin over a number of different indices. In underwriting these loans, the Company currently analyzes the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Company are performed by independent appraisers.

Commercial and multi-family real estate loans generally present a higher level of risk than loans secured by one- to four-family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by commercial and multi-family real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed, or a bankruptcy court modifies a lease term, or a major tenant is unable to fulfill its lease obligations), the borrower's ability to repay the loan may be impaired.

Agricultural Lending. The Company originates loans to finance the purchase of farmland, livestock, farm machinery and equipment, seed, fertilizer and other farm-related products. Agricultural operating loans are originated at either an adjustable or fixed-rate of interest for up to a one year term or, in the case of livestock, upon sale. Such loans provide for payments of principal and interest at least annually or a lump sum payment upon maturity if the original term is less than one year. Loans secured by agricultural machinery are generally originated as fixed-rate loans with terms of up to seven years.

Agricultural real estate loans are frequently originated with adjustable rates of interest. Generally, such loans provide for a fixed rate of interest for the first five to ten years, which then balloon or adjust annually thereafter. In addition, such loans generally amortize over a period of 20 to 25 years. Fixed-rate agricultural real estate loans generally have terms up to ten years. Agricultural real estate loans are generally limited to 75% of the value of the property securing the loan.

Agricultural lending affords the Company the opportunity to earn yields higher than those obtainable on one- to four-family residential lending. Agricultural lending involves a greater degree of risk than one- to four-family residential mortgage loans because of the typically larger loan amount. In addition, payments on loans are dependent on the successful operation or management of the farm property securing the loan or for which an operating loan is utilized. The success of the loan may also be affected by many factors outside the control of the borrower.

Weather presents one of the greatest risks as hail, drought, floods, or other conditions, can severely limit crop yields and thus impair loan repayments and the value of the underlying collateral. This risk can be reduced by the farmer with a variety of insurance coverages which can help to ensure loan repayment. Government support programs and the Company generally require that farmers procure crop insurance coverage. Grain and livestock prices also present a risk as prices may decline prior to sale resulting in a failure to cover production costs. These risks may be reduced by the farmer with the use of futures contracts or options to mitigate price risk. The Company frequently requires borrowers to use futures contracts or options to reduce price risk and help ensure loan repayment. Another risk is the uncertainty of government programs and other regulations. During periods of low commodity prices, the income from government programs can be a significant source of cash for the borrower to make loan payments, and if these programs are discontinued or significantly changed, cash flow problems or defaults could result. Finally, many farms are dependent on a limited number of key individuals upon whose injury or death may result in an inability to successfully operate the farm.

Consumer Lending – Retail Bank. The Company, through the auspices of its “Retail Bank”, originates a variety of secured consumer loans, including home equity, home improvement, automobile, boat and loans secured by savings deposits. In addition, the Retail Bank offers other secured and unsecured consumer loans. The Retail Bank currently originates most of its consumer loans in its primary market area and surrounding areas.

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The largest component of the Retail Bank's consumer loan portfolio consists of home equity loans and lines of credit. Substantially all of the Retail Bank's home equity loans and lines of credit are secured by second mortgages on principal residences. The Retail Bank will lend amounts which, together with all prior liens, may be up to 90% of the appraised value of the property securing the loan. Home equity loans and lines of credit generally have maximum terms of five years.

The Retail Bank primarily originates automobile loans on a direct basis. Direct loans are loans made when the Retail Bank extends credit directly to the borrower, as opposed to indirect loans, which are made when the Retail Bank purchases loan contracts, often at a discount, from automobile dealers which have extended credit to their customers. The Bank's automobile loans typically are originated at fixed interest rates with terms up to 60 months for new and used vehicles. Loans secured by automobiles are generally originated for up to 80% of the N.A.D.A. book value of the automobile securing the loan.

Consumer loan terms vary according to the type and value of collateral, length of contract and creditworthiness of the borrower. The underwriting standards employed by the Bank for consumer loans include an application, a determination of the applicant's payment history on other debts and an assessment of ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount.

Consumer loans may entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Consumer Lending- Meta Payment Systems ("MPS"). MPS offers portfolio lending on a nationwide basis. MPS has a loan committee consisting of members of Executive Management. This committee, known as the MPS Credit Committee, is charged with monitoring, evaluating, and reporting portfolio performance and the overall credit risk posed by its credit products. All proposed credit programs must first be reviewed and approved by the committee before such programs are presented to the Bank's Board of Directors for approval. The Board of Directors of the Bank is ultimately responsible for final approval of any credit program and, under the terms of a Consent Order, must seek prior permission from the Bank's primary federal regulator to originate new credit programs.

The Company believes that well-managed, nationwide credit programs can help meet legitimate credit needs for prime and sub-prime borrowers, and affords the Company an opportunity to diversify the loan portfolio and minimize earnings exposure due to economic downturns. Therefore, subject to the Consent Order referenced above, MPS designs and administers certain credit programs that seek to accomplish these objectives.

MPS strives to offer consumers innovative payment products, including credit products. Most credit products have fallen into the category of portfolio lending. MPS continues to work on new alternative portfolio lending products striving to serve its core customer base and provide unique and innovative lending solutions to the unbanked and under-banked segment. This effort has been supported by recent enhancements to the MPS Credit Policy for Portfolio Lending Programs.

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A Portfolio Credit Policy which has been approved by the Board of Directors governs portfolio credit initiatives undertaken by MPS, whereby the Company retains some or all receivables and relies on the borrower as the underlying source of repayment. Several portfolio lending programs also have a contractual provision that requires the Bank to be indemnified for credit losses that meet or exceed predetermined levels. Such a program carries additional risks not commonly found in sponsorship programs, specifically funding and credit risk. Therefore, MPS strives to employ policies, procedures, and information systems that it believes are commensurate with the added risk and exposure. Our third party relationship programs have been limited to third party relationships in existence at the time the directives were issued, absent prior approval to engage in new relationships.

The MPS Credit Committee is responsible for monitoring, identifying and evaluating the credit concentrations attributable to MPS, to determine the potential risk to the Bank. An evaluation includes the following:

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

Pursuant to the terms of its Consent Order, the Bank adopted a new concentration policy including enhanced risk analysis, monitoring and management for its respective concentration limits.

Commercial Operating Lending. The Company also originates commercial operating loans. Most of the Company’s commercial operating loans have been extended to finance local and regional businesses and include short-term loans to finance machinery and equipment purchases, inventory and accounts receivable. Commercial loans also involve the extension of revolving credit for a combination of equipment acquisitions and working capital in expanding companies.

The maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Generally, the maximum term on non-mortgage lines of credit is one year. The loan-to-value ratio on such loans and lines of credit generally may not exceed 80% of the value of the collateral securing the loan. The Company’s commercial operating lending policy includes credit file documentation and analysis of the borrower’s character, capacity to repay the loan, the adequacy of the borrower’s capital and collateral as well as an evaluation of conditions affecting the borrower. Analysis of the borrower’s past, present and future cash flows is also an important aspect of the Company’s current credit analysis. Nonetheless, such loans are believed to carry higher credit risk than more traditional lending activities.

Unlike residential mortgage loans, which generally are made on the basis of the borrower’s ability to make repayment from his or her employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial operating loans typically are made on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business. As a result, the availability of funds for the repayment of commercial operating loans may be substantially dependent on the success of the business itself (which, in turn, is likely to be dependent upon the general economic environment). The Company’s commercial operating loans are usually, but not always, secured by business assets and personal guarantees. However, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

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

current and has demonstrated a sustained period of satisfactory performance.

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Past due loans at March 31, 2014 and September 30, 2013 are as follows:

March 31, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Non-Accrual Loans	Total Loans Receivable
Residential 1-4 Family	$112	$ -	$ -	$112	$99,333	$ 282	$ 99,727
Commercial Real Estate and Multi-Family	-	-	-	-	211,019	316	211,335
Agricultural Real Estate	-	-	-	-	35,206	-	35,206
Consumer	156	-	4	160	26,952	-	27,112
Commercial Operating	-	-	-	-	22,030	-	22,030
Agricultural Operating	388	-	-	388	35,382	-	35,770
Total	$656	$ -	$ 4	$660	$429,922	$ 598	$ 431,180

September 30, 2013	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Non-Accrual Loans	Total Loans Receivable
Residential 1-4 Family	$53	$ -	$ 245	$298	$81,744	$ 245	$ 82,287
Commercial Real Estate and Multi-Family	102	-	107	209	192,150	427	192,786
Agricultural Real Estate	1,169	-	-	1,169	28,383	-	29,552
Consumer	29	21	13	63	30,251	-	30,314
Commercial Operating	-	-	-	-	16,257	7	16,264
Agricultural Operating	-	-	-	-	33,750	-	33,750
Total	$1,353	$ 21	$ 365	$1,739	$382,535	$ 679	$ 384,953

Impaired loans at March 31, 2014 and September 30, 2013 are as follows:

March 31, 2014	Recorded Balance	Unpaid Principal Balance	Specific Allowance
Loans without a specific valuation allowance			
Residential 1-4 Family	$ 392	$ 392	$ -
Commercial Real Estate and Multi-Family	4,408	4,408	-
Agricultural Real Estate	-	-	-
Consumer	-	-	-
Commercial Operating	30	30	-
Agricultural Operating	-	-	-
Total	$ 4,830	$ 4,830	$ -
Loans with a specific valuation allowance			
Residential 1-4 Family	$ 281	$ 281	$ 25
Commercial Real Estate and Multi-Family	1,295	1,295	366
Agricultural Real Estate	-	-	-
Consumer	-	-	-
Commercial Operating	-	-	-
Agricultural Operating	-	-	-

Total	$ 1,576	$ 1,576	$ 391

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September 30, 2013	Recorded Balance	Unpaid Principal Balance	Specific Allowance
Loans without a specific valuation allowance			
Residential 1-4 Family	$ 359	$ 359	$ -
Commercial Real Estate and Multi-Family	4,527	4,535	-
Agricultural Real Estate	-	-	-
Consumer	-	-	-
Commercial Operating	45	60	-
Agricultural Operating	-	-	-
Total	$ 4,931	$ 4,954	$ -
Loans with a specific valuation allowance			
Residential 1-4 Family	$ 282	$ 282	$ 25
Commercial Real Estate and Multi-Family	2,107	2,107	404
Agricultural Real Estate	-	-	-
Consumer	-	-	-
Commercial Operating	-	-	-
Agricultural Operating	-	-	-
Total	$ 2,389	$ 2,389	$ 429

The following table provides the average recorded investment in impaired loans for the three and six month periods ended March 31, 2014 and 2013.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment
Residential 1-4 Family	$676	$ 650	$665	$ 548
Commercial Real Estate and Multi-Family	7,512	8,104	7,370	8,537
Agricultural Real Estate	-	-	-	-
Consumer	-	1	-	1
Commercial Operating	37	63	41	48
Agricultural Operating	-	-	-	-
Total	$8,226	$ 8,818	$8,076	$ 9,134

The Company's troubled debt restructurings ("TDR") typically involve forgiving a portion of interest or principal on existing loans or making loans at a rate materially less than current market rates. There were no loans modified in a TDR during the three and six month periods ended March 31, 2014 and 2013. Additionally, there were no TDR loans for which there was a payment default during the three and six month periods ended March 31, 2014 and 2013 that had been modified during the 12-month period prior to the default.

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NOTE 3. ALLOWANCE FOR LOAN LOSSES

At March 31, 2014, the Company's allowance for loan losses was $4.6 million, an increase of $0.7 million from $3.9 million at September 30, 2013. During the six months ended March 31, 2014, the Company recorded a provision for loan losses of $0.3 million due to continued loan growth.

The allowance for loan losses represents management's estimate of probable loan losses which have been incurred as of the date of the consolidated financial statements. The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Estimating the risk of loss and the amount of loss on any loan is necessarily subjective. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management may periodically allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge-offs that occur.

The Company establishes its provision for loan losses, and evaluates the adequacy of its allowance for loan losses based upon a systematic methodology consisting of a number of factors including, among others, historic loss experience, the overall level of classified assets, non-performing loans, TDR loans, the composition of its loan portfolio and the general economic environment within which the Company and its borrowers operate.

Management closely monitors economic developments both regionally and nationwide, and considers these factors when assessing the adequacy of its allowance for loan losses. The economic slowdown, which recently has shown some signs of abating, continues to strain the financial condition of some borrowers. Management therefore believes that future losses in the residential portfolio may be somewhat higher than historical experience. It should be noted that a sizeable portion of the Company's consumer loan portfolio is secured by residential real estate. Over the past three years, loss rates in the commercial and multi-family real estate market have remained moderate. Management believes that future losses in this portfolio may be somewhat higher than recent historical experience. Loss rates in the agricultural real estate and agricultural operating loan portfolios have been minimal in the past three years primarily due to higher commodity prices as well as above average yields which have created positive economic conditions for most farmers in our markets. Nonetheless, management still expects that future losses in this portfolio, which have been very low, could be higher than recent historical experience. Management believes that various levels of drought weather conditions within our markets have the potential to negatively impact potential yields which would have a negative economic effect on our agricultural markets. Lower commodity prices than in prior years also has the potential to negatively affect some agricultural borrowers. In addition, management believes the continuing low growth environment may also negatively impact consumers' repayment capacities.

The allowance for loan losses established by MPS results from an estimation process that evaluates relevant characteristics of its credit portfolio(s). MPS also considers other internal and external environmental factors such as changes in operations or personnel and economic events that may affect the adequacy of the allowance for credit losses. Adjustments to the allowance for loan losses are recorded periodically based on the result of this estimation process. The exact methodology to determine the allowance for loan losses for each program will not be identical. Each program may have differing attributes including such factors as levels of risk, definitions of delinquency and loss, inclusion/exclusion of credit bureau criteria, roll rate migration dynamics, and other factors. Similarly, the additional capital required to offset the increased risk in subprime lending activities may vary by credit program. Each program is evaluated separately.

Management believes that, based on a detailed review of the loan portfolio, historic loan losses, current economic conditions, the size of the loan portfolio, and other factors, the current level of the allowance for loan losses at March 31, 2014 reflects an appropriate allowance against probable losses from the loan portfolio. Although the Company maintains its allowance for loan losses at a level that it considers to be adequate, investors and others are cautioned

that there can be no assurance that future losses will not exceed estimated amounts, or that additional provisions for loan losses will not be required in future periods. In addition, the Company's determination of the allowance for loan losses is subject to review by its regulatory agencies, the OCC and the Federal Reserve, which can require the establishment of additional general or specific allowances.

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NOTE 4. EARNINGS PER COMMON SHARE ("EPS")

Basic EPS is based on the net income divided by the weighted average number of common shares outstanding during the period. Allocated Employee Stock Ownership Plan ("ESOP") shares are considered outstanding for EPS calculations, as they are committed to be released; unallocated ESOP shares are not considered outstanding. All ESOP shares were allocated as of March 31, 2014 and September 30, 2013. Diluted EPS shows the dilutive effect of additional common shares issuable pursuant to stock option agreements.

A reconciliation of net income and common stock share amounts used in the computation of basic and diluted EPS for the three and six months ended March 31, 2014 and 2013 is presented below.

Three Months Ended March 31, (Dollars in Thousands, Except Share and Per Share Data)	2014	2013
Earnings		
Net Income	$4,144	$3,147
Basic EPS		
Weighted average common shares outstanding	6,119,679	5,490,960
Less weighted average nonvested shares	(4,967)	-
Weighted average common shares outstanding	6,114,712	5,490,960
Earnings Per Common Share		
Basic	$0.68	$0.57
Diluted EPS		
Weighted average common shares outstanding for basic earnings per common share	6,114,712	5,490,960
Add dilutive effect of assumed exercises of stock options, net of tax benefits	100,282	32,149
Weighted average common and dilutive potential common shares outstanding	6,214,994	5,523,109
Earnings Per Common Share		
Diluted	$0.67	$0.57

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Six Months Ended March 31, (Dollars in Thousands, Except Share and Per Share Data)	2014	2013
Earnings		
Net Income	$8,146	$6,272
Basic EPS		
Weighted average common shares outstanding	6,098,892	5,476,371
Less weighted average unallocated ESOP and nonvested shares	(4,601)	-
Weighted average common shares outstanding	6,094,291	5,476,371
Earnings Per Common Share		
Basic	$1.34	$1.15
Diluted EPS		
Weighted average common shares outstanding for basic earnings per common share	6,094,291	5,476,371
Add dilutive effect of assumed exercises of stock options, net of tax benefits	97,282	34,460
Weighted average common and dilutive potential common shares outstanding	6,191,573	5,510,831
Earnings Per Common Share		
Diluted	$1.32	$1.14

All stock options were considered in computing diluted EPS for the three months ended March 31, 2014. Stock options totaling 29,199 were not considered in computing diluted EPS for the six months ended March 31, 2014, because they were not dilutive. Stock options totaling 139,917 and 140,703 were not considered in computing diluted EPS for the three and six months ended March 31, 2013, respectively, because they were not dilutive.

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NOTE 5. SECURITIES

The amortized cost, gross unrealized gains and losses and estimated fair values of available for sale and held to maturity securities at March 31, 2014 and September 30, 2013 are presented below.

Available For Sale

March 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(Dollars in Thousands)			
Debt securities				
Trust preferred and corporate securities	$55,902	$ 184	$ (3,641)	$52,445
Small Business Administration securities	52,799	632	-	53,431
Non-bank qualified obligations of states and political subdivisions	321,754	290	(11,303)	310,741
Common equities and mutual funds	541	282	(9)	814
Mortgage-backed securities	629,973	3,204	(17,005)	616,172
Total debt securities	$1,060,969	$ 4,592	$ (31,958)	$1,033,603

September 30, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(Dollars in Thousands)			
Debt securities				
Trust preferred and corporate securities	$52,897	$ 136	$ (4,249)	$48,784
Small Business Administration securities	10,099	482	-	10,581
Obligations of states and political subdivisions	1,880	-	(153)	1,727
Non-bank qualified obligations of states and political subdivisions	255,189	-	(16,460)	238,729
Mortgage-backed securities	596,343	3,968	(18,939)	581,372
Total debt securities	$916,408	$ 4,586	$ (39,801)	$881,193

Held to Maturity

March 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(Dollars in Thousands)			
Debt securities				
Agency and instrumentality securities	$10,000	$ -	$ (303)	$9,697
Obligations of states and political subdivisions	18,567	22	(804)	17,785
Non-bank qualified obligations of states and political subdivisions	188,068	296	(7,856)	180,508
Mortgage-backed securities	73,676	-	(3,492)	70,184
Total debt securities	$290,311	$ 318	$ (12,455)	$278,174

September 30, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	(Dollars in Thousands)			
Debt securities				
Agency and instrumentality securities	$10,003	$ -	$ (390)	$9,613

Obligations of states and political subdivisions	19,549	13	(1,220)	18,342
Non-bank qualified obligations of states and political subdivisions	181,547	-	(12,085)	169,462
Mortgage-backed securities	76,927	-	(3,826)	73,101
Total debt securities	$288,026	$ 13	$ (17,521)	$270,518

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Included in securities available for sale are trust preferred securities as follows:

At March 31, 2014

Issuer[(1)]	Amortized Cost	Fair Value	Unrealized (Loss)	S&P Credit Rating	Moody's Credit Rating
	(Dollars in Thousands)				
Key Corp. Capital I	$4,985	$4,216	$ (769)	BBB-	Baa3
Huntington Capital Trust II SE	4,976	4,100	(876)	BB+	Baa3
PNC Capital Trust	4,961	4,162	(799)	BBB	Baa2
Wells Fargo (Corestates Capital) Trust	4,421	4,173	(248)	A-	A3
Total	$19,343	$16,651	$ (2,692)		

(1) Trust preferred securities are single-issuance. There are no known deferrals, defaults or excess subordination.

At September 30, 2013

Issuer[(1)]	Amortized Cost	Fair Value	Unrealized (Loss)	S&P Credit Rating	Moody's Credit Rating
	(Dollars in Thousands)				
Key Corp. Capital I	$4,984	$4,100	$ (884)	BBB-	Baa3
Huntington Capital Trust II SE	4,976	4,075	(901)	BB+	Baa3
PNC Capital Trust	4,959	4,175	(784)	BBB	Baa2
Wells Fargo (Corestates Capital) Trust	4,399	4,050	(349)	A-	A3
Total	$19,318	$16,400	$ (2,918)		

(1) Trust preferred securities are single-issuance. There are no known deferrals, defaults or excess subordination.

Management has a process to identify securities that could potentially have a credit impairment that is other-than-temporary. This process involves evaluating the length of time and extent to which the fair value has been less than the amortized cost basis, reviewing available information regarding the financial position of the issuer, interest or dividend payment status, monitoring the rating of the security, and projecting cash flows. Other factors, but not necessarily all, considered are: that the risk of loss is minimized and easier to determine due to the single-issuer, rather than pooled, nature of the securities, the financial condition of the issuers listed, and whether there have been any payment deferrals or defaults to-date. Such factors are subject to change over time.

Management also determines if it is more likely than not we will be required to sell the security before the recovery of its amortized cost basis which, in some cases, may extend to maturity. To the extent we determine that a security is deemed to be other-than-temporarily impaired, an impairment loss is recognized.

For all securities that are considered temporarily impaired, the Company does not intend to sell these securities (has not made a decision to sell) and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, which may occur at maturity. The Company believes that it will collect all

principal and interest due on all investments that have amortized cost in excess of fair value that are considered only temporarily impaired.

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Generally accepted accounting principles require that, at acquisition, an enterprise classify debt securities into one of three categories: Available for sale ("AFS"), Held to Maturity ("HTM") or trading. AFS securities are carried at fair value on the consolidated statements of financial condition, and unrealized holding gains and losses are excluded from earnings and recognized as a separate component of equity in accumulated other comprehensive income ("AOCI"). HTM debt securities are measured at amortized cost. Both AFS and HTM are subject to review for other-than-temporary impairment. Meta Financial has no trading securities.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at March 31, 2014 and September 30, 2013, are as follows:

Available For Sale

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
March 31, 2014	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Trust preferred and corporate securities	$16,988	$(545)	$22,313	$(3,096)	$39,301	$(3,641)
Non-bank qualified obligations of states and political subdivisions	164,930	(5,699)	97,806	(5,604)	262,736	(11,303)
Common equities and mutual funds	121	(9)	-	-	121	(9)
Mortgage-backed securities	314,012	(14,592)	52,134	(2,413)	366,146	(17,005)
Total debt securities	$496,051	$(20,845)	$172,253	$(11,113)	$668,304	$(31,958)

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
September 30, 2013	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Trust preferred and corporate securities	$29,312	$(1,433)	$13,477	$(2,816)	$42,789	$(4,249)
Obligations of states and political subdivisions	1,727	(153)	-	-	1,727	(153)
Non-bank qualified obligations of states and political subdivisions	238,729	(16,460)	-	-	238,729	(16,460)
Mortgage-backed securities	357,850	(18,939)	-	-	357,850	(18,939)
Total debt securities	$627,618	$(36,985)	$13,477	$(2,816)	$641,095	$(39,801)

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Held to Maturity

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
March 31, 2014	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Agency and instrumentality securities	$9,697	$(303)	$-	$ -	$9,697	$(303)
Obligations of states and political subdivisions	12,828	(583)	2,991	(221)	15,819	(804)
Non-bank qualified obligations of states and political subdivisions	123,726	(5,947)	42,631	(1,909)	166,357	(7,856)
Mortgage-backed securities	70,183	(3,492)	-	-	70,183	(3,492)
Total debt securities	$216,434	$(10,325)	$45,622	$(2,130)	$262,056	$(12,455)

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
September 30, 2013	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
	(Dollars in Thousands)					
Debt securities						
Agency and instrumentality securities	$9,613	$(390)	$-	$ -	$9,613	$(390)
Obligations of states and political subdivisions	17,253	(1,220)	-	-	17,253	(1,220)
Non-bank qualified obligations of states and political subdivisions	169,462	(12,085)	-	-	169,462	(12,085)
Mortgage-backed securities	73,101	(3,826)	-	-	73,101	(3,826)
Total debt securities	$269,429	$(17,521)	$-	$ -	$269,429	$(17,521)

At March 31, 2014, the investment portfolio included securities with current unrealized losses which have existed for longer than one year. All of these securities are considered to be acceptable credit risks. Because the declines in fair value were due to changes in market interest rates, not in estimated cash flows, no other-than-temporary impairment was recorded at March 31, 2014.

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

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Available For Sale

March 31, 2014	AMORTIZED COST	FAIR VALUE
	(Dollars in Thousands)	
Due in one year or less	$-	$-
Due after one year through five years	11,172	11,362
Due after five years through ten years	243,806	238,203
Due after ten years	176,018	167,866
	430,996	417,431
Mortgage-backed securities	629,973	616,172
Total debt securities	$1,060,969	$1,033,603

September 30, 2013	AMORTIZED COST	FAIR VALUE
	(Dollars in Thousands)	
Due in one year or less	$-	$-
Due after one year through five years	9,929	10,061
Due after five years through ten years	162,203	155,014
Due after ten years	147,933	134,746
	320,065	299,821
Mortgage-backed securities	596,343	581,372
Total debt securities	$916,408	$881,193

Held To Maturity

March 31, 2014	AMORTIZED COST	FAIR VALUE
	(Dollars in Thousands)	
Due in one year or less	$345	$346
Due after one year through five years	4,112	4,063
Due after five years through ten years	71,453	68,424
Due after ten years	140,725	135,157
	216,635	207,990
Mortgage-backed securities	73,676	70,184
Total debt securities	$290,311	$278,174

September 30, 2013	AMORTIZED COST	FAIR VALUE
	(Dollars in Thousands)	
Due in one year or less	$649	$649
Due after one year through five years	2,234	2,203
Due after five years through ten years	50,547	47,519
Due after ten years	157,669	147,046
	211,099	197,417
Mortgage-backed securities	76,927	73,101

Total debt securities	$288,026	$270,518

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NOTE 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments to extend credit which are not reflected in the accompanying consolidated financial statements.

At March 31, 2014 and September 30, 2013, unfunded loan commitments approximated $106.9 million and $102.9 million respectively, excluding undisbursed portions of loans in process. These unfunded loan commitments were principally for variable rate loans. Commitments, which are disbursed subject to certain limitations, extend over various periods of time. Generally, unused commitments are canceled upon expiration of the commitment term as outlined in each individual contract. At March 31, 2014, the Company had no commitments to purchase securities. At September 30, 2013, the Company had two commitments to purchase securities held to maturity totaling $0.5 million.

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

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

Legal Proceedings

The Bank was served on April 15, 2013, with a lawsuit captioned Inter National Bank v. NetSpend Corporation, MetaBank, BDO USA, LLP d/b/a BDO Seidman, Cause No. C-2084-12-I filed in the District Court of Hidalgo County, Texas. The Plaintiff’s Second Amended Original Petition and Application for Temporary Restraining Order and Temporary Injunction adds both MetaBank and BDO Seidman to the original causes of action against NetSpend. NetSpend acts as a prepaid card program manager and processor for both INB and MetaBank. According to the Petition, NetSpend has informed Inter National Bank (“INB”) that the depository accounts at INB for the NetSpend program supposedly contained $10.5 million less than they should. INB alleges that NetSpend has breached its fiduciary duty by making affirmative misrepresentations to INB about the safety and stability of the program, and by failing to timely disclose the nature and extent of any alleged shortfall in settlement of funds related to cardholder activity and the nature and extent of NetSpend’s systemic deficiencies in its accounting and settlement processing procedures. To the extent that an accounting reveals that there is an actual shortfall, INB alleges that MetaBank may be liable for portions or all of said sum due to the fact that funds have been transferred from INB to MetaBank, and thus MetaBank would have been unjustly enriched. The Bank intends to vigorously contest this matter. In January 2014, NetSpend was granted summary judgment in this matter which is under appeal. Because the theory of liability against both NetSpend and the Bank is the same, the Bank views the NetSpend summary judgment as a positive in support of our position. An estimate of a range of reasonably possible loss cannot be made at this stage of the litigation because discovery is still being conducted.

Certain corporate clients of an unrelated company named Springbok Services, Inc. (“Springbok”) requested through counsel a mediation as a means of reaching a settlement in lieu of commencing litigation against MetaBank. The results of that mediation have not led to a settlement. These claimants purchased MetaBank prepaid reward cards from Springbok, prior to Springbok’s bankruptcy. As a result of Springbok’s bankruptcy and cessation of business, some of the rewards cards which had been purchased were never activated or funded. Counsel for these companies have indicated that they are prepared to assert claims totaling approximately $1.5 million against MetaBank based on principal/agency or failure to supervise theories. The Company denies liability with respect to these claims. The Company’s estimate of a range of reasonably possible loss is approximately $0 to $0.3 million.

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

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NOTE 7. STOCK OPTION PLAN

The Company maintains the 2002 Omnibus Incentive Plan, which, among other things, provides for the awarding of stock options and nonvested (restricted) shares to certain officers and directors of the Company. Awards are granted by the Stock Option Committee of the Board of Directors based on the performance of the award recipients or other relevant factors.

Compensation expense for share based awards is recorded over the vesting period at the fair value of the award at the time of grant. The exercise price of options or fair value of nonvested shares granted under the Company's incentive plans is equal to the fair market value of the underlying stock at the grant date. The Company assumes no projected forfeitures on its stock based compensation, since actual historical forfeiture rates on its stock based incentive awards has been negligible.

The following tables show the activity of options and nonvested (restricted) shares granted, exercised, or forfeited under all of the Company's option and incentive plans for the six months ended March 31, 2014:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
	(Dollars in Thousands, Except Share and Per Share Data)			
Options outstanding, September 30, 2013	318,648	$ 24.44	4.18	$ 4,376
Granted	-	-		-
Exercised	(54,557)	22.66		952
Forfeited or expired	-	-		-
Options outstanding, March 31, 2014	264,091	$ 24.81	3.92	$ 5,281
Options exercisable, March 31, 2014	261,341	$ 24.77	3.89	$ 5,238

	Number of Shares	Weighted Average Fair Value at Grant
(Dollars in Thousands, Except Share and Per Share Data)		
Nonvested shares outstanding, September 30, 2013	4,000	$ 25.67
Granted	4,150	37.85
Vested	(4,150)	35.02
Forfeited or expired	-	-
Nonvested shares outstanding, March 31, 2014	4,000	$ 28.61

At March 31, 2014, stock based compensation expense not yet recognized in income totaled $81,000, which is expected to be recognized over a weighted average remaining period of 1.22 years.

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NOTE 8. SEGMENT INFORMATION

An operating segment is generally defined as a component of a business for which discrete financial information is available and whose results are reviewed by the chief operating decision-maker. Operating segments are aggregated into reportable segments if certain criteria are met. The Company has determined that it has two reportable segments. The first reportable segment, Retail Banking, a division of the Bank, operates as a traditional community bank providing deposit, loan and other related products to individuals and small businesses, primarily in the communities where its offices are located. The second reportable segment, MPS, is also a division of the Bank. MPS provides a number of products and services to financial institutions and other businesses. These products and services include issuance of prepaid debit cards, sponsorship of Automated Teller Machines ("ATMs") into the debit networks, credit programs, Automated Clearing House ("ACH") origination services, gift card programs, rebate programs, travel programs, and tax related programs. Other programs are in the process of development. The remaining grouping under the caption "All Others" consists of the operations of the Company and inter-segment eliminations.

Transactions between affiliates, the resulting revenues of which are shown in the intersegment revenue category, are conducted at market prices, meaning prices that would be paid if the companies were not affiliates.

The following tables present segment data for the Company for the three and six months ended March 31, 2014 and 2013, respectively.

	Retail Banking	Meta Payment Systems®	All Others	Total
Three Months Ended March 31, 2014				
Interest income	$7,797	$4,266	$-	$12,063
Interest expense	402	31	111	544
Net interest income (expense)	7,395	4,235	(111)	11,519
Provision (recovery) for loan losses	300	-	-	300
Non-interest income	1,058	12,005	-	13,063
Non-interest expense	5,622	13,988	133	19,743
Income (loss) before income tax expense (benefit)	2,531	2,252	(244)	4,539
Income tax expense (benefit)	220	266	(91)	395
Net income (loss)	$2,311	$1,986	$(153)	$4,144
Inter-segment revenue (expense)	$3,410	(3,410)	$-	$-
Total assets	459,500	1,427,772	3,285	1,890,557
Total deposits	210,032	1,292,438	(7,310)	1,495,160

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	Retail Banking	Meta Payment Systems®	All Others	Total
Six Months Ended March 31, 2014				
Interest income	$15,259	$7,966	$-	$23,225
Interest expense	911	57	225	1,193
Net interest income (expense)	14,348	7,909	(225)	22,032
Provision (recovery) for loan losses	300	-	-	300
Non-interest income	1,808	24,842	-	26,650
Non-interest expense	10,454	27,715	635	38,804
Income (loss) before income tax expense (benefit)	5,402	5,036	(860)	9,578
Income tax expense (benefit)	836	905	(309)	1,432
Net income (loss)	$4,566	$4,131	$(551)	$8,146
Inter-segment revenue (expense)	$6,626	$(6,626)	$-	$-
Total assets	459,500	1,427,772	3,285	1,890,557
Total deposits	210,032	1,292,438	(7,310)	1,495,160

	Retail Banking	Meta Payment Systems®	All Others	Total
Three Months Ended March 31, 2013				
Interest income	$5,962	$3,756	$-	$9,718
Interest expense	667	30	116	813
Net interest income (expense)	5,295	3,726	(116)	8,905
Provision (recovery) for loan losses	(300)	-	-	(300)
Non-interest income	1,184	13,911	-	15,095
Non-interest expense	5,543	14,770	272	20,585
Income (loss) before tax	1,236	2,867	(388)	3,715
Income tax expense (benefit)	204	508	(144)	568
Net income (loss)	$1,032	$2,359	$(244)	$3,147
Inter-segment revenue (expense)	$2,996	$(2,996)	$-	$-
Total assets	253,077	1,484,927	2,295	1,740,299
Total deposits	204,937	1,353,538	(1,255)	1,557,220

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	Retail Banking	Meta Payment Systems®	All Others	Total
Six Months Ended March 31, 2013				
Interest income	$12,018	$7,330	$-	$19,348
Interest expense	1,339	68	239	1,646
Net interest income (expense)	10,679	7,262	(239)	17,702
Provision (recovery) for loan losses	(300)	-	-	(300)
Non-interest income	3,100	25,405	-	28,505
Non-interest expense	10,367	27,759	537	38,663
Income (loss) before tax	3,712	4,908	(776)	7,844
Income tax expense (benefit)	848	1,013	(289)	1,572
Net income (loss)	$2,864	$3,895	$(487)	$6,272
Inter-segment revenue (expense)	$5,918	$(5,918)	$-	$-
Total assets	253,077	1,484,927	2,295	1,740,299
Total deposits	204,937	1,353,538	(1,255)	1,557,220

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The following tables present gross profit data for MPS for the three and six months ended March 31, 2014 and 2013.

Three Months Ended March 31,	2014	2013
Interest income	$4,266	$3,756
Interest expense	31	30
Net interest income	4,235	3,726
Provision (recovery) for loan losses	-	-
Non-interest income	12,005	13,911
Card processing expense	3,563	4,963
Gross Profit	12,677	12,674
Other non-interest expense	10,425	9,807
Income (loss) before income tax expense (benefit)	2,252	2,867
Income tax expense (benefit)	266	508
Net Income (Loss)	$1,986	$2,359

Six Months Ended March 31,	2014	2013
Interest income	$7,966	$7,330
Interest expense	57	68
Net interest income	7,909	7,262
Provision (recovery) for loan losses	-	-
Non-interest income	24,842	25,405
Card processing expense	7,800	8,643
Gross Profit	24,951	24,024
Other non-interest expense	19,915	19,116
Income (loss) before income tax expense (benefit)	5,036	4,908
Income tax expense	905	1,013
Net Income	$4,131	$3,895

NOTE 9. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Update ("ASU") No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

This ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures. The ASU does not change current requirements for reporting net income or other comprehensive income. The Company adopted this ASU effective October 1, 2013, and the adoption did not have a material impact on the Company's consolidated financial statements, results of operations or cash flows.

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Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

This ASU provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward exists. The objective of this ASU is to eliminate diversity in practice related to this topic. The ASU states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the consolidated financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, similar tax loss or a tax credit carryforward except in certain situations. The Company adopted this ASU effective January 1, 2014, and the adoption did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Update No. 2014-04, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310:40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure

This ASU provides guidance on when a loan should be derecognized and collateral assets recognized during an in substance repossession or foreclosure. The objective of this ASU is to eliminate diversity in practice related to the topic. The ASU states creditors are considered to have physical possession of residential real estate property when either the creditor obtains title for the property or the borrower transfers all interest in the property through a deed or other legal agreement. When physical possession occurs, the loan should be derecognized and collateral assets recognized. This update is effective for annual and interim periods beginning after December 15, 2014, and is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 10. FAIR VALUE MEASUREMENTS

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

The fair value hierarchy is as follows:

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

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

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

Securities Available for Sale and Held to Maturity. Securities available for sale are recorded at fair value on a recurring basis and securities held to maturity are carried at amortized cost. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using an independent pricing service. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. Government, instrumentality, and agency securities that are traded by dealers or brokers in active over-the-counter markets. The Company had no Level 1 or Level 3 securities at March 31, 2014 or September 30, 2013. Level 2 securities include U.S. Government agency and instrumentality securities, U.S. Government agency and instrumentality mortgage-backed securities, municipal bonds, corporate debt securities and

trust preferred securities.

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The fair values of securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs), or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The Company considers these valuations supplied by a third party provider which utilizes several sources for valuing fixed-income securities. These sources include Interactive Data Corporation, Reuters, Standard and Poor's, Bloomberg Financial Markets, Street Software Technology, and the third party provider's own matrix and desk pricing. The Company continually reviews the third party's methods and sources methodology for reasonableness. Sources utilized by the third party provider include but are not limited to pricing models that vary based by asset class and include available trade, bid, and other market information. This methodology includes but is not limited to broker quotes, proprietary models, descriptive terms and conditions databases, as well as extensive quality control programs. No less than quarterly, the Company receives and compares prices provided by multiple securities dealers to validate the accuracy and reasonableness of prices received from the third party provider. Each security held is priced by a minimum of two independent pricing sources. On a monthly basis, the Investment Committee and the Director of Portfolio Management reviews mark-to-market changes in the securities portfolio for reasonableness.

The following table summarizes the fair values of securities available for sale and held to maturity at March 31, 2014 and September 30, 2013. Securities available for sale are measured at fair value on a recurring basis, while securities held to maturity are carried at amortized cost in the consolidated statements of financial condition.

	Fair Value at March 31, 2014							
	Available For Sale				Held To Maturity			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Debt securities								
Trust preferred and corporate securities	$52,445	$ -	$52,445	$ -	$-	$ -	$-	$ -
Agency and instrumentality securities	-	-	-	-	9,697	-	9,697	-
Small Business Administration securities	53,431	-	53,431	-	-	-	-	-
Obligations of states and political subdivisions	-	-	-	-	17,785	-	17,785	-
Non-bank qualified obligations of states and political subdivisions	310,741	-	310,741	-	180,508	-	180,508	-
Common equities and mutual funds	814	-	814	-	-	-	-	-
Mortgage-backed securities	616,172	-	616,172	-	70,184	-	70,184	-
Securities available for sale	$1,033,603	$ -	$1,033,603	$ -	$278,174	$ -	$278,174	$ -

	Fair Value at September 30, 2013							
	Available For Sale				Held To Maturity			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Debt securities								
Trust preferred and corporate securities	$48,784	$ -	$48,784	$ -	$-	$ -	$-	$ -
Agency securities	-	-	-	-	9,613	-	9,613	-
Small Business Administration securities	10,581	-	10,581	-	-	-	-	-
Obligations of states and political subdivisions	1,727	-	1,727	-	18,342	-	18,342	-
Non-bank qualified obligations of states and political subdivisions	238,729	-	238,729	-	169,462	-	169,462	-
Mortgage-backed securities	581,372	-	581,372	-	73,101	-	73,101	-
Securities available for sale	$881,193	$ -	$881,193	$ -	$270,518	$ -	$270,518	$ -

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 at March 31, 2014 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. The Company does not record loans at fair value on a recurring basis. However, if a loan is considered impaired, an allowance for loan losses is established. Once a loan is identified as individually impaired, management measures impairment in accordance with ASC 310.

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The following table summarizes the assets of the Company that are measured at fair value in the consolidated statements of financial condition on a non-recurring basis as of March 31, 2014 and September 30, 2013.

	Fair Value at March 31, 2014			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3
Impaired Loans, net				
One to four family residential mortgage loans	$256	$ -	$ -	$256
Commercial and multi-family real estate loans	929	-	-	929
Total Impaired Loans	1,185	-	-	1,185
Foreclosed Assets, net	116	-	-	116
Total	$1,301	$ -	$ -	$1,301

	Fair Value at September 30, 2013			
(Dollars in Thousands)	Total	Level 1	Level 2	Level 3
Impaired Loans, net				
One to four family residential mortgage loans	$257	$ -	$ -	$257
Commercial and multi-family real estate loans	1,810	-	-	1,810
Total Impaired Loans	2,067	-	-	2,067
Foreclosed Assets, net	116	-	-	116
Total	$2,183	$ -	$ -	$2,183

	Quantitative Information About Level 3 Fair Value Measurements		
(Dollars in Thousands)	Fair Value at March 31, 2014	Valuation Technique	Unobservable Input
Impaired Loans, net	$1,185	Market approach	Appraised values [1]
Foreclosed Assets, net	116	Market approach	Appraised values [1]

(1) The Company generally relies on external appraisers to develop this information. Management reduced the appraised value by estimated selling costs in a range of 4% to 10%.

	Quantitative Information About Level 3 Fair Value Measurements		
(Dollars in Thousands)	Fair Value at September 30, 2013	Valuation Technique	Unobservable Input
Impaired Loans, net	$2,067	Market approach	Appraised values [1]
Foreclosed Assets, net	116	Market approach	Appraised values [1]

(1) The Company generally relies on external appraisers to develop this information. Management reduced the appraised value by estimated selling costs in a range of 4% to 10%.

The following table discloses the Company's estimated fair value amounts of its financial instruments. It is management's belief that the fair values presented below are reasonable based on the valuation techniques and data available to the Company as of March 31, 2014 and September 30, 2013, as more fully described below. The operations of the Company are managed from a going concern basis and not a liquidation basis. As a result, the ultimate value realized for the financial instruments presented could be substantially different when actually recognized over time through the normal course of operations. Additionally, a substantial portion of the Company's inherent value is the Bank's capitalization and franchise value. Neither of these components have been given consideration in the presentation of fair values below.

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The following presents the carrying amount and estimated fair value of the financial instruments held by the Company at March 31, 2014 and September 30, 2013.

	March 31, 2014				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)				
Financial assets					
Cash and cash equivalents	$38,931	$38,931	$38,931	$-	$-
Securities available for sale	1,033,603	1,033,603	-	1,033,603	-
Securities held to maturity	290,311	278,174	-	278,174	-
Total securities	1,323,914	1,311,777	-	1,311,777	-
Loans receivable:					
One to four family residential mortgage loans	99,727	89,286	-	-	89,286
Commercial and multi-family real estate loans	211,335	219,303	-	-	219,303
Agricultural real estate loans	35,206	35,961	-	-	35,961
Consumer loans	27,112	27,197	-	-	27,197
Commercial operating loans	22,030	20,212	-	-	20,212
Agricultural operating loans	35,770	38,642	-	-	38,642
Total loans receivable	431,180	430,601	-	-	430,601
Federal Home Loan Bank stock	10,645	10,645	-	10,645	-
Accrued interest receivable	9,608	9,608	9,608	-	-
Financial liabilities					
Noninterest bearing demand deposits	1,309,753	1,309,753	1,309,753	-	-
Interest bearing demand deposits, savings, and money markets	112,410	112,410	112,410	-	-
Certificates of deposit	72,997	73,361	-	73,361	-
Total deposits	1,495,160	1,495,524	1,422,163	73,361	-
Advances from Federal Home Loan Bank	7,000	8,938	-	8,938	-
Federal funds purchased	205,000	205,000		205,000	
Securities sold under agreements to repurchase	5,526	5,526	-	5,526	-
Subordinated debentures	10,310	10,289	-	10,289	-
Accrued interest payable	167	167	167	-	-

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	September 30, 2013				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
	(Dollars in Thousands)				
Financial assets					
Cash and cash equivalents	$40,063	$40,063	$40,063	$-	$-
Securities available for sale	881,193	881,193	-	881,193	-
Securities held to maturity	288,026	270,518	-	270,518	-
Total securities	1,169,219	1,151,711	-	1,151,711	-
Loans receivable:					
One to four family residential mortgage loans	82,287	72,628	-	-	72,628
Commercial and multi-family real estate loans	192,786	200,778	-	-	200,778
Agricultural real estate loans	29,552	30,920	-	-	30,920
Consumer loans	30,314	30,588	-	-	30,588
Commercial operating loans	16,264	15,718	-	-	15,718
Agricultural operating loans	33,750	35,175	-	-	35,175
Total loans receivable	384,953	385,807	-	-	385,807
Federal Home Loan Bank stock	9,994	9,994	-	9,994	-
Accrued interest receivable	8,582	8,582	8,582	-	-
Financial liabilities					
Noninterest bearing demand deposits	1,086,258	1,086,258	1,086,258	-	-
Interest bearing demand deposits, savings, and money markets	97,426	97,426	97,426	-	-
Certificates of deposit	131,599	132,187	-	132,187	-
Total deposits	1,315,283	1,315,871	1,183,684	132,187	-
Advances from Federal Home Loan Bank	7,000	9,089	-	9,089	-
Federal funds purchased	190,000	190,000		190,000	
Securities sold under agreements to repurchase	9,146	9,146	-	9,146	-
Subordinated debentures	10,310	10,312	-	10,312	-
Accrued interest payable	291	291	291	-	-

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company’s financial instruments at March 31, 2014 and September 30, 2013.

CASH AND CASH EQUIVALENTS

The carrying amount of cash and short-term investments is assumed to approximate the fair value.

SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY

Securities available for sale are recorded at fair value on a recurring basis and securities held to maturity are carried at amortized cost. Fair values for investment securities are based on obtaining quoted prices on nationally recognized securities exchanges, or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities’ relationship to other benchmark quoted securities.

LOANS RECEIVABLE

The fair value of loans is estimated using a historical or replacement cost basis concept (i.e. an entrance price concept). The fair value of loans was estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers and for similar remaining maturities. When using the discounting method to determine fair value, loans were grouped by homogeneous loans with similar terms and conditions and discounted at a target rate at which similar loans would be made to borrowers at March 31, 2014 and September 30, 2013. In addition, when computing the estimated fair value for all loans, allowances for loan losses have been subtracted from the calculated fair value as a result of the discounted cash flow which approximates the fair value adjustment for the credit quality component.

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FEDERAL HOME LOAN BANK (“FHLB”) STOCK

The fair value of such stock is assumed to approximate book value since the Company is only able to redeem this stock at par value.

ACCRUED INTEREST RECEIVABLE

The carrying amount of accrued interest receivable is assumed to approximate the fair value.

DEPOSITS

The carrying values of non-interest bearing checking deposits, interest bearing checking deposits, savings, and money markets is assumed to approximate fair value, since such deposits are immediately withdrawable without penalty. The fair value of time certificates of deposit was estimated by discounting expected future cash flows by the current rates offered on certificates of deposit with similar remaining maturities.

In accordance with ASC 825, no value has been assigned to the Company’s long-term relationships with its deposit customers (core value of deposits intangible) since such intangible is not a financial instrument as defined under ASC 825.

ADVANCES FROM FHLB

The fair value of such advances was estimated by discounting the expected future cash flows using current interest rates for advances with similar terms and remaining maturities.

FEDERAL FUNDS PURCHASED

The carrying amount of federal funds purchased is assumed to approximate the fair value.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND SUBORDINATED DEBENTURES

The fair value of these instruments was estimated by discounting the expected future cash flows using derived interest rates approximating market over the contractual maturity of such borrowings.

ACCRUED INTEREST PAYABLE

The carrying amount of accrued interest payable is assumed to approximate the fair value.

LIMITATIONS

It must be noted that fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. Additionally, fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business, customer relationships and the value of assets and liabilities that are not considered financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company’s entire holdings of a particular financial instrument for sale at one time. Furthermore, since no market exists for certain of the Company’s financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with a high level of precision. Changes in assumptions as well as tax considerations could significantly affect the estimates. Accordingly, based on the limitations described above, the aggregate fair value estimates are not intended to represent the underlying value of the Company, on either a going concern or a liquidation basis.

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NOTE 11. INTANGIBLE ASSETS

The changes in the carrying amount of the Company's intangible assets for the six months ended March 31, 2014 and 2013 are as follows:

	Meta Payment Systems® Patents	Meta Payment Systems® Other	Total
	(Dollars in Thousands)		
Balance as of September 30, 2013	$2,339	$ -	$2,339
Patent costs capitalized during the period	161	-	161
Amortization during the period	(36)	-	(36)
Balance as of March 31, 2014	$2,464	$ -	$2,464

	Meta Payment Systems® Patents	Meta Payment Systems® Other	Total
	(Dollars in Thousands)		
Balance as of September 30, 2012	$2,026	$ 9	$2,035
Acquisitions during the period	257	-	257
Amortization during the period	(21)	(9)	(30)
Balance as of March 31, 2013	$2,262	$ -	$2,262

The Company tests intangible assets for impairment at least annually or more often if conditions indicate a possible impairment. There was no impairment to intangible assets during the six months ended March 31, 2014 and 2013.

NOTE 12. REGULATORY MATTERS AND SETTLEMENT OF OTS ENFORCEMENT ACTIONS

As previously disclosed in our Annual Report on Form 10-K, on July 15, 2011, the Company and the Bank each stipulated and consented to a Cease and Desist Order (the "Consent Orders") issued by the Office of Thrift Supervision (the "OTS"). Since the issuance of the supervisory directives and the Consent Orders, the Company and the Bank have been continuing to cooperate with the OTS, and, as of July 21, 2011, its successors, the Federal Reserve and the OCC, to correct those aspects of its operations that were addressed in the Consent Orders. Satisfaction of the requirements of the Consent Orders is subject to the ongoing review and supervision of the OCC with respect to the Bank and the Federal Reserve with respect to the Company. The Bank and the Company have and expect to continue to expend significant management and financial resources to address areas that were cited in the Consent Orders.

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While we believe that the Company and the Bank have made significant progress in complying with the orders, there can be no assurance that our regulators will ultimately determine that we have met all of the requirements of the Consent Orders to their satisfaction. If our regulators believe that we have not made sufficient progress in complying with the Consent Orders, they could seek to impose additional regulatory requirements, operational restrictions, enhanced supervision and/or civil money penalties. If any of these measures is imposed in the future, it could have a material adverse effect on our financial condition and results of operations and on our ability to raise additional capital.

NOTE 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events. There were no material subsequent events that would require recognition or disclosure in our consolidated financial statements as of and for the quarter ended March 31, 2014.

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

META FINANCIAL GROUP, INC®.
AND SUBSIDIARIES

FORWARD LOOKING STATEMENTS

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

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 wor similar meaning. You should read statements that contain these words carefully because they discuss our future expectations or state other "forward-looking" information. These forward-looking statements include statements with respect to the Company's beliefs, expectations, estimates, and intentions that are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. Such statements address, among others, the following subjects: future operating results; customer retention; loan and other product demand; important components of the Company's balance sheet and income statements; growth and expansion; new products and services, such as those offered by the Bank or Meta Payment Systems® ("MPS"), a division of the Bank; credit quality and adequacy of reserves; technology; and the Company's employees. The following factors, among others, could cause the Company's financial performance to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), as well as efforts of the United States Treasury in conjunction with bank regulatory agencies to stimulate the economy and protect the financial system; inflation, interest rate, market, and monetary fluctuations; the timely development of and acceptance of new products and services offered by the Company as well as risks (including reputational and litigation) attendant thereto and the perceived overall value of these products and services by users; the risks of dealing with or utilizing third parties; the scope of restrictions and compliance requirements imposed by the supervisory directives and/or the Consent Orders entered into by the Company and the Bank with the Office of Thrift Supervision (the functions of which were transferred to the Office of the Comptroller of the Currency (the "OCC") and the Federal Reserve) and any other such regulatory actions which may be initiated; the impact of changes in financial services' laws and regulations, including but not limited to our relationship with our regulators, the OCC and the Federal Reserve; technological changes, including, but not limited to, the protection of electronic files or databases; acquisitions; litigation risk in general, including, but not limited to, those risks involving the MPS division; the growth of the Company's business, as well as expenses related thereto; changes in consumer spending and saving habits; and the success of the Company at managing and collecting assets of borrowers in default.

The foregoing list of factors is not exclusive. Additional discussions of factors affecting the Company's business and prospects are contained in the Company's periodic filings with the SEC. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. The Company expressly disclaims any intent or obligation to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or its subsidiaries.

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GENERAL

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

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

The following discussion focuses on the consolidated financial condition of the Company and its subsidiaries at March 31, 2014, compared to September 30, 2013, and the consolidated results of operations for the three and six months ended March 31, 2014 and 2013. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 2013.

OVERVIEW OF CORPORATE DEVELOPMENTS

MPS 2014 fiscal second quarter net income was $2.0 million compared to net income of $2.4 million in the 2013 fiscal second quarter. This decrease was primarily the result of a decrease in non-interest income of $1.9 million partially offset by a decrease in non-interest expense of $0.8 million and an increase in interest income of $0.5 million. The average internal net interest yield MPS received for its deposits was 1.17% in the 2014 fiscal second quarter and 1.16% in the comparable 2013 period.

MPS is developing a number of new credit products for fiscal year 2014, subject to OCC approval.

Retail Bank fiscal 2014 second quarter net income was $2.3 million compared to net income of $1.0 million in the 2013 fiscal second quarter. The increase was primarily attributable to an increase in interest income of $1.8 million, and, to a lesser extent, a $0.3 million decrease in interest expense, offset in part by a $0.6 million increase in provision for loan losses and a $0.1 million decrease in non-interest income. Retail Bank checking balances continued to grow from $65.9 million at March 31, 2013 to $76.8 million, or 16.5%, at March 31, 2014.

The Company's tangible book value per common share increased by $1.82, or 7.9%, from $23.17 at September 30, 2013 to $24.99 per share at March 31, 2014 partially due to a sizable increase in fair market value of available-for-sale ("AFS") securities, particularly municipal securities, which positively affected accumulated other comprehensive income ("AOCI"). The tangible book value per common share excluding AOCI was $27.52 as of March 31, 2014, compared to $26.51 as of September 30, 2013.

At March 31, 2014, non-performing assets were $0.7 million compared to $0.8 million at September 30, 2013.

FINANCIAL CONDITION

At March 31, 2014, the Company's assets grew by $198.6 million, or 11.7%, to $1.9 billion compared to $1.7 billion at September 30, 2013. The increase in assets was reflected primarily in increases in the Company's mortgage-backed and investment securities available for sale, and an increase in net loans receivable.

Total cash and cash equivalents were $38.9 million at March 31, 2014, a decrease of $1.2 million from $40.1 million at September 30, 2013. The decline primarily was the result of the Company's investing its excess liquidity in mortgage-backed and investment securities. In general, the Company maintains its cash investments in interest-bearing overnight deposits with the FHLB of Des Moines and the Federal Reserve Bank of Minneapolis. At March 31, 2014, the Company had no federal funds sold.

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The total of mortgage-backed securities ("MBS") and investment securities increased $154.7 million, or 13.2%, to $1.3 billion at March 31, 2014 as compared to $1.2 billion at September 30, 2013, as investment purchases exceeded related maturities, sales, and principal pay downs. The Company's portfolio of securities consists primarily of U.S. Government agency and instrumentality MBS, which have relatively short expected lives and high quality non-bank qualified obligations of states and political subdivisions ("NBQ") which mature in approximately 15 years or less. Of the total of $689.8 million of MBS, $616.2 million are classified as available for sale, and $73.6 million are classified as held to maturity. Of the total of $634.1 million of investment securities, $417.4 million are classified as available for sale and $216.7 million are classified as held to maturity. During the six month period ended March 31, 2014, the Company purchased $139.1 million of MBS with estimated future maturities of five years or less (primarily due to anticipated prepayments) and stated final maturities of 30 years or less as well as $118.2 million of investment securities available for sale and $7.4 million of investment securities held to maturity, primarily high quality NBQ obligations of states and political subdivisions and U.S. Government guaranteed Small Business Administration uncapped, floating rate securities.

The Company's portfolio of net loans receivable increased $45.6 million, or 12.0%, to $426.0 million at March 31, 2014 from $380.4 million at September 30, 2013. This increase primarily relates to an $18.5 million increase in commercial and multi-family real estate loans, a $17.4 million increase in residential mortgage loans, a $5.8 million increase in commercial operating loans, a $5.7 million increase in agricultural real estate loans and a $2.0 million increase in agricultural operating loans, partially offset by a decrease of $3.2 million in consumer loans.

Assets held for sale at March 31, 2014 decreased from September 30, 2013 by $1.1 million due to the sale of a branch in the Central Iowa market.

Total deposits increased $179.9 million, or 13.7%, at March 31, 2014 from September 30, 2013. Deposits attributable to MPS increased by $228.7 million, or 21.5%, to $1.3 billion at March 31, 2014, compared to $1.1 billion at September 30, 2013. Additionally, certificates of deposits decreased by $58.6 million to $73.0 million primarily related to a decrease in public funds on deposit as planned by the Company. The average balance of total deposits and interest-bearing liabilities was $1.7 billion for the six month period ended March 31, 2014 compared to $1.5 billion for the same period in the prior fiscal year.

Total borrowings increased $11.4 million from $216.5 million at September 30, 2013 to $227.9 million at March 31, 2014, primarily due to the increase of federal funds purchased. The Company's overnight federal funds purchased fluctuates on a daily basis due to the nature of a portion of its non-interest bearing deposit base, primarily related to payroll processing timing with a higher volume of overnight federal funds purchased on Monday and Tuesday, which are typically paid down throughout the week.

At March 31, 2014, the Company's stockholders' equity totaled $155.7 million, an increase of $12.7 million from $143.0 million at September 30, 2013, partially due to an increase in AOCI stemming from the securities portfolio and the relative outperformance of the Company's municipal security holdings which significantly appreciated for the six months ending March 31, 2014 notwithstanding the increase in interest rates over that same time period. At March 31, 2014, the Bank continues to exceed all regulatory requirements for classification as a well capitalized institution. See "Liquidity and Capital Resources" for further information.

Non-performing Assets and Allowance for Loan Losses

Generally, when a loan becomes delinquent 90 days or more or when the collection of principal or interest becomes doubtful, the Company will place the loan on a non-accrual status and, as a result, previously accrued interest income on the loan is reversed against current income. The loan will remain on a non-accrual status until the loan becomes current and has demonstrated a sustained period of satisfactory performance.

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The Company believes that the level of allowance for loan losses at March 31, 2014 is appropriate and reflects probable losses related to these loans; however, there can be no assurance that all loans will be fully collectible or that the present level of the allowance will be adequate in the future. See “Allowance for Loan Losses” below.

The table below sets forth the amounts and categories of non-performing assets in the Company’s portfolio. Foreclosed assets include assets acquired in settlement of loans.

	Non-Performing Assets As Of	
	March 31, 2014	September 30, 2013
Non-Performing Loans	(Dollars in Thousands)	
Non-Accruing Loans:		
1-4 Family [2]	$ 282	$ 245
Commercial & Multi Family [1] [2]	316	427
Commercial Operating [1] [2]	-	7
Total	598	679
Accruing Loans Delinquent 90 Days or More		
Consumer	4	13
Total	4	13
Total Non-Performing Loans	602	692
Other Assets		
Foreclosed Assets:		
Commercial & Multi Family	116	116
Total	116	116
Total Other Assets	116	116
Total Non-Performing Assets	$ 718	$ 808
Total as a Percentage of Total Assets	0.04 %	0.05 %

(1) At March 31, 2014, the Company had $316,000 of TDRs in Commercial & Multi Family.

(2) At September 30, 2013, the Company had $320,000 of TDRs in Commercial & Multi Family and $7,000 of TDRs in Commercial Operating.

In addition to the non-performing TDRs in (1) and (2), the Company had an additional $4.8 million and $4.9 million TDRs performing in accordance with their terms at March 31, 2014 and September 30, 2013, respectively.

At March 31, 2014, non-performing loans totaled $0.6 million, representing 0.1% of total loans, compared to $0.7 million, or 0.2% of total loans at September 30, 2013.

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

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

On the basis of management’s review of its loans and other assets, at March 31, 2014, the Company had classified a total of $10.9 million of its assets as substandard and none as doubtful or loss. This compares to classifications at September 30, 2013 of $7.6 million as substandard and none as doubtful or loss. See Note 2 to the Condensed Consolidated Financial Statements.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses based on management’s evaluation of the risk inherent in its loan portfolio and changes in the nature and volume of its loan activity, including those loans which are being specifically monitored by management. Such evaluation, which includes a review of loans for which full collectability may not be reasonably assured, considers, among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate loan loss allowance.

Management closely monitors economic developments both regionally and nationwide, and considers these factors when assessing the adequacy of its allowance for loan losses. The economic slowdown, which has shown some signs of abating, continues to strain the financial condition of some borrowers. It should be noted that a sizeable portion of the Company’s consumer loan portfolio is secured by residential real estate. Over the past three years, loss rates in the commercial and multi-family real estate market have remained moderate. Management believes that future losses in this portfolio may be somewhat higher than recent historical experience. Loss rates in the agricultural real estate and agricultural operating loan portfolios have been minimal in the past three years primarily due to higher commodity prices as well as above average yields which have created positive economic conditions for most farmers in our markets. Nonetheless, management still expects that future losses in this portfolio, which have been very low, could be higher than recent historical experience. Management believes that various levels of drought weather conditions within our markets have the potential to negatively impact potential yields which would have a negative economic effect on our agricultural markets. In addition, management believes the continuing low growth environment may also negatively impact consumers’ repayment capacities.

At March 31, 2014, the Company had established an allowance for loan losses totaling $4.6 million compared to $3.9 million at September 30, 2013. Management believes that, based on a detailed review of the loan portfolio, historic loan losses, current economic conditions, the size of the loan portfolio, and other factors, the current level of the allowance for loan losses at March 31, 2014 reflects an appropriate allowance against probable losses from the loan portfolio. Although the Company maintains its allowance for loan losses at a level that it considers to be adequate, investors and others are cautioned that there can be no assurance that future losses will not exceed estimated amounts, or that additional provisions for loan losses will not be required in future periods.

The allowance for loan losses reflects management’s best estimate of probable losses inherent in the portfolio based on currently available information. In addition to the factors mentioned above, future additions to the allowance for loan losses may become necessary based upon changing economic conditions, increased loan balances or changes in the underlying collateral of the loan portfolio. In addition, our regulators have the ability to order us to increase our allowance.

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CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements are prepared in accordance with U.S. GAAP. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that: (i) involve the most complex and subjective decisions and assessments which may be uncertain at the time the estimate was made, and (ii) different estimates that reasonably could have been used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on the financial statements, management has identified the policies described below as Critical Accounting Policies. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented in Part II, Item 8 "Consolidated Financial Statements and Supplementary Data" of its Annual Report on Form 10-K for the year ended September 30, 2013 and information contained herein.

Allowance for Loan Losses. The Company's allowance for loan loss methodology incorporates a variety of risk considerations, both quantitative and qualitative, in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, changes in nonperforming loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to interest rate movements. Qualitative factors include the general economic environment in the Company's markets, including economic conditions throughout the Midwest and, in particular, the state of certain industries. Size and complexity of individual credits in relation to loan structure, existing loan policies, and pace of portfolio growth are other qualitative factors that are considered in the methodology. Although management believes the levels of the allowance at both March 31, 2014 and September 30, 2013 were adequate to absorb probable losses inherent in the loan portfolio, a decline in local economic conditions or other factors could result in increasing losses.

Intangible Assets. Each quarter the Company evaluates the estimated useful lives of intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization. In accordance with ASC 350, Intangibles – Goodwill and Other, recoverability of these assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Assumptions and estimates about future values and remaining useful lives of the Company's intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy and internal forecasts. Although the Company believes the historical assumptions and estimates used are reasonable and appropriate, different assumptions and estimates could materially impact the reported financial results.

Self-Insurance. The Company has a self-insured healthcare plan for its employees up to certain limits. To mitigate a portion of these risks, the Company has a stop-loss insurance policy through a commercial insurance carrier for coverage in excess of $60,000 per individual occurrence with an unlimited lifetime maximum. The estimate of self-insurance liability is based upon known claims and an estimate of incurred, but not reported ("IBNR") claims. IBNR claims are estimated using historical claims lag information received by a third party claims administrator. Due to the uncertainty of health claims, the approach includes a process which may differ significantly from other methodologies and still produce an estimate in accordance with U.S. GAAP. Although management believes it uses the best information available to determine the accrual, unforeseen health claims could result in adjustments to the accrual.

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Deferred Tax Assets. The Company accounts for income taxes according to the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates applicable to income for the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized subject to management's judgment that realization is more-likely-than-not. An estimate of probable income tax benefits that will not be realized in future years is required in determining the necessity for a valuation allowance.

Security Impairment. Management continually monitors the investment security portfolio for impairment on a security by security basis. Management has a process in place to identify securities that could potentially have a credit impairment that is other-than-temporary. This process involves the length of time and extent to which the fair value has been less than the amortized cost basis, review of available information regarding the financial position of the issuer, interest or dividend payment status, monitoring the rating of the security, cash flow projections, and the Company's intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost which, in some cases, may extend to maturity. To the extent we determine that a security is deemed to be other-than-temporarily impaired, an impairment loss is recognized. If the Company intends to sell a security or it is more likely than not that the Company would be required to sell a security before the recovery of its amortized cost, the Company recognizes an other-than-temporary impairment in earnings for the difference between amortized cost and fair value. If we do not expect to recover the amortized cost basis, we do not plan to sell the security and if it is not more likely than not that the Company would be required to sell a security before the recovery of its amortized cost, the recognition of the other-than-temporary impairment is bifurcated. For those securities, the Company separates the total impairment into a credit loss component recognized in earnings, and the amount of the loss related to other factors is recognized in other comprehensive income net of taxes.

The amount of the credit loss component of a debt security impairment is estimated as the difference between amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate of cash flows discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete an asset- backed or floating rate security. Cash flow estimates for trust preferred securities are derived from scenario-based outcomes of forecasted default rates, loss severity, prepayment speeds and structural support.

Level 3 Fair Value Measurement. U.S. GAAP requires the Company to measure the fair value of financial instruments under a standard which describes three levels of inputs that may be used to measure fair value. Level 3 measurement includes significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Although management believes that it uses a best estimate of information available to determine fair value, due to the uncertainty of future events, the approach includes a process that may differ significantly from other methodologies and still produce an estimate that is in accordance with U.S. GAAP.

RESULTS OF OPERATIONS

General.

The Company recorded net income of $4.1 million, or 67 cents per diluted share, for the three months ended March 31, 2014 compared to net income of $3.1 million, or 57 cents per diluted share, for the same period in fiscal year 2013. The increase in net income was primarily due to an increase of $1.3 million in investment securities portfolio interest income, and to a lesser extent, an increase of $1.0 million in interest income on loans receivable as well as decreases in interest expense, offset in part by decreases in non-interest income and increases in provision for loan losses and non-interest expense.

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The Company recorded net income of $8.1 million, or $1.32 per diluted share, for the six months ended March 31, 2014 compared to $6.2 million, or $1.14 per diluted share, for the same period in fiscal year 2013. Net earnings for the six month period ended March 31, 2014 were primarily impacted by an increase of $2.5 million in investment securities portfolio interest income, and to a lesser extent, an increase of $1.4 million in interest income on loans receivable as well as decreases in interest expense, offset in part by decreases in non-interest income and an increase in provision for loan losses.

Net Interest Income. Net interest income for the fiscal 2014 second quarter increased by $2.6 million, or 29.4%, to $11.5 million from $8.9 million for the same period in the prior fiscal year primarily due to an increase in interest income and a decrease in interest expense. Net interest margin increased to 2.76% for the second quarter of fiscal year 2014 as compared to 2.41% for the same period in fiscal year 2013. On the asset side, the increase was primarily driven by an increase in volume and yield in the securities portfolio. Of particular note is the increase in yield of the MBS portfolio due to lower premium amortization on slower prepayment speeds. The relative growth in the loan portfolio and higher mix of loans to investments also aided net interest margin expansion.

Overall, when using a taxable equivalent yield (“TEY”), the Company’s interest earning asset yield increased by 28 basis points resulting partially from a change in asset mix which included a higher percentage of tax exempt income from municipal bonds in the fiscal 2014 second quarter compared to the same period in the prior fiscal year. The yield on non-MBS investment securities increased by 3 basis points on a TEY basis. Asset yields moderately expanded due to increased yields on the MBS portfolio. The yield on government related MBS increased 50 basis points. Average quarterly TEY on the securities portfolio increased by 32 basis points in the second quarter of fiscal 2014 compared to the same quarter of the prior year. Net interest margin was also positively impacted by an 8 basis point decrease in the total cost of funds. This decrease was primarily due to increasing MPS deposits and decreasing interest expense. The Company’s average interest-earning assets for the fiscal 2014 second quarter grew by $180.2 million, or 10.6%, to $1.88 billion, up from $1.7 billion during the same quarter last fiscal year.

The Company’s average total deposits and interest-bearing liabilities for the 2014 second fiscal quarter increased $154.2 million, or 9.5%, to $1.78 billion from $1.63 billion for the same quarter last year. This increase was generated primarily from an increase in MPS-related non-interest bearing deposits, time deposits and overnight federal funds purchased, slightly offset by a decrease in Federal Home Loan Bank advances and other borrowings. MPS average quarterly deposits for the 2014 second fiscal quarter increased $149.8 million, or 11.6%, from the same period last year. This increase resulted almost entirely from growth in existing core prepaid card programs. Overall, rates on all deposits and interest-bearing liabilities decreased by 8 basis points from 0.20% in the 2013 second fiscal quarter to 0.12% in the 2014 period. At March 31, 2014, low- and no-cost checking deposits represented 92.8% of total deposits compared to 92.6% one year earlier.

For the six months ended March 31, 2014, net interest income was $22.0 million compared to $17.7 million for the same period in the prior fiscal year. Contributing to this increase was an increase in asset yields of 22 basis points, an increased allocation to loans as a percentage of total interest earning assets, and increased volume in the loan and securities portfolio. The TEY of MBS and other investments was 2.56% for the six months ended March 31, 2014 and 2.25% for the same period in 2013. Also contributing was a decrease in interest expense.

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

Three Months Ended March 31,	2014			2013		
	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate
Interest-earning assets:						
Loans receivable	$ 418,514	$ 4,750	4.60 %	$ 325,837	$ 3,735	4.65 %
Mortgage-backed securities	708,332	3,925	2.25 %	722,223	3,111	1.75 %
Other investments and fed funds sold	755,369	3,388	2.52 %	653,940	2,872	2.52 %
Total interest-earning assets	1,882,215	$ 12,063	2.88 %	1,702,000	$ 9,718	2.60 %
Non-interest-earning assets	57,261			82,278		
Total assets	$ 1,939,476			$ 1,784,278		
Non-interest bearing deposits	$ 1,458,441	$ -	0.00 %	$ 1,304,480	$ -	0.00 %
Interest-bearing liabilities:						
Interest-bearing checking	33,501	23	0.28 %	32,327	31	0.39 %
Savings	31,678	16	0.20 %	30,270	11	0.15 %
Money markets	40,820	18	0.18 %	40,714	25	0.25 %
Time deposits	79,248	164	0.84 %	83,069	217	1.06 %
FHLB advances	7,000	122	7.07 %	7,344	310	17.12 %
Overnight fed funds purchased	110,919	80	0.29 %	108,564	92	0.34 %
Other borrowings	18,219	121	2.69 %	18,904	127	2.72 %
Total interest-bearing liabilities	321,385	544	0.69 %	321,192	813	1.03 %
Total deposits and interest-bearing liabilities	1,779,826	$ 544	0.12 %	1,625,672	$ 813	0.20 %
Other non-interest bearing liabilities	10,471			14,355		
Total liabilities	1,790,297			1,640,027		
Stockholders' equity	149,179			144,251		
Total liabilities and stockholders' equity	$ 1,939,476			$ 1,784,278		
Net interest income and net interest rate spread including non-interest bearing deposits		$ 11,519	2.76 %		$ 8,905	2.40 %
Net interest margin			2.76 %			2.41 %

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Six Months Ended March 31,	2014			2013		
	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate
Interest-earning assets:						
Loans receivable	$ 406,249	$ 9,221	4.55 %	$ 327,716	$ 7,862	4.81 %
Mortgage-backed securities	706,132	7,608	2.16 %	687,029	6,045	1.76 %
Other investments and fed funds sold	693,161	6,396	2.63 %	608,072	5,441	2.50 %
Total interest-earning assets	1,805,542	$ 23,225	2.88 %	1,622,817	$ 19,348	2.66 %
Non-interest-earning assets	56,973			77,905		
Total assets	$ 1,862,515			$ 1,700,722		
Non-interest bearing deposits	$ 1,333,320	$ -	0.00 %	$ 1,203,651	$ -	0.00 %
Interest-bearing liabilities:						
Interest-bearing checking	32,165	48	0.30 %	32,261	71	0.44 %
Savings	28,903	23	0.16 %	28,250	21	0.15 %
Money markets	40,320	38	0.19 %	40,250	53	0.26 %
Time deposits	104,460	385	0.74 %	89,963	564	1.26 %
FHLB advances	7,000	247	7.08 %	9,172	479	10.47 %
Overnight fed funds purchased	136,693	202	0.30 %	112,458	189	0.34 %
Other borrowings	19,872	250	2.52 %	21,976	269	2.45 %
Total interest-bearing liabilities	369,413	1,193	0.65 %	334,330	1,646	0.99 %
Total deposits and interest-bearing liabilities	1,702,733	$ 1,193	0.14 %	1,537,981	$ 1,646	0.21 %
Other non-interest bearing liabilities	11,670			17,518		
Total liabilities	1,714,403			1,555,499		
Stockholders' equity	148,112			145,223		
Total liabilities and stockholders' equity	$ 1,862,515			$ 1,700,722		
Net interest income and net interest rate spread including non-interest bearing deposits		$ 22,032	2.74 %		$ 17,702	2.45 %
Net interest margin			2.75 %			2.45 %

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The following table presents, for the periods indicated, the Company's total dollar amount of interest income from average securities portfolio assets and the resulting yields expressed both in dollars and rates. Tax equivalent adjustments have been made in yield. Actual quarter end yields were higher than average quarterly yields for the fiscal second quarter 2014.

Three Months Ended March 31,	2014			2013		
	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate
Securities Portfolio Assets						
Mortgage-backed securities	708,332	3,925	2.25%	722,223	3,111	1.75%
*Other investments	619,515	3,277	3.00%	548,553	2,827	2.97%
Total Securities Portfolio Assets	$1,327,847	$7,202	2.60%	$1,270,776	$5,938	2.28%
*Excludes FHLB Stock						

(1) Tax rate used to arrive at a TEY for three months ended March 2013 is 35%
(2) Tax rate used to arrive at a TEY for three months ended March 2014 is 34%

Six Months Ended March 31,	2014			2013		
	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate
Securities Portfolio Assets						
Mortgage-backed securities	706,132	7,608	2.16%	687,029	6,046	1.76%
*Other investments	589,399	6,196	3.03%	518,818	5,344	2.89%
Total Securities Portfolio Assets	1,295,531	$13,804	2.56%	1,205,847	$11,390	2.25%
*Excludes FHLB Stock						

(1) Tax rate used to arrive at a TEY for six months ended March 2013 is 35%
(2) Tax rate used to arrive at a TEY for six months ended March 2014 is 34%

Provision for Loan Losses. The Company recorded a $0.3 million provision for loan losses in the three and six month periods ended March 31, 2014 as compared to a negative provision for loan losses of $0.3 million for the comparable three and six month periods of fiscal year 2013. This was the result of the evaluation of the allowance for loan loss as explained in Note 3 to the Condensed Consolidated Financial Statements.

For the six months ended March 31, 2014, the Company recorded a provision of $0.3 million compared to a negative provision of $0.3 million for the same period in the prior fiscal year due to the aforementioned factors.

Non-Interest Income. Non-interest income for the fiscal 2014 second quarter decreased by $2.0 million, or 13.5%, to $13.1 million from $15.1 million for the same period in the prior fiscal year. The change was due to a decrease of $1.9 million in card fees. Fees earned on MPS related programs decreased to $12.1 million for the second quarter of fiscal year 2014, compared to $14.0 million for the same period in fiscal year 2013. Noted decreases were primarily due to reductions in tax-related prepaid card volume.

For the six months ended March 31, 2014, non-interest income decreased by $1.8 million, or 6.5%, to $26.7 million from $28.5 million for the same period in the prior fiscal year. For the six months ended March 31, 2014 and 2013, the Bank sold mortgage-backed and investment securities resulting in a gain on sale of available for sale securities in the amount of $0.1 million and $2.0 million, respectively. In addition, fees earned on MPS-related programs were

$24.9 million for the six months ended March 31, 2014, compared to $25.5 million for the same period in fiscal year 2013. These decreases were offset in part by increases in loan fees, non-interest income from bank owned life insurance, and a gain in foreclosed real estate during the six months ended March 31, 2014 compared to the six months ended March 31, 2013.

Non-Interest Expense. Non-interest expense decreased to $19.7 million for the second quarter of fiscal year 2014 as compared to $20.6 million for the same period in fiscal year 2013. Non-interest expense increased by $0.1 million, or 0.4%, to $38.8 million for the six months ended March 31, 2014 from $38.7 million for the same period in fiscal year 2013.

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Compensation expense increased $0.9 million to $10.0 million for the three months ended March 31, 2014 as compared to $9.1 million for the same period in fiscal year 2013 as a result of the Company's investments in resources to support regulatory, operational and growth initiatives, as well as higher than usual health insurance expenses due to larger than normal claims and transition to a new health insurance administrator. Compensation expense increased $1.6 million to $19.0 million for the six months ended March 31, 2014 from $17.4 million for the same period in fiscal year 2013 due primarily to a 1% increase in overall staffing.

Card processing expense decreased $1.4 million to $3.6 million for the three months ended March 31, 2014 as compared to $5.0 million for the same period in fiscal year 2013 primarily due to the tax-related program. Card processing expense decreased $0.9 million to $7.8 million for the six months ended March 31, 2014 as compared to $8.7 million for the same period in fiscal year 2013.

Occupancy and equipment expense increased $0.5 million to $2.5 million for the three months ended March 31, 2014 as compared to $2.0 million for the same period in fiscal year 2013 related to compliance system investments being implemented over the last year and higher than usual consulting expenses related to compliance functions.

Income Tax. Income tax expense for the second quarter of fiscal year 2014 was $0.4 million, or an effective tax rate of 8.7%, compared to income tax expense of $0.6 million, or an effective tax rate of 15.3%, for the same period in the prior fiscal year. The decrease in effective tax rate is mainly the result of an increase in the volume of tax exempt municipal bonds owned by the Company combined with a large volume of disqualifying dispositions of employee incentive stock option exercises.

For the six months ended March 31, 2014, the Company recorded an income tax expense in the amount of $1.4 million, or an effective tax rate of 15.0%, compared to $1.6 million, or an effective tax rate of 20.0% for the same period in the prior fiscal year. The decrease in effective tax rate for this time period was caused by the same reasons mentioned in the preceding paragraph.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, borrowings, principal and interest payments on loans and mortgage-backed securities, and maturing investment securities. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan repayments are influenced by the level of interest rates, general economic conditions, and competition.

The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposits and loan commitments, to maintain liquidity, and to meet operating expenses. At March 31, 2014, the Company had commitments to originate and purchase loans and unused lines of credit totaling $106.9 million. The Company believes that loan repayments and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs. At March 31, 2014, the Company had no commitments to purchase securities.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based capital and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio consisting of Tier I capital (as defined) to average assets (as defined). As of March 31, 2014, the Bank met all capital adequacy requirements.

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The Bank's actual and required capital amounts and ratios are presented in the following table.

At March 31, 2014	Actual		Minimum Requirement For Capital Adequacy Purposes		Minimum Requirement to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
MetaBank						
Tangible capital (to tangible assets)	$168,747	8.88 %	$28,504	1.50 %	$n/a	n/a%
Tier 1 (core) capital (to adjusted total assets)	168,747	8.88	76,012	4.00	95,015	5.00
Tier 1 (core) capital (to risk-weighted assets)	168,747	22.33	30,229	4.00	45,344	6.00
Total risk-based capital (to risk-weighted assets)	173,319	22.93	60,458	8.00	75,573	10.00

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) established five regulatory capital categories and authorized the banking regulators to take prompt corrective action with respect to institutions in an undercapitalized category. At March 31, 2014, the Bank exceeded all requirements for the well capitalized category.

In July 2013, the Bank's primary federal regulator, the Federal Reserve, and the Bank's primary federal regulator, the OCC, approved final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules generally implement the Basel Committee on Banking Supervision's (the "Basel Committee") December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and their depository institution subsidiaries, including us and the Bank, as compared to the current U.S. general risk-based capital rules. The Basel III Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the Basel Committee's 1988 "Basel I" capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the Basel III Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal agencies' rules. The Basel III Capital Rules are effective for us and the Bank on January 1, 2015, subject to phase-in periods for certain of their components and other provisions.

We believe that the Bank will be able to meet targeted capital ratios upon implementation of the revised requirements, as finalized.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

MARKET RISK

The Company is exposed to the impact of interest rate changes and changes in the market value of its investments.

The Company currently focuses lending efforts toward originating and purchasing competitively priced adjustable-rate and fixed-rate loan products with short to intermediate terms to maturity, generally five years or less except for residential mortgage loans. This theoretically allows the Company to maintain a portfolio of loans that will have relatively little sensitivity to changes in the level of interest rates, while providing a reasonable spread to the cost of liabilities used to fund the loans.

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The Company's primary objective for its investment portfolio is to provide a source of liquidity for the Company. In addition, the investment portfolio may be used in the management of the Company's interest rate risk profile. The investment policy generally calls for funds to be invested among various categories of security types and maturities based upon the Company's need for liquidity, desire to achieve a proper balance between minimizing risk while maximizing yield, the need to provide collateral for borrowings, and to fulfill the Company's asset/liability management goals.

The Company's cost of funds responds to changes in interest rates due to the relatively short-term nature of its deposit portfolio, and due to the relatively short-term nature of its borrowed funds. The Company believes that its growing portfolio of low- or no-cost deposits provides a stable and profitable funding vehicle, but also subjects the Company to greater risk in a falling interest rate environment than it would otherwise have without this portfolio. This risk is due to the fact that, while asset yields may decrease in a falling interest rate environment, the Company cannot significantly reduce interest costs associated with these deposits, which thereby compresses the Company's net interest margin. As a result of the Company's interest rate risk exposure in this regard, the Company has elected not to enter in to any new longer term wholesale borrowings, and generally has not emphasized longer term time deposit products.

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

Interest Rate Risk

Overview. The Company actively manages interest rate risk, as changes in market interest rates can have a significant impact on reported earnings. The Bank, like other financial institutions, is subject to interest rate risk to the extent that its interest-bearing liabilities mature or reprice more rapidly than its interest-earning assets. The interest rate risk process is designed to compare income simulations in market scenarios designed to alter the direction, magnitude, and speed of interest rate changes, as well as the slope of the yield curve. The Company does not currently engage in trading activities to control interest rate risk although it may do so in the future, if deemed necessary, to help manage interest rate risk.

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

The Company uses two approaches to model interest rate risk: Earnings at Risk ("EAR analysis") and Economic Value of Equity ("EVE analysis"). Under EAR analysis, net interest income is calculated for each interest rate scenario to the net interest income forecast in the base case. EAR analysis measures the sensitivity of interest sensitive earnings over a one year minimum time horizon. The results are affected by projected rates, prepayments, caps and floors. Market implied forward rates and various likely and extreme interest rate scenarios can be used for EAR analysis. These likely and extreme scenarios can include rapid and gradual interest rate ramps, rate shocks and yield curve twists.

The EAR analysis used in the following table reflects the required analysis used no less than quarterly by management. It models -100, +100, +200, +300 basis point parallel shifts in market interest rates over the next one-year period. Due to the current low level of interest rates, only a -100 basis point parallel shift is represented.

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The Company is within Board policy limits for all scenarios. The table below shows the results of the scenario as of March 31, 2014:

Net Sensitive Earnings at Risk

Net Sensitive Earnings at Risk	Standard (Parallel Shift) Year 1 Net Interest Income at Risk %			
	-100	+100	+200	+300
Basis Point Change Scenario	-2.7 %	-0.8 %	-2.1 %	-3.5 %
Board Policy Limits	-5.0 %	-5.0 %	-10.0%	-15.0%

The EAR analysis reported at March 31, 2014, shows that more liabilities (primarily the overnight federal funds purchased) than assets will reprice over the modeled one-year period.

The Company's overnight federal funds purchased fluctuates on a daily basis due to the nature of a portion of its non-interest bearing deposit base, primarily related to payroll processing timing. Interest rate risk ("IRR") is a snapshot in time. The Company's IRR results vary depending on which day of the week this snapshot is taken. IRR was negatively affected because the 2014 fiscal second quarter ended on a Monday, which, due to payroll processing timing, tend to necessitate a higher than average amount of overnight federal funds purchased which are typically paid down throughout the week.

The following table shows the income sensitivity of selected assets and liabilities to changes in market interest rates (dollars in thousands).

Basis Point Change Scenario	Total Earning Assets	% of Total Earning Assets	Change in Interest Income/Expense for a given change in interest rates Over / (Under) Base Case Parallel Ramnp				
			-100	Base	+100	+200	+300
Total Loans	425,002	23.8 %	18,900	19,694	20,621	21,542	22,459
Total Investments (non-TEY) and other Earning Assets	1,359,516	76.2 %	25,979	26,825	28,161	29,389	30,589
Total Interest-Sensitive Income	1,784,518	100.0 %	44,879	46,519	48,782	50,931	53,048
Total Interest-Bearing Deposits	185,408	46.0 %	591	772	1,392	2,065	2,795
Total Borrowings	217,526	54.0 %	857	1,119	3,137	5,155	7,174
Total Interest-Sensitive Expense	402,934	100.0 %	1,448	1,891	4,529	7,220	9,969

The Company believes that its growing portfolio of non-interest bearing deposits provides a stable and profitable funding vehicle and a significant competitive advantage in a rising interest rate environment as the Company's cost of funds will likely remain relatively low, with less increase expected relative to other banks. The Company continues to execute its investment strategy of primarily purchasing NBQ municipal bonds and agency MBS. The NBQ municipal bonds are tax exempt and as such have a tax equivalent yield higher than their book yield. The tax equivalent yield calculation for NBQ municipal bonds uses the Company's cost of funds as one of its components. With the Company's large volume of non-interest bearing deposits, the tax equivalent yield for these NBQ municipal bonds is higher than a similar term investment in other investment categories of similar risk and higher than most other banks can realize on the same instruments. The Company has also added to its portfolio of variable-rate securities during the 2014 fiscal second quarter. This strategy sacrifices some short-term yield, but better positions the Company for future interest rate increases.

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.

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The EVE analysis used in the following table reflects the required analysis used no less than quarterly by management. It models immediate -100, +100, +200 and +300 basis point parallel shifts in market interest rates. Due to the current low level of interest rates, only a -100 basis point parallel shift is represented.

The Company is within Board policy limits for all basis point scenarios. The table below shows the results of the scenario as of March 31, 2014:

Economic Value Sensitivity

	Standard (Parallel Shift) Economic Value of Equity at Risk %			
	-100	+100	+200	+300
Basis Point Change Scenario	-6.9 %	1.9 %	1.3 %	-0.8 %
Board Policy Limits	-10.0%	-10.0%	-20.0%	-30.0%

The EVE at risk reported at March 31, 2014, shows that as interest rates increase immediately in +100 and +200 higher rate scenarios, the economic value of equity position will increase from the base, as the non-interest bearing deposits become more valuable in these increasing interest rate environments.

The following table details the economic value sensitivity to changes in market interest rates at March 31, 2014, for loans, investments, deposits, borrowings, and other assets and liabilities (dollars in thousands). The analysis reflects that, in a +100, +200, and +300 higher rate scenario, total assets are less sensitive than total liabilities. Investments contribute to sensitivity, largely due to fixed rate securities investments. This sensitivity is offset by the non-interest bearing deposits.

			Change in Economic Value for a given change in interest rates Over / (Under) Base Case Parallel Ramnp			
Basis Point Change Scenario	Book Value	% of Total Assets	-100	+100	+200	+300
Total Loans	425,002	22.5 %	2.1 %	-2.8 %	-5.7 %	-8.4 %
Total Investments (non-TEY) and other Earning Assets	1,334,559	70.7 %	4.3 %	-4.8 %	-9.5 %	-14.0%
Other Assets	127,710	6.8 %	0.0 %	0.0 %	0.0 %	0.0 %
Assets	1,887,271	100.0%	3.5 %	-4.0 %	-8.0 %	-11.8%
Interest-Bearing Deposits	185,406	10.7 %	2.3 %	-2.0 %	-3.7 %	-5.1 %
Non-Interest Bearing Deposits	1,317,063	76.1 %	7.2 %	-6.6 %	-12.6%	-18.0%
Total Borrowings and Other Liabilities	229,077	13.2 %	0.2 %	-0.2 %	-0.4 %	-0.6 %
Liabilities	1,731,546	100.0%	5.6 %	-5.1 %	-9.8 %	-13.9%

Certain shortcomings are inherent in the method of analysis presented in the table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Furthermore, although management has estimated changes in the levels of prepayments and early withdrawal in these rate environments, such levels would likely deviate from those assumed in calculating the table. Finally, the ability of some borrowers to service their debt may decrease in the event of an interest rate increase.

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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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's "disclosure controls and procedures", as such term is defined in Rules 13a – 15(e) and 15d – 15(e) of the Securities Exchange Act of 1934 ("Exchange Act") as of the end of the period covered by the report.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at March 31, 2014, the Company's disclosure controls and procedures were effective to provide reasonable assurance that (i) the information required to be disclosed by us in this report was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

With the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the Company's fiscal quarter ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on such evaluation, management concluded that, as of the end of the period covered by this report, there have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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META FINANCIAL GROUP, INC.
PART II - OTHER INFORMATION

FORM 10-Q

Item 1. Legal Proceedings – See “Legal Proceedings” of Note 6 to the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors - In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2013 (our “2013 Form 10-K”). Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially and adversely affect us in the future. Following is the restated text of an individual risk factor with changes that have occurred since our publication of risk factors in our 2013 Form 10-K. Other than with respect to the risk factor discussed below, there have been no material changes from the risk factors disclosed in our 2013 Form 10-K.

Contracts with third-parties, some of which are material to the Company, may not be renewed, may be renegotiated on terms that are not as favorable, may not be fulfilled or could be subject to cancellation by regulatory authorities.

The Bank has entered into numerous contracts with third parties with respect to the operations of its business. In some instances, the third parties provide services to the Bank and MPS; in other instances, the Bank and MPS provides products and services to such third parties. Were such agreements not to be renewed by the third party or were such agreements to be renewed on terms less favorable, such actions could have an adverse material impact on the Bank, its MPS division, and, ultimately, the Company. Similarly, were one of these parties unable to meet their obligations to us for any reason (including but not limited to bankruptcy, computer or other technological interruptions or failures, personnel loss or acts of God), we may need to seek alternative service providers.

We may not be able to secure alternate service providers, and even if we do, the terms with such alternate providers may not be as favorable as those currently in place. In addition, were we to lose any of our important third service providers, it could cause a material disruption in our own ability to service our customers, which also could have an adverse material impact on the Bank, its MPS division, and ultimately the Company. Moreover, were the disruptions in our ability to provide services significant, this could negatively affect the perception of our business, which could result in a loss of confidence and other adverse effects on our business.

We have been in negotiations for a new agreement with an existing third party service provider whose data processing operations are important to us; the agreement is expected to cover core processing services for transaction and item processing needs. During the course of our negotiations we were informed by the service provider that they were requesting significant monetary compensation from us which we have been disputing in its entirety. During the course of our negotiations, the parties have extended the existing contract several times, and most recently the contract was extended through May 31, 2014. We can offer no assurance that the current contract negotiations will result in a contract for services past that date. We have recently reached an agreement in principle on the material terms of a new agreement with this service provider. However, if we are unable to reach a definitive agreement on all of the terms of a new agreement, we could be subject to the consequences described above. For a discussion of the monetary compensation previously requested by such service provider, see the “Legal Proceedings” disclosure contained in Note 15 of “Notes to Consolidated Financial Statements,” which is included in Part II, Item 8 “Financial Statements and Supplementary Data” of our 2013 Form 10-K.

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In addition, as described earlier, in the Consent Orders, our regulator noted deficiencies with respect to these third party relationships. As a result, we review our auditing program for third parties with whom we contract (as well as other business changes required both by the Consent Orders and general business practices) and have made certain business decisions related to determinations reached by our auditing personnel. The OCC is evaluating our progress at this time. If we are unsuccessful in the development and/or implementation of our third party auditing program, it is possible that the OCC could order us to abrogate certain contracts or take other supervisory actions against us which would further impact the MPS business and could have an adverse impact on our financial condition or results of operations. See “Business Regulation – Bank Supervision and Regulation - OTS Consent Orders and Related Matters” which is included in Item 1 of our 2013 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - None

Item 3 .Defaults Upon Senior Securities - None

Item 4. Mine Safety Disclosures - Not Applicable

Item 5. Other Information - None

Item 6. Exhibits

See Index to Exhibits.

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META FINANCIAL GROUP, INC.
SIGNATURES

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

META FINANCIAL GROUP, INC.

Date: May 5, 2014 By: /s/ J. Tyler Haahr
J. Tyler Haahr, Chairman of the Board
and Chief Executive Officer

Date: May 5, 2014 By: /s/ Glen W. Herrick
Glen W. Herrick, Executive Vice President
and Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit Number	Description
31.1	Section 302 certification of Chief Executive Officer.
31.2	Section 302 certification of Chief Financial Officer.
32.1	Section 906 certification of Chief Executive Officer.
32.2	Section 906 certification of Chief Financial Officer.
101.INS	Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document