Capitol Federal Financial Inc
Form 10-K
November 25, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 001-34814

Capitol Federal Financial, Inc.
(Exact name of registrant as specified in its charter)

Maryland	27-2631712
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
700 Kansas Avenue, Topeka, Kansas	66603
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(785) 235-1341

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

Common Stock, par value $0.01 per share	The NASDAQ Stock Market LLC
(Title of Class)	(Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ¨ No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, computed by reference to the average of the closing bid and asked price of such stock on the NASDAQ Stock Market as of March 31, 2015, was $1.73 billion.

As of November 17, 2015, there were issued and outstanding 137,130,588 shares of the Registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K - Portions of the proxy statement for the Annual Meeting of Stockholders for the year ended September 30, 2015.

Private Securities Litigation Reform Act-Safe Harbor Statement

Capitol Federal Financial, Inc. (the "Company"), and Capitol Federal Savings Bank ("Capitol Federal Savings" or the "Bank"), may from time to time make written or oral "forward-looking statements", including statements contained in documents filed or furnished by the Company with the Securities and Exchange Commission ("SEC"). These forward-looking statements may be included in this Annual Report on Form 10-K and the exhibits attached to it, in the Company's reports to stockholders, in the Company's press releases, and in other communications by the Company, which are made in good faith by us pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our future results to differ materially from the plans, objectives, goals, expectations, anticipations, estimates and intentions expressed in the forward-looking statements:

- our ability to maintain overhead costs at reasonable levels;
- our ability to originate and purchase a sufficient volume of one- to four-family loans in order to maintain the balance of that portfolio at a level desired by management;
- our ability to invest funds in wholesale or secondary markets at favorable yields compared to the related funding source;
- our ability to access cost-effective funding;
- fluctuations in deposit flows;
- the future earnings and capital levels of the Bank and the continued non-objection by our primary federal banking regulators, to the extent required, to distribute capital from the Bank to the Company, which could affect the ability of the Company to pay dividends in accordance with its dividend policy;
- fluctuations in loan demand and/or real estate values, as well as unemployment levels, and the credit risks of lending and investing activities, including changes in the level and direction of loan delinquencies and charge-offs, changes in home values, and changes in estimates of the adequacy of the allowance for credit losses ("ACL"), which may adversely affect our business;
- results of examinations of the Bank and the Company by their respective primary federal banking regulators, including the possibility that the regulators may, among other things, require us to increase our ACL;
- changes in accounting principles, policies, or guidelines;
- the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations, including areas where we have purchased large amounts of correspondent loans;
- the effects of, and changes in, trade, fiscal policies and laws, and monetary and interest rate policies of the Board of Governors of the Federal Reserve System ("FRB");
- the effects of, and changes in, foreign and military policies of the United States government;
- inflation, interest rate, market, monetary, and currency fluctuations;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing, and quality compared to competitors' products and services;
- the willingness of users to substitute competitors' products and services for our products and services;
- our success in gaining regulatory approval of our products and services and branching locations, when required;
- the impact of changes in financial services laws and regulations, including laws concerning taxes, banking, securities, consumer protection and insurance and the impact of other governmental initiatives affecting the financial services industry;
- implementing business initiatives may be more difficult or expensive than anticipated;

- significant litigation;
- technological changes;
- acquisitions and dispositions;
- changes in consumer spending and saving habits; and
- our success at managing the risks involved in our business.

This list of important factors is not all inclusive. We do not undertake 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 the Bank.

PART I

As used in this Form 10-K, unless we specify otherwise, "the Company," "we," "us," and "our" refer to Capitol Federal Financial, Inc. a Maryland corporation. "Capitol Federal Savings," and "the Bank," refer to Capitol Federal Savings Bank, a federal savings bank and the wholly-owned subsidiary of Capitol Federal Financial, Inc.

Item 1. Business

General

The Company is a Maryland corporation that was incorporated in April 2010. The Company's common stock is traded on the Global Select tier of the NASDAQ Stock Market under the symbol "CFFN."

The Bank is a wholly-owned subsidiary of the Company and is a federally chartered and insured savings bank headquartered in Topeka, Kansas. The Bank is examined and regulated by the Office of the Comptroller of the Currency (the "OCC"), its primary regulator, and its deposits are insured up to applicable limits by the Deposit Insurance Fund ("DIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC"). We primarily serve the metropolitan areas of Topeka, Wichita, Lawrence, Manhattan, Emporia and Salina, Kansas and a portion of the metropolitan area of greater Kansas City through 37 traditional and 10 in-store branches. The Company, as a savings and loan holding company, is examined and regulated by the FRB.

We have been, and intend to continue to be, a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. We attract retail deposits from the general public and invest those funds primarily in permanent loans secured by first mortgages on owner-occupied, one- to four-family residences. While our primary business is the origination of one- to four-family loans, we also purchase whole one- to four-family loans from correspondent lenders, originate consumer loans primarily secured by mortgages on one- to four-family residences, originate and participate in loans with other lenders that are secured by commercial or multi-family real estate, and invest in certain investment securities and mortgage-backed securities ("MBS") using funding from retail deposits, brokered and public unit deposits, Federal Home Loan Bank Topeka ("FHLB") borrowings, and repurchase agreements. We offer a variety of deposit accounts having a wide range of interest rates and terms, which generally include savings accounts, money market accounts, interest-bearing and noninterest-bearing checking accounts, and certificates of deposit with terms ranging from 91 days to 96 months. Our revenues are derived principally from interest on loans, MBS, investment securities, and FHLB stock.

The Company is significantly affected by prevailing economic conditions, including federal monetary and fiscal policies and federal regulation of financial institutions. Retail deposit balances are influenced by a number of factors, including interest rates paid on competing investment products, the level of personal income, and the personal rate of savings within our market areas. Lending activities are influenced by the demand for housing and other loans, our loan underwriting guidelines compared to those of our competitors, as well as interest rate pricing competition from other lending institutions.

Our executive offices are located at 700 South Kansas Avenue, Topeka, Kansas 66603, and our telephone number at that address is (785) 235-1341.

Available Information

Our Internet website address is www.capfed.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be obtained free of charge from our website. These reports are available on our website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. These reports are also available on the SEC's website at http://www.sec.gov.

Market Area and Competition
Our corporate office is located in Topeka, Kansas. We currently have a network of 47 branches (37 traditional branches and 10 in-store branches) located in nine counties throughout Kansas and three counties in Missouri. We primarily serve the metropolitan areas of Topeka, Wichita, Lawrence, Manhattan, Emporia, and Salina, Kansas and a portion of the metropolitan area of greater Kansas City. In addition to providing full service banking offices, we provide our customers mobile banking, telephone banking and bill payment services, and online banking and bill payment services. We also have a call center which operates on extended hours.

The Bank ranked second in deposit market share, at 7.23%, in the state of Kansas as reported in the June 30, 2015 FDIC "Summary of Deposits - Market Share Report." The first and third ranked institutions had an 8.13% and a 5.29% deposit market share, respectively. Deposit market share is measured by total deposits, without consideration for type of deposit. We do not offer commercial deposit accounts, while many of our competitors have both commercial and retail deposits in their total deposit base. Some of our competitors also offer products and services that we do not, such as trust services and private banking, which may add to their total deposits. Consumers also have the ability to utilize online financial institutions and investment brokerages that are not confined to any specific market area. Management considers our well-established retail banking network together with our reputation for financial strength and customer service to be major factors in our success at attracting and retaining customers in our market areas.

The Bank consistently has been one of the top one- to four-family lenders with regard to mortgage loan origination volume in the state of Kansas. Through our strong relationships with real estate agents and marketing efforts, which reflect our reputation and pricing, we attract mortgage loan business from walk-in customers, customers that apply online, and existing customers. Competition in originating one- to four-family loans primarily comes from other savings institutions, commercial banks, credit unions, and mortgage bankers. Other savings institutions, commercial banks, credit unions, and finance companies provide vigorous competition in consumer lending.

Lending Practices and Underwriting Standards
General. Originating and purchasing loans secured by one- to four-family residential properties is the Bank's primary lending business, resulting in a loan concentration in residential first mortgage loans located in Kansas and Missouri. The Bank also originates consumer loans and construction loans secured by residential properties, and originates and participates in commercial and multi-family real estate loans and construction loans secured by multi-family or commercial real estate.

One- to Four-Family Residential Real Estate Lending. The Bank originates and services one- to four-family loans that are not guaranteed or insured by the federal government, and purchases one- to four-family loans, on a loan-by-loan basis, from a select group of correspondent lenders.

Originated loans
While the Bank originates both fixed- and adjustable-rate loans, our origination volume is dependent upon customer demand for loans in our market areas. Demand is affected by the local housing market, competition, and the interest rate environment. During fiscal years 2015 and 2014, the Bank originated and refinanced $697.1 million and $484.3 million of one- to four-family loans, respectively.

Purchased loans
The Bank purchases one- to four-family loans, on a loan-by-loan basis, from a select group of correspondent lenders. Loan purchases enable the Bank to attain geographic diversification in the loan portfolio. At September 30, 2015, the Bank had correspondent lending relationships in 28 states and the District of Columbia. During fiscal years 2015 and 2014, the Bank purchased $651.0 million and $515.5 million, respectively, of one- to four-family loans from correspondent lenders. We generally pay a premium of 0.50% to 1.0% of the loan balance to purchase these loans, and we pay 1.0% of the loan balance to purchase the servicing of these loans.

The Bank has an agreement with a third-party mortgage sub-servicer to provide loan servicing for loans originated by the Bank's correspondent lenders in certain states. The sub-servicer has experience servicing loans in the market areas in which we purchase loans and services the loans according to the Bank's servicing standards, which is intended to allow the Bank greater control over servicing and reporting and help maintain a standard of loan performance.

The Bank has also purchased one- to four-family loans from correspondent and nationwide lenders in bulk loan packages. The last bulk loan package purchased by the Bank was in August 2012. The servicing rights were generally retained by the lender/seller for the loans purchased from nationwide lenders. The servicing with nationwide lenders is governed by a servicing agreement, which outlines collection policies and procedures, as well as oversight requirements, such as servicer certifications attesting to and providing proof of compliance with the servicing agreement.

Underwriting
Full documentation to support an applicant's credit and income, and sufficient funds to cover all applicable fees and reserves at closing, are required on all loans. Generally, loans are underwritten according to the "ability to repay" and "qualified mortgage" standards, as issued by the Consumer Financial Protection Bureau ("CFPB"), with total debt-to-income ratios not exceeding 43% of a borrower's verified income. Information pertaining to the creditworthiness of the borrower generally consists of a summary of the borrower's credit history, employment stability, sources of income, assets, net worth, and debt ratios. The value of the subject property must be supported by an appraisal report prepared in accordance with our appraisal policy by either a staff appraiser or a fee appraiser, both of which are independent of the loan origination function and who are approved by our Board of Directors.

Loans over $500 thousand must be underwritten by two senior underwriters. Any loan over $750 thousand must be approved by our Asset and Liability Management Committee ("ALCO"), and loans over $1.5 million must be approved by our Board of Directors. For loans requiring ALCO and/or Board of Directors' approval, lending management is responsible for presenting to ALCO and/or the Board of Directors information about the creditworthiness of the borrower and the market value of the subject property.

The underwriting standards for loans purchased from correspondent and nationwide lenders are generally similar to the Bank's internal underwriting standards. The underwriting of correspondent loans is performed by the Bank's underwriters. Our standard contractual agreement with the lender/seller includes recourse options for any breach of representation or warranty with respect to the loans purchased. The Bank did not request any lenders/sellers to repurchase loans for breach of representation during fiscal year 2015.

Adjustable-rate loans
Current adjustable-rate one- to four-family loans originated by the Bank generally provide for a specified rate limit or cap on the periodic adjustment to the interest rate, as well as a specified maximum lifetime cap and minimum rate, or floor. As a consequence of using caps, the interest rates on these loans may not be as rate sensitive as our cost of funds. Negative amortization of principal is not allowed. For three- and five-year adjustable-rate mortgage ("ARM") loans, borrowers are qualified based on the principal, interest, tax, and insurance payments at the initial interest rate plus the life of loan cap and the initial interest rate plus the first period cap, respectively. For seven-year ARM loans, borrowers are qualified based on the principal, interest, tax, and insurance payments at the initial rate. After the initial three-, five-, or seven-year period, the interest rate resets annually and the new principal and interest payment is based on the new interest rate, remaining unpaid principal balance, and term of the ARM loan. Our ARM loans are not automatically convertible into fixed-rate loans; however, we do allow borrowers to pay an endorsement fee to convert an ARM loan to a fixed-rate loan. ARM loans can pose greater credit risks than fixed-rate loans, primarily because as interest rates rise, the borrower's payment also rises, increasing the potential for default. This specific type of risk is known as repricing risk.

Pricing
Our pricing strategy for first mortgage loan products includes setting interest rates based on secondary market prices and local competitor pricing for our local lending markets, and secondary market prices and national competitor pricing for our correspondent lending markets. ARM loans are offered with a three-year, five-year, or seven-year term to the initial repricing date. After the initial period, the interest rate for each ARM loan adjusts annually for the remainder of the term of the loan. Currently, new originations are tied to London Interbank Offered Rates ("LIBOR");

however, other indices have been used in the past.

Mortgage Insurance
For a mortgage with a loan-to-value ("LTV") ratio in excess of 80% at the time of origination, private mortgage insurance ("PMI") is required in order to reduce the Bank's loss exposure. The Bank will lend up to 97% of the lesser of the appraised value or purchase price for one- to four-family loans, provided PMI is obtained. Management continuously monitors the claim-paying ability of our PMI counterparties. We believe our PMI counterparties have the ability to meet potential claim obligations we may file in the foreseeable future.

Loan endorsement program
In an effort to offset the impact of repayments and to retain our customers, existing loan customers, including customers whose loans were purchased from a correspondent lender, have the opportunity, for a cash fee, to endorse their original loan terms to current loan terms being offered. Customers whose loans have been sold to third parties, or have been delinquent on their contractual loan payments during the previous 12 months, or are currently in bankruptcy, are not eligible to participate in this program. The Bank does not solicit customers for this program, but considers it a valuable opportunity to retain customers who, based on our initial underwriting criteria, could likely obtain similar financing elsewhere. During fiscal years 2015 and 2014, the Bank endorsed $121.6 million and $36.4 million of one- to four-family loans, respectively.

Repayment
The Bank's one- to four-family loans are primarily fully amortizing fixed-rate or ARM loans. The contractual maturities for fixed-rate loans can be up to 30 years and the contractual maturities for ARM loans can be up to 30 years; however, there are certain bulk purchased ARM loans that had original contractual maturities of 40 years. Our one- to four-family loans are generally not assumable and do not contain prepayment penalties. A "due on sale" clause, allowing the Bank to declare the unpaid principal balance due and payable upon the sale of the secured property, is generally included in the security instrument.

Loan sales
One- to four-family loans may be sold on a bulk basis for portfolio restructuring or on a flow basis as loans are originated to reduce interest rate risk and/or maintain a certain liquidity position. Loans originated by the Bank are generally eligible for sale in the secondary market. The Bank generally retains the servicing on these loans. ALCO determines the criteria upon which one- to four-family loans are to be originated as held-for-sale or held-for-investment. One- to four-family loans originated as held-for-sale are to be sold in accordance with policies set forth by ALCO. One- to four-family loans originated as held-for-investment are generally not sold unless a specific segment of the portfolio is identified for asset restructuring purposes. The Bank did not sell any one- to four-family loans during fiscal years 2015 or 2014.

Construction Lending. The Bank originates and purchases construction-to-permanent loans primarily secured by one- to four-family residential real estate, as well as by multi-family dwellings and commercial real estate. The underwriting details for multi-family dwelling and commercial real estate are presented in the "Multi-family and Commercial Lending" section below. At September 30, 2015, we had $129.9 million in construction-to-permanent loans outstanding, including undisbursed loan funds of $88.9 million, representing approximately 2% of our total loan portfolio. Of the $129.9 million in construction-to-permanent loans outstanding at September 30, 2015, $75.2 million, or approximately 58%, related to one- to four-family residential real estate.

The majority of the one- to four-family construction loans are secured by property located within the Bank's Kansas City market area. Construction loans are obtained by homeowners who will occupy the property when construction is complete. Construction loans to builders for speculative purposes are not permitted. The application process includes submission of complete plans, specifications, and costs of the project to be constructed. All construction loans are manually underwritten using the Bank's internal underwriting standards.

The Bank's one- to four-family construction-to-permanent loan program combines the construction loan and the permanent loan into one loan allowing the borrower to secure the same interest rate throughout the construction period and the permanent loan. The loan products and interest rate offered for the one- to four-family construction-to-permanent loan program are the same as what is offered for non-construction one- to four-family loans. The loan term is longer than the non-construction one- to four-family loans due to consideration for the construction period, which is generally between 12 and 18 months.

Construction draw requests and the supporting documentation are reviewed and approved by authorized management or experienced construction loan personnel. The Bank also performs regular documented inspections of the construction project to ensure the funds are being used for the intended purpose and the project is being completed according to the plans and specifications provided. The Bank charges a 1% fee at closing, based on the loan amount, for these administrative requirements. Interest is not capitalized during the construction period; it is billed and collected monthly based on the amount of funds disbursed. Once the construction period is complete, the payment method is changed from interest-only to an amortized principal and interest payment for the remaining term of the loan.

Consumer Lending. The Bank offers a variety of secured consumer loans, including home equity loans and lines of credit, home improvement loans, auto loans, and loans secured by savings deposits. The Bank also originates a very limited amount of unsecured loans. The Bank does not originate any consumer loans on an indirect basis, such as contracts purchased from retailers of goods or services which have extended credit to their customers. All consumer loans are originated in the Bank's market areas. At September 30, 2015, our consumer loan portfolio totaled $130.0 million, or approximately 2% of our total loan portfolio.

The majority of our consumer loan portfolio is comprised of home equity lines of credit which have interest rates that can adjust monthly based upon changes in the Prime rate, up to a maximum of 18%. For a majority of the home equity lines of credit, the Bank has the first mortgage or the Bank is in the first lien position. Home equity lines of credit may be originated up to 90% of the value of the property securing the loan if no first mortgage exists, or up to 90% of the value of the property securing the loans if taking into consideration an existing first mortgage. Approximately 53%, or $57.2 million, of our home equity lines at September 30, 2015 were originated with a payment requirement of 1.5% of the outstanding loan balance per month, but have no stated term-to-maturity and no repayment period. Repaid principal may be re-advanced at any time, not to exceed the original credit limit of the loan. Approximately 45%, or $48.2 million, of our home equity lines at September 30, 2015 were originated with a 7-year draw period, a 10-year repayment term, and typically a payment requirement of 1.5% of the outstanding loan balance per month during the draw period, with an amortizing payment during the repayment period. Repaid principal may be re-advanced at any time during the draw period, not to exceed the original credit limit of the loan. We also offer interest-only home equity lines of credit. These loans have a maximum term of 12 months and require monthly payments of accrued interest, and a balloon payment of unpaid principal at maturity. At September 30, 2015, approximately 2%, or $2.0 million, of our home equity lines were interest-only. Closed-end home equity loans, which totaled $18.5 million at September 30, 2015, may be originated up to 95% of the value of the property securing the loans if taking into consideration an existing first mortgage, or the lesser of up to $40 thousand or 25% of the value of the property securing the loan if no first mortgage exists. The term-to-maturity for closed-end home equity loans in the first lien position may be up to 10 years, or may be up to 20 years for loans in the second lien position. Other consumer loan terms vary according to the type of collateral and the length of the contract. Home equity loans, including lines of credit and closed-end loans, comprised approximately 97% of our consumer loan portfolio, or $125.8 million, at September 30, 2015; of that amount, 85% were adjustable-rate.

The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of the applicant's 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 in relation to the proposed loan amount.

Consumer loans generally have shorter terms-to-maturity or reprice more frequently, usually without periodic caps, which reduces our exposure to credit risk and changes in interest rates, and usually carry higher rates of interest than do one- to four-family loans. However, consumer loans may entail greater credit risk than do one- to four-family loans, particularly in the case of consumer loans that are secured by rapidly depreciable assets, such as automobiles. Management believes that offering consumer loan products helps to expand and create stronger ties to our existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities.

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Multi-family and Commercial Lending. At September 30, 2015, the Bank's multi-family and commercial loans, including those that were in the construction period, totaled $165.7 million ($120.8 million net of undisbursed loan funds), or approximately 2% of our total loan portfolio. These loans were originated by the Bank or were in participation with a lead bank, and are secured primarily by multi-family dwellings or commercial real estate. The Bank has expanded, and intends to continue expanding, its commercial real estate and construction loan portfolio through our correspondent lending channel. At September 30, 2015, $136.6 million ($91.7 million net of undisbursed loan funds) of commercial loans were participation loans.

Our multi-family loans are secured by small and medium-sized apartment complexes. At September 30, 2015, our largest multi-family loan had an unpaid principal balance of $5.7 million and was secured by a 40-unit complex in Texas. The average unpaid principal balance per multi-family loan was $1.1 million at September 30, 2015.

Our commercial real estate loans include a variety of property types, including hotels, office and retail buildings, and senior housing facilities located in Kansas, Missouri, Colorado, Arkansas, California and Texas. Our largest commercial real estate loan was $35.2 million at September 30, 2015, but no funds had been disbursed on this loan at September 30, 2015. The loan is secured by a 304-unit hotel to be constructed in Texas. The loan with the largest unpaid principal balance at September 30, 2015 was a loan for $13.3 million which was secured by a 150-unit hotel in Kansas. The average unpaid principal balance per commercial real estate loan was $3.7 million at September 30, 2015.

Multi-family and commercial real estate and construction loans are originated or participated in based on the income producing potential of the property and the financial strength of the borrower and/or guarantors. Generally, for non-construction properties, the historical net operating income, which is the income derived from the operation of the property less all operating expenses, must be at least 1.25 times the required payments related to the outstanding debt (debt service coverage ratio) at the time of origination. For construction projects, the minimum debt service coverage ratio requirement of 1.25 applies to the projected cash flows, and the borrower must have successful experience with the construction and operation of properties similar to the subject property. As part of the underwriting process, the historical or projected cash flows are stressed under various scenarios to measure the viability of the project given adverse conditions.

Generally, LTV ratios are limited to 80% for multi-family and commercial real estate loans, depending on the property type. Appraisals on properties securing these loans are performed by independent state certified fee appraisers. The Bank generally requires at least 15% cash equity from the borrower for land acquisition, land development, and multi-family or commercial real estate construction loans. For non-acquisition, development or construction loans, the equity may be from a combination of cash and the appraised value of the secured property if in excess of the requested loan balance.

The majority of our multi-family loans have amortization terms between 15 and 30 years and maturities ranging from three to 20 years, which generally requires balloon payments of the remaining principal balance. Commercial real estate loans generally have amortization terms of 15 to 25 years and maturities ranging from five to 20 years, which generally requires balloon payments of the remaining principal balance. The Bank has participated in a limited number of short-term loans with a maturity of three years or less. These loans are generally construction-only loans or land development loans that require interest-only payments for the entire term of the loan. The Bank generally requires personal guarantees from the borrowers or the individuals that own the borrowing entity, which cover the entire outstanding debt. Consequently, the loans are fully secured by both a first mortgage on the real estate which serves as collateral and by a full guarantee.

Multi-family and commercial real estate loans have either a fixed or an adjustable interest rate based on prevailing market rates. The interest rate on ARM loans is based on a variety of indices, generally determined through negotiation with the borrower or determined by the lead bank. The Bank generally allows interest-only payments during the construction phase of a project before requiring amortizing payments once the loan converts to a permanent loan. For permanent loans, the Bank normally requires amortizing payments.

We generally do not maintain a tax or insurance escrow account for multi-family or commercial real estate loans. In order to monitor the adequacy of cash flows on income-producing properties with a principal balance of $1.5 million or more, the borrower is required to provide financial information annually, including subject property rental rates and income, maintenance costs, an update of real estate property tax and insurance payments, and personal financial information for the guarantors. Depending on the financial strength of the project and/or the complexity of the borrower's financials, the Bank may also perform a global analysis of cash flows to account for all other properties owned by the borrower. If signs of weakness are identified, the Bank may begin performing more frequent financial and/or collateral reviews to monitor the credit. Additionally, the Bank may include covenants in the loan agreement that allow the Bank to take action when weaknesses are detected to potentially prevent the credit from becoming impaired. The covenants are specific to each loan agreement, based on factors such as the purpose of funds, the collateral type, and the financial strength of the project, the borrower and the guarantor, among other factors.

Our multi-family and commercial real estate loans are generally large dollar loans to single borrowers or groups of related borrowers and involve a greater degree of credit risk than one- to four-family loans. Because payments on these loans are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the economy or the real estate market. If the cash flow from the project is reduced, or if leases are not obtained or renewed, the borrower's ability to repay the loan may become impaired. The Bank continually monitors the level of risk in the portfolio, including concentrations in such factors as geographic locations, property types, tenant brand name, borrowing relationships, and lending relationships in the case of participation loans, among other factors.

Loan Portfolio. The following table presents the composition of our loan portfolio as of the dates indicated.

	September 30,									
	2015		2014		2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Per
	(Dollars in thousands)									
Real estate loans:										
One- to four-family	$6,342,412	94.5 %	$5,972,031	95.0 %	$5,743,047	95.5 %	$5,392,429	95.5 %	$4,918,778	94.
Multi-family and commercial	110,938	1.6	75,677	1.2	50,358	0.9	48,623	0.9	57,965	1.1
Construction:										
One- to four-family	75,152	1.1	72,113	1.1	63,208	1.1	38,279	0.7	47,368	0.9
Multi-family and commercial	54,768	0.8	34,677	0.6	14,535	0.2	13,975	0.2	—	—
Total construction	129,920	1.9	106,790	1.7	77,743	1.3	52,254	0.9	47,368	0.9
Total real estate loans	6,583,270	98.0	6,154,498	97.9	5,871,148	97.7	5,493,306	97.3	5,024,111	96.
Consumer loans:										
Home equity	125,844	1.9	130,484	2.0	135,028	2.2	149,321	2.6	164,541	3.2
Other	4,179	0.1	4,537	0.1	5,623	0.1	6,529	0.1	7,224	0.1
Total consumer loans	130,023	2.0	135,021	2.1	140,651	2.3	155,850	2.7	171,765	3.3
Total loans receivable	6,713,293	100.0%	6,289,519	100.0%	6,011,799	100.0%	5,649,156	100.0%	5,195,876	10(
Less:										
Undisbursed loan funds	90,565		52,001		42,807		22,874		22,531	
ACL	9,443		9,227		8,822		11,100		15,465	
Discounts/unearned loan fees	24,213		23,687		23,057		21,468		19,093	
Premiums/deferred costs	(35,955)		(28,566)		(21,755)		(14,369)		(10,947)	
Total loans receivable, net	$6,625,027		$6,233,170		$5,958,868		$5,608,083		$5,149,734	

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The following table presents the contractual maturity of our loan portfolio, along with associated weighted average yields, at September 30, 2015. Loans which have adjustable or renegotiable interest rates are shown as maturing in the period during which the contract is due. The table does not reflect the effects of possible prepayments or enforcement of due on sale clauses.

	Real Estate						Consumer					
	One- to Four-Family		Multi-family and Commercial		Construction[2]		Home Equity[3]		Other		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yi
	(Dollars in thousands)											
Amounts due:												
Within one year[1]	$1,103	5.57%	$29,720	3.89%	$58,335	3.70%	$2,050	5.15%	$608	3.51%	$91,816	3.8
After one year:												
Over one to two	4,728	5.42	6,350	3.00	71,585	3.89	492	5.46	896	5.16	84,051	3.9
Over two to three	21,042	4.94	6,647	4.30	—	—	618	5.17	738	3.70	29,045	4.7
Over three to five	36,423	4.60	6,094	4.71	—	—	2,110	6.35	1,843	3.67	46,470	4.6
Over five to ten	341,389	3.92	47,766	4.27	—	—	8,403	5.35	94	5.63	397,652	3.9
Over ten to fifteen	1,413,969	3.25	5,437	4.35	—	—	42,136	5.35	—	—	1,461,542	3.3
After fifteen years	4,523,758	3.68	8,924	4.66	—	—	70,035	4.66	—	—	4,602,717	3.6
Total due after one year	6,341,309	3.61	81,218	4.25	71,585	3.89	123,794	4.97	3,571	4.10	6,621,477	3.6
Totals loans	$6,342,412	3.61	$110,938	4.16	$129,920	3.80	$125,844	4.98	$4,179	4.01	6,713,293	3.6
Less:												
Undisbursed loan funds											90,565	
ACL											9,443	
Discounts/unearned loan fees											24,213	
Premiums/deferred costs											(35,955)	
Total loans receivable, net											$6,625,027	

(1) Includes demand loans, loans having no stated maturity, and overdraft loans.

(2) Construction loans are presented based upon the term to complete construction.

(3) For home equity loans, the maturity date calculated assumes the customer always makes the required minimum payment. The majority of interest-only home equity lines of credit assume a balloon payment of unpaid principal at 120 months. All other home equity lines of credit generally assume a term of 240 months.

The following table presents, as of September 30, 2015, the amount of loans due after September 30, 2016, and whether these loans have fixed or adjustable interest rates.

	Fixed	Adjustable	Total
	(Dollars in thousands)		
Real estate loans:			
One- to four-family	$ 5,132,857	$ 1,208,452	$ 6,341,309
Multi-family and commercial	78,741	2,477	81,218
Construction	27,788	43,797	71,585
Consumer loans:			
Home equity	18,411	105,383	123,794
Other	1,012	2,559	3,571
Total	$ 5,258,809	$ 1,362,668	$ 6,621,477

Asset Quality

The Bank's traditional underwriting guidelines have provided the Bank with generally low delinquencies and low levels of non-performing assets compared to national levels. Of particular importance is the complete and full documentation required for each loan the Bank originates or purchases. This allows the Bank to make an informed credit decision based upon a thorough assessment of the borrower's ability to repay the loan. A full credit analysis is also performed on multi-family and commercial real estate and construction loans taking into consideration actual/expected property cash flows, debt service ratios, stress testing, borrowing entity experience, guarantor strength, demographic research of the project, global cash flows when appropriate, and the appraisal information. The Bank performs ongoing monitoring of the multi-family and commercial real estate and construction loans with a loan balance in excess of $1.5 million.

For one- to four-family loans and consumer loans, when a borrower fails to make a loan payment within 15 days after the due date, a late charge is assessed and a notice is mailed. Collection personnel review all delinquent loan accounts more than 16 days past due. Attempts to contact the borrower occur by personal letter and, if no response is received, by telephone, with the purpose of establishing repayment arrangements for the borrower to bring the loan current. Repayment arrangements must be approved by a designated bank employee. For residential mortgage loans serviced by the Bank, beginning at approximately the 31st day of delinquency, and again at approximately the 50th day of delinquency, information notices are mailed to borrowers to inform them of the availability of payment assistance programs. Borrowers are encouraged to contact the Bank to initiate the process of reviewing such opportunities. Once a loan becomes 90 days delinquent, assuming a loss mitigation solution is not actively in process, a demand letter is issued requiring the loan be brought current or foreclosure procedures will be implemented. Generally, when a loan becomes 120 days delinquent, and an acceptable repayment plan or loss mitigation solution has neither been established nor is in the process of being negotiated, the loan is forwarded to legal counsel to initiate foreclosure. We also monitor whether borrowers who have filed for bankruptcy are meeting their obligation to pay the mortgage debt in accordance with the terms of the bankruptcy petition.

For purchased loans serviced by a third party, we monitor delinquencies using reports received from the servicers. We monitor these servicer reports to ensure that the servicer is upholding the terms of the servicing agreement. The reports generally provide total principal and interest due and length of delinquency, and are used to prepare monthly management reports and perform delinquent loan trend analysis. Management also utilizes information from the servicers to monitor property valuations and identify the need to charge-off loan balances. The servicers handle collection efforts per the terms of the servicing agreement.

Delinquent and non-performing loans and other real estate owned ("OREO")

The following table presents the Company's 30 to 89 day delinquent loans as of the dates indicated. Of the loans 30 to 89 days delinquent at September 30, 2015, 75% were 59 days or less delinquent.

	Loans Delinquent for 30 to 89 Days at September 30,					
	2015		2014		2013	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
One- to four-family:						
Originated	158	$ 16,955	138	$ 13,074	164	$ 18,225
Correspondent purchased	8	2,344	9	2,335	5	709
Bulk purchased	32	7,259	37	7,860	37	7,733
Consumer loans:						
Home equity	32	703	33	770	45	848
Other	11	17	18	69	13	35
	241	$ 27,278	235	$ 24,108	264	$ 27,550
30 to 89 days delinquent loans to total loans receivable, net		0.41 %		0.39 %		0.46 %

The table below presents the Company's non-performing loans and OREO as of the dates indicated. Non-performing loans are loans that are 90 or more days delinquent or in foreclosure and nonaccrual loans less than 90 days delinquent but required to be reported as nonaccrual pursuant to regulatory reporting requirements, even if the loans are current. At all dates presented, there were no loans 90 or more days delinquent that were still accruing interest. Non-performing assets include non-performing loans and OREO. OREO primarily includes assets acquired in settlement of loans. Over the past 12 months, OREO properties were owned by the Bank, on average, for approximately four months before the properties were sold.

	September 30, 2015		2014		2013		2012		2011	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)									
Loans 90 or More Days Delinquent or in Foreclosure:										
One- to four-family:										
Originated	66	$6,728	82	$7,880	101	$8,579	86	$7,885	101	$11,727
Correspondent purchased	1	394	2	709	5	812	5	722	5	648
Bulk purchased	36	8,898	28	7,120	34	9,608	43	10,447	46	13,749
Consumer loans:										
Home equity	24	497	25	397	29	485	19	369	21	380
Other	4	12	4	13	4	5	4	27	3	3
	131	16,529	141	16,119	173	19,489	157	19,450	176	26,507
Nonaccrual loans less than 90 Days Delinquent:[1]										
One- to four-family:										
Originated	77	9,004	67	7,473	57	5,833	77	8,815	—	—
Correspondent purchased	1	25	4	553	2	740	4	686	—	—
Bulk purchased	1	82	5	724	2	280	10	2,405	—	—
Consumer loans:										
Home equity	12	295	2	45	6	101	22	456	—	—
Other	—	—	—	—	—	—	1	12	—	—
	91	9,406	78	8,795	67	6,954	114	12,374	—	—
Total non-performing loans	222	25,935	219	24,914	240	26,443	271	31,824	176	26,507
Non-performing loans as a percentage of total loans[2]		0.39 %		0.40 %		0.44 %		0.57 %		0.51 %
OREO:										
One- to four-family:										
Originated[3]	29	$1,752	25	$2,040	28	$2,074	59	$5,374	67	$5,843
Correspondent purchased	1	499	1	179	2	71	1	92	7	1,099
Bulk purchased	2	796	2	575	4	380	6	1,172	12	2,877
Consumer loans:										
Home equity	1	8	—	—	2	57	1	9	—	—
Other[4]	1	1,278	1	1,300	1	1,300	1	1,400	1	1,502
	34	4,333	29	4,094	37	3,882	68	8,047	87	11,321
Total non-performing assets	256	$30,268	248	$29,008	277	$30,325	339	$39,871	263	$37,828
Non-performing assets as a percentage of total assets		0.31 %		0.29 %		0.33 %		0.43 %		0.40 %

(1) Represents loans required to be reported as nonaccrual pursuant to regulatory reporting requirements, even if the loans are current. At September 30, 2015, 2014, 2013, and 2012, this amount was comprised of $2.2 million, $1.1 million, $1.1 million, and $1.2 million, respectively, of loans that were 30 to 89 days delinquent and were reported as such, and $7.2 million, $7.7 million, $5.9 million, and $11.2 million, respectively, of loans that were current.

(2) Excluding loans required to be reported as nonaccrual pursuant to regulatory reporting requirements, even if the loans are current, non-performing loans as a percentage of total loans were 0.25%, 0.26%, 0.33%, and 0.35% at September 30, 2015, 2014, 2013, and 2012, respectively.

(3) Real estate-related consumer loans where we also hold the first mortgage are included in the one- to four-family category as the underlying collateral is one- to four-family property.

(4) Represents a single property the Bank purchased for a potential branch site but now intends to sell.

Once a one- to four-family loan is generally 180 days delinquent, a new collateral value is obtained through an appraisal, less estimated selling costs and anticipated PMI receipts. Any loss amounts identified as a result of this review are charged-off. At September 30, 2015, $8.9 million, or 56%, of the one-to four-family loans 90 or more days delinquent or in foreclosure had been individually evaluated for loss and any related losses have been charged-off.

The amount of interest income on nonaccrual loans and troubled debt restructurings ("TDRs") as of September 30, 2015 included in interest income was $1.9 million for the year ended September 30, 2015. The amount of additional interest income that would have been recorded on nonaccrual loans and TDRs as of September 30, 2015, if they had performed in accordance with their original terms, was $328 thousand for the year ended September 30, 2015.

The following table presents the top 13 states where the properties securing our one- to four-family loans are located and the corresponding balance of loans 30 to 89 days delinquent, 90 or more days delinquent or in foreclosure, and weighted average LTV ratios for loans 90 or more days delinquent or in foreclosure as of September 30, 2015. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. At September 30, 2015, potential losses, after taking into consideration anticipated PMI proceeds and estimated selling costs, have been charged-off.

	One- to Four-Family		Loans 30 to 89 Days Delinquent		Loans 90 or More Days Delinquent or in Foreclosure		
State	Amount	% of Total	Amount	% of Total	Amount	% of Total	LTV
	(Dollars in thousands)						
Kansas	$3,740,795	59.0 %	$13,317	50.1 %	$6,675	41.7 %	71 %
Missouri	1,252,685	19.7	5,585	21.0	447	2.8	85
Texas	358,490	5.7	1,165	4.4	—	—	n/a
California	266,998	4.2	—	—	—	—	n/a
Tennessee	148,354	2.3	—	—	—	—	n/a
Alabama	95,167	1.5	—	—	—	—	n/a
Oklahoma	76,135	1.2	—	—	328	2.0	60
North Carolina	50,947	0.8	790	3.0	761	4.8	48
Colorado	42,036	0.7	271	1.0	—	—	n/a
Georgia	37,321	0.6	445	1.7	308	1.9	77
Nebraska	31,534	0.5	602	2.3	—	—	n/a
Pennsylvania	27,463	0.4	1,262	4.7	—	—	n/a
Illinois	26,779	0.4	523	2.0	1,076	6.7	64
Other states	187,708	3.0	2,598	9.8	6,425	40.1	82
	$6,342,412	100.0 %	$26,558	100.0 %	$16,020	100.0 %	74

Troubled Debt Restructurings. For borrowers experiencing financial difficulties, the Bank may grant a concession to the borrower. Generally, the Bank grants a short-term payment concession to borrowers who are experiencing a temporary cash flow problem. The most frequently used concession is to reduce the monthly payment amount for a period of 6 to 12 months, often by requiring payments of only interest and escrow during this period, resulting in an extension of the maturity date of the loan. For more severe situations requiring long-term solutions, the Bank also offers interest rate reductions to currently-offered rates and the capitalization of delinquent interest and/or escrow resulting in an extension of the maturity date of the loan. The Bank does not forgive principal or interest, nor does it commit to lend additional funds, except for situations generally involving the capitalization of delinquent interest and/or escrow not to exceed the original loan balance, to these borrowers. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1 – Summary of Significant Accounting Policies and Note 4 – Loans Receivable and Allowance for Credit Losses" for additional information related to TDRs.

The following table presents the Company's TDRs, based on accrual status, as of the dates indicated. At September 30, 2015, $26.1 million of TDRs were included in the ACL formula analysis model and $187 thousand of the ACL was related to these loans. The remaining $13.7 million of TDRs at September 30, 2015 were individually evaluated for loss and any potential losses had been charged-off.

	September 30,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Accruing TDRs	$24,331	$24,636	$37,074	$36,316	$47,509
Nonaccrual TDRs(1)	15,511	13,370	12,426	15,857	2,898
Total TDRs	$39,842	$38,006	$49,500	$52,173	$50,407

(1) Nonaccrual TDRs are included in the non-performing loan table above.

Impaired Loans. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. Interest income on impaired loans is recognized in the period collected unless the ultimate collection of principal is considered doubtful. The unpaid principal balance of loans reported as impaired at September 30, 2015, 2014, and 2013 was $57.2 million, $56.3 million, and $69.4 million, respectively. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1 – Summary of Significant Accounting Policies and Note 4 - Loans Receivable and Allowance for Credit Losses" for additional information related to impaired loans.

Classified Assets. In accordance with the Bank's asset classification policy, management regularly reviews the problem assets in the Bank's portfolio to determine whether any assets require classification. Asset classifications are defined as follows:

- Special mention - These assets are performing assets on which known information about the collateral pledged or the possible credit problems of the borrower(s) have caused management to have doubts as to the ability of the borrower(s) to comply with present loan repayment terms and which may result in the future inclusion of such loans in the non-performing loan categories.
- Substandard - 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 the Bank will sustain some loss if the deficiencies are not corrected.
- Doubtful - Assets classified as doubtful have all the weaknesses inherent as those classified as substandard, with the added characteristic that the weaknesses present make collection or liquidation in full on the basis of currently existing facts and conditions and values highly questionable and improbable.
- Loss - Assets classified as loss are considered uncollectible and of such little value that their continuance as assets on the books is not warranted.

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The following table sets forth the recorded investment in assets, classified as either special mention or substandard, as of September 30, 2015. At September 30, 2015, there were no loans classified as doubtful, and all loans classified as loss were fully charged-off. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 4 – Loans Receivable and Allowance for Credit Losses" for additional information related to classified loans.

	Special Mention		Substandard	
	Number	Amount	Number	Amount
	(Dollars in thousands)			
One- to four-family:				
Originated	105	$ 12,422	263	$ 28,060
Correspondent purchased	11	3,727	5	1,222
Bulk purchased	7	1,376	51	13,237
Consumer Loans:				
Home equity	9	151	76	1,301
Other	—	—	6	17
Total loans	132	17,676	401	43,837
OREO:				
Originated	—	—	30	1,760
Correspondent purchased	—	—	1	499
Bulk purchased	—	—	2	796
Other	—	—	1	1,278
Total OREO	—	—	34	4,333
Trust preferred securities ("TRUPs")	—	—	1	1,916
Total classified assets	132	$ 17,676	436	$ 50,086

Allowance for credit losses and provision for credit losses. Management maintains an ACL to absorb inherent losses in the loan portfolio based on ongoing quarterly assessments of the loan portfolio. Our ACL methodology considers a number of factors including the trend and composition of delinquent loans, results of foreclosed property and short sale transactions, charge-off trends, the current status and trends of local and national economies (particularly levels of unemployment), trends and current conditions in the real estate and housing markets, and loan portfolio growth and concentrations. See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Allowance for Credit Losses" and "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1 – Summary of Significant Accounting Policies" for a full discussion of our ACL methodology. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 4 – Loans Receivable and Allowance for Credit Losses" for additional information on the ACL.

At September 30, 2015, our ACL was $9.4 million, or 0.14% of the total loan portfolio and 36.4% of total non-performing loans. This compares to an ACL of $9.2 million, or 0.15% of the total loan portfolio and 37.0% of total non-performing loans as of September 30, 2014. The ACL is maintained through provisions for credit losses, which are either charged or credited to income. The provision for credit losses is established after considering the results of management's quarterly assessment of the ACL. For the year ended September 30, 2015, the Company recorded a provision for credit losses of $771 thousand. The provision in the current fiscal year takes into account net charge-offs of $555 thousand and loan growth.

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The following table presents ACL activity and related ratios at the dates and for the periods indicated.

	Year Ended September 30,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Balance at beginning of period	$9,227	$8,822	$11,100	$15,465	$14,892
Charge-offs:					
One- to four-family loans:					
Originated	(424)	(284)	(624)	(804)	(313)
Correspondent purchased	(11)	(96)	(13)	(88)	(101)
Bulk purchased	(228)	(653)	(761)	(5,186)	(2,928)
Multi-family and commercial loans	—	—	—	—	—
Construction	—	—	—	—	—
Home equity	(29)	(103)	(252)	(330)	(133)
Other consumer loans	(43)	(6)	(7)	(27)	(12)
Total charge-offs	(735)	(1,142)	(1,657)	(6,435)	(3,487)
Recoveries:					
One- to four-family loans:					
Originated	56	1	14	14	—
Correspondent purchased	—	—	—	2	—
Bulk purchased	58	64	398	8	—
Multi-family and commercial loans	—	—	—	—	—
Construction	—	—	—	—	—
Home equity	64	72	33	6	—
Other consumer loans	2	1	1	—	—
Total recoveries	180	138	446	30	—
Net (charge-offs) recoveries	(555)	(1,004)	(1,211)	(6,405)	(3,487)
Provision for credit losses	771	1,409	(1,067)	2,040	4,060
Balance at end of period	$9,443	$9,227	$8,822	$11,100	$15,465
Ratio of net charge-offs during the period to average loans outstanding during the period	0.01%	0.02%	0.02%	0.12%	0.07%
Ratio of net charge-offs during the period to average non-performing assets	1.87	3.38	3.45	16.49	8.75
ACL to non-performing loans at end of period	36.41	37.04	33.36	34.88	58.34
ACL to loans receivable, net at end of period	0.14	0.15	0.15	0.20	0.30
ACL to net charge-offs	17.0x	9.2x	7.3x	1.7x [(1)]	4.4x

(1) As a result of the implementation of a new loan charge-off policy in January 2012 in accordance with regulatory requirements, $3.5 million of specific valuation allowances ("SVAs") were charged-off and are reflected in the year ended September 30, 2012 activity. These charge-offs did not impact the provision for credit losses, and therefore had no additional income statement impact as the amounts were expensed in previous periods. Excluding the $3.5 million of SVAs that were charged off in January 2012, ACL to net charge-offs would have been 3.8x for fiscal year 2012. Management believes it is important to present this ratio excluding the $3.5 million of SVAs charged-off for comparability purposes.

The distribution of our ACL at the dates indicated is summarized below. Correspondent purchased one- to four-family loans are included with originated one- to four-family loans, and bulk purchased one- to four-family loans are reported as purchased one- to four-family loans.

	September 30, 2015			2014			2013			2012			2011		
	Amount of ACL	% of Loans to Total Loans		Amount of ACL	% of Loans to Total Loans		Amount of ACL	% of Loans to Total Loans		Amount of ACL	% of Loans to Total Loans		Amount of ACL	% of Loans to Total Loans	
	(Dollars in thousands)														
One- to four-family:															
Originated	$6,948	87.2	%	$6,228	86.0	%	$5,748	84.8	%	$6,057	81.6	%	$4,898	84.4	%
Purchased	1,434	7.2		2,323	8.9		2,486	10.7		4,453	13.9		9,899	10.3	
Multi-family and commercial	604	1.7		312	1.2		172	0.8		196	0.9		254	1.1	
Construction	170	1.9		123	1.7		36	1.3		40	0.9		19	0.9	
Consumer:															
Home equity	222	1.9		211	2.1		342	2.3		301	2.6		354	3.2	
Other consumer	65	0.1		30	0.1		38	0.1		53	0.1		41	0.1	
	$9,443	100.0	%	$9,227	100.0	%	$8,822	100.0	%	$11,100	100.0	%	$15,465	100.0	%

Investment Activities

Federally chartered savings institutions have the authority to invest in various types of liquid assets, including U.S. Treasury obligations; securities of various federal agencies; government-sponsored enterprises ("GSEs"), including callable agency securities; municipal bonds; certain certificates of deposit of insured banks and savings institutions; certain bankers' acceptances; repurchase agreements; and federal funds. Subject to various restrictions, federally chartered savings institutions may also invest their assets in investment grade commercial paper, corporate debt securities, and mutual funds whose assets conform to the investments that a federally chartered savings institution is otherwise authorized to make directly. As a member of FHLB, the Bank is required to maintain a specified investment in FHLB stock. See "Regulation and Supervision – Federal Home Loan Bank System" and "Office of the Comptroller of the Currency" for a discussion of additional restrictions on our investment activities.

The Chief Investment Officer has the primary responsibility for management of the Bank's investment portfolio, subject to the direction and guidance of ALCO. The Chief Investment Officer considers various factors when making decisions, including the marketability, maturity, and tax consequences of the proposed investment. The composition of the investment portfolio will be affected by various market conditions, including the slope of the yield curve, the level of interest rates, the impact on the Bank's interest rate risk, the trend of net deposit flows, the volume of loan sales, the anticipated demand for funds via withdrawals, repayments of borrowings, and loan originations and purchases.

The general objectives of the Bank's investment portfolio are to provide liquidity when loan demand is high, to assist in maintaining earnings when loan demand is low, and to maximize earnings while satisfactorily managing liquidity risk, interest rate risk, reinvestment risk, and credit risk. The portfolio is also intended to create a steady stream of cash flows that can be redeployed into other assets as the Bank grows the loan portfolio, or reinvested into higher yielding assets should interest rates rise. Liquidity may increase or decrease depending upon the availability of funds and comparative yields on investments in relation to the return on loans. Cash flow projections are reviewed regularly and updated to ensure that adequate liquidity is maintained.

We classify securities as either trading, available-for-sale ("AFS"), or held-to-maturity ("HTM") at the date of purchase. Securities that are purchased and held principally for resale in the near future are classified as trading securities and are reported at fair value with unrealized gains and losses reported in the consolidated statements of income. AFS securities are reported at fair value with unrealized gains and losses reported as a component of accumulated other comprehensive income ("AOCI") (loss) within stockholders' equity, net of deferred income taxes. HTM securities are reported at cost, adjusted for amortization of premium and accretion of discount. We have both the ability and intent to hold our HTM securities to maturity.

On a quarterly basis, management conducts a formal review of securities for the presence of an other-than-temporary impairment. Management assesses whether an other-than-temporary impairment is present when the fair value of a security is less than its amortized cost basis at the balance sheet date. For such securities, other-than-temporary impairment is considered to have occurred if the Company intends to sell the security, if it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, or if the present value of expected cash flows is not sufficient to recover the entire amortized cost. Management does not believe any other-than-temporary impairments existed at September 30, 2015.

Investment Securities. Our investment securities portfolio consists primarily of securities issued by GSEs (primarily Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Home Loan Banks) and taxable and non-taxable municipal bonds. At September 30, 2015, our investment securities portfolio totaled $566.8 million. The portfolio consisted of securities classified as either HTM or AFS. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 3 –

Securities" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Investment Securities" for additional information.

Our investment securities portfolio decreased $24.2 million from $590.9 million at September 30, 2014 to $566.8 million at September 30, 2015. The decrease in the balance was primarily a result of maturities and calls of $188.5 million, partially offset by purchases of $158.4 million. The cash flows from calls and maturities of investment securities that were not reinvested into the portfolio were used largely to fund loan growth. The purchases during fiscal year 2015 were fixed-rate and had a weighted average yield of 1.21% and a weighted average life ("WAL") of approximately 2.1 years at the time of purchase.

Mortgage-Backed Securities. At September 30, 2015, our MBS portfolio totaled $1.46 billion. The portfolio consisted of securities classified as either HTM or AFS and were primarily issued by GSEs. The principal and interest payments of MBS issued by GSEs are collateralized by the underlying mortgage assets with principal and interest payments guaranteed by the agencies. The underlying mortgage assets are conforming mortgages that comply with FNMA and FHLMC underwriting guidelines, as applicable, and are therefore not considered subprime. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 3 – Securities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Mortgage-Backed Securities" for additional information.

Our MBS portfolio decreased $340.0 million from $1.80 billion at September 30, 2014 to $1.46 billion at September 30, 2015. During fiscal year 2015, $45.7 million of MBS were purchased, all of which were fixed-rate. The cash flows from MBS that were not reinvested into the portfolio were used largely to fund loan growth.

MBS generally yield less than the loans that underlie such securities because of the servicing fee retained by the servicer and the cost of payment guarantees or credit enhancements that reduce credit risk. However, MBS are generally more liquid than individual mortgage loans and may be used to collateralize certain borrowings and public unit deposits of the Bank. In general, MBS issued or guaranteed by FNMA and FHLMC are weighted at no more than 20% for risk-based capital purposes compared to the 50% risk-weighting assigned to most non-securitized one- to four-family loans.

When securities are purchased for a price other than par value, the difference between the price paid and par is accreted to or amortized against the interest earned over the life of the security, depending on whether a discount or premium to par was paid. Movements in interest rates affect prepayment rates which, in turn, affect the average lives of MBS and the speed at which the discount or premium is accreted to or amortized against earnings.

At September 30, 2015, the MBS portfolio included $245.0 million of collateralized mortgage obligations ("CMOs"). CMOs are special types of securities in which the stream of principal and interest payments on the underlying mortgages or MBS are used to create investment classes with different maturities and, in some cases, different amortization schedules, as well as a residual interest, with each such class possessing different risk characteristics. We do not purchase residual interest bonds.

While MBS issued or backed by FNMA and FHLMC carry a reduced credit risk compared to whole mortgage loans, these securities remain subject to the risk that a fluctuating interest rate environment, along with other factors such as the geographic distribution of the underlying mortgage loans, may alter the prepayment rate of the underlying mortgage loans and consequently affect both the prepayment speed and value of the securities. As noted above, the Bank, on some transactions, pays a premium over par value on MBS purchased. Large premiums could cause significant negative yield adjustments due to accelerated prepayments on the underlying mortgages. The balance of net premiums on our portfolio of MBS at September 30, 2015 was $14.2 million.

The following table sets forth the composition of our investment and MBS portfolios as of the dates indicated. At September 30, 2015, our investment securities portfolio did not contain securities of any issuer with an aggregate book value in excess of 10% of our stockholders' equity, excluding those issued by GSEs.

	September 30, 2015			2014			2013		
	Carrying Value	% of Total	Fair Value	Carrying Value	% of Total	Fair Value	Carrying Value	% of Total	Fair Value
	(Dollars in thousands)								
AFS:									
GSE debentures	$526,620	69.4 %	$526,620	$549,755	65.4 %	$549,755	$702,228	65.7 %	$702,228
MBS	229,491	30.3	229,491	287,606	34.2	287,606	363,964	34.0	363,964
TRUPs	1,916	0.3	1,916	2,296	0.3	2,296	2,423	0.2	2,423
Municipal bonds	144	—	144	1,133	0.1	1,133	1,352	0.1	1,352
	758,171	100.0 %	758,171	840,790	100.0 %	840,790	1,069,967	100.0 %	1,069,967
HTM:									
MBS	1,233,048	97.0 %	1,256,783	1,514,941	97.6 %	1,533,136	1,683,744	98.0 %	1,706,638
Municipal bonds	38,074	3.0	38,491	37,758	2.4	38,388	34,279	2.0	35,208
	1,271,122	100.0 %	1,295,274	1,552,699	100.0 %	1,571,524	1,718,023	100.0 %	1,741,846
	$2,029,293		$2,053,445	$2,393,489		$2,412,314	$2,787,990		$2,811,813

The composition and maturities of the investment and MBS portfolio at September 30, 2015 are indicated in the following table by remaining contractual maturity, without consideration of call features or pre-refunding dates, along with associated weighted average yields. Yields on tax-exempt investments are not calculated on a fully taxable equivalent basis.

	1 year or less		More than 1 to 5 years		More than 5 to 10 years		Over 10 years		Total Securities		
	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Fair Value
	(Dollars in thousands)										
AFS:											
GSE debentures	$25,374	1.31 %	$501,246	1.13 %	$—	— %	$—	— %	$526,620	1.14 %	$526,620
MBS	123	5.35	18,877	4.80	43,068	4.66	167,423	2.43	229,491	3.04	229,491
TRUPs	—	—	—	—	—	—	1,916	1.59	1,916	1.59	1,916
Municipal bonds	—	—	144	3.78	—	—	—	—	144	3.78	144
	25,497	1.33	520,267	1.26	43,068	4.66	169,339	2.42	758,171	1.69	758,171
HTM:											
MBS	—	—	31,381	4.28	398,165	1.70	803,502	2.20	1,233,048	2.09	1,256,783
Municipal bonds	4,898	2.58	24,683	1.78	8,493	1.67	—	—	38,074	1.86	38,491
	4,898	2.58	56,064	3.18	406,658	1.70	803,502	2.20	1,271,122	2.09	1,295,274
	$30,395	1.53	$576,331	1.45	$449,726	1.99	$972,841	2.24	$2,029,293	1.94	$2,053,445

Sources of Funds
General. Our primary sources of funds are deposits, FHLB borrowings, repurchase agreements, repayments and maturities of outstanding loans and MBS and other short-term investments, and funds provided by operations.

Deposits. We offer a variety of retail deposit accounts having a wide range of interest rates and terms. Our deposits consist of savings accounts, money market deposit accounts, interest-bearing and noninterest-bearing checking accounts, and certificates of deposit. We rely primarily upon competitive pricing policies, marketing, and customer service to attract and retain deposits. The flow of deposits is influenced significantly by general economic conditions, changes in money market and prevailing interest rates, and competition. The variety of deposit accounts we offer has allowed us to utilize strategic pricing to obtain funds and to respond with flexibility to changes in consumer demand. We seek to manage the pricing of our deposits in keeping with our asset and liability management, liquidity, and profitability objectives. Based on our experience, we believe that our deposits are stable sources of funds. Despite this stability, our ability to attract and maintain these deposits and the rates paid on them has been, and will continue to be, significantly affected by market conditions.

The Board of Directors has authorized the utilization of brokers to obtain deposits as a source of funds. Depending on market conditions, the Bank may use brokered deposits to fund asset growth and gather deposits that may help to manage interest rate risk. No brokered deposits were acquired during fiscal year 2015 and there were no brokered deposits outstanding at September 30, 2015. At September 30, 2014 the balance of brokered deposits was $41.9 million.

The Board of Directors also has authorized the utilization of public unit deposits as a source of funds. In order to qualify to obtain such deposits, the Bank must have a branch in each county in which it collects public unit deposits and, by law, must pledge securities as collateral for all such balances in excess of the FDIC insurance limits. At September 30, 2015 and 2014, the balance of public unit deposits was $312.4 million and $258.6 million, respectively.

As of September 30, 2015, the Bank's policy allows for combined brokered and public unit deposits up to 15% of total deposits. At September 30, 2015, that amount was approximately 6% of total deposits.

Borrowings. We utilize borrowings when, at the time of the borrowing, the proceeds can be invested at a positive rate spread relative to current asset yields, when we desire additional capacity to fund loan demand, or when they help us meet our asset and liability management objectives. Historically, our term borrowings have consisted primarily of FHLB advances. FHLB advances may be made pursuant to several different credit programs, each of which has its own interest rate, maturity, repayment, and convertible features, if any. All FHLB advances at September 30, 2015 were fixed-rate advances. The Bank supplements FHLB borrowings with repurchase agreements, wherein the Bank enters into agreements with Board approved counterparties to sell securities under agreements to repurchase them. These agreements are recorded as financing transactions as the Bank maintains effective control over the transferred securities. The Bank's internal policy limits total borrowings to 55% of total assets.

The Bank implemented a leverage strategy ("daily leverage strategy"), beginning in the fourth quarter of fiscal year 2014, to increase earnings. The daily leverage strategy involves borrowing up to $2.10 billion on the Bank's FHLB line of credit with some or all of the balance being paid down at each quarter end. The proceeds of the borrowings, net of the required FHLB stock holdings, is deposited at the Federal Reserve Bank of Kansas City.

At September 30, 2015, we had $2.58 billion of FHLB advances, at par, outstanding, and $700.0 million on the FHLB line of credit. Total FHLB borrowings are secured by certain qualifying loans pursuant to a blanket collateral agreement with FHLB and certain securities. At September 30, 2015, we had securities with a fair value of $218.2 million pledged as collateral for FHLB borrowings. Per FHLB's lending guidelines, total FHLB borrowings cannot exceed 40% of Bank Call Report total assets without the pre-approval of FHLB senior management. In July 2014, the president of FHLB approved an increase in the Bank's borrowing limit to 55% of Bank Call Report total assets for one year and then renewed that approval in July 2015 through July 2016, as FHLB borrowings have been and will be in excess of 40% of Call Report total assets at certain points in time throughout the period due to the daily leverage strategy.

At September 30, 2015, repurchase agreements totaled $200.0 million, or approximately 2% of total assets. The Bank may enter into additional repurchase agreements as management deems appropriate, not to exceed 15% of total assets and subject to the internal policy limit on total borrowings of 55%. The securities underlying the agreements continue to be carried in the Bank's securities portfolio. At September 30, 2015, we had securities with a fair value of $225.8 million pledged as collateral on repurchase agreements. Repurchase agreements are made at mutually agreed upon terms between counterparties and the Bank. The use of repurchase agreements allows for the diversification of funding sources and the use of securities that were not being leveraged as collateral.

The following table sets forth certain information relating to the category of borrowings for which the average short-term balance outstanding during the period was at least 30% of stockholders' equity at the end of each period shown. There were no short-term borrowings outstanding that were at least 30% of stockholders' equity during fiscal year 2013. The maximum balance, average balance, and weighted average contractual interest rate during the fiscal years shown reflect borrowings that were scheduled to mature within one year at any month-end during those years.

	2015		2014	
	(Dollars in thousands)			
FHLB Borrowings:				
Balance at end of period	$ 1,100,000		$ 1,400,000	
Maximum balance outstanding at any month-end during period	2,700,000		2,700,000	
Average balance	2,558,676		931,889	
Weighted average contractual interest rate during the period	0.60	%	1.26	%
Weighted average contractual interest rate at end of period	0.69	%	0.84	%

Subsidiary and Other Activities

As a federally chartered savings bank, we are permitted by federal regulations to invest up to 2% of the Bank's Call Report total assets, or $197.2 million at September 30, 2015, in the stock of, or as unsecured loans to, service corporation subsidiaries. We may invest an additional 1% of the Bank's Call Report total assets, or $98.6 million at September 30, 2015, in service corporations where such additional funds are used for inner-city or community development purposes.

At September 30, 2015, the Bank had one subsidiary, Capitol Funds, Inc., which had a capital balance of $7.0 million. Capitol Funds, Inc. has a wholly owned subsidiary, Capitol Federal Mortgage Reinsurance Company ("CFMRC"). CFMRC serves as a reinsurance company for the majority of the PMI companies the Bank uses in its normal course of operations. CFRMC stopped writing new business for the Bank in January 2010. CFMRC provides mortgage reinsurance on certain one- to four-family loans in the Bank's portfolio. During fiscal year 2015, Capitol Funds, Inc. reported consolidated net income of $42 thousand which included net income of $44 thousand from CFMRC.

Regulation and Supervision

Set forth below is a description of certain laws and regulations that are applicable to Capitol Federal Financial, Inc. and the Bank.

General. The Bank, as a federally chartered savings bank, is subject to regulation and oversight by the OCC extending to all aspects of its operations. This regulation of the Bank is intended for the protection of depositors and not for the purpose of protecting the Company's stockholders. The Bank is required to maintain minimum levels of regulatory capital and is subject to some limitations on capital distributions to the Company. The Bank also is subject to regulation and examination by the FDIC, which insures the deposits of the Bank to the maximum extent permitted by law.

The Company is a unitary savings and loan holding company within the meaning of the Home Owners Loan Act ("HOLA"). As such, the Company is registered with the FRB and subject to the FRB regulations, examinations, supervision, and reporting requirements. In addition, the FRB has enforcement authority over the Company and the Bank. Among other things, this authority permits the FRB to restrict or prohibit activities that are determined to be a serious risk to the Bank.

The OCC and FRB enforcement authority includes, among other things, the ability to assess civil monetary penalties, to issue cease-and-desist or removal orders, and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed. Except under certain circumstances, public disclosure of final enforcement actions by the OCC or the FRB is required by law.

Office of the Comptroller of the Currency. The investment and lending authority of the Bank is prescribed by federal laws and regulations and the Bank is prohibited from engaging in any activities not permitted by such laws and regulations.

As a federally chartered savings bank, the Bank is required to meet a Qualified Thrift Lender test. This test requires the Bank to have at least 65% of its portfolio assets, as defined by statute, in qualified thrift investments on a monthly average for 9 out of every 12 months on a rolling basis. Under an alternative test, the Bank may maintain 60% of its assets in those assets specified in Section 7701(a)(19) of the Internal Revenue Code. Under either test, the Bank is required to maintain a significant portion of its assets in residential housing related loans and investments. An institution that fails to meet the Qualified Thrift Lender test must become subject to certain restrictions on its operations, unless within one year it meets the test, and thereafter remains a Qualified Thrift Lender. These restrictions include a prohibition against capital distributions, except, with the prior approval of both the OCC and the FRB, for the purpose of paying obligations of a company controlling the institution. An institution that fails the test a second time must be subjected to the restrictions. If the Bank fails the test a second time, the Company must immediately register as, and become subject to, the restrictions applicable to a bank holding company. The activities authorized for a bank holding company are more limited than are the activities authorized for a savings and loan holding company. Three years after failing the test, an institution must divest all investments and cease all activities not permissible for both a national bank and a savings association. Failure to meet the Qualified Thrift Lender test is a statutory violation subject to enforcement action. As of September 30, 2015, the Bank met the Qualified Thrift Lender test.

The Bank is subject to a 35% of total assets limit on non-real estate consumer loans, commercial paper and corporate debt securities, and a 20% limit on commercial non-mortgage loans. At September 30, 2015, the Bank had 0% of its assets in non-real estate consumer loans, commercial paper and corporate debt securities and 0% of its assets in commercial non-mortgage loans.

The Bank's relationship with its depositors and borrowers is regulated to a great extent by federal laws and regulations, especially in such matters as the ownership of savings accounts and the form and content of mortgage requirements. In addition, the branching authority of the Bank is regulated by the OCC. The Bank is generally authorized to branch nationwide.

The Bank is subject to a statutory lending limit on aggregate loans to one person or a group of persons combined because of certain common interests. That limit is equal to 15% of our unimpaired capital and surplus, plus an additional 10% for loans fully secured by readily marketable collateral. At September 30, 2015, the Bank's lending limit under this restriction was $191.3 million. The Bank has no loans or loan relationships in excess of its lending limit. Total loan commitments and loans outstanding to the Bank's largest borrower group totaled $109.2 million at September 30, 2015, all of which were current as of that date.

The Bank is subject to periodic examinations by the OCC. During these examinations, the examiners may require the Bank to increase its ACL and/or recognize additional charge-offs based on their judgments, which can impact our capital and earnings. As a federally chartered savings bank, the Bank is subject to a semi-annual assessment, based upon its total assets, to fund the operations of the OCC.

The OCC has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings standards, internal controls and audit systems, interest rate risk exposure, and compensation and other employee benefits. Any institution regulated by the OCC that fails to comply with these standards must submit a compliance plan.

Insurance of Accounts and Regulation by the FDIC. The DIF of the FDIC insures deposit accounts in the Bank up to applicable limits. The FDIC assesses deposit insurance premiums on each FDIC-insured institution quarterly based on annualized rates for one of four risk categories, applied to its assessment base. An institution's assessment base is equal to average total assets minus its average tangible equity (defined as Tier 1 capital). An institution with end-of-period regulatory total assets that have not exceeded $10 billion for at least four consecutive quarters is assigned to one of four risk categories based on its capital, supervisory ratings, and other factors. Well-capitalized institutions that are financially sound with only a few minor weaknesses are assigned to Risk Category I. Risk Categories II, III and IV present progressively greater risks to the DIF. A range of initial base assessment rates applies to each Risk Category, adjusted downward based on unsecured debt issued by the institution and, except for an institution in Risk Category I, adjusted upward if the institution's brokered deposits exceed 10% of its domestic deposits, to produce total base assessment rates. Total base assessment rates currently range from 2.5 to 9 basis points for Risk Category I, 9 to 24 basis points for Risk Category II, 18 to 33 basis points for Risk Category III, and 30 to 45 basis points for Risk Category IV, all subject to further adjustment upward if the institution holds more than a de minimis amount of unsecured debt issued by another FDIC-insured institution. When the reserve ratio of the DIF reaches 1.15%, which is expected to occur in 2016, total base assessment rates are scheduled to be reduced to ranges of 1.5 to 7 basis points for Risk Category I, 7 to 22 basis points for Risk Category II, 14 to 29 basis points for Risk Category III and 25 to 40 basis points for Risk Category IV, subject to the same adjustments as apply to current rates.

An institution with end-of-period regulatory total assets that have exceeded $10 billion for at least four consecutive quarters is assessed under a complex scorecard method employing many factors. The FDIC may increase or decrease its rates by 2 basis points without further rulemaking. In an emergency, the FDIC may also impose a special assessment. For the fiscal year ended September 30, 2015, the Bank paid $4.9 million in FDIC premiums.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") permanently increased the maximum amount of deposit insurance for banks, savings institutions, and credit unions to $250 thousand per depositor. The legislation also increased the required minimum reserve ratio for the DIF, from 1.15% to 1.35% of insured deposits, and directs the FDIC to offset the effects of increased assessments on depository institutions with less than $10 billion in end-of-period regulatory total assets by charging higher assessments on institutions with more than $10 billion in end-of-period regulatory total assets. The FDIC has proposed a rule to accomplish this by imposing a surcharge on institutions with end-of-period regulatory total assets of more than $10 billion commencing when the reserve ratio reaches 1.15% and ending when it reaches 1.35%. This surcharge period is expected to begin in 2016 and end by December 31, 2018. Smaller institutions will receive credits for the portion of their regular assessments that contributed to growth in the reserve ratio between 1.15% and 1.35%. The credits will apply to reduce regular assessments by 2 basis points when the reserve ratio is at least 1.40%.

FDIC-insured institutions are required to pay an additional quarterly assessment called the FICO assessment in order to fund the interest on bonds issued to resolve thrift failures in the 1980s. This assessment rate is adjusted quarterly to reflect changes in the assessment base, which is average total assets less average tangible equity, and is the same base as used for the deposit insurance assessment. These assessments are expected to continue until the bonds mature in the years 2017 through 2019. For the fiscal year ended September 30, 2015, the Bank paid $578 thousand in FICO assessments.

Transactions with Affiliates. Transactions between the Bank and its affiliates are required to be on terms as favorable to the institution as transactions with non-affiliates, and certain of these transactions are restricted to a percentage of the Bank's capital, and, in the case of loans, require eligible collateral in specified amounts. In addition, the Bank may not lend to any affiliate engaged in activities not permissible for a bank holding company or purchase or invest in the securities of affiliates.

Regulatory Capital Requirements. The Bank is required to maintain specified levels of regulatory capital under regulations of the OCC. In July 2013, the FRB, FDIC and OCC published final rules establishing a new comprehensive capital framework for U.S. banking organizations. The rules implemented the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. Basel III refers to various documents released by the Basel Committee on Banking Supervision. The new rules became effective for the Company and Bank in January 2015, with some rules being transitioned into full effectiveness over two-to-four years. The new capital rules, among other things, introduced a new capital measure called "Common Equity Tier 1" ("CET1"), increased the Tier 1 capital ratio requirement, changed the total assets utilized in the Tier 1 leverage ratio calculation from total assets at quarter end to average total assets during the quarter, changed the risk-weightings of certain assets for purposes of risk-based capital ratios, created an additional capital conservation buffer over the required capital ratios, and changed what qualifies as capital for purposes of meeting the various capital requirements.

The new capital rules require a number of changes to regulatory capital deductions and adjustments, subject to a two-year transition period. One such change relates to AOCI. Under previous capital rules, the effects of AOCI items included in shareholders' equity were reversed for the purposes of determining regulatory capital ratios. Under the new capital rules, the effects of certain AOCI items are included; however, an institution that is not an advanced approaches institution, such as the Company and the Bank, may make a one-time election to continue to exclude these items. Management elected to opt-out of this requirement in order to remove volatility related to AOCI from the Company and Bank's capital ratios. At September 30, 2015, the Bank had $8.4 million of AOCI.

Risk-weighted assets are determined under the OCC capital regulations, which assign to every asset and certain off-balance sheet items a risk weight generally ranging from 0% to 150% based on the inherent risk of the asset. Institutions that are not well capitalized are subject to certain restrictions on brokered deposits and interest rates on deposits. The new capital rules included changes in the risk-weighting of assets to better reflect credit risk and other risk exposure. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status and a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (up from 0%). Of particular importance to the Bank is that the new capital rules' treatment of one- to four-family residential mortgage exposures remains the same as under the previous capital rule. This includes a 50% risk weighting for prudently underwritten first lien mortgage loans that are not past due, reported as nonaccrual, or restructured, and a 100% risk weight for all other residential mortgages.

CET1 capital and Tier 1 capital for the Company and the Bank consists of common stock, plus related surplus and retained earnings. Tier 2 capital for the Company and the Bank includes the entire amount of ACL; however, the includable amount of ACL could be limited in the future if the ACL amount exceeds 1.25% of risk-weighted assets. At September 30, 2015, the Bank had $9.4 million of ACL, which was less than 1.25% of risk-weighted assets. The entire $9.4 million of ACL is allowable Tier 2 capital and includable in total risk-based capital. Total capital consists of common stock, plus related surplus and retained earnings (Tier 1 capital) and the ACL (Tier 2 capital).

Under the new capital rules, the minimum capital ratios are as follows:

- 4.5% CET1 to risk-weighted assets.
- 6.0% Tier 1 capital to risk-weighted assets.
- 8.0% Total capital to risk-weighted assets.
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

At September 30, 2015, the Bank had CET1 capital and Tier 1 capital of $1.27 billion, total capital of $1.28 billion, risk-weighted assets of $4.21 billion, and Call Report quarterly average assets of $11.20 billion. At September 30, 2015, the Bank had a Tier 1 leverage ratio (Tier 1 capital to total average assets) of 11.3%, CET1 capital ratio (CET1 capital to risk-weighted assets) of 30.0%, a Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 30.0%, and a total capital ratio (total capital to risk-weighted assets) of 30.3%.

At September 30, 2015, the Company had CET1 capital and Tier 1 capital of $1.41 billion, total capital of $1.42 billion, risk-weighted assets of $4.22 billion, and FRB regulatory report quarterly average assets of $11.20 billion. At September 30, 2015, the Company had a Tier 1 leverage ratio (Tier 1 capital to total average assets) of 12.6%, CET1 capital ratio (CET1 capital to risk-weighted assets) of 33.4%, a Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 33.4%, and a total capital ratio (total capital to risk-weighted assets) of 33.6%. At September 30, 2015, the Bank and Company were considered well-capitalized under OCC and FRB regulations.

The new capital rules will require the Company and the Bank to meet a capital conservation buffer requirement in order to avoid constraints on dividends, equity repurchases, and certain compensation. To meet the requirement when it is fully phased-in, the organization must maintain an amount of CET1 capital that exceeds the buffer level of 2.5% above each of the minimum risk-weighted asset ratios. The requirement will be phased in over a four year period, starting January 1, 2016, when the amount of such capital must exceed the buffer level of 0.625%. The buffer level will increase by 0.625% each year until it reaches 2.5% on January 1, 2019. When the capital conservation buffer requirement is fully phased-in, to avoid constraints, a banking organization must maintain the following capital ratios: (1) CET1 to risk-weighted assets more than 7.0%, (2) Tier 1 capital to risk-weighted assets more than 8.5%, and (3) total capital (Tier 1 plus Tier 2) to risk-weighted assets more than 10.5%.

The OCC has the ability to establish an individual minimum capital requirement for a particular institution, which varies from the capital levels that would otherwise be required under the capital regulations, based on such factors as concentrations of credit risk, levels of interest rate risk, and the risks of non-traditional activities as well as others. The OCC has not imposed any such requirement on the Bank.

The OCC is authorized and, under certain circumstances, required to take certain actions against savings banks that fail to meet the minimum ratios for an adequately capitalized institution. Any such institution must submit a capital restoration plan and, until such plan is approved by the OCC, may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions. The plan must include a guaranty by the institution's holding company limited to the lesser of 5% of the institution's assets when it became under-capitalized, or the amount necessary to restore the institution to adequately capitalized status. The OCC is authorized to impose the additional restrictions on institutions that are less than adequately capitalized.

Federal regulations state that any institution that fails to comply with its capital plan or has Tier 1 risk-based capital ratios of less than 3.0% or a total risk-based capital ratio of less than 6.0% is considered significantly under-capitalized and must be made subject to one or more additional specified actions and operating restrictions that may cover all aspects of its operations and may include a forced merger or acquisition of the institution. An institution with tangible equity to total assets of less than 2.0% is critically under-capitalized and becomes subject to further mandatory restrictions on its operations. The OCC generally is authorized to reclassify an institution into a lower capital category and impose the restrictions applicable to such category if the institution is engaged in unsafe or unsound practices or is in an unsafe or unsound condition. The imposition by the OCC of any of these measures on the Bank may have a substantial adverse effect on its operations and profitability. In general, the FDIC must be appointed receiver for a critically under-capitalized institution whose capital is not restored within the time provided. When the FDIC as receiver liquidates an institution, the claims of depositors and the FDIC as their successor (for deposits covered by FDIC insurance) have priority over other unsecured claims against the institution.

With respect to the Bank, the new capital rules also revised the "prompt corrective action" regulations, by (1) introducing a CET1 ratio requirement at each level (other than critically under-capitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (2) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (compared to the previous 6%); and (3) eliminating the provision that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The new capital rules did not change the total risk-based capital requirement for any "prompt corrective action" category.

Community Reinvestment and Consumer Protection Laws. In connection with its lending activities, the Bank is subject to a number of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. These include the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Act"), and the Community Reinvestment Act ("CRA"). In addition, federal banking regulators, pursuant to the Gramm-Leach-Bliley Act, have enacted regulations limiting the ability of banks and other financial institutions to disclose nonpublic consumer information to non-affiliated third parties. The regulations require disclosure of privacy policies and allow consumers to prevent certain personal information from being shared with non-affiliated parties.

The CRA requires the appropriate federal banking agency, in connection with its examination of an FDIC-insured institution, to assess its record in meeting the credit needs of the communities served by the bank, including low and moderate income neighborhoods. The federal banking regulators take into account the institution's record of performance under the CRA when considering applications for mergers, acquisitions, and branches. Under the CRA, institutions are assigned a rating of outstanding, satisfactory, needs to improve, or substantial non-compliance. The Bank received a satisfactory rating in its most recent CRA evaluation.

Bank Secrecy Act /Anti-Money Laundering Laws. The Bank is subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001. These laws and regulations require the Bank to implement policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing and to

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verify the identity and source of deposits and wealth of its customers. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing mergers and acquisitions.

Federal Securities Law. The common stock of the Company is registered with the SEC under the Securities Exchange Act of 1934, as amended. The Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements of the SEC under the Securities Exchange Act of 1934.

The Company stock held by persons who are affiliates of the Company may not be resold without registration or unless sold in accordance with certain resale restrictions. For this purpose, affiliates are generally considered to be executive officers, directors and principal stockholders. If the Company meets specified current public information requirements, each affiliate of the Company will be able to sell in the public market, without registration, a limited number of shares in any three-month period.

Federal Reserve System. The FRB requires all depository institutions to maintain reserves at specified levels against their transaction accounts, primarily checking accounts. At September 30, 2015, the Bank was in compliance with these reserve requirements. The Bank is authorized to borrow from the Federal Reserve Bank "discount window." An eligible institution need not exhaust other sources of funds before going to the discount window, nor are there restrictions on the purposes for which the borrower can use primary credit. At September 30, 2015, the Bank had no outstanding borrowings from the discount window.

Federal Home Loan Bank System. The Bank is a member of FHLB Topeka, which is one of 11 regional Federal Home Loan Banks. Each FHLB serves as a reserve, or central bank, for its members within its assigned region and is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans, called advances, to members and provides access to a line of credit in accordance with policies and procedures, established by the Board of Directors of FHLB, which are subject to the oversight of the Federal Housing Finance Agency ("FHFA").

As a member, the Bank is required to purchase and maintain capital stock in FHLB. The minimum required FHLB stock amount is generally 4.5% of the Bank's FHLB advances and outstanding balance against the FHLB line of credit, and 2% of the outstanding principal of loans sold into the Mortgage Partnership Finance program. At September 30, 2015, the Bank had a balance of $150.5 million in FHLB stock, which was in compliance with this requirement. In past years, the Bank has received dividends on its FHLB stock, although no assurance can be given that these dividends will continue. On a quarterly basis, management conducts a review of FHLB to determine whether an other-than-temporary impairment of the FHLB stock is present. At September 30, 2015, management concluded there was no such impairment.

Federal Savings and Loan Holding Company Regulation. The purpose and powers of the Company are to pursue any or all of the lawful objectives of a savings and loan holding company and to exercise any of the powers accorded to a savings and loan holding company.

The HOLA prohibits a savings and loan holding company (directly or indirectly, or through one or more subsidiaries) from acquiring another savings association, or holding company thereof, without prior written approval from the FRB; acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings association, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by the HOLA; or acquiring or retaining control of a depository institution that is not federally insured. In evaluating applications by savings and loan holding companies to acquire savings associations, the FRB must consider the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the insurance funds, the convenience and needs of the community, competitive factors, and other factors.

The Dodd-Frank Act extended to savings and loan holding companies the FRB's "source of strength" doctrine, which has long applied to bank holding companies. The FRB has promulgated regulations implementing the "source of strength" policy, which requires holding companies to act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Taxation
Federal Taxation
General
The Company and the Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. Neither the Company nor the Bank has been subject to an Internal Revenue Service audit during the past five years.

Method of Accounting
For federal income tax purposes, the Bank currently reports its income and expenses on the accrual method of accounting and uses a fiscal year ending on September 30 for filing its federal income tax return.

Minimum Tax
The Internal Revenue Code imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, called alternative minimum taxable income. The alternative minimum tax is payable to the extent such alternative minimum taxable income is in excess of the regular tax. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years.

Net Operating Loss Carryovers
For federal income tax purposes, a financial institution may carryback net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. As of September 30, 2015, the Company had no net operating loss carryovers.

State Taxation

The earnings/losses of Capitol Federal Financial, Inc. and Capitol Funds, Inc. are combined for purposes of filing a consolidated Kansas corporate tax return. The Kansas corporate tax rate is 4.0%, plus a surcharge of 3.0% on earnings greater than $50 thousand.

The Bank files a Kansas privilege tax return. For Kansas privilege tax purposes, the minimum tax rate is 4.5% of earnings, which is calculated based on federal taxable income, subject to certain adjustments. The Bank has not received notification from the state of any potential tax liability for any years still subject to audit.

Additionally, the Bank files state tax returns in various other states where it has significant purchased loans and/or foreclosure activities. In these states, the Bank has either established nexus under an economic nexus theory or has exceeded enumerated nexus thresholds based on the amount of interest derived from sources within the state.

Employees
At September 30, 2015, we had a total of 691 employees, including 126 part-time employees. The full-time equivalent of our total employees at September 30, 2015 was 651. Our employees are not represented by any collective bargaining group. Management considers its employee relations to be good.

Executive Officers of the Registrant

John B. Dicus. Age 54 years. Mr. Dicus is Chairman of the Board of Directors, Chief Executive Officer, and President of the Bank and the Company. He has served as Chairman since January 2009 and Chief Executive Officer since January 2003. He has served as President of the Bank since 1996 and of the Company since its inception in March 1999. Prior to accepting the responsibilities of Chief Executive Officer, he served as Chief Operating Officer of the Bank and the Company. Prior to that, he served as the Executive Vice President of Corporate Services for the Bank for four years. He has been with the Bank in various other positions since 1985.

Kent G. Townsend. Age 54 years. Mr. Townsend serves as Executive Vice President and Chief Financial Officer of the Bank, its subsidiary, and the Company. Mr. Townsend also serves as Treasurer for the Company, Capitol Funds, Inc. and CFMRC. Mr. Townsend was promoted to Executive Vice President, Chief Financial Officer and Treasurer on September 1, 2005. Prior to that, he served as Senior Vice President, a position he held since April 1999, and Controller of the Company, a position he held since March 1999. He has served in similar positions with the Bank since September 1995. He served as the Financial Planning and Analysis Officer with the Bank for three years and other financial related positions since joining the Bank in 1984.

Rick C. Jackson. Age 50 years. Mr. Jackson serves as Executive Vice President, Chief Lending Officer and Community Development Director of the Bank and the Company. He also serves as the President of Capitol Funds, Inc., a subsidiary of the Bank and President of CFMRC. He has been with the Bank since 1993 and has held the position of Community Development Director since that time. He has held the position of Chief Lending Officer since February 2010.

Natalie G. Haag. Age 56 years. Ms. Haag serves as Executive Vice President and General Counsel of the Bank and the Company. Prior to joining the Bank in August of 2012, Ms. Haag was 2nd Vice President, Director of Governmental Affairs and Assistant General Counsel for Security Benefit Corporation and Security Benefit Life Insurance Company in Topeka, Kansas. Security Benefit provides retirement products and services, including annuities and mutual funds. Ms. Haag was employed by Security Benefit since June 2003. The Security Benefit companies are not parents, subsidiaries or affiliates of the Bank or the Company.

Carlton A. Ricketts. Age 58 years. Mr. Ricketts serves as Executive Vice President, Chief Corporate Services Officer of the Bank and the Company. Prior to accepting those responsibilities in 2012, he served as Chief Strategic Planning Officer of the Bank for the previous five years.

Frank H. Wright. Age 66 years. Mr. Wright serves as Executive Vice President, Chief Retail Operations Officer of the Bank and the Company. Prior to accepting those responsibilities in 2013, he served as Senior Vice President for Retail Operations, a position held since 1999. Mr. Wright has been an officer of the Bank since 1972, primarily in various roles within retail and electronic banking operations.

Tara D. Van Houweling. Age 42 years. Ms. Van Houweling has been employed with the Bank and Company since May 2003 and currently serves as First Vice President, Principal Accounting Officer and Reporting Director. She has held the position of Reporting Director since May 2003.

Item 1A. Risk Factors
The following is a summary of risk factors relating to the operations of the Bank and the Company. These risk factors are not necessarily presented in order of significance.

Changes in interest rates could have an adverse impact on our results of operations and financial condition.
Our results of operations are primarily dependent on net interest income, which is the difference between the interest earned on loans, MBS, and investment securities and dividends received on FHLB stock, and the interest paid on deposits and borrowings. Changes in interest rates could have an adverse impact on our results of operations and financial condition because the majority of our interest-earning assets are long-term, fixed-rate loans, while the majority of our interest-bearing liabilities are shorter term, and therefore subject to a greater degree of interest rate fluctuations. This type of risk is known as interest rate risk and is affected by prevailing economic and competitive conditions, including monetary policies of the FRB and fiscal policies of the United States federal government.

The impact of changes in interest rates is generally observed on the income statement. The magnitude of the impact will be determined by the difference between the amount of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time. This difference provides an indication of the extent to which our net interest rate spread will be impacted by changes in interest rates. In addition, changes in interest rates will impact the expected level of repricing of the Bank's mortgage-related assets and callable debt securities. Generally, as interest rates decline, the amount of interest-earning assets expected to reprice will increase as borrowers have an economic incentive to reduce the cost of their mortgage or debt, which would negatively impact the Bank's interest income. Conversely, as interest rates rise, the amount of interest-earning assets expected to reprice will decline as the economic incentive to refinance the mortgage or debt is diminished. As this occurs, the amount of interest-earning assets repricing could diminish to the point where interest-bearing liabilities reprice to a higher interest rate, at a faster pace, than interest-earning assets, thus negatively impacting the Bank's net interest income.

Changes in interest rates can also have an adverse effect on our financial condition as AFS securities are reported at estimated fair value. We increase or decrease our stockholders' equity, specifically AOCI (loss), by the amount of change in the estimated fair value of our AFS securities, net of deferred taxes. Increases in interest rates generally decrease the fair value of AFS securities. Decreases in the fair value of AFS securities would, therefore, adversely impact stockholders' equity.

Changes in interest rates, as they relate to customers, can also have an adverse impact on our financial condition and results of operations. In times of rising interest rates, default risk may increase among borrowers with ARM loans as the rates on their loans adjust upward and their payments increase. Fluctuations in interest rates also affect customer demand for deposit products. Local competition could affect our ability to attract deposits, or could result in us paying more than competitors for deposits.

In addition to general changes in interest rates, changes that affect the shape of the yield curve could negatively impact the Bank. The Bank's interest-bearing liabilities are generally priced based on short-term interest rates while the majority of the Bank's interest-earning assets are priced based on long-term interest rates. Income for the Bank is primarily driven by the spread between these rates. As a result, a steeper yield curve, meaning long-term interest rates are significantly higher than short-term interest rates, would provide the Bank with a better opportunity to increase net interest income. When the yield curve is flat, meaning long-term interest rates and short-term interest rates are essentially the same, or when the yield curve is inverted, meaning long-term interest rates are lower than short-term interest rates, the yield between interest-earning assets and interest-bearing liabilities that reprice is compressed or diminished and would likely negatively impact the Bank's net interest income.

Financial institutions face a variety of risks from cyber attacks including liquidity, capital, operational, compliance and reputation risks, resulting from fraud, data loss, extortion and disruption of customer service. The occurrence of any failure, breach or interruption in service involving our systems or those of our service providers, including as a result of a cyber attack, could damage our reputation, cause losses, increase our expenses and result in a loss of customers, cause an increase in regulatory scrutiny or expose us to civil litigation and possibly financial liability, any of which could adversely impact our financial condition, results of operations and the market price of our stock. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger, our deposits and our loans. In the normal course of our business, we collect, process, retain and transmit (by email and other electronic means) sensitive and confidential information regarding our customers, employees and others. We also outsource certain aspects of our data processing to certain third party providers. In addition to confidential information regarding our customers, employees and others, we, and in some cases a third party, compile, process, transmit and store proprietary, non-public information concerning our business, operations, plans and strategies.

Information security risks for financial institutions have increased recently in part because of evolving technologies, the use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. Cyber criminals and activists use a variety of tactics, such as ransomware, denial of service, and theft of sensitive business and customer information to extort payment or other concessions from victims. In some cases, these attacks have caused significant impacts on businesses' access to data and ability to provide services. Other businesses have incurred serious damage through the release of sensitive information. We are not able to anticipate or implement effective preventive measures against all incidents of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources.

We use a variety of physical, procedural and technological safeguards to prevent or limit the impact of system failures, interruptions and security breaches and to protect confidential information from mishandling, misuse or loss, including detection and response mechanisms designed to contain and mitigate security incidents. However, there can be no assurance that such events will not occur or that they will be promptly detected and adequately addressed if they do, and early detection of security breaches may be thwarted by sophisticated attacks and malware designed to avoid detection. If there is a failure in or breach of our computer systems or networks, or those of a third-party service provider, the confidential and other information processed and stored in, and transmitted through, such computer systems and networks could potentially be jeopardized, or could otherwise cause interruptions or malfunctions in our operations or the operations of our customers, clients or counterparties.

Our business and operations depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks and those of our third party service providers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security measures, risk management practices, relationships with threat intelligence providers and business continuity planning, our facilities, computer systems, software and networks, and those of our third party service providers, may be vulnerable to external or internal security breaches, acts of vandalism, unauthorized access, misuse, computer viruses or other malicious code and cyber attacks that could have a security impact. In addition, breaches of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to our confidential or other information or the confidential or other information of our customers, clients or counterparties. While we regularly conduct security and risk assessments on our systems and those of our third party service providers, there can be no assurance that their information security protocols are sufficient to withstand a cyber attack or other security breach.

The occurrence of any of the foregoing could subject us to litigation or regulatory scrutiny, cause us significant reputational damage or erode confidence in the security of our systems, products and services, cause us to lose customers or have greater difficulty in attracting new customers, have an adverse effect on the value of our common stock or subject us to financial losses that may not be covered by insurance, any of which could have a material adverse effect on our business, financial condition or results of operations. Furthermore, as information security risks and cyber threats continue to evolve, we may be required to expend significant additional resources to further enhance or modify our information security measures and/or to investigate and remediate any information security vulnerabilities or other exposures arising from operational and security risks.

An economic downturn, especially one affecting our geographic market area, could adversely affect our operations and financial results.
Our primary lending emphasis is the origination and purchase of one- to four-family first loans on residential properties; therefore, we are particularly exposed to downturns in regional housing markets and, to a lesser extent, the U.S. housing market. The primary risks inherent in our one- to four-family loan portfolio are declines in economic conditions, elevated levels of unemployment or underemployment, and declines in residential real estate values. Any one or a combination of these events may have an adverse impact on borrowers' ability to repay their loans, which could result in increased delinquencies, non-performing assets, loan losses, and future loan loss provisions.

Additionally, we have a concentration of loans secured in Kansas and Missouri due to our lending practices. Approximately 59% of our loan portfolio is comprised of loans secured by property located in Kansas, and approximately 19% is comprised of loans secured by property located in Missouri. This makes us vulnerable to a downturn in local economies and real estate markets. Adverse conditions in these local economies such as inflation, unemployment, recession, natural disasters, or other factors beyond our control, could impact the ability of our borrowers to repay their loans. Decreases in local real estate values could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Currently, there is not a single employer or industry in the area on which the majority of our customers are dependent.

The increase in multi-family and commercial real estate and construction loans in our loan portfolio exposes us to increased lending risks.
A growing portion of our loan portfolio consists of multi-family and commercial real estate and construction loans. These types of loans generally expose the Bank to a greater risk of delinquencies, non-performing assets, loan losses, and future loan loss provisions than one- to four-family residential real estate loans because repayment of such loans often depends on the successful operations of a business or of the underlying property. Additionally, such loans often involve multiple loans to single borrowers or groups of related borrowers, and generally have significantly larger average loan balances compared to one- to four-family residential real estate loans. As a result, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential real estate loan. Also, a large portion of our multi-family and commercial real estate and construction loans were originated/participated in during the past two fiscal years, which makes it difficult to assess the future performance of these loans because of their relatively limited payment history from which to judge future collectability. We continually monitor the level of risk in the portfolio, including concentrations in such factors as geographic locations, property types, tenant brand name, borrowing relationships, and lending relationships in the case of participation loans, among other factors.

We may be required to provide remedial consideration to borrowers whose loans we purchase from correspondent and nationwide lenders if it is discovered that the originating company did not properly comply with lending regulations during the origination process.
We purchase whole one- to four-family loans from correspondent and nationwide lenders. While loans purchased on a loan-by-loan basis from correspondent lenders are underwritten by the Bank's underwriters and loans purchased in bulk packages from correspondent and nationwide lenders are evaluated on a certain set of criteria before being purchased, we are still subject to some risks associated with the loan origination process itself. By law, loan originators are required to comply with lending regulations at all times during the origination process. Certain compliance related risks associated with the origination process itself may shift from the originating company to the Bank once the Bank purchases the loan. Should it be discovered, at any point, that an instance of noncompliance occurred by the originating company during the origination process, the Bank may still be held responsible and required to remedy the issue for the loans it purchased from the originator. Remedial actions can include such actions as refunding interest paid to the borrower and adjusting the contractual interest rate on the loan to the current market rate if advantageous to the borrower. The Bank no longer purchases loans in bulk from nationwide lenders due primarily to these risks.

Strong competition may limit growth and profitability.

While we are one of the largest mortgage loan originators in the state of Kansas, we compete in the same market areas as local, regional, and national banks, credit unions, mortgage brokerage firms, investment banking firms, investment brokerage firms, and savings institutions. We must also compete with online investment and mortgage brokerages and online banks that are not confined to any specific market area. Many of these competitors operate on a national or regional level, are a conglomerate of various financial services providers housed under one corporation, or otherwise have substantially greater financial or technological resources than the Bank. We compete primarily on the basis of the interest rates offered to depositors, the terms of loans offered to borrowers, and the benefits afforded to customers as a local institution and portfolio lender. Should we face competitive pressure to increase deposit rates or decrease loan rates, our net interest income could be adversely affected. Additionally, our competitors may offer products and services that we do not or cannot provide, as certain deposit and loan products fall outside of our accepted level of risk. Our profitability depends upon our ability to compete in our local market areas.

We operate in a highly regulated industry, which limits the manner and scope of our business activities and will continue to increase our operational and compliance costs.
We are subject to extensive regulation, supervision, and examination by the OCC, FRB, and the FDIC. These regulatory authorities exercise broad discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify assets, determine the adequacy of a bank's ACL, and determine the level of deposit insurance premiums assessed. The Dodd-Frank Act created the CFPB with broad powers to supervise and enforce consumer protection laws, including a wide range of consumer protection laws that apply to all banks and savings institutions, like the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB also has examination and enforcement authority over all banks with end-of-period regulatory assets exceeding $10 billion for four consecutive quarters. The Company does not currently have regulatory assets in excess of $10 billion and has not exceeded $10 billion in regulatory assets for four consecutive quarters, but it may at some point in the future. Banks with $10 billion or less in end-of-period regulatory assets will continue to be examined for compliance with the consumer laws and regulations of the CFPB by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws. Change in the authority and oversight of any of these agencies, whether in the form of regulatory policy, new regulations or legislation, or additional deposit insurance premiums, could have a material impact on our operations.

Since the enactment of the Dodd-Frank Act, the CFPB has issued a number of new rules and regulations and changed existing consumer protections regulations, including new rules that generally prohibit creditors from extending mortgage loans without regard for the consumer's ability-to-repay and add restrictions and requirements to mortgage origination and servicing practices. In addition, these rules limit prepayment penalties and require the creditor to retain evidence of compliance with the ability-to-repay requirement for three years. Compliance with these rules has, and may continue to, change our underwriting practices with respect to mortgage loans and increase our overall regulatory compliance costs. Moreover, these rules may adversely affect the volume of mortgage loans that we originate and may subject us to increased potential liabilities related to such residential loan origination activities.

The potential exists for additional laws and regulations, or changes in policy, affecting lending practices, regulatory capital limits, interest rate risk management, and liquidity standards. Moreover, bank regulatory agencies have been active in responding to concerns and trends identified in examinations, and have issued many formal enforcement orders requiring capital ratios in excess of regulatory requirements and/or assessing monetary penalties. Bank regulatory agencies, such as the OCC and the FDIC, govern the activities in which we may engage, primarily for the protection of depositors, and not for the protection or benefit of investors. The CFPB enforces consumer protection laws and regulations for the benefit of the consumer and not the protection or benefit of investors. In addition, new laws and regulations may continue to increase our costs of regulatory compliance and of doing business, and otherwise affect our operations. New laws and regulations may significantly affect the markets in which we do business, the markets for and value of our loans and securities, the products we offer, the fees we can charge and our ongoing operations, costs, and profitability.

The Company's ability to pay dividends is subject to the ability of the Bank to make capital distributions to the Company.
The long-term ability of the Company to pay dividends to its stockholders is based primarily upon the ability of the Bank to make capital distributions to the Company, and also on the availability of cash at the holding company level

in the event earnings are not sufficient to pay dividends.

The Company's risk-management framework may not be effective in mitigating risk and loss.
The Company maintains an enterprise risk management program that is designed to identify, quantify, monitor, report, and control the risks that it faces. These risks include: interest-rate, credit, liquidity, operations, reputation, compliance and litigation. While the Company assesses and improves this program on an ongoing basis, there can be no assurance that its approach and framework for risk management and related controls will effectively mitigate all risk and limit losses in its business. If conditions or circumstances arise that expose flaws or gaps in the Company's risk-management program, or if its controls break down, the performance and value of its business could be adversely affected.

Item 1B. Unresolved Staff Comments
None.
Item 2. Properties
At September 30, 2015, we had 37 traditional branch offices and 10 in-store branch offices. The Bank owns the office building and related land in which its home office and executive offices are located, and 28 of its other branch offices. The remaining 18 branches are either leased or partially owned.

For additional information regarding our lease obligations, see "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 5 – Premises and Equipment, net."

Management believes that our current facilities are adequate to meet our present and immediately foreseeable needs, after consideration of the remodeling of our Kansas City market area operations center. However, we will continue to monitor customer growth and expand our branching network, if necessary, to serve our customers' needs.
Item 3. Legal Proceedings
The Company and the Bank are involved as plaintiff or defendant in various legal actions arising in the normal course of business. In our opinion, after consultation with legal counsel, we believe it unlikely that such pending legal actions will have a material adverse effect on our financial condition, results of operations or liquidity.
Item 4. Mine Safety Disclosures
None.

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

Stock Listing
Capitol Federal Financial, Inc. common stock is traded on the Global Select tier of the NASDAQ Stock Market under the symbol "CFFN". At November 17, 2015, there were approximately 10,316 Capitol Federal Financial, Inc. stockholders of record.

Price Range of Common Stock
The high and low sales prices for the common stock as reported on the NASDAQ Stock Market, as well as dividends declared per share, are reflected in the table below.

FISCAL YEAR 2015	HIGH	LOW	DIVIDENDS
First Quarter	$ 13.12	$ 11.78	$ 0.335
Second Quarter	12.92	12.22	0.085
Third Quarter	12.67	11.75	0.335
Fourth Quarter	12.33	11.61	0.085

FISCAL YEAR 2014	HIGH	LOW	DIVIDENDS
First Quarter	$ 13.21	$ 11.69	$ 0.505
Second Quarter	12.91	11.78	0.075
Third Quarter	12.74	11.75	0.325
Fourth Quarter	12.44	11.61	0.075

Share Repurchases
The Company completed its stock repurchase plan during the fourth quarter of fiscal year 2015. The plan, announced in November 2012, authorized the repurchase of up to $175.0 million in stock and had no expiration date. On October 28, 2015, the Company announced a new stock repurchase plan for up to $70.0 million of common stock. The new plan does not have an expiration date. Since the Company completed its second-step conversion in December 2010, $368.0 million worth of shares have been repurchased.

The following table summarizes our share repurchase activity during the three months ended September 30, 2015 and additional information regarding our share repurchase program.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
July 1, 2015 through July 31, 2015	320,310	$ 12.06	320,310	$ 15,182,220
August 1, 2015 through August 31, 2015	971,799	11.94	971,799	3,581,627
September 1, 2015 through September 30, 2015	304,000	11.85	304,000	—
Total	1,596,109	11.94	1,596,109	—

Stockholders and General Inquiries
Copies of our Annual Report on Form 10-K for the fiscal year ended September 30, 2015 are available at no charge to stockholders upon request. Please direct requests or inquiries to: James D. Wempe, Director, Investor Relations, 700 South Kansas Avenue, Topeka, KS 66603, (785) 270-6055, or jwempe@capfed.com.

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Stockholder Return Performance Presentation

In addition to showing the cumulative returns for the Company's common stock and the NASDAQ Composite index, the stock performance graph contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 included the SNL Midcap Bank & Thrift index. The Company believes that a better industry comparison would be provided by using the SNL U.S. Bank & Thrift index instead of the SNL Midcap Bank & Thrift index, as the SNL U.S. Bank & Thrift index aligns more closely with the peer group of companies considered by the Company in connection with executive compensation matters. In accordance with Item 201(e) of Regulation S-K of the Securities and Exchange Commission, which requires the inclusion of all new indices and all indices used in the immediately preceding year, the line graph below compares the cumulative total stockholder return on the Company's common stock to the cumulative total return of the NASDAQ Composite index, the SNL U.S. Bank and Thrift index, and the SNL Midcap Bank and Thrift index for the period September 30, 2010 through September 30, 2015. The information presented below assumes $100 invested on September 30, 2010 in the Company's common stock and in each of the indices, and assumes the reinvestment of all dividends. Historical stock price performance is not necessarily indicative of future stock price performance.

Source: SNL Financial LC	Period Ending					
Index	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
Capitol Federal Financial, Inc.	100.00	107.18	125.70	142.08	146.41	160.69
NASDAQ Composite	100.00	103.00	134.56	165.51	199.72	208.01
SNL Midcap Bank & Thrift Index	100.00	81.43	109.48	139.94	149.40	171.94
SNL U.S. Bank & Thrift	100.00	79.24	111.97	145.67	171.68	175.27

Restrictions on the Payments of Dividends

The Company's ability to pay dividends is dependent, in part, upon its ability to obtain capital distributions from the Bank. The dividend policy of the Company is subject to the discretion of the Board of Directors and will depend upon a number of factors, including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company level. See "Item 1. Business – Regulation and Supervision – Limitations on Dividends and Other Capital Distributions" for additional information regarding the Company's ability to pay dividends.

Item 6. Selected Financial Data

The summary information presented below under "Selected Balance Sheet Data" and "Selected Operations Data" for, and as of the end of, each of the years ended September 30 is derived from our audited consolidated financial statements. The following information is only a summary and should be read in conjunction with our consolidated financial statements.

	September 30,					
	2015	2014	2013	2012	2011	
	(Dollars in thousands)					
Selected Balance Sheet Data:						
Total assets	$9,844,161	$9,865,028	$9,186,449	$9,378,304	$9,450,799	
Loans receivable, net	6,625,027	6,233,170	5,958,868	5,608,083	5,149,734	
Securities:						
AFS	758,171	840,790	1,069,967	1,406,844	1,486,439	
HTM	1,271,122	1,552,699	1,718,023	1,887,947	2,370,117	
FHLB stock	150,543	213,054	128,530	132,971	126,877	
Deposits	4,832,520	4,655,272	4,611,446	4,550,643	4,495,173	
FHLB borrowings	3,270,521	3,369,677	2,513,538	2,530,322	2,379,462	
Repurchase agreements	200,000	220,000	320,000	365,000	515,000	
Stockholders' equity	1,416,226	1,492,882	1,632,126	1,806,458	1,939,529	
	For the Year Ended September 30,					
	2015	2014	2013	2012	2011	
	(Dollars and counts in thousands, except per share amounts)					
Selected Operations Data:						
Total interest and dividend income	$297,362	$290,246	$298,554	$328,051	$346,865	
Total interest expense	107,594	106,103	120,394	143,170	178,131	
Net interest and dividend income	189,768	184,143	178,160	184,881	168,734	
Provision for credit losses	771	1,409	(1,067)	2,040	4,060	
Net interest and dividend income after provision for credit losses	188,997	182,734	179,227	182,841	164,674	
Retail fees and charges	14,897	14,937	15,342	15,915	15,509	
Other non-interest income	6,243	8,018	7,947	8,318	9,486	
Total non-interest income	21,140	22,955	23,289	24,233	24,995	
Salaries and employee benefits	43,309	43,757	49,152	44,235	44,913	
Other non-interest expense	51,060	46,780	47,795	46,840	87,404	
Total non-interest expense	94,369	90,537	96,947	91,075	132,317	
Income before income tax expense	115,768	115,152	105,569	115,999	57,352	
Income tax expense	37,675	37,458	36,229	41,486	18,949	
Net income	$78,093	$77,694	$69,340	$74,513	$38,403	
Basic earnings per share	$0.58	$0.56	$0.48	$0.47	$0.24	(3)
Average basic shares outstanding	135,384	139,440	144,847	157,913	162,625	
Diluted earnings per share	$0.58	$0.56	$0.48	$0.47	$0.24	(3)
Average diluted shares outstanding	135,409	139,442	144,848	157,916	162,633	

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	2015		2014		2013		2012		2011	
Performance Ratios:										
Return on average assets	0.83	% [1]	0.85	% [1]	0.75	%	0.79	%	0.41	% [3]
Return on average equity	5.13	[1]	4.97	[1]	4.14		3.93		2.20	[3]
Dividends paid per share	$ 0.84		$ 0.98		$ 1.00		$ 0.40		$ 1.63	
Dividend payout ratio	146.19	%	177.84	%	211.75	%	85.58	%	390.88	%
Operating expense ratio	0.84		0.96		1.05		0.97		1.40	[3]
Efficiency ratio	44.74		43.72		48.13		43.55		68.30	[3]
Ratio of average interest-earning assets to average interest-bearing liabilities	1.14x		1.18x		1.21x		1.24x		1.22x	
Net interest margin	2.07	% [1]	2.07	% [1]	1.97	%	2.01	%	1.84	%
Interest rate spread information:										
Average during period	1.87	[1]	1.84	[1]	1.70		1.64		1.42	
End of period	1.85		1.84		1.72		1.68		1.60	
Asset Quality Ratios:										
Non-performing assets to total assets	0.31		0.29		0.33		0.43		0.40	
Non-performing loans to total loans	0.39		0.40		0.44		0.57		0.51	
ACL to non-performing loans	36.41		37.04		33.36		34.88		58.34	
ACL to loans receivable, net	0.14		0.15		0.15		0.20		0.30	
Capital Ratios:										
Equity to total assets at end of period	14.39		15.13		17.77		19.26		20.52	
Average equity to average assets	13.11		16.45		18.12		20.11		18.50	
Company Tier 1 leverage ratio	12.6		N/A		N/A		N/A		N/A	
Bank Tier 1 leverage ratio[2]	11.3		13.2		14.8		14.6		15.1	
Other Data:										
Number of traditional offices	37		37		36		36		35	
Number of in-store offices	10		10		10		10		10	

(1) These ratios were adjusted to exclude the effects of the daily leverage strategy. This adjusted financial data is not presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The table below presents the actual GAAP ratios, the adjustments for the daily leverage strategy, and the adjusted (non-GAAP) ratios presented above. Management believes it is important for comparability purposes to provide these adjusted financial ratios because of the unique nature of the daily leverage strategy.

	For the Year Ended September 30, 2015						For the Year Ended September 30, 2014					
	Actual (GAAP)		Daily Leverage Strategy		Adjusted (Non-GAAP)		Actual (GAAP)		Daily Leverage Strategy		Adjusted (Non-GAAP)	
Return on average assets	0.70	%	(0.13	)%	0.83	%	0.82	%	(0.03	)%	0.85	%
Return on average equity	5.32		0.19		5.13		5.00		0.03		4.97	
Net interest margin	1.73		(0.34	)	2.07		2.00		(0.07	)	2.07	
Average interest rate spread	1.59		(0.28	)	1.87		1.79		(0.05	)	1.84	

(2) In periods prior to September 30, 2015, this ratio was calculated using end-of-period total assets in the denominator in accordance with regulatory capital requirements at that point in time. As of September 30, 2015, this ratio is

calculated using current quarter average assets in the denominator in accordance with current regulatory capital requirements.

(3) Excluding the $40.0 million ($26.0 million, net of income tax benefit) contribution to the Capitol Federal Foundation (the "Foundation"), basic and diluted earnings per share would have been $0.40, return on average assets would have been 0.68%, return on average equity would have been 3.69%, the operating expense ratio would have been 0.98%, and the efficiency ratio would have been 47.65%. Management believes it is important for comparability purposes to provide these adjusted financial data because of the magnitude and non-recurring nature of the contribution to the Foundation. Set forth below is a reconciliation of the adjusted financial data to the financial data calculated and presented in accordance with GAAP:

	For the Year Ended September 30, 2011		
	Actual (GAAP)	Contribution to Foundation	Adjusted (Non-GAAP)
Basic and diluted earnings per share	$0.24	$(0.16)	$0.40
Return on average assets	0.41%	(0.27)%	0.68%
Return on average equity	2.20	(1.49)	3.69
Operating expense ratio	1.40	0.42	0.98
Efficiency ratio	68.30	20.65	47.65

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
The following discussion and analysis is intended to assist in understanding the financial condition, results of operations, liquidity, and capital resources of the Company. The Bank comprises almost all of the consolidated assets and liabilities of the Company and the Company is dependent primarily upon the performance of the Bank for the results of its operations. Because of this relationship, references to management actions, strategies and results of actions apply to both the Bank and the Company.

Executive Summary
The Company's common stock is traded on the Global Select tier of the NASDAQ Stock Market under the symbol "CFFN." The Company provides a full range of retail banking services through the Bank, which is a wholly-owned subsidiary of the Company, headquartered in Topeka Kansas. The Bank has 37 traditional and 10 in-store banking offices serving primarily the metropolitan areas of Topeka, Wichita, Lawrence, Manhattan, Emporia and Salina, Kansas and portions of the metropolitan area of greater Kansas City. We have been, and intend to continue to be, a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve.

The Company's results of operations are primarily dependent on net interest and dividend income, which is the difference between the interest earned on loans, MBS, investment securities, and cash, along with dividends received on FHLB stock, and the interest paid on deposits and borrowings. On a weekly basis, management reviews deposit flows, loan demand, cash levels, and changes in several market rates to assess all pricing strategies. The Bank's pricing strategy for first mortgage loan products includes setting interest rates based on secondary market prices and local competitor pricing for our local lending markets, and secondary market prices and national competitor pricing for our correspondent lending markets. Generally, deposit pricing is based upon a survey of competitors in the Bank's market areas, and the need to attract funding and retain maturing deposits. The majority of our loans are fixed-rate products with maturities up to 30 years, while the majority of our retail deposits have maturity or repricing dates of less than two years.

Economic conditions in the Bank's local market areas have a significant impact on the ability of borrowers to repay loans and the value of the collateral securing these loans. The industries in our market areas are very diversified, specifically in the Kansas City metropolitan statistical area, which comprises the largest segment of our loan portfolio and deposit base. As of October 2015, the unemployment rate was 4.1% for Kansas and 5.0% for Missouri, compared to the national average of 5.0% based on information from the Bureau of Economic Analysis. The Kansas City market area has an average household income of approximately $75 thousand per annum, based on 2015 estimates from the American Community Survey, which is a statistical survey by the U.S. Census Bureau. The average household income in our combined market areas is approximately $70 thousand per annum, with 90% of the population at or above the poverty level, also based on the 2015 estimates from the American Community Survey. The FHFA price index for Kansas and Missouri has not experienced significant fluctuations during the past 10 years, unlike other market areas of the United States, which indicates relative stability in property values in our local market areas.

During fiscal year 2015, the Bank continued to utilize the daily leverage strategy to increase earnings. The daily leverage strategy, during the current fiscal year, involved borrowing up to $2.10 billion on the Bank's FHLB line of credit in two leverage tiers. The first tier remained borrowed on the FHLB line of credit for the entire fiscal year except at December 31, 2014 and June 30, 2015, when the outstanding balance was repaid to reduce regulatory assessments. The second, and larger, tier was borrowed at the beginning of each quarter and paid off prior to quarter end, for regulatory purposes. The proceeds of the borrowings, net of the required FHLB stock holdings, were deposited at the Federal Reserve Bank of Kansas City. The increase in average assets resulting from the strategy increased the Bank's federal insurance premium during the current fiscal year. Additionally, the Bank's Tier 1 leverage ratio decreased from September 30, 2014 to September 30, 2015, as the ratio is calculated using Call Report total average assets. The daily leverage strategy has had minimal impact on the Bank's interest rate risk and liquidity.

Net income attributable to the daily leverage strategy was $2.8 million during fiscal year 2015 and $501 thousand during fiscal year 2014. The pre-tax yield of the daily leverage strategy, which is defined as the annualized pre-tax income resulting from the transaction as a percentage of the interest-earning assets associated with the transaction, was 0.20% for fiscal year 2015. Management expects to continue this strategy in fiscal year 2016, but intends to repay the entire FHLB line of credit amount at each quarter end. Additionally, it is expected that net income attributed to the daily leverage strategy will decrease in fiscal year 2016 compared to fiscal year 2015, as the rate on the FHLB line of credit is in excess of the yield on the cash deposited at the Federal Reserve Bank as of September 30, 2015. However, the strategy will continue to generate income due to the approximate 6% yield on the FHLB stock.

For fiscal year 2015, the Company recognized net income of $78.1 million, or $0.58 per share, compared to net income of $77.7 million, or $0.56 per share, for fiscal year 2014. The increase in earnings per share was due mainly to the reduced number of shares outstanding as a result of the repurchase of shares pursuant to the Company's recently completed $175.0 million stock repurchase plan. The $399 thousand, or 0.5%, increase in net income was due primarily to the daily leverage strategy. The net interest margin decreased 27 basis points, from 2.00% for the prior fiscal year, to 1.73% for the current fiscal year as a result of the daily leverage strategy. Excluding the effects of the daily leverage strategy, the net interest margin would have been 2.07% for the current fiscal year and the prior fiscal year. The positive impact on the net interest margin resulting from the shift in the mix of interest-earning assets from relatively lower yielding securities to higher yielding loans was offset by a decrease in market interest rates.

Total assets were $9.84 billion at September 30, 2015 compared to $9.87 billion at September 30, 2014. Loans receivable, net, increased $391.9 million from September 30, 2014, to $6.63 billion at September 30, 2015. The majority of the loan growth was funded with cash flows from the MBS portfolio. During the current fiscal year, the Bank originated and refinanced $780.5 million of loans with a weighted average rate of 3.61%, purchased $651.0 million of loans from correspondent lenders with a weighted average rate of 3.47%, and participated in $60.3 million of commercial real estate loans with a weighted average rate of 4.06%.

Total liabilities were $8.43 billion at September 30, 2015 compared to $8.37 billion at September 30, 2014. The $55.8 million increase was due primarily to a $177.2 million, or 3.8%, increase in the deposit portfolio, partially offset by a $99.2 million decrease in FHLB borrowings. The growth in deposits was primarily in the retail certificate of deposit portfolio and checking portfolio, which increased $89.1 million and $47.7 million, respectively. The decrease in FHLB borrowings was due primarily to the daily leverage strategy activity.

Stockholders' equity was $1.42 billion at September 30, 2015 compared to $1.49 billion at September 30, 2014. The $76.7 million decrease between periods was due primarily to the payment of $114.2 million in cash dividends and the repurchase of $46.4 million of common stock, partially offset by net income of $78.1 million.

Critical Accounting Policies

Our most critical accounting policies are the methodologies used to determine the ACL and fair value measurements. These policies are important to the presentation of our financial condition and results of operations, involve a high degree of complexity, and require management to make difficult and subjective judgments that may require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could cause reported results to differ materially. These critical accounting policies and their application are reviewed at least annually by our audit committee. The following is a description of our critical accounting policies and an explanation of the methods and assumptions underlying their application.

Allowance for Credit Losses. The Company maintains an ACL to absorb inherent losses in the loan portfolio based upon ongoing quarterly assessments of the loan portfolio. The ACL is maintained through provisions for credit losses which are either charged or credited to income. The methodology for determining the ACL is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in economic conditions that could result in changes to the amount of the recorded ACL. Additionally, bank regulators have the ability to require the Bank, as they can require all institutions, to increase the ACL or recognize additional charge-offs based upon their judgment, which may differ from management's judgment. Although management believes that the Bank has established and maintained the ACL at appropriate levels, additions may be necessary if economic and other conditions worsen substantially from the current operating environment, and/or if bank regulators require the Bank to increase the ACL and/or recognize additional charge-offs.

Our primary lending emphasis is the origination and purchase of one- to four-family loans and, to a lesser extent, consumer loans secured by one- to four-family residential properties, resulting in a loan concentration in residential mortgage loans. We believe the primary risks inherent in our one- to four-family and consumer loan portfolios are a decline in economic conditions, elevated levels of unemployment or underemployment, and declines in residential real estate values. Changes in any one or a combination of these events may adversely affect borrowers' ability to repay their loans, resulting in increased delinquencies, non-performing assets, loan losses, and future loan loss provisions. Although the multi-family and commercial loan portfolio is subject to the same risk of declines in economic conditions, the primary risk characteristics inherent in this portfolio include the ability of the borrower to sustain sufficient cash flows from leases and to control expenses to satisfy their contractual debt payments, and/or the ability to utilize personal and/or business resources to pay their contractual debt payments if the cash flows are not sufficient. Additionally, if the Bank were to repossess the secured collateral of a multi-family or commercial loan, the pool of potential buyers is limited more than that for a residential property. Therefore, the Bank could hold the property for an extended period of time and/or potentially be forced to sell at a discounted price, resulting in additional losses.

Each quarter, we prepare a formula analysis model which segregates our loan portfolio into categories based on certain risk characteristics such as loan type (one- to four-family, multi-family, etc.), interest payments (fixed-rate and adjustable-rate), loan source (originated, correspondent purchased, or bulk purchased), LTV ratios, borrower's credit score and payment status (i.e. current or number of days delinquent). Consumer loans, such as second mortgages and home equity lines of credit, with the same underlying collateral as a one- to four-family loan are combined with the one- to four-family loan in the formula analysis to calculate a combined LTV ratio.

Quantitative loss factors are applied to each loan category in the formula analysis model based on the historical net loss experience for each respective loan category. Additionally, qualitative loss factors that management believes impact the collectability of the loan portfolio as of the evaluation date are applied to certain loan categories. Loss factors increase as loans are classified or become delinquent. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1 – Summary of Significant Accounting Policies" for additional information related the quantitative and qualitative factors utilized in the formula analysis model.

The factors applied in the formula analysis are reviewed quarterly by management to assess whether the factors adequately cover probable and estimable losses inherent in the loan portfolio. Our ACL methodology permits modifications to the formula analysis in the event that, in management's judgment, significant factors which affect the collectability of the portfolio or any category of the loan portfolio, as of the evaluation date, have changed from the current formula analysis. Management's evaluation of the qualitative factors with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with a specific problem loan or portfolio segment.

Management utilizes the formula analysis model, along with considering several other data elements, when evaluating the adequacy of the ACL. Such data elements include the trend and composition of delinquent loans, results of foreclosed property and short sale transactions, charge-off trends, the current status and trends of local and national economic conditions (particularly levels of unemployment), trends and current conditions in the real estate and housing markets, and loan portfolio growth and concentrations. Since our loan portfolio is primarily concentrated in one- to four-family real estate, management monitors residential real estate market value trends in the Bank's local market areas and geographic sections of the U.S. by reference to various industry and market reports, economic releases and surveys, and management's general and specific knowledge of the real estate markets in which we lend, in order to determine what impact, if any, such trends may have on the level of ACL. Reviewing these data elements assists management in evaluating the overall credit quality of the loan portfolio and the reasonableness of the ACL on an ongoing basis, and whether changes need to be made to our ACL methodology. In addition, the adequacy of the Company's ACL is reviewed during bank regulatory examinations. We consider any comments from our regulators when assessing the appropriateness of our ACL. We seek to apply ACL methodology in a consistent manner; however, the methodology can be modified in response to changing conditions.

Fair Value Measurements. The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures in accordance with Accounting Standard Codification ("ASC") 820 and ASC 825. The Company groups its assets at fair value in three levels based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value, with Level 1 (quoted prices for identical assets in an active market) being considered the most reliable, and Level 3 having the most unobservable inputs and therefore being considered the least reliable. The Company bases its fair values on the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Company did not have any liabilities that were measured at fair value at September 30, 2015.

The Company's AFS securities are its most significant assets measured at fair value on a recurring basis. Changes in the fair value of AFS securities are recorded, net of tax, as AOCI in stockholders' equity. The Company primarily uses prices obtained from third party pricing services to determine the fair value of its securities. Various modeling techniques are used to determine pricing for the Company's securities, including option pricing, discounted cash flow models, and similar techniques. The inputs to these models may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. There is one security, with a balance of $1.9 million at September 30, 2015, in the AFS portfolio that has significant unobservable inputs requiring the independent pricing services to use some judgment in pricing the related securities. This AFS security is classified as Level 3. All other AFS securities are classified as Level 2.

Loans individually evaluated for impairment and OREO are the Company's significant assets measured at fair value on a non-recurring basis. These non-recurring fair value adjustments involve the application of lower-of-cost-or-fair value accounting or write-downs of individual assets. Fair values of loans individually evaluated for impairment are estimated through current appraisals or analyzed based on market indicators. OREO fair values are estimated using current appraisals or listing prices. Fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3.

Recent Accounting Pronouncements

For a discussion of Recent Accounting Pronouncements, see "Item 8. Financial Statements and Supplementary Data – Notes to Financial Statements – Note 1 – Summary of Significant Accounting Policies."

Management Strategy

We are a community-oriented financial institution dedicated to serving the needs of customers in our market areas. Our commitment is to provide qualified borrowers the broadest possible access to home ownership through our mortgage lending programs and to offer a complete set of personal banking products and services to our customers. We strive to enhance stockholder value while maintaining a strong capital position. To achieve these goals, we focus on the following strategies:

- Residential Portfolio Lending. We are one of the leading originators of one- to four-family loans in the state of Kansas. We originate these loans primarily for our own portfolio, and we service the loans we originate. We also purchase one- to four-family loans from correspondent lenders. We offer both fixed- and adjustable-rate products with various terms to maturity and pricing options. We maintain strong relationships with local real estate agents to attract mortgage loan business. We rely on our marketing efforts and customer service reputation to attract mortgage business from walk-in customers, customers that apply online, and existing customers.
- Retail Financial Services. We offer a wide array of deposit products and retail services. These products include checking, savings, money market, certificates of deposit, and retirement accounts. They are provided through a branch network of 47 locations, including traditional branches and retail in-store locations, our call center which operates on extended hours, mobile banking, telephone banking and bill payment services, and online banking and bill payment services.
- Cost Control. We generally are very effective at controlling our costs of operations. By using technology, we are able to centralize our loan servicing and deposit support functions for efficient processing. We have located our branches to serve a broad range of customers through relatively few branch locations. Our average deposit base per traditional branch at September 30, 2015 was approximately $115.5 million. This large average deposit base per branch helps to control costs. Our one- to four-family lending strategy and our effective management of credit risk allows us to service a large portfolio of loans at efficient levels because it costs less to service a portfolio of performing loans.
- Asset Quality. We utilize underwriting standards for our lending products that are designed to limit our exposure to credit risk. We require complete documentation for both originated and purchased loans, and make credit decisions based on our assessment of the borrower's ability to repay the loan in accordance with its terms.
- Capital Position. Our policy has always been to protect the safety and soundness of the Bank through credit and operational risk management, balance sheet strength, and sound operations. The end result of these activities has been a capital ratio in excess of the well-capitalized standards set by the OCC. We believe that maintaining a strong capital position safeguards the long-term interests of the Bank, the Company, and our stockholders.
- Stockholder Value. We strive to enhance stockholder value while maintaining a strong capital position. One way that we continue to provide returns to stockholders is through our dividend payments. Total dividends declared and paid during fiscal year 2015 were $114.2 million, including a $0.25 per share, or $33.9 million, True Blue® Capitol Dividend paid in June 2015. The Company's cash dividend payout policy is reviewed quarterly by management and the Board of Directors, and the ability to pay dividends under the policy depends upon a number of factors, including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company level. It is the intent of the Board of Directors to continue to pay regular quarterly and special cash dividends each year, and for fiscal year 2016, it is the intent of the Board of Directors and management to continue with the payout of 100% of the Company's earnings to its stockholders. Another way we have provided returns to stockholders is through our share repurchase programs. During fiscal year 2015, the Company repurchased 3,875,581 shares of common stock at an average price of $11.99 per share, for a total cost of $46.4 million.
- Interest Rate Risk Management. Changes in interest rates are our primary market risk as our balance sheet is almost entirely comprised of interest-earning assets and interest-bearing liabilities. As such, fluctuations in interest rates have a significant impact not only upon our net income but also upon the cash flows related to those assets and liabilities and the market value of our assets and liabilities. In order to maintain what we believe to be acceptable levels of net interest income in varying interest rate environments, we actively manage our interest rate risk and assume a moderate amount of interest rate risk consistent with board policies.

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Financial Condition

Assets. Total assets were $9.84 billion at September 30, 2015 compared to $9.87 billion at September 30, 2014. In fiscal year 2015, management continued the strategy of moving cash flows from the relatively lower yielding securities portfolio to the higher yielding loans receivable portfolio.

Loans Receivable. The loans receivable portfolio, net, increased $391.9 million, or 6.3%, to $6.63 billion at September 30, 2015, from $6.23 billion at September 30, 2014. The increase in the portfolio was due primarily to originations and purchases outpacing principal repayments between periods. During fiscal year 2015, the Bank originated and refinanced $780.5 million of loans, purchased $651.0 million of loans from correspondent lenders, and participated in $60.3 million of commercial real estate loans. The growth in the loan portfolio was primarily funded with cash flows from the MBS portfolio.

The following table presents the balance and weighted average rate of our loan portfolio as of the dates indicated. The weighted average rate of the loan portfolio decreased 10 basis points from 3.76% at September 30, 2014 to 3.66% at September 30, 2015. The decrease in the weighted average rate was due primarily to adjustable-rate loans, endorsements, and refinances repricing loans to lower market rates along with originations and purchases of loans with rates lower than the weighted average rate of the existing portfolio. Within the one- to four-family loan portfolio at September 30, 2015, 64% of the loans had a balance at origination of less than $417 thousand.

	September 30, 2015		September 30, 2014	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Real estate loans:				
One- to four-family	$ 6,342,412	3.63 %	$ 5,972,031	3.72 %
Multi-family and commercial	110,938	4.14	75,677	4.39
Construction:				
One- to four-family	75,152	3.57	72,113	3.66
Multi-family and commercial	54,768	4.13	34,677	4.01
Total construction	129,920	3.80	106,790	3.77
Total real estate loans	6,583,270	3.64	6,154,498	3.73
Consumer loans:				
Home equity	125,844	5.00	130,484	5.14
Other	4,179	4.03	4,537	4.16
Total consumer loans	130,023	4.97	135,021	5.11
Total loans receivable	6,713,293	3.66	6,289,519	3.76
Less:				
Undisbursed loan funds	90,565		52,001	
ACL	9,443		9,227	
Discounts/unearned loan fees	24,213		23,687	
Premiums/deferred costs	(35,955)		(28,566)	
Total loans receivable, net	$ 6,625,027		$ 6,233,170	

The following table presents, for our portfolio of one- to four-family loans, the balance, percentage of total, weighted average credit score, weighted average LTV ratio, and average balance per loan at the dates presented. Credit scores are updated at least semiannually, with the last update in September 2015, from a nationally recognized consumer rating agency. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. In most cases, the most recent appraisal was obtained at the time of origination.

	September 30, 2015				
	Amount	% of Total	Credit Score	LTV	Average Balance
	(Dollars in thousands)				
Originated	$4,010,517	63.2 %	765	64 %	$129
Correspondent purchased	1,846,213	29.1	764	68	344
Bulk purchased	485,682	7.7	752	65	310
	$6,342,412	100.0 %	764	65	167

	September 30, 2014				
	Amount	% of Total	Credit Score	LTV	Average Balance
	(Dollars in thousands)				
Originated	$3,978,396	66.6 %	764	64 %	$127
Correspondent purchased	1,431,745	24.0	764	68	332
Bulk purchased	561,890	9.4	749	67	311
	$5,972,031	100.0 %	763	65	159

Loan Activity - The following tables summarize activity in our loan portfolio, along with weighted average rates where applicable, for the periods indicated, excluding changes in undisbursed loan funds, ACL, discounts/unearned loan fees, and premiums/deferred costs. Loans that were paid-off as a result of refinances are included in repayments. Purchased loans include purchases from correspondent lenders and participations with other lead banks. Loan endorsements are not included in the activity in the following tables because a new loan is not generated at the time of the endorsement. The endorsed balance and rate are included in the ending loan portfolio balance and rate. During the fiscal years ended September 30, 2015 and 2014, the Bank endorsed $121.6 million and $36.4 million of one- to four-family loans, respectively, reducing the average rate on those loans by 98 and 113 basis points, respectively.

	For the Three Months Ended							
	September 30, 2015		June 30, 2015		March 31, 2015		December 31, 2014	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)							
Beginning balance	$6,547,702	3.67 %	$6,418,780	3.71 %	$6,317,251	3.74 %	$6,289,519	3.76 %
Originated and refinanced:								
Fixed	165,646	3.73	207,895	3.50	131,532	3.49	101,270	3.74
Adjustable	51,634	3.59	47,609	3.55	36,053	3.63	38,878	3.75
Purchased and participations:								
Fixed	164,397	3.64	147,887	3.51	144,370	3.56	94,374	3.74
Adjustable	65,722	3.69	29,046	2.92	41,858	2.94	23,705	2.96
Repayments	(280,671)		(301,835)		(250,422)		(228,940)	
Principal charge-offs, net	(158)		(128)		(166)		(103)	
Other	(979)		(1,552)		(1,696)		(1,452)	
Ending balance	$6,713,293	3.66	$6,547,702	3.67	$6,418,780	3.71	$6,317,251	3.74

	For the Year Ended September 30,			
	2015		2014	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Beginning balance	$6,289,519	3.76 %	$6,011,799	3.82 %
Originations and refinances:				
Fixed	606,343	3.60	387,714	4.00
Adjustable	174,174	3.62	179,194	3.74
Purchases and participations:				
Fixed	551,028	3.60	410,549	3.93
Adjustable	160,331	3.25	163,234	3.20
Repayments	(1,061,868)		(857,573)	
Principal charge-offs, net	(555)		(1,004)	
Other	(5,679)		(4,394)	
Ending balance	$6,713,293	3.66	$6,289,519	3.76

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The following table presents loan origination, refinance, and purchase activity for the periods indicated, excluding endorsement activity, along with associated weighted average rates and percent of total. The fixed-rate one- to four-family loans less than or equal to 15 years have an original maturity at origination of less than or equal to 15 years, while fixed-rate one- to four-family loans greater than 15 years have an original maturity at origination of greater than 15 years. The adjustable-rate one- to four-family loans less than or equal to 36 months have a term to first reset of less than or equal to 36 months at origination, and adjustable-rate one- to four-family loans greater than 36 months have a term to first reset of greater than 36 months at origination. Of the $697.1 million of one- to four-family loans originated and refinanced during the current fiscal year, 77% had loan values of $417 thousand or less. Of the $651.0 million of one- to four-family correspondent loans purchased during the current fiscal year, 26% had loan values of $417 thousand or less.

	For the Year Ended					
	September 30, 2015			September 30, 2014		
	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)					
Fixed-rate:						
One- to four-family:						
<= 15 years	$ 335,062	2.99 %	22.4 %	$ 191,563	3.27 %	16.8 %
> 15 years	785,290	3.83	52.6	551,696	4.19	48.4
Multi-family and commercial real estate	32,580	3.86	2.2	51,000	3.85	4.5
Home equity	3,670	6.10	0.2	2,863	6.16	0.2
Other	769	8.07	0.1	1,141	7.44	0.1
Total fixed-rate	1,157,371	3.60	77.5	798,263	3.96	70.0
Adjustable-rate:						
One- to four-family:						
<= 36 months	6,871	2.61	0.5	7,984	2.76	0.7
> 36 months	220,886	2.98	14.8	248,551	3.13	21.8
Multi-family and commercial real estate	35,236	4.25	2.4	14,358	4.34	1.3
Home equity	69,975	4.58	4.7	70,066	4.64	6.1
Other	1,537	3.11	0.1	1,469	3.17	0.1
Total adjustable-rate	334,505	3.44	22.5	342,428	3.48	30.0
Total originated, refinanced and purchased	$ 1,491,876	3.57	100.0 %	$ 1,140,691	3.82	100.0 %
Purchased and participation loans included above:						
Fixed-rate:						
Correspondent - one- to four-family	$ 525,946	3.59		$ 366,599	3.95	
Participations - commercial real estate	25,082	3.79		43,950	3.81	
Total fixed-rate purchased/participations	551,028	3.60		410,549	3.93	
Adjustable-rate:						
Correspondent - one- to four-family	125,095	2.96		148,876	3.09	
Participations - commercial real estate	35,236	4.25		14,358	4.34	
Total adjustable-rate purchased/participations	160,331	3.25		163,234	3.20	
Total purchased/participation loans	$ 711,359	3.52		$ 573,783	3.72	

The following table presents originated, refinanced, and correspondent purchased activity in our one- to four-family loan portfolio, excluding endorsement activity, along with associated weighted average LTVs and weighted average credit scores for the periods indicated.

	For the Year Ended							
	September 30, 2015				September 30, 2014			
	Amount	LTV		Credit Score	Amount	LTV		Credit Score
	(Dollars in thousands)							
Originated	$563,107	77	%	770	$421,120	78	%	768
Refinanced by Bank customers	133,961	68		768	63,199	68		763
Correspondent purchased	651,041	74		765	515,475	75		762
	$1,348,109	75		768	$999,794	76		765

The following table presents the amount, percent of total, and weighted average rate, by state, for one- to four-family loan originations and correspondent purchases where originations and purchases in the state exceeded five percent of the total amount originated and purchased during the year ended September 30, 2015.

State	Amount	% of Total		Rate	
	(Dollars in thousands)				
Kansas	$639,537	47.4	%	3.50	%
Missouri	310,935	23.1		3.46	
Texas	175,562	13.0		3.44	
Other states	222,075	16.5		3.47	
	$1,348,109	100.0	%	3.48	

One- to Four-Family Loan Commitments - The following table summarizes our one- to four-family loan origination and refinance commitments and one- to four-family correspondent purchase commitments as of September 30, 2015, along with associated weighted average rates. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a rate lock fee. A percentage of the commitments are expected to expire unfunded, so the amounts reflected in the table below are not necessarily indicative of future cash requirements.

	Fixed-Rate								
	15 years or less		More than 15 years		Adjustable-Rate		Total Amount	Rate	
	(Dollars in thousands)								
Originate/refinance	$13,955		$47,027		$16,054		$77,036	3.57	%
Correspondent	7,106		60,643		13,786		81,535	3.81	
	$21,061		$107,670		$29,840		$158,571	3.69	
Rate	3.11	%	3.96	%	3.15	%			

Multi-Family and Commercial Real Estate Loans - The Bank has recently been, and intends to continue, participating in commercial construction-to-permanent loans through our correspondent lending channel and other lead banks. The Bank generally requires a minimum debt service coverage ratio of 1.25 and limits LTV ratios to 80% for multi-family and commercial real estate and construction loans, depending on the property type. Multi-family and commercial real estate and construction loans are originated or participated in based on the income producing potential of the property and the financial strength of the borrower and/or guarantors.

The following table presents multi-family and commercial real estate and construction loans and commitments by industry classification, as defined by the North American Industry Classification System, as of September 30, 2015.

	Unpaid Principal	Undisbursed Amount	Gross Loan Amount	Outstanding Commitments	Total	% of Total
	(Dollars in thousands)					
Accommodation and food services	$ 50,772	$ 40,518	$ 91,290	$ —	$ 91,290	40.2 %
Health care and social assistance	8,917	3,084	12,001	26,680	38,681	17.0
Arts, entertainment, and recreation	—	—	—	34,480	34,480	15.2
Real estate rental and leasing	21,162	1,267	22,429	—	22,429	9.9
Retail trade	11,711	—	11,711	—	11,711	5.2
Multi-family	15,900	—	15,900	—	15,900	7.0
Other	12,375	—	12,375	—	12,375	5.5
	$ 120,837	$ 44,869	$ 165,706	$ 61,160	$ 226,866	100.0 %

The following table summarizes multi-family and commercial real estate and construction loans and commitments by state as of September 30, 2015.

	Unpaid Principal	Undisbursed Amount	Gross Loan Amount	Outstanding Commitments	Total	% of Total
	(Dollars in thousands)					
Kansas	$ 45,454	$ 162	$ 45,616	$ 34,480	$ 80,096	35.3 %
Texas	23,540	40,441	63,981	—	63,981	28.2
Missouri	28,626	3,083	31,709	26,680	58,389	25.7
Colorado	13,940	1,183	15,123	—	15,123	6.7
Arkansas	6,800	—	6,800	—	6,800	3.0
California	2,477	—	2,477	—	2,477	1.1
	$ 120,837	$ 44,869	$ 165,706	$ 61,160	$ 226,866	100.0 %

The following table presents the Bank’s multi-family and commercial real estate and construction loan portfolio and outstanding commitments, categorized by gross loan amount (unpaid principal plus undisbursed amounts) or outstanding commitment amount, as of September 30, 2015.

	Count	Amount
	(Dollars in thousands)	
Greater than $15 million	3	$ 96,396
>$10 to $15 million	4	48,878
>$5 to $10 million	3	22,293
$1 to $5 million	21	55,796
Less than $1 million	14	3,503
	45	$ 226,866

Securities. The following table presents the distribution of our MBS and investment securities portfolios, at amortized cost, at the dates indicated. Overall, fixed-rate securities comprised 80% of these portfolios at September 30, 2015. The WAL is the estimated remaining maturity (in years) after three-month historical prepayment speeds and projected call option assumptions have been applied. The decrease in the WAL between September 30, 2014 and September 30, 2015 was due primarily to a decrease in market interest rates between periods, which resulted in an increase in realized prepayments. The decrease in the weighted average yield between September 30, 2014 and 2015 was due primarily to the repayment of higher yielding MBS between the two periods, as well as to the purchase of securities with yields less than the weighted average yield on the existing portfolio. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

	September 30, 2015			September 30, 2014		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Fixed-rate securities:						
MBS	$ 1,047,637	2.24 %	3.2	$ 1,279,990	2.35 %	3.7
GSE debentures	525,376	1.14	1.6	554,811	1.06	2.9
Municipal bonds	38,214	1.87	2.9	38,874	2.29	2.8
Total fixed-rate securities	1,611,227	1.87	2.7	1,873,675	1.97	3.4
Adjustable-rate securities:						
MBS	402,417	2.22	5.3	506,089	2.24	5.4
TRUPs	2,186	1.59	21.7	2,493	1.49	22.7
Total adjustable-rate securities	404,603	2.21	5.4	508,582	2.24	5.5
Total securities portfolio	$ 2,015,830	1.94	3.2	$ 2,382,257	2.02	3.9

The following table presents the carrying value of MBS in our portfolio by issuer at the dates presented.

	At September 30,	
	2015	2014
	(Dollars in thousands)	
FNMA	$ 880,810	$ 1,052,464
FHLMC	469,290	598,153
Government National Mortgage Association	112,439	151,930
	$ 1,462,539	$ 1,802,547

Mortgage-Backed Securities - The balance of MBS, which primarily consists of securities of U.S. GSEs, decreased $340.0 million from $1.80 billion at September 30, 2014 to $1.46 billion at September 30, 2015. Repayments from the MBS portfolio not reinvested in the portfolio were used primarily to fund loan growth. The following tables summarize the activity in our portfolio of MBS for the periods presented. The weighted average yields and WALs for purchases are presented as recorded at the time of purchase. The weighted average yields for the beginning balances are as of the last day of the period previous to the period presented and the weighted average yield for the ending balances are as of the last day of the period presented and are generally derived from recent prepayment activity on the securities in the portfolio as of the dates presented. The weighted average yield of the MBS portfolio decreased from September 30, 2014 to September 30, 2015 primarily as a result of repayments of MBS with yields greater than the average yield on the existing portfolio. The beginning and ending WAL is the estimated remaining maturity (in years) after three-month historical prepayment speeds have been applied.

	For the Three Months Ended											
	September 30, 2015			June 30, 2015			March 31, 2015			December 31, 2014		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)											
Beginning balance - carrying value	$1,565,184	2.25%	3.9	$1,648,046	2.30%	4.3	$1,711,231	2.32%	4.5	$1,802,547	2.32%	4.2
Maturities and repayments	(99,840)			(100,538)			(86,156)			(89,795)		
Net amortization of (premiums)/discounts	(1,362)			(1,412)			(1,258)			(1,332)		
Purchases:												
Fixed	—	—	—	20,532	1.74	4.5	25,137	1.53	3.8	—	—	—
Adjustable	—	—	—	—	—	—	—	—	—	—	—	—
Change in valuation on AFS securities	(1,443)			(1,444)			(908)			(189)		
Ending balance - carrying value	$1,462,539	2.24	3.8	$1,565,184	2.25	3.9	$1,648,046	2.30	4.3	$1,711,231	2.32	4.5

	For the Year Ended September 30,					
	2015			2014		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Beginning balance - carrying value	$1,802,547	2.32 %	4.2	$2,047,708	2.40 %	3.9
Maturities and repayments	(376,329)			(387,994)		
Net amortization of (premiums)/discounts	(5,364)			(5,674)		
Purchases:						
Fixed	45,669	1.62	4.1	129,002	1.74	3.8
Adjustable	—	—	—	21,737	1.92	5.2
Change in valuation on AFS securities	(3,984)			(2,232)		
Ending balance - carrying value	$1,462,539	2.24	3.8	$1,802,547	2.32	4.2

Investment Securities - Investment securities, which consist of U.S. GSE debentures (primarily issued by FNMA, FHLMC, or Federal Home Loan Banks) and municipal investments, decreased $24.1 million, from $590.9 million at September 30, 2014 to $566.8 million at September 30, 2015. The following tables summarize the activity of investment securities for the periods presented. The weighted average yields and WALs for purchases are presented as recorded at the time of purchase. The weighted average yields for the beginning balances are as of the last day of the period previous to the period presented and the weighted average yields for the ending balances are as of the last day of the period presented. The weighted average yield of the investment securities portfolio increased from September 30, 2014 to September 30, 2015 primarily as a result of calls of securities with yields lower than the average yield on the existing portfolio. The beginning and ending WALs represent the estimated remaining maturity (in years) of the securities after projected call dates have been considered, based upon market rates at each date presented. The decrease in the WAL from September 30, 2014 to September 30, 2015 was due mainly to the passage of time.

	For the Three Months Ended											
	September 30, 2015			June 30, 2015			March 31, 2015			December 31, 2014		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)											
Beginning balance - carrying value	$641,532	1.18%	2.5	$620,193	1.18%	2.2	$539,012	1.18%	2.9	$590,942	1.15%	3.0
Maturities and calls	(76,387)			(30,000)			(28,051)			(54,081)		
Net amortization of (premiums)/discounts	(70)			(52)			(68)			(95)		
Purchases:												
Fixed	—	—	—	52,379	1.31	3.1	105,212	1.16	1.7	810	1.22	5.0
Change in valuation on AFS securities	1,679			(988)			4,088			1,436		
Ending balance - carrying value	$566,754	1.19	1.8	$641,532	1.18	2.5	$620,193	1.18	2.2	$539,012	1.18	2.9

	For the Year Ended September 30,					
	2015			2014		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Beginning balance - carrying value	$590,942	1.15 %	3.0	$740,282	1.14 %	2.9
Maturities and calls	(188,519)			(289,649)		
Net amortization of (premiums)/discounts	(285)			(379)		
Purchases:						
Fixed	158,401	1.21	2.1	138,908	1.04	2.8
Change in valuation on AFS securities	6,215			1,780		
Ending balance - carrying value	$566,754	1.19	1.8	$590,942	1.15	3.0

Liabilities. Total liabilities were $8.43 billion at September 30, 2015 compared to $8.37 billion at September 30, 2014. The $55.8 million increase was due primarily to a $177.2 million, or 3.8%, increase in the deposit portfolio, partially offset by a $99.2 million decrease in FHLB borrowings. The growth in deposits was primarily in the retail certificate of deposit portfolio and checking portfolio, which increased $89.1 million and $47.7 million, respectively. The decrease in FHLB borrowings was due primarily to having $700.0 million of the daily leverage strategy in place at September 30, 2015 compared to $800.0 million of the daily leverage strategy in place at September 30, 2014. The full daily leverage strategy of $2.10 billion was reinstated on October 1, 2015.

Deposits - Deposits were $4.83 billion at September 30, 2015 compared to $4.66 billion at September 30, 2014. We continue to be competitive on deposit rates and, in some cases, our offer rates for certificates of deposit have been higher than peers. Increasing rates offered on longer-term certificates of deposit has been an on-going balance sheet strategy by management in anticipation of higher interest rates. If interest rates rise, our customers may move the funds from their checking, savings and money market accounts to higher yielding deposit products within the Bank or withdraw their funds from these accounts, including certificates of deposit, to invest in higher yielding investments outside of the Bank.

The following table presents the amount, weighted average rate and percentage of total for the components of our deposit portfolio at the dates presented.

	At September 30,					
	2015			2014		
	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)					
Noninterest-bearing checking	$ 188,007	— %	3.9 %	$ 167,045	— %	3.6 %
Interest-bearing checking	550,741	0.05	11.4	523,959	0.05	11.2
Savings	311,670	0.16	6.4	296,187	0.15	6.4
Money market	1,148,935	0.23	23.8	1,135,915	0.23	24.4
Retail certificates of deposit	2,320,804	1.29	48.0	2,231,737	1.22	47.9
Public units/brokered deposits	312,363	0.40	6.5	300,429	0.63	6.5
	$ 4,832,520	0.72	100.0 %	$ 4,655,272	0.70	100.0 %

At September 30, 2015, there were no brokered deposits outstanding, compared to $41.9 million at September 30, 2014. At September 30, 2015, public unit deposits were $312.4 million compared to $258.6 million of public unit deposits at September 30, 2014, and had a weighted average rate of 0.40% and an average remaining term to maturity of eight months. Management will continue to monitor the wholesale deposit market for attractive opportunities relative to the use of proceeds for investments.

The following tables set forth scheduled maturity information for our certificates of deposit, along with associated weighted average rates, at September 30, 2015.

Rate range	Amount Due 1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total Amount	Rate
	(Dollars in thousands)					
0.00 – 0.99%	$824,853	$191,214	$4,957	$—	$1,021,024	0.57 %
1.00 – 1.99%	228,212	404,500	398,223	492,040	1,522,975	1.54
2.00 – 2.99%	38,120	—	951	49,576	88,647	2.20
3.00 – 3.99%	114	327	—	—	441	3.20
4.00 – 4.99%	80	—	—	—	80	4.40
	$1,091,379	$596,041	$404,131	$541,616	$2,633,167	1.18
Percent of total	41.4 %	22.6 %	15.4 %	20.6 %		
Weighted average rate	0.75	1.22	1.44	1.84		
Weighted average maturity (in years)	0.5	1.5	2.4	3.9	1.7	
Weighted average maturity for the retail certificate of deposit portfolio (in years)					1.8	

	Amount Due 3 months or less	Over 3 to 6 months	Over 6 to 12 months	Over 12 months	Total
	(Dollars in thousands)				
Retail certificates of deposit less than $100,000	$137,983	$158,414	$302,724	$904,309	$1,503,430
Retail certificates of deposit of $100,000 or more	50,157	61,703	139,460	566,054	817,374
Public unit deposits of $100,000 or more	149,654	21,253	70,031	71,425	312,363
	$337,794	$241,370	$512,215	$1,541,788	$2,633,167

Borrowings - The following tables present term borrowing activity for the periods shown, which includes FHLB advances, at par, and repurchase agreements. Line of credit activity is excluded from the following tables. The weighted average effective rate includes the impact of the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid. Rates on new borrowings are fixed-rate. The weighted average maturity ("WAM") is the remaining weighted average contractual term in years. The beginning and ending WAMs represent the remaining maturity at each date presented. For new borrowings, the WAMs presented are as of the date of issue.

	For the Three Months Ended											
	September 30, 2015			June 30, 2015			March 31, 2015			December 31, 2014		
	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM
	(Dollars in thousands)											
Beginning balance	$2,795,000	2.49 %	3.3	$2,795,000	2.51 %	3.3	$2,795,000	2.55 %	3.0	$2,795,000	2.45 %	2.8
Maturities and prepayments:												
FHLB advances	(175,000)	5.08		(100,000)	3.01		(250,000)	2.48		(250,000)	0.84	
Repurchase agreements	(20,000)	4.45		—	—		—	—		—	—	
New borrowings:												
FHLB advances	175,000	2.18	3.0	100,000	2.25	7.0	250,000	2.06	6.4	250,000	1.99	5.2
Ending balance	$2,775,000	2.29	3.3	$2,795,000	2.49	3.3	$2,795,000	2.51	3.3	$2,795,000	2.55	3.0

	For the Year Ended September 30,					
	2015			2014		
	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM
	(Dollars in thousands)					
Beginning balance	$2,795,000	2.45 %	2.8	$2,845,000	2.75 %	2.6
Maturities and prepayments:						
FHLB advances	(775,000)	2.60		(450,000)	3.90	
Repurchase agreements	(20,000)	4.45		(100,000)	4.20	
New borrowings:						
FHLB advances	775,000	2.09	5.3	500,000	2.36	6.3
Repurchase agreements	—	—	—	—	—	—
Ending balance	$2,775,000	2.29	3.3	$2,795,000	2.45	2.8

Maturities - The following table presents the maturity of FHLB advances, at par, and repurchase agreements, along with associated weighted average contractual and effective rates as of September 30, 2015.

Maturity by Fiscal year	FHLB Advances Amount	Repurchase Agreements Amount	Total Amount	Contractual Rate	Effective Rate[(1)]
	(Dollars in thousands)				
2016	$400,000	$—	$400,000	1.40 %	1.97 %
2017	500,000	—	500,000	2.69	2.72
2018	375,000	100,000	475,000	2.35	2.64
2019	300,000	—	300,000	1.68	1.68
2020	250,000	100,000	350,000	2.18	2.18
2021	550,000	—	550,000	2.27	2.27
2022	200,000	—	200,000	2.23	2.23
	$2,575,000	$200,000	$2,775,000	2.16	2.29

(1) The effective rate includes the impact of the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid.

The following table presents the maturity and weighted average repricing rate, which is also the weighted average effective rate, of certificates of deposit, split between retail and public unit amounts, and term borrowings for the next four quarters as of September 30, 2015.

Maturity by Quarter End	Retail Certificate Amount	Repricing Rate	Public Unit Deposit Amount	Repricing Rate	Term Borrowings Amount	Repricing Rate	Total	Repricing Rate
	(Dollars in thousands)							
December 31, 2015	$188,140	0.71 %	$149,654	0.19 %	$200,000	1.94 %	$537,794	1.02 %
March 31, 2016	220,117	0.85	21,253	0.23	—	—	241,370	0.79
June 30, 2016	260,831	0.99	45,035	0.40	100,000	3.17	405,866	1.46
September 30, 2016	181,353	0.99	24,996	0.47	100,000	0.83	306,349	0.89
	$850,441	0.89	$240,938	0.26	$400,000	1.97	$1,491,379	1.08

Stockholders' Equity. Stockholders' equity was $1.42 billion at September 30, 2015 compared to $1.49 billion at September 30, 2014. The $76.7 million decrease between periods was due primarily to the payment of $114.2 million in cash dividends and the repurchase of $46.4 million of common stock, partially offset by net income of $78.1 million. The $114.2 million, or $0.84 per share, in cash dividends paid during the current fiscal year consisted of a $0.26 per share, or $35.5 million, cash true-up dividend related to fiscal year 2014 earnings per the Company's dividend policy, a $0.25 per share, or $33.9 million, True Blue Capitol Dividend, and four regular quarterly cash dividends totaling $0.33 per share, or $44.8 million. Beginning with the second quarter of fiscal year 2015, the Company increased the amount of its regular quarterly cash dividend from $0.075 per share to $0.085 per share. The $33.9 million True Blue Capitol Dividend was funded by a $36.0 million capital distribution from the Bank to Capitol Federal Financial, Inc.

On October 21, 2015, the Company announced a regular quarterly cash dividend of $0.085 per share, or approximately $11.3 million, payable on November 20, 2015 to stockholders of record as of the close of business on November 6, 2015. On October 29, 2015, the Company announced a fiscal year 2015 cash true-up dividend of $0.25 per share, or approximately $33.2 million, related to fiscal year 2015 earnings per the Company's dividend policy. The $0.25 per share cash true-up dividend was determined by taking the difference between total earnings for fiscal year 2015 and total regular quarterly cash dividends paid during fiscal year 2015, divided by the number of shares outstanding as of October 26, 2015. The cash true-up dividend is payable on December 4, 2015 to stockholders of record as of the close of business on November 20, 2015, and is the result of the Board of Directors' commitment to distribute to stockholders 100% of the annual earnings of Capitol Federal Financial, Inc. for fiscal year 2015.

At September 30, 2015, Capitol Federal Financial, Inc., at the holding company level, had $96.2 million on deposit at the Bank. For fiscal year 2016, it is the intent of the Board of Directors and management to continue with the payout of 100% of the Company's earnings to its stockholders. The payout is expected to be in the form of regular quarterly cash dividends of $0.085 per share, totaling $0.34 for the year, and a cash true-up dividend equal to fiscal year 2016 earnings in excess of the amount paid as regular quarterly cash dividends during fiscal year 2016. It is anticipated that the fiscal year 2016 cash true-up dividend will be paid in December 2016. Dividend payments depend upon a number of factors including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company.

The following table presents regular quarterly dividends and special dividends paid in calendar years 2015, 2014, and 2013. The amounts represent cash dividends paid during each period. The 2015 true-up dividend amount is management's estimate of the dividend payout as of November 17, 2015, based on the number of shares outstanding on that date and the dividend announced on October 29, 2015 of $0.25 per share.

	Calendar Year					
	2015		2014		2013	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
	(Dollars in thousands, except per share amounts)					
Regular quarterly dividends paid						
Quarter ended March 31	$ 11,592	$ 0.085	$ 10,513	$ 0.075	$ 11,023	$ 0.075
Quarter ended June 30	11,585	0.085	10,399	0.075	10,796	0.075
Quarter ended September 30	11,385	0.085	10,318	0.075	10,703	0.075
Quarter ended December 31	11,303	0.085	10,226	0.075	10,754	0.075
True-up dividends paid	33,248	0.250	35,450	0.260	25,815	0.180
True Blue dividends paid	33,924	0.250	34,663	0.250	35,710	0.250
Calendar year-to-date dividends paid	$ 113,037	$ 0.840	$ 111,569	$ 0.810	$ 104,801	$ 0.730

The Company completed a stock repurchase plan during the fourth quarter of the current fiscal year. The plan, announced in November 2012, authorized the repurchase of up to $175.0 million in stock. In total, the Company repurchased 14.6 million shares at an average price of $11.95 per share. The Company repurchased $46.4 million of the total $175.0 million of shares during the current fiscal year at an average price of $11.99 per share. On October 28, 2015, the Company announced a stock repurchase plan for up to $70.0 million of common stock, or approximately 5% of the balance of total stockholders' equity at September 30, 2015. It is anticipated that shares will be purchased from time to time in the open-market based upon market conditions and available liquidity. There is no expiration for this repurchase plan.

Weighted Average Yields and Rates. The following table presents the weighted average yields on interest-earning assets, the weighted average rates paid on interest-bearing liabilities, and the resultant interest rate spreads at the dates indicated. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

	At September 30,					
	2015		2014		2013	
Yield on:						
Loans receivable	3.65	%	3.75	%	3.82	%
MBS	2.24		2.32		2.40	
Investment securities	1.19		1.15		1.14	
FHLB stock	5.98		5.99		3.46	
Cash and cash equivalents	0.25		0.25		0.25	
Combined yield on interest-earning assets	3.06		3.08		3.23	
Rate paid on:						
Checking deposits	0.04		0.04		0.04	
Savings deposits	0.16		0.15		0.13	
Money market deposits	0.23		0.23		0.23	
Retail certificates	1.29		1.22		1.27	
Wholesale certificates	0.40		0.63		0.80	
Total deposits	0.72		0.70		0.74	
FHLB advances	2.24		2.39		2.67	
FHLB line of credit	0.29		0.24		—	
FHLB borrowings	1.82		1.88		2.67	
Repurchase agreements	2.94		3.08		3.43	
Total borrowings	1.89		1.96		2.75	
Combined rate paid on interest-bearing liabilities	1.21		1.24		1.51	
Net interest rate spread	1.85		1.84		1.72	

Average Balance Sheets. The following table presents the average balances of our assets, liabilities, and stockholders' equity, and the related weighted average yields and rates on our interest-earning assets and interest-bearing liabilities for the periods indicated. Weighted average yields are derived by dividing annual income by the average balance of the related assets, and weighted average rates are derived by dividing annual expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The yields and rates include amortization of fees, costs, premiums and discounts which are considered adjustments to yields/rates. Yields on tax-exempt securities were not calculated on a fully taxable equivalent basis.

	For the Year Ended September 30,											
	2015				2014				2013			
	Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate		Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate		Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate	
Assets:	(Dollars in thousands)											
Interest-earning assets:												
Loans receivable[1]	$6,389,964	$235,500	3.69	%	$6,082,505	$229,944	3.78	%	$5,740,435	$228,455	3.98	%
MBS[2]	1,632,117	36,647	2.25		1,931,477	45,300	2.35		2,247,927	55,424	2.47	
Investment securities[2][3]	604,999	7,182	1.19		648,939	7,385	1.14		842,335	10,012	1.19	
FHLB stock	209,743	12,556	5.99		139,197	6,555	4.71		132,516	4,515	3.41	
Cash and cash equivalents	2,125,693	5,477	0.25		420,194	1,062	0.25		61,899	148	0.24	
Total interest-earning assets[1][2]	10,962,516	297,362	2.71		9,222,312	290,246	3.15		9,025,112	298,554	3.31	
Other noninterest-earning assets	232,234				221,229				226,850			
Total assets	$11,194,750				$9,443,541				$9,251,962			
Liabilities and stockholders' equity:												
Interest-bearing liabilities:												
Checking	$727,533	274	0.04		$676,773	259	0.04		$633,182	244	0.04	
Savings	306,456	462	0.15		291,957	353	0.12		275,146	284	0.10	
Money market	1,149,203	2,679	0.23		1,137,734	2,635	0.23		1,138,055	2,446	0.21	
Retail certificates	2,259,645	28,085	1.24		2,220,436	27,205	1.23		2,251,591	31,198	1.39	
Wholesale certificates	312,857	1,619	0.52		303,528	2,152	0.71		287,068	2,644	0.92	
Total deposits	4,755,694	33,119	0.70		4,630,428	32,604	0.70		4,585,042	36,816	0.80	
FHLB advances[4]	2,571,439	62,437	2.43		2,499,888	62,348	2.49		2,529,298	70,766	2.80	
FHLB line of credit	2,075,343	5,360	0.25		356,890	869	0.24		25,709	50	0.19	
FHLB borrowings	4,646,782	67,797	1.46		2,856,778	63,217	2.21		2,555,007	70,816	2.77	
Repurchase agreements	215,835	6,678	3.05		300,274	10,282	3.38		332,411	12,762	3.79	
Total borrowings	4,862,617	74,475	1.53		3,157,052	73,499	2.32		2,887,418	83,578	2.89	
Total interest-bearing liabilities	9,618,311	107,594	1.12		7,787,480	106,103	1.36		7,472,460	120,394	1.61	
Other noninterest-bearing liabilities	108,522				102,638				103,159			
Stockholders' equity	1,467,917				1,553,423				1,676,343			
Total liabilities and stockholders' equity	$11,194,750				$9,443,541				$9,251,962			

Net interest income[5]	$189,768		$184,143		$178,160	
Net interest rate spread[6]		1.59		1.79		1.70
Net interest-earning assets	$1,344,205		$1,434,832		$1,552,652	
Net interest margin[7]		1.73		2.00		1.97
Ratio of interest-earning assets to interest-bearing liabilities		1.14x		1.18x		1.21x

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(1) Calculated net of unearned loan fees, deferred costs, and undisbursed loan funds. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent. Balances include loans receivable held-for-sale.
(2) MBS and investment securities classified as AFS are stated at amortized cost, adjusted for unamortized purchase premiums or discounts.
(3) The average balance of investment securities includes an average balance of non-taxable securities of $37.2 million, $36.8 million, and $41.5 million for the years ended September 30, 2015, 2014, and 2013, respectively.
(4) The balance and rate of FHLB advances are stated net of deferred prepayment penalties.
(5) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(6) Net interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(7) Net interest margin represents net interest income as a percentage of average interest-earning assets.

Rate/Volume Analysis. The table below presents the amount of changes in interest income and interest expense for major components of our interest-earning assets and interest-bearing liabilities, comparing fiscal years 2015 to 2014 and fiscal years 2014 to 2013. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate, and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Year Ended September 30,					
	2015 vs. 2014			2014 vs. 2013		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable	$11,261	$(5,705)	$5,556	$13,013	$(11,524)	$1,489
MBS	(6,786)	(1,867)	(8,653)	(7,519)	(2,605)	(10,124)
Investment securities	(513)	310	(203)	(2,216)	(411)	(2,627)
FHLB stock	3,909	2,092	6,001	237	1,803	2,040
Cash and cash equivalents	4,394	21	4,415	907	7	914
Total interest-earning assets	12,265	(5,149)	7,116	4,422	(12,730)	(8,308)
Interest-bearing liabilities:						
Checking	19	(4)	15	17	(2)	15
Savings	18	91	109	18	51	69
Money market	27	17	44	(1)	190	189
Certificates of deposit	561	(214)	347	(195)	(4,290)	(4,485)
FHLB borrowings	5,944	(1,364)	4,580	(97)	(7,502)	(7,599)
Repurchase agreements	(2,684)	(920)	(3,604)	(1,171)	(1,309)	(2,480)
Total interest-bearing liabilities	3,885	(2,394)	1,491	(1,429)	(12,862)	(14,291)
Net change in net interest and dividend income	$8,380	$(2,755)	$5,625	$5,851	$132	$5,983

Comparison of Operating Results for the Years Ended September 30, 2015 and 2014
For fiscal year 2015, the Company recognized net income of $78.1 million, or $0.58 per share, compared to net income of $77.7 million, or $0.56 per share, for fiscal year 2014. The increase in earnings per share was due mainly to the reduced number of shares outstanding as a result of the repurchase of shares pursuant to the Company's recently completed $175.0 million stock repurchase plan. The $399 thousand, or 0.5%, increase in net income was due primarily to the daily leverage strategy. Net income attributable to the daily leverage strategy was $2.8 million during the current fiscal year, compared to $501 thousand for the prior fiscal year.

Net interest income increased $5.6 million, or 3.1%, from the prior fiscal year to $189.8 million for the current fiscal year due primarily to the daily leverage strategy. The net interest margin decreased 27 basis points, from 2.00% for the prior fiscal year, to 1.73% for the current fiscal year as a result of the daily leverage strategy. Excluding the effects of the daily leverage strategy, the net interest margin would have been 2.07% for the current fiscal year and the prior fiscal year. The positive impact on the net interest margin resulting from the shift in the mix of interest-earning assets from relatively lower yielding securities to higher yielding loans was offset by a decrease in market interest rates.

Interest and Dividend Income
The weighted average yield on total interest-earning assets decreased 44 basis points, from 3.15% for the prior fiscal year, to 2.71% for the current fiscal year, while the average balance of interest-earning assets increased $1.74 billion from the prior fiscal year. The decrease in the weighted average yield and the increase in the average balance were due primarily to the daily leverage strategy. Absent the impact of the daily leverage strategy, the weighted average yield on total interest-earning assets would have decreased from 3.25% for the prior fiscal year to 3.22% for the current fiscal year, while the average balance would have increased $18.1 million. The following table presents the components of interest and dividend income for the time periods presented along with the change measured in dollars and percent.

	For the Year Ended September 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$235,500	$229,944	$5,556	2.4 %
MBS	36,647	45,300	(8,653)	(19.1)
FHLB stock	12,556	6,555	6,001	91.5
Investment securities	7,182	7,385	(203)	(2.7)
Cash and cash equivalents	5,477	1,062	4,415	415.7
Total interest and dividend income	$297,362	$290,246	$7,116	2.5

The increase in interest income on loans receivable was due to a $307.5 million increase in the average balance of the portfolio, partially offset by a nine basis point decrease in the weighted average yield on the portfolio, to 3.69% for the current fiscal year. The weighted average yield decrease was due primarily to adjustable-rate loans, endorsements, and refinances repricing loans to lower market rates, along with an increase in net deferred premium amortization.

The decrease in interest income on the MBS portfolio was due primarily to a $299.4 million decrease in the average balance of the portfolio as cash flows not reinvested were used largely to fund loan growth. Additionally, the weighted average yield on the MBS portfolio decreased 10 basis points, from 2.35% during the prior fiscal year, to 2.25% for the current fiscal year. The decrease in the weighted average yield was due primarily to repayments of MBS with yields greater than the weighted average yield on the existing portfolio, as well as to an increase in the impact of net premium amortization. Net premium amortization of $5.4 million during the current fiscal year decreased the weighted average yield on the portfolio by 32 basis points. During the prior fiscal year, $5.7 million of net premiums were amortized, which decreased the weighted average yield on the portfolio by 29 basis points. As of September 30, 2015, the remaining net balance of premiums on our portfolio of MBS was $14.2 million.

The increase in dividends received on FHLB stock was due primarily to a $70.5 million increase in the average balance as a result of the daily leverage strategy, as well as to an increase in the FHLB dividend rate between the two periods. The

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increase in interest income on cash and cash equivalents was due primarily to a $1.71 billion increase in the average balance resulting mainly from the daily leverage strategy.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities decreased 24 basis points, from 1.36% for the prior fiscal year, to 1.12% for the current fiscal year, while the average balance of interest-bearing liabilities increased $1.83 billion from the prior fiscal year due primarily to the daily leverage strategy. Absent the impact of the daily leverage strategy, the weighted average rate paid on total interest-bearing liabilities would have decreased six basis points from the prior fiscal year, to 1.35%, due primarily to a decrease in the cost of term borrowings while the average balance of interest-bearing liabilities would have increased $108.4 million, primarily as a result of deposit growth. The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Year Ended September 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
FHLB borrowings	$ 67,797	$ 63,217	$ 4,580	7.2 %
Deposits	33,119	32,604	515	1.6
Repurchase agreements	6,678	10,282	(3,604)	(35.1)
Total interest expense	$ 107,594	$ 106,103	$ 1,491	1.4

The increase in interest expense on FHLB borrowings was due primarily to a $1.72 billion increase in the average balance on the FHLB line of credit as a result of the daily leverage strategy, partially offset by a six basis point decrease in the weighted average rate paid on FHLB advances, to 2.43% for the current fiscal year. The decrease in the weighted average rate paid on the FHLB advance portfolio was primarily a result of renewals of advances to lower market rates during the prior fiscal year.

The decrease in interest expense on repurchase agreements was due primarily to the maturity of a $100.0 million agreement at 4.20% during the prior fiscal year. The repurchase agreement was replaced with an FHLB advance, which was at a lower rate than the maturing repurchase agreement.

Provision for Credit Losses

The Bank recorded a provision for credit losses during the current fiscal year of $771 thousand compared to a provision for credit losses during the prior fiscal year of $1.4 million. The $771 thousand provision for credit losses in the current fiscal year takes into account net charge-offs of $555 thousand and loan growth. Net charge-offs in the prior fiscal year were $1.0 million.

Non-Interest Income

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Year Ended September 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Retail fees and charges	$ 14,897	$ 14,937	$ (40)	(0.3)%
Insurance commissions	2,783	3,151	(368)	(11.7)
Loan fees	1,416	1,568	(152)	(9.7)
Other non-interest income	2,044	3,299	(1,255)	(38.0)

Total non-interest income	$21,140	$22,955	$(1,815)	(7.9)

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The decrease in insurance commissions was due primarily to a decrease in annual commissions received from certain insurance providers as a result of less favorable claims experience year-over-year. The decrease in other non-interest income was due mainly to a decrease in bank-owned life insurance ("BOLI") income, largely due to the receipt of death benefits during the prior year.

Non-Interest Expense

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Year Ended September 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$43,309	$43,757	$(448)	(1.0)%
Information technology and communications	10,360	9,429	931	9.9
Occupancy, net	9,944	10,268	(324)	(3.2)
Federal insurance premium	5,495	4,536	959	21.1
Deposit and loan transaction costs	5,417	5,329	88	1.7
Regulatory and outside services	5,347	5,572	(225)	(4.0)
Low income housing partnerships	4,572	2,416	2,156	89.2
Advertising and promotional	4,547	4,195	352	8.4
Other non-interest expense	5,378	5,035	343	6.8
Total non-interest expense	$94,369	$90,537	$3,832	4.2

The decrease in salaries and employee benefits expense was due primarily to the prior fiscal year including compensation expense on unallocated Employee Stock Ownership Plan ("ESOP") shares related to two True Blue® Capitol dividends paid compared to one True Blue Capitol dividend paid during the current fiscal year. The increase in information technology and communications expense was primarily related to continued upgrades to our information technology infrastructure. The increase in federal insurance premium was due primarily to the daily leverage strategy. The increase in low income housing partnerships expense was due mainly to impairments, as well as to an increase in amortization expense due to an increase in the overall investment balance as a result of funding new partnerships and the general life cycle of the partnership activities.

We continue to grow our investments in low income housing partnerships. Generally, losses associated with these partnerships out-pace the tax credit benefit in the early years as they establish their operations. The Company will continue to recognize the amortization of these investments as an operating expense on its income statement because of the involvement two of the Bank's officers have with the operational management of the low income housing partnership investment group. Their participation provides the investment group with additional experience in evaluating housing-related investments and policy matters related to housing investment opportunities. We invest in low income housing partnerships because we receive an income tax credit in the amount of the original investment recognized over the lifetime of the investment.

Management anticipates that in fiscal year 2016 other non-interest income will increase approximately $1.7 million due to a new $50.0 million BOLI policy purchased in September 2015. Additionally, management anticipates that non-interest expense will increase in fiscal year 2016. It is anticipated that (1) salaries and employee benefits could increase $1.4 million due to filling vacancies, annual salary adjustments and merit raises, (2) information technology and communications expense could increase $1.5 million due to ongoing software maintenance, an increase in depreciation expense due mainly to the implementation of new technology and the upgrade of our disaster recovery location, and enhancing the communication network among our branches, and (3) other non-interest expense could increase approximately $500 thousand due to the purchase of cards enabled with chip card technology. Management anticipates the effective tax rate for fiscal year 2016 will be approximately 32% based on current fiscal year 2016 estimates.

The Company's efficiency ratio was 44.74% for the current fiscal year compared to 43.72% for the prior fiscal year. The change in the efficiency ratio was due primarily to an increase in non-interest expense. The efficiency ratio is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. A lower value indicates that the financial institution is generating revenue with a lower level of expense.

Income Tax Expense
Income tax expense was $37.7 million for the current fiscal year compared to $37.5 million for the prior fiscal year. The effective tax rate for the current and prior fiscal year was 32.5%.

Comparison of Operating Results for the Years Ended September 30, 2014 and 2013
For fiscal year 2014, the Company recognized net income of $77.7 million, compared to net income of $69.3 million for fiscal year 2013. The $8.4 million, or 12.0%, increase in net income was due primarily to a $6.0 million increase in net interest income, and a $5.4 million decrease in salaries and employee benefits due primarily to a reduction in ESOP-related expenses. The net interest margin increased three basis points, from 1.97% for fiscal year 2013 to 2.00% for fiscal year 2014. Decreases in the cost of funds and a shift in the mix of interest-earning assets from relatively lower yielding securities to higher yielding loans were the primary drivers for the higher net interest margin in fiscal year 2014.

During the fourth quarter of fiscal year 2014, the Bank implemented a daily leverage strategy which increased fiscal year 2014 net income by $501 thousand. The pre-tax yield of the daily leverage strategy, which is defined as the annualized pre-tax income resulting from the transaction as a percentage of the interest-earning assets associated with the transaction, was 0.21% for the period that the strategy was in place during fiscal year 2014. Excluding the effects of the daily leverage strategy, the net interest margin would have been 2.07% for fiscal year 2014.

Interest and Dividend Income
The weighted average yield on total interest-earning assets decreased 16 basis points from 3.31% for fiscal year 2013 to 3.15% for fiscal year 2014, while the average balance of interest-earning assets increased $197.2 million from fiscal year 2013 due to the daily leverage strategy. The following table presents the components of interest and dividend income for the time periods presented along with the change measured in dollars and percent.

	For the Year Ended September 30,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$229,944	$228,455	$1,489	0.7 %
MBS	45,300	55,424	(10,124)	(18.3)
Investment securities	7,385	10,012	(2,627)	(26.2)
FHLB stock	6,555	4,515	2,040	45.2
Cash and cash equivalents	1,062	148	914	617.6
Total interest and dividend income	$290,246	$298,554	$(8,308)	(2.8)

The increase in interest income on loans receivable was due to an increase in the average balance of the portfolio, partially offset by a decrease in the weighted average yield on the portfolio. The weighted average yield on the loans receivable portfolio decreased 20 basis points, from 3.98% for fiscal year 2013 to 3.78% for fiscal year 2014. The downward repricing of the loan portfolio was due largely to adjustable-rate loans repricing to lower rates, to loans being purchased at market rates less than or equal to the weighted average rate of the existing portfolio, and to fiscal year 2014 reflecting the full impact of the large volume of refinances and endorsements that occurred during fiscal year 2013.

The decrease in interest income on MBS and investment securities was due largely to a decrease in the average balance of each portfolio as cash flows not reinvested in the portfolios were used to fund loan growth, pay dividends, and repurchase stock. The average balance of the MBS portfolio decreased $316.4 million between the two periods and the average yield on the MBS portfolio decreased 12 basis points, from 2.47% during fiscal year 2013 to 2.35% for fiscal year 2014. The decrease in the average yield on the MBS portfolio was due primarily to purchases of MBS between periods with yields less than the average yield on the existing portfolio, and to repayments of MBS with yields greater than the average yield on the existing portfolio. Included in interest income on MBS for fiscal year 2014 was $5.7 million from the net amortization of premiums and the accretion of discounts, decreasing the average yield on the portfolio by 29 basis points. During fiscal year 2013, $8.0 million of net premiums were amortized and decreased the average yield on the portfolio by 35 basis points. At September 30, 2014, the net balance of premiums/(discounts) on our portfolio of MBS was $18.6 million. The decrease in interest income on investment securities was due primarily to a $193.4 million decrease in the average balance of the portfolio, along with a five basis point decrease in the yield, from 1.19% during fiscal year 2013, to 1.14% for fiscal year 2014.

The increase in dividends on FHLB stock was due to an increase in the FHLB dividend rate between the two periods and, to a lesser extent, a $6.7 million increase in the average balance of the portfolio due to the purchase of additional shares of FHLB stock in conjunction with the daily leverage strategy. Similarly, the increase in interest income on cash and cash equivalents was due primarily to a $358.3 million increase in the average balance due to the daily leverage strategy, which was $336.8 million of the increase in the average balance during fiscal year 2014.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities decreased 25 basis points from 1.61% for fiscal year 2013 to 1.36% for fiscal year 2014, while the average balance of interest-bearing liabilities increased $315.0 million from fiscal year 2013 due primarily to an increase in borrowings against the FHLB line of credit in conjunction with the daily leverage strategy. The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent. The decrease in interest expense was due primarily to a decrease in the weighted average rate paid on the portfolios between the two periods.

	For the Year Ended September 30,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
FHLB borrowings	$ 63,217	$ 70,816	$ (7,599)	(10.7)%
Deposits	32,604	36,816	(4,212)	(11.4)
Repurchase agreements	10,282	12,762	(2,480)	(19.4)
Total interest expense	$ 106,103	$ 120,394	$ (14,291)	(11.9)

The weighted average rate paid on the FHLB borrowings portfolio decreased 56 basis points, from 2.77% for fiscal year 2013 to 2.21% for fiscal year 2014. The decrease in the average rate paid was due primarily to maturities and renewals of advances to lower market rates between periods, as well as to an increase in the use of the low-costing line of credit in conjunction with the daily leverage strategy. The average balance against the line of credit increased $331.2 million from fiscal year 2013, largely as a result of the daily leverage strategy. The average balance of FHLB advances decreased $29.4 million between periods, due primarily to some maturing advances not being renewed in their entirety. Absent the impact of the daily leverage strategy, the average rate paid on FHLB borrowings would have been 2.49% for fiscal year 2014.

The decrease in the weighted average rate paid on the deposit portfolio was due primarily to a decrease in the weighted average rate paid on the retail certificate of deposit portfolio. The weighted average rate paid on the retail certificate of deposit portfolio decreased 16 basis points, from 1.39% for fiscal year 2013 to 1.23% for fiscal year 2014.

The weighted average rate paid on repurchase agreements decreased 41 basis points, from 3.79% for fiscal year 2013 to 3.38% for fiscal year 2014. The decrease in the average rate paid on repurchase agreements was due to maturities and a new agreement entered into between periods which had a rate less than the existing portfolio.

Provision for Credit Losses
The Bank recorded a provision for credit losses during fiscal year 2014 of $1.4 million, compared to a $1.1 million negative provision for credit losses for fiscal year 2013. The $1.4 million provision for credit losses in fiscal year 2014 takes into account net charge-offs of $1.0 million.

Non-Interest Income
The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Year Ended September 30,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Retail fees and charges	$ 14,937	$ 15,342	$ (405)	(2.6)%
Insurance commissions	3,151	2,925	226	7.7
Loan fees	1,568	1,727	(159)	(9.2)
Other non-interest income	3,299	3,295	4	0.1
Total non-interest income	$ 22,955	$ 23,289	$ (334)	(1.4)

The decrease in retail fees and charges was due primarily to a decrease in service charges earned.

Non-Interest Expense
The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Year Ended September 30,		Change Expressed in:	
	2014	2013	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 43,757	$ 49,152	$ (5,395)	(11.0)%
Occupancy	10,268	9,871	397	4.0
Information technology and communications	9,429	8,855	574	6.5
Regulatory and outside services	5,572	5,874	(302)	(5.1)
Deposit and loan transaction costs	5,329	5,547	(218)	(3.9)
Advertising and promotional	4,195	5,027	(832)	(16.6)
Federal insurance premium	4,536	4,462	74	1.7
Other non-interest expense	7,451	8,159	(708)	(8.7)
Total non-interest expense	$ 90,537	$ 96,947	$ (6,410)	(6.6)

The decrease in salaries and employee benefits was due primarily to a decrease in ESOP-related expenses resulting largely from the final allocation of ESOP shares acquired in our initial public offering (March 1999) being made at September 30, 2013. In fiscal year 2014, the only ESOP shares allocated were shares acquired in the Company's corporate reorganization in December 2010. The increase in occupancy expense was due largely to an increase in depreciation expense, which was primarily associated with the remodeling of our home office. The increase in information technology and communications expense was primarily related to continued upgrades to our information technology infrastructure. The decrease in regulatory and outside services was due largely to the timing of fees paid for our external audit. The decrease in advertising and promotional expense was due primarily to the timing of media campaigns in fiscal year 2013, which included campaigns delayed from fiscal year 2012, as well as to a general decrease in advertising and promotional campaigns during fiscal year

2014, compared to fiscal year 2013. The decrease in other non-interest expense was due largely to a decrease in the amortization of mortgage-servicing rights assets, a decrease in OREO operations expense, and a decrease in office supplies and related expenses, partially offset by an increase in amortization of low income housing partnerships.

Included in the $7.5 million of other non-interest expense for fiscal year 2014 was $2.4 million of amortization expense associated with our investments in low income housing partnerships. During fiscal year 2014, the average balance of our investments in low income housing partnerships was $38.7 million. The Company deducted $3.6 million of tax credits related to its investment in low income housing partnerships for fiscal year 2014. This amount reduced the fiscal year 2014 effective tax rate by 3.1%.

The Company's efficiency ratio was 43.72% for fiscal year 2014 compared to 48.13% for fiscal year 2013. The change in the efficiency ratio was due primarily to a decrease in total non-interest expense.

Income Tax Expense

Income tax expense was $37.5 million for fiscal year 2014 compared to $36.2 million for fiscal year 2013. The $1.3 million increase between periods was due largely to an increase in pre-tax income, partially offset by a decrease in the effective tax rate. The effective tax rate for fiscal year 2014 was 32.5% compared to 34.3% for fiscal year 2013. The decrease in the effective tax rate between periods was due largely to a lower amount of nondeductible ESOP-related expenses due to the final ESOP allocation on September 30, 2013, as discussed in the non-interest expense section above, along with higher tax credits related to our investments in low income housing partnerships.

Liquidity and Capital Resources
Liquidity refers to our ability to generate sufficient cash to fund ongoing operations, to repay maturing certificates of deposit and other deposit withdrawals, to repay maturing borrowings, and to fund loan commitments. Liquidity management is both a daily and long-term function of our business management. The Company's most available liquid assets are represented by cash and cash equivalents, AFS securities, and short-term investment securities. The Bank's primary sources of funds are deposits, FHLB borrowings, repurchase agreements, repayments and maturities of outstanding loans and MBS and other short-term investments, and funds provided by operations. The Bank's term borrowings primarily have been used to invest in debentures and MBS in an effort to manage the Bank's interest rate risk with the intent to improve the earnings of the Bank while maintaining capital ratios in excess of regulatory standards for well-capitalized financial institutions. In addition, the Bank's focus on managing risk has provided additional liquidity capacity by maintaining a balance of MBS and investment securities available as collateral for borrowings.

We generally intend to manage cash reserves sufficient to meet short-term liquidity needs, which are routinely forecasted for 10, 30, and 365 days. Additionally, on a monthly basis, we perform a liquidity stress test in accordance with the Interagency Policy Statement on Funding and Liquidity Risk Management. The liquidity stress test incorporates both short-term and long-term liquidity scenarios in order to identify and to quantify liquidity risk. Management also continuously monitors key liquidity statistics related to items such as wholesale funding gaps, borrowings capacity, and available unpledged collateral, as well as various liquidity ratios.

In the event short-term liquidity needs exceed available cash, the Bank has access to a line of credit at FHLB and the Federal Reserve Bank discount window. When the daily leverage strategy is in place, the Bank maintains the resulting excess cash reserves from the borrowings on the FHLB line of credit at the Federal Reserve Bank, which can be used to meet any short-term liquidity needs. Per FHLB's lending guidelines, total FHLB borrowings cannot exceed 40% of regulatory total assets without the pre-approval of FHLB senior management. In July 2014, the president of FHLB approved an increase in the Bank's borrowing limit to 55% of Bank Call Report total assets for one year and then renewed that approval in July 2015 through July 2016. The amount that can be borrowed from the Federal Reserve Bank discount window is based upon the fair value of securities pledged as collateral and certain other characteristics of those securities, and is used only when other sources of short-term liquidity are unavailable. Management tests the Bank's access to the Federal Reserve Bank discount window annually with a nominal, overnight borrowing.

If management observes a trend in the amount and frequency of line of credit utilization that is not in conjunction with a planned strategy, such as the daily leverage strategy, the Bank will likely utilize long-term wholesale borrowing sources such as FHLB advances and/or repurchase agreements to provide permanent fixed-rate funding. The maturities of these borrowings are generally staggered in order to mitigate the risk of a highly negative cash flow position at maturity.

The amount of FHLB advances outstanding at September 30, 2015 was $2.58 billion, of which $400.0 million was scheduled to mature in the next 12 months. Additionally, in conjunction with the daily leverage strategy, there was $700.0 million on the FHLB line of credit at September 30, 2015. All FHLB borrowings are secured by certain qualifying loans pursuant to a blanket collateral agreement with FHLB along with certain securities. The Bank pledged securities with an estimated fair value of $218.2 million as collateral for FHLB borrowings at September 30, 2015. At September 30, 2015, the Bank's ratio of the par value of FHLB borrowings to Call Report total assets was 33%. When the full daily leverage strategy is in place, FHLB borrowings are in excess of 40% of the Bank's Call Report total assets, and are expected to be in excess of 40% as long as the Bank continues its daily leverage strategy and FHLB senior management continues to approve the Bank's borrowing limit being in excess of 40% of Call Report total assets. All or a portion of the borrowings against the FHLB line of credit in conjunction with the daily leverage strategy could be repaid at any point in time while the strategy is in effect, if necessary.

At September 30, 2015, the Bank had repurchase agreements of $200.0 million, or approximately 2% of total assets, none of which was scheduled to mature in the next 12 months. The Bank may enter into additional repurchase agreements as management deems appropriate, not to exceed 15% of total assets, and subject to a total borrowings limit of 55% as discussed below. The Bank has pledged securities with an estimated fair value of $225.8 million as collateral for repurchase agreements as of September 30, 2015. The securities pledged for the repurchase agreements will be delivered back to the Bank when the repurchase agreements mature.

The Bank's internal policy limits total borrowings to 55% of total assets. At September 30, 2015, the Bank had term borrowings, at par, of $2.78 billion and $700.0 million on our FHLB line of credit, for a total of $3.48 billion, or approximately 35% of total assets. Additionally, the Bank could utilize the repayment and maturity of outstanding loans, MBS, and other investments for liquidity needs rather than reinvesting such funds into the related portfolios. At September 30, 2015, the Bank had $1.11 billion of securities that were eligible but unused as collateral for borrowing or other liquidity needs.

The Bank has access to and utilizes other sources of funds for liquidity purposes, such as brokered and public unit deposits. As of September 30, 2015, the Bank's policy allowed for combined brokered and public unit deposits up to 15% of total deposits. At September 30, 2015, the Bank had public unit deposits totaling $312.4 million, or approximately 6% of total deposits, and no brokered deposits. Management continuously monitors the wholesale deposit market for opportunities to obtain funds at attractive rates. The Bank had pledged securities with an estimated fair value of $347.5 million as collateral for public unit deposits at September 30, 2015. The securities pledged as collateral for public unit deposits are held under joint custody by FHLB and generally will be released upon deposit maturity.

At September 30, 2015, $1.09 billion of the Bank's $2.63 billion of certificates of deposit was scheduled to mature within one year. Included in the $1.09 billion was $240.9 million of public unit deposits. Based on our deposit retention experience and our current pricing strategy, we anticipate the majority of the maturing retail certificates of deposit will renew or transfer to other deposit products at the prevailing rate, although no assurance can be given in this regard. We also anticipate the majority of the $240.9 million of maturing public unit deposits will be replaced with similar wholesale funding products.

While scheduled payments from the amortization of loans and MBS and payments on short-term investments are relatively predictable sources of funds, deposit flows, prepayments on loans and MBS, and calls of investment securities are greatly influenced by general interest rates, economic conditions, and competition, and are less predictable sources of funds. To the extent possible, the Bank manages the cash flows of its loan and deposit portfolios by the rates it offers customers.

At September 30, 2015, cash and cash equivalents totaled $772.6 million, a decrease of $38.2 million from September 30, 2014. Included in cash and cash equivalents were $667.1 million and $704.1 million at September 30, 2015 and 2014, respectively, that related to the daily leverage strategy. Excluding the daily leverage strategy, cash and cash equivalents were $105.6 million and $106.3 million at September 30, 2015 and 2014, respectively.

During fiscal year 2015, cash flows not reinvested into the securities portfolio were used primarily to fund loan growth. The FHLB stock cash flow activity during fiscal year 2015 was primarily related to the daily leverage strategy activity. See additional discussion regarding loan activity in "Financial Condition – Loans Receivable." See additional discussion regarding the securities portfolio activity in "Financial Condition - Securities." See loans receivable, securities, and FHLB stock cash flow information in "Part II, Item 8. Financial Statements and Supplementary Data – Consolidated Statements of Cash Flows."

At September 30, 2015, Capitol Federal Financial, Inc., at the holding company level, had $96.2 million on deposit at the Bank. During the year ended September 30, 2015, the Company paid $114.2 million in cash dividends and repurchased 3,875,581 shares at a total cost of $46.4 million. See additional discussion regarding dividends and stock repurchases in "Financial Condition - Stockholders' Equity."

As of September 30, 2015, the Bank had $6.8 million of agreements outstanding in connection with the remodeling of the Bank’s Kansas City market area operations center. The project scope includes replacement of all mechanical and electrical systems, interior finishes, and exterior building components. The completed project will result in a more energy efficient building which is expected to lower our utility and maintenance expenses. There may be additional agreements and expenses related to the project through late fiscal year 2016, which is when the project is expected to be completed. Costs related to the project will be capitalized and depreciated according to the estimated useful life of the assets as they are placed in service.

The following table presents the contractual maturities of our loan, MBS, and investment securities portfolios at September 30, 2015, along with associated weighted average yields. Loans and securities which have adjustable interest rates are shown as maturing in the period during which the contract is due. The table does not reflect the effects of possible prepayments or enforcement of due on sale clauses. As of September 30, 2015, the amortized cost of investment securities in our portfolio which are callable or have pre-refunding dates within one year was $329.8 million.

	Loans[1]		MBS		Investment Securities		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)							
Amounts due:								
Within one year	$ 91,816	3.81 %	$ 123	5.35 %	$ 30,272	1.52 %	$ 122,211	3.25 %
After one year:								
Over one to two years	84,051	3.93	—	—	31,133	1.10	115,184	3.17
Over two to three years	29,045	4.77	17,013	4.27	303,340	1.11	349,398	1.57
Over three to five years	46,470	4.65	33,245	4.57	191,600	1.24	271,315	2.23
Over five to ten years	397,652	3.99	441,233	1.98	8,493	1.67	847,378	2.92
Over ten to fifteen years	1,461,542	3.31	556,432	2.21	—	—	2,017,974	3.01
After fifteen years	4,602,717	3.69	414,493	2.29	1,916	1.59	5,019,126	3.58
Total due after one year	6,621,477	3.64	1,462,416	2.24	536,482	1.17	8,620,375	3.25
	$ 6,713,293	3.65	$ 1,462,539	2.24	$ 566,754	1.19	$ 8,742,586	3.25

(1) Demand loans, loans having no stated maturity, and overdraft loans are included in the amounts due within one year. Construction loans are presented based on the term to complete construction. The maturity date for home equity loans assumes the customer always makes the required minimum payment.

Limitations on Dividends and Other Capital Distributions

OCC regulations impose restrictions on savings institutions with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. Generally, savings institutions may make capital distributions during any calendar year equal to earnings of the previous two calendar years and current year-to-date earnings under the FRB and OCC safe harbor regulations. It is generally required that the Bank remain well capitalized after a proposed distribution; however, an institution deemed to be in need of more than normal supervision by the OCC may have its capital distribution authority restricted. A savings institution that is a subsidiary of a savings and loan holding company, such as the Company, that proposes to make a capital distribution must submit written notice to the OCC and FRB 30 days prior to such distribution. The OCC and FRB may object to the distribution during that 30-day period based on safety and soundness or other concerns. Savings institutions that desire to make a larger capital distribution, are under special restrictions, or are not, or would not be, well capitalized following a proposed capital distribution, however, must obtain regulatory non-objection prior to making such a distribution. So long as the Bank continues to remain well capitalized after each capital distribution and operates in a safe and sound manner, it is management's belief that the OCC and FRB will continue to allow the Bank to distribute its net income to the Company, although no assurance can be given in this regard.

The long-term ability of the Company to pay dividends to its stockholders is based primarily upon the ability of the Bank to make capital distributions to the Company. So long as the Bank continues to remain "well capitalized" after each capital distribution and operates in a safe and sound manner, it is management's belief that the OCC and FRB will continue to allow the Bank to distribute its earnings to the Company, although no assurance can be given in this regard.

The Company paid cash dividends of $114.2 million during the year ended September 30, 2015. Dividend payments depend upon a number of factors including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company level.

Off-Balance Sheet Arrangements, Commitments and Contractual Obligations

The Company, in the normal course of business, makes commitments to buy or sell assets or to incur or fund liabilities. Commitments may include, but are not limited to:

- the origination, purchase, participation, or sale of loans;
- the purchase or sale of investment securities and MBS;
- extensions of credit on home equity loans, construction loans, and commercial loans;
- terms and conditions of operating leases; and
- funding withdrawals of deposit accounts at maturity.

The following table summarizes our contractual obligations and other material commitments, along with associated weighted average rates as of September 30, 2015.

	Maturity Range				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(Dollars in thousands)				
Operating leases	$7,813	$1,102	$1,996	$1,574	$3,141
Certificates of deposit	$2,633,167	$1,091,379	$1,000,172	$540,472	$1,144
Rate	1.18 %	0.75 %	1.31 %	1.84 %	1.90 %
FHLB advances	$2,575,000	$400,000	$875,000	$550,000	$750,000
Rate	2.09 %	1.40 %	2.43 %	1.84 %	2.26 %
FHLB line of credit	$700,000	$700,000	$—	$—	$—
Rate	0.29 %	0.29 %	— %	— %	— %
Repurchase agreements	$200,000	$—	$100,000	$100,000	$—
Rate	2.94 %	— %	3.35 %	2.53 %	— %
Commitments to originate and purchase/participate in loans	$212,838	$212,838	$—	$—	$—
Rate	3.87 %	3.87 %	— %	— %	— %
Commitments to fund unused home equity lines of credit and unadvanced commercial loans	$261,325	$261,325	$—	$—	$—
Rate	4.46 %	4.46 %	— %	— %	— %
Unadvanced portion of construction loans	$88,941	$88,941	$—	$—	$—
Rate	3.86 %	3.86 %	— %	— %	— %

Excluded from the table above are immaterial amounts of income tax liabilities related to uncertain income tax positions. The amounts are excluded as management is unable to estimate the period of cash settlement as it is contingent on the statute of limitations expiring without examination by the respective taxing authority.

A percentage of commitments to originate and purchase/participate in loans are expected to expire unfunded; therefore, the amounts reflected in the table above are not necessarily indicative of future liquidity requirements. Additionally, the Bank is not obligated to honor commitments to fund unused home equity lines of credit if a customer is delinquent or otherwise in violation of the loan agreement.

We anticipate we will continue to have sufficient funds, through repayments and maturities of loans and securities, deposits and borrowings, to meet our current commitments.

We had no material off-balance sheet arrangements as of September 30, 2015.

Contingencies

In the normal course of business, the Company and its subsidiary are named defendants in various lawsuits and counter claims. In the opinion of management, after consultation with legal counsel, none of the currently pending suits are expected to have a materially adverse effect on the Company's consolidated financial statements for the year ended September 30, 2015, or future periods.

Capital

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a "well-capitalized" status for the Bank in accordance with regulatory standards. As of September 30, 2015, the Bank and the Company exceeded all regulatory capital requirements. The following table presents the regulatory capital ratios of the Bank and the Company at September 30, 2015.

	Bank Ratios	Company Ratios	Minimum Regulatory Requirement	Regulatory Requirement For "Well-Capitalized" Status of Bank
Tier 1 leverage ratio	11.3 %	12.6 %	4.0 %	5.0 %
CET1 capital ratio	30.0	33.4	4.5	6.5
Tier 1 capital ratio	30.0	33.4	6.0	8.0
Total capital ratio	30.3	33.6	8.0	10.0

The following table presents a reconciliation of equity under GAAP to regulatory capital amounts, as of September 30, 2015, for the Bank and the Company (dollars in thousands):

	Bank	Company
Total equity as reported under GAAP	$ 1,274,428	$ 1,416,226
Unrealized gains on AFS securities	(8,374)	(8,374)
Total tier 1 capital	1,266,054	1,407,852
ACL	9,443	9,443
Total capital	$ 1,275,497	$ 1,417,295

Item 7A. Quantitative and Qualitative Disclosure about Market Risk
Asset and Liability Management and Market Risk

The risk associated with changes in interest rates on the earnings of the Bank and the market value of its financial assets and liabilities is known as interest rate risk. Interest rate risk is our most significant market risk, and our adaptation to changes in interest rates is known as interest rate risk management. The rates of interest the Bank earns on its assets and pays on its liabilities are generally established contractually for a period of time. Fluctuations in interest rates have a significant impact not only upon our net income, but also upon the cash flows and market values of our assets and liabilities. Our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities. The analysis presented in the tables within this section reflect the level of market risk at the Bank.

The general objective of our interest rate risk management program is to determine and manage an appropriate level of interest rate risk while maximizing net interest income in a manner consistent with our policy to manage, to the extent practicable, the exposure of net interest income to changes in market interest rates. The Board of Directors and ALCO regularly reviews the interest rate risk exposure of the Bank by forecasting the impact of hypothetical, alternative interest rate environments on net interest income and the market value of portfolio equity ("MVPE") at various dates. The MVPE is defined as the net of the present value of cash flows from existing assets, liabilities, and off-balance sheet instruments. The present values are determined based upon market conditions as of the date of the analysis, as well as in alternative interest rate environments, providing the MVPE under those interest rate environments. Net interest income is projected in the same interest rate environments with both a static balance sheet and with management strategies considered. The MVPE and net interest income analysis are also conducted to estimate our sensitivity to rates for future time horizons based upon market conditions as of the date of the analysis. In addition to the interest rate environments presented below, management also reviews the impact of non-parallel rate shock scenarios on a quarterly basis. These scenarios consist of flattening and steepening the yield curve by changing short-term and long-term interest rates independent of each other, and simulating cash flows and determining valuations as a result of these hypothetical changes in interest rates to identify rate environments that pose the greatest risk to the Bank. This analysis helps management quantify the Bank's exposure to changes in the shape of the yield curve.

The ability to maximize net interest income is dependent largely upon the achievement of a positive interest rate spread that can be sustained despite fluctuations in prevailing interest rates. The asset and liability repricing gap is a measure of the difference between the amount of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time. The difference provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest-earning assets exceeds the amount of interest-bearing liabilities maturing or repricing during the same period. A gap is considered negative when the amount of interest-bearing liabilities exceeds the amount of interest-earning assets maturing or repricing during the same period. Generally, during a period of rising interest rates, a negative gap within shorter repricing periods adversely affects net interest income, while a positive gap within shorter repricing periods positively affects net interest income. During a period of falling interest rates, the opposite would generally be true.

The shape of the yield curve also has an impact on our net interest income and, therefore, the Bank's net interest margin. Historically, the Bank has benefited from a steeper yield curve as the Bank's mortgage loans are generally priced off of long-term rates while deposits are priced off of short-term rates. A steeper yield curve (one with a greater difference between short-term rates and long-term rates) allows the Bank to receive a higher rate of interest on its new mortgage-related assets relative to the rate paid for the funding of those assets, which generally results in a higher net interest margin. As the yield curve flattens, the spread between rates received on assets and paid on liabilities becomes compressed, which generally leads to a decrease in net interest margin.

General assumptions used by management to evaluate the sensitivity of our financial performance to changes in interest rates presented in the tables below are utilized in, and set forth under, the gap table and related notes. Although management finds these assumptions reasonable, the interest rate sensitivity of our assets and liabilities and the estimated effects of changes in interest rates on our net interest income and MVPE indicated in the below tables could vary substantially if different assumptions were used or actual experience differs from these assumptions. To illustrate this point, the projected cumulative excess (deficiency) of interest-earning assets over interest-bearing liabilities within the next 12 months as a percent of total assets ("one-year gap") is also provided for an up 200 basis point scenario, as of September 30, 2015.

Qualitative Disclosure about Market Risk

Change in Net Interest Income. The Bank's net interest income projections are a reflection of the response to interest rates of the assets and liabilities that are expected to mature or reprice over the next year. Repricing occurs as a result of cash flows that are received or paid on assets or due on liabilities which would be replaced at then current market interest rates. The Bank's borrowings and certificate of deposit portfolios have stated maturities and the cash flows related to the Bank's liabilities do not generally fluctuate as a result of changes in interest rates. Cash flows from mortgage-related assets and callable agency debentures can vary significantly as a result of changes in interest rates. As interest rates decrease, borrowers have an economic incentive to lower their cost of debt by refinancing or endorsing their mortgage to a lower interest rate. Similarly, agency debt issuers are more likely to exercise embedded call options for agency securities and issue new securities at a lower interest rate.

For each period presented in the following table, the estimated percentage change in the Bank's net interest income based on the indicated instantaneous, parallel and permanent change in interest rates is presented. The change in each interest rate environment represents the difference between estimated net interest income in the 0 basis point interest rate environment ("base case," assumes the forward market and product interest rates implied by the yield curve are realized) and the estimated net interest income in each alternative interest rate environment (assumes market and product interest rates have a parallel shift in rates across all maturities by the indicated change in rates). Estimations of net interest income used in preparing the table below were based upon the assumptions that the total composition of interest-earning assets and interest-bearing liabilities do not change materially and that any repricing of assets or liabilities occurs at anticipated product and market rates for the alternative rate environments as of the dates presented. The estimation of net interest income does not include any projected gains or losses related to the sale of loans or securities, or income derived from non-interest income sources, but does include the use of different prepayment assumptions in the alternative interest rate environments. It is important to consider that estimated changes in net interest income are for a cumulative four-quarter period. These do not reflect the earnings expectations of management.

	Net Interest Income					
Change	At September 30,					
(in Basis Points)	2015			2014		
in Interest Rates[1]	Amount ($)	Change ($)	Change (%)	Amount ($)	Change ($)	Change (%)
-100 bp	N/A	N/A	N/A	N/A	N/A	N/A
000 bp	$ 190,776	$—	— %	$ 190,037	$—	— %
+100 bp	189,248	(1,528)	(0.80)	185,627	(4,410)	(2.32)
+200 bp	186,443	(4,333)	(2.27)	179,509	(10,528)	(5.54)
+300 bp	181,652	(9,124)	(4.78)	171,669	(18,368)	(9.67)

(1) Assumes an instantaneous, permanent, and parallel change in interest rates at all maturities.

As interest rates rise, cash flows from the Bank's mortgage related assets and callable investment securities decrease to such a point that liabilities are projected to reprice higher at a faster pace than assets and thus decrease the net interest income projections. Lower interest rates at September 30, 2015 as compared to September 30, 2014 reduced the Bank's exposure to higher interest rates.

Change in MVPE. Changes in the estimated market values of our financial assets and liabilities drive changes in estimates of MVPE. The market value of an asset or liability reflects the present value of all the projected cash flows over its remaining life, discounted at current market interest rates. As interest rates rise, generally the market value for both financial assets and liabilities decrease. The opposite is generally true as interest rates fall. The MVPE represents the theoretical market value of capital that is calculated by netting the market value of assets, liabilities, and off-balance sheet instruments. If the market values of financial assets increase at a faster pace than the market values of financial liabilities, or if the market values of financial liabilities decrease at a faster pace than the market values of financial assets, the MVPE will increase. The market value of shorter term-to-maturity financial instruments is less sensitive to changes in interest rates than are longer term-to-maturity financial instruments. Because of this, the market values of our certificates of deposit (which generally have relatively shorter average lives) tend to display less sensitivity to changes in interest rates than do our mortgage-related assets (which generally have relatively longer average lives). The average life expected on our mortgage-related assets varies under different interest rate environments because borrowers have the ability to prepay their mortgage loans. Therefore, as interest rates decrease, the WAL of mortgage-related assets decrease as well. As interest rates increase, the WAL would be expected to increase, as well as increasing the sensitivity of these assets in higher rate environments.

The following table sets forth the estimated percentage change in the MVPE for each period presented based on the indicated instantaneous, parallel and permanent change in interest rates. The change in each interest rate environment represents the difference between the MVPE in the base case (assumes the forward market interest rates implied by the yield curve are realized) and the MVPE in each alternative interest rate environment (assumes market interest rates have a parallel shift in rates). The estimations of the MVPE used in preparing the table below were based upon the assumptions that the total composition of interest-earning assets and interest-bearing liabilities do not change, that any repricing of assets or liabilities occurs at current product or market rates for the alternative rate environments as of the dates presented, and that different prepayment rates were used in each alternative interest rate environment. The estimated MVPE results from the valuation of cash flows from financial assets and liabilities over the anticipated lives of each for each interest rate environment as of the dates presented. The table below presents the effects of the changes in interest rates on our assets and liabilities as they mature, repay, or reprice, as shown by the change in the MVPE for alternative interest rates.

	Market Value of Portfolio Equity					
Change	At September 30,					
(in Basis Points)	2015			2014		
in Interest Rates[1]	Amount ($)	Change ($)	Change (%)	Amount ($)	Change ($)	Change (%)
-100 bp	N/A	N/A	N/A	N/A	N/A	N/A
000 bp	$ 1,457,514	$—	— %	$ 1,520,041	$—	— %
+100 bp	1,343,864	(113,650)	(7.80)	1,375,492	(144,549)	(9.51)
+200 bp	1,189,194	(268,320)	(18.41)	1,200,819	(319,222)	(21.00)
+300 bp	1,021,380	(436,134)	(29.92)	1,018,962	(501,079)	(32.96)

(1) Assumes an instantaneous, permanent, and parallel change in interest rates at all maturities.

As interest rates rise, the market value of the Bank's assets decreases at a faster pace that the market value of liabilities, which results in a decrease to the Bank's MVPE. Lower interest rates at September 30, 2015 as compared to September 30, 2014 reduced the Bank's exposure to higher interest rates.

Gap Table. The gap table summarizes the anticipated maturities or repricing periods of the Bank's interest-earning assets and interest-bearing liabilities as of September 30, 2015, based on the information and assumptions set forth in the notes below. The increase in the one-year gap at September 30, 2015 compared to September 30, 2014 was due mainly to lower interest rates at September 30, 2015 than at September 30, 2014.

	Within One Year	More Than One Year to Three Years	More Than Three Years to Five Years	Over Five Years	Total
Interest-earning assets	(Dollars in thousands)				
Loans receivable[1]	$1,907,721	$1,775,444	$992,184	$2,021,415	$6,696,764
Securities[2]	915,686	540,185	328,882	231,077	2,015,830
Other interest-earning assets	762,077	—	—	—	762,077
Total interest-earning assets	3,585,484	2,315,629	1,321,066	2,252,492	9,474,671
Interest-bearing liabilities					
Transaction deposits[3]	653,342	411,085	271,073	960,024	2,295,524
Certificates of deposit	1,096,278	996,162	539,952	775	2,633,167
Borrowings[4]	1,100,000	975,000	650,000	794,984	3,519,984
Total interest-bearing liabilities	2,849,620	2,382,247	1,461,025	1,755,783	8,448,675
Excess (deficiency) of interest-earning assets over interest-bearing liabilities	$735,864	$(66,618)	$(139,959)	$496,709	$1,025,996
Cumulative excess of interest-earning assets over interest-bearing liabilities	$735,864	$669,246	$529,287	$1,025,996	
Cumulative excess of interest-earning assets over interest-bearing liabilities as a percent of total Bank assets at September 30, 2015	7.48%	6.80%	5.38%	10.42%	
Cumulative one-year gap - interest rates +200 bps at September 30, 2015	0.26				
Cumulative one-year gap at September 30, 2014	(0.82)				
Cumulative one-year gap at September 30, 2013	4.04				

(1) ARM loans are included in the period in which the rate is next scheduled to adjust or in the period in which repayments are expected to occur, or prepayments are expected to be received, prior to their next rate adjustment, rather than in the period in which the loans are due. Fixed-rate loans are included in the periods in which they are scheduled to be repaid, based on scheduled amortization and prepayment assumptions. Balances are net of deferred fees and exclude loans 90 or more days delinquent or in foreclosure.

(2) MBS reflect projected prepayments at amortized cost. Investment securities are presented based on contractual maturities, term to call dates or pre-refunding dates as of September 30, 2015, at amortized cost.

(3) Although the Bank's checking, savings, and money market accounts are subject to immediate withdrawal, management considers a substantial amount of these accounts to be core deposits having significantly longer effective maturities. The decay rates (the assumed rates at which the balances of existing accounts decline) used on these accounts is based on assumptions developed from our actual experiences with these accounts. If all of the Bank's checking, savings, and money market accounts had been assumed to be subject to repricing within one year, interest-bearing liabilities which were estimated to mature or reprice within one year would have exceeded interest-earning assets with comparable characteristics by $906.3 million, for a cumulative one-year gap of (9.2)%

of total assets.

(4) Borrowings exclude deferred prepayment penalty costs.

The following table presents the weighted average yields/rates and WALs (in years), after applying prepayment, call assumptions, and decay rates for our interest-earning assets and interest-bearing liabilities as of the date presented. Yields presented for interest-earning assets include the amortization of fees, costs, premiums and discounts which are considered adjustments to the yield. The interest rate presented for term borrowings is the effective rate, which includes the impact of the amortization of deferred prepayment penalties resulting from the prepayment of certain FHLB advances. The loan terms presented for one- to four-family loans represent the contractual terms of the loan.

	September 30, 2015				
	Amount	Yield/Rate	WAL	% of Category	% of Total
	(Dollars in thousands)				
Investment securities	$566,754	1.19 %	1.8	27.9 %	5.9 %
MBS - fixed	1,052,009	2.24	3.2	51.8	10.9
MBS - adjustable	410,530	2.22	5.3	20.3	4.2
Total investment securities and MBS	2,029,293	1.94	3.2	100.0 %	21.0
Loans receivable:					
Fixed-rate one- to four-family:					
<= 15 years	1,256,611	3.25	3.9	18.7 %	13.0
> 15 years	3,877,233	4.02	5.7	57.8	40.1
All other fixed-rate loans	191,142	4.28	3.3	2.8	2.0
Total fixed-rate loans	5,324,986	3.85	5.2	79.3	55.1
Adjustable-rate one- to four-family:					
<= 36 months	329,800	1.91	3.8	4.9	3.4
> 36 months	878,768	2.91	2.8	13.1	9.1
All other adjustable-rate loans	179,739	4.34	1.4	2.7	1.8
Total adjustable-rate loans	1,388,307	2.86	2.9	20.7	14.3
Total loans receivable	6,713,293	3.65	4.7	100.0 %	69.4
FHLB stock	150,543	5.98	2.5		1.6
Cash and cash equivalents	772,632	0.25	—		8.0
Total interest-earning assets	$9,665,761	3.06	4.0		100.0 %
Transaction deposits	$2,199,353	0.16	6.5	45.5 %	26.5 %
Certificates of deposit	2,633,167	1.18	1.7	54.5	31.7
Total deposits	4,832,520	0.72	3.9	100.0 %	58.2
Term borrowings	2,775,000	2.29	3.3	79.9 %	33.4
FHLB line of credit	700,000	0.29	—	20.1	8.4
Total borrowings	3,475,000	1.89	2.6	100.0 %	41.8
Total interest-bearing liabilities	$8,307,520	1.21	3.3		100.0 %

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Capitol Federal Financial, Inc. and subsidiary
Topeka, Kansas

We have audited the internal control over financial reporting of Capitol Federal Financial, Inc. and subsidiary (the "Company") as of September 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended September 30, 2015 of the Company and our report dated November 25, 2015 expressed an unqualified opinion on those consolidated financial statements.

Kansas City, Missouri
November 25, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Capitol Federal Financial, Inc. and subsidiary
Topeka, Kansas

We have audited the accompanying consolidated balance sheets of Capitol Federal Financial, Inc. and subsidiary (the "Company") as of September 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Capitol Federal Financial, Inc. and subsidiary as of September 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated November 25, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

Kansas City, Missouri
November 25, 2015

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2015 and 2014 (Dollars in thousands, except per share amounts)

	2015	2014
ASSETS:		
Cash and cash equivalents (includes interest-earning deposits of $764,816 and $799,340)	$772,632	$810,840
Securities:		
Available-for-sale ("AFS"), at estimated fair value (amortized cost of $744,708 and $829,558)	758,171	840,790
Held-to-maturity ("HTM"), at amortized cost (estimated fair value of $1,295,274 and $1,571,524)	1,271,122	1,552,699
Loans receivable, net (allowance for credit losses ("ACL") of $9,443 and $9,227)	6,625,027	6,233,170
Federal Home Loan Bank Topeka ("FHLB") stock, at cost	150,543	213,054
Premises and equipment, net	75,810	70,530
Income taxes receivable, net	1,071	—
Other assets	189,785	143,945
TOTAL ASSETS	$9,844,161	$9,865,028
LIABILITIES:		
Deposits	$4,832,520	$4,655,272
FHLB borrowings	3,270,521	3,369,677
Repurchase agreements	200,000	220,000
Advance payments by borrowers for taxes and insurance	61,818	58,105
Income taxes payable, net	—	368
Deferred income tax liabilities, net	26,391	22,367
Accounts payable and accrued expenses	36,685	46,357
Total liabilities	8,427,935	8,372,146
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 100,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $.01 par value; 1,400,000,000 shares authorized, 137,106,822 and 140,951,203 shares issued and outstanding as of September 30, 2015 and 2014, respectively	1,371	1,410
Additional paid-in capital	1,151,041	1,180,732
Unearned compensation, Employee Stock Ownership Plan ("ESOP")	(41,299)	(42,951)
Retained earnings	296,739	346,705
Accumulated other comprehensive income ("AOCI"), net of tax	8,374	6,986
Total stockholders' equity	1,416,226	1,492,882
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,844,161	$9,865,028

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2015, 2014, and 2013 (Dollars in thousands, except per share amounts)

	2015	2014	2013
INTEREST AND DIVIDEND INCOME:			
Loans receivable	$235,500	$229,944	$228,455
Mortgage-backed securities ("MBS")	36,647	45,300	55,424
FHLB stock	12,556	6,555	4,515
Investment securities	7,182	7,385	10,012
Cash and cash equivalents	5,477	1,062	148
Total interest and dividend income	297,362	290,246	298,554
INTEREST EXPENSE:			
FHLB borrowings	67,797	63,217	70,816
Deposits	33,119	32,604	36,816
Repurchase agreements	6,678	10,282	12,762
Total interest expense	107,594	106,103	120,394
NET INTEREST INCOME	189,768	184,143	178,160
PROVISION FOR CREDIT LOSSES	771	1,409	(1,067)
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	188,997	182,734	179,227
NON-INTEREST INCOME:			
Retail fees and charges	14,897	14,937	15,342
Insurance commissions	2,783	3,151	2,925
Loan fees	1,416	1,568	1,727
Other non-interest income	2,044	3,299	3,295
Total non-interest income	21,140	22,955	23,289
NON-INTEREST EXPENSE:			
Salaries and employee benefits	43,309	43,757	49,152
Information technology and communications	10,360	9,429	8,855
Occupancy, net	9,944	10,268	9,871
Federal insurance premium	5,495	4,536	4,462
Deposit and loan transaction costs	5,417	5,329	5,547
Regulatory and outside services	5,347	5,572	5,874
Low income housing partnerships	4,572	2,416	1,961
Advertising and promotional	4,547	4,195	5,027
Other non-interest expense	5,378	5,035	6,198
Total non-interest expense	94,369	90,537	96,947
INCOME BEFORE INCOME TAX EXPENSE	115,768	115,152	105,569
INCOME TAX EXPENSE	37,675	37,458	36,229
NET INCOME	$78,093	$77,694	$69,340
Basic earnings per share ("EPS")	$0.58	$0.56	$0.48
Diluted EPS	$0.58	$0.56	$0.48
Dividends declared per share	$0.84	$0.98	$1.00

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED SEPTEMBER 30, 2015, 2014, and 2013 (Dollars in thousands)

	2015	2014	2013
Net income	$ 78,093	$ 77,694	$ 69,340
Other comprehensive income (loss), net of tax:			
Changes in unrealized holding gains (losses) on AFS securities, net of deferred income taxes of $(843), $171, and $10,295	1,388	(281)	(16,940)
Comprehensive income	$ 79,481	$ 77,413	$ 52,400

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2015, 2014, and 2013 (Dollars in thousands, except per share amounts)

		Additional	Unearned		Total
	Common	Paid-In	Compensation	Retained	Stockholders'