Capitol Federal Financial Inc
Form 10-Q
August 04, 2015

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 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)

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

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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller Reporting Company ¨
(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

As of July 24, 2015, there were 138,421,120 shares of Capitol Federal Financial, Inc. common stock outstanding.

PART I -- FINANCIAL INFORMATION
Item 1. Financial Statements

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands, except per share amounts)

	June 30, 2015	September 30, 2014
ASSETS:		
Cash and cash equivalents (includes interest-earning deposits of $40,408 and $799,340)	$46,668	$810,840
Securities:		
Available-for-sale ("AFS"), at estimated fair value (amortized cost of $833,832 and $829,558)	847,059	840,790
Held-to-maturity ("HTM"), at amortized cost (estimated fair value of $1,378,612 and $1,571,524)	1,359,657	1,552,699
Loans receivable, net (allowance for credit losses ("ACL") of $9,601 and $9,227)	6,496,468	6,233,170
Federal Home Loan Bank Topeka ("FHLB") stock, at cost	166,257	213,054
Premises and equipment, net	73,066	70,530
Income taxes receivable, net	417	—
Other assets	141,589	143,945
TOTAL ASSETS	$9,131,181	$9,865,028
LIABILITIES:		
Deposits	$4,813,188	$4,655,272
FHLB borrowings	2,572,898	3,369,677
Repurchase agreements	220,000	220,000
Advance payments by borrowers for taxes and insurance	37,431	58,105
Income taxes payable, net	—	368
Deferred income tax liabilities, net	25,671	22,367
Accounts payable and accrued expenses	35,270	46,357
Total liabilities	7,704,458	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, 138,699,031 and 140,951,203 shares issued and outstanding as of June 30, 2015 and September 30, 2014, respectively	1,387	1,410
Additional paid-in capital	1,163,824	1,180,732
Unearned compensation, Employee Stock Ownership Plan ("ESOP")	(41,712)	(42,951)
Retained earnings	294,997	346,705
Accumulated other comprehensive income ("AOCI"), net of tax	8,227	6,986
Total stockholders' equity	1,426,723	1,492,882
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,131,181	$9,865,028

See accompanying notes to consolidated financial statements.

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CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2015	2014	2015	2014
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$ 58,922	$ 57,474	$ 175,739	$ 171,539
Mortgage-backed securities ("MBS")	8,849	11,206	28,387	34,765
Investment securities	1,914	1,739	5,262	5,674
FHLB stock	3,132	1,452	9,389	3,877
Cash and cash equivalents	1,357	50	4,174	157
Total interest and dividend income	74,174	71,921	222,951	216,012
INTEREST EXPENSE:				
FHLB borrowings	17,072	14,826	51,258	47,000
Deposits	8,377	8,124	24,729	24,523
Repurchase agreements	1,712	2,773	5,136	8,319
Total interest expense	27,161	25,723	81,123	79,842
NET INTEREST INCOME	47,013	46,198	141,828	136,170
PROVISION FOR CREDIT LOSSES	323	307	771	982
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	46,690	45,891	141,057	135,188
NON-INTEREST INCOME:				
Retail fees and charges	3,798	3,792	11,052	11,056
Insurance commissions	537	827	2,059	2,589
Loan fees	340	367	1,071	1,221
Income from bank-owned life insurance ("BOLI")	251	333	819	1,001
Other non-interest income	219	300	678	979
Total non-interest income	5,145	5,619	15,679	16,846
NON-INTEREST EXPENSE:				
Salaries and employee benefits	11,038	10,929	31,927	32,379
Information technology and communications	2,573	2,373	7,726	6,985
Occupancy, net	2,557	2,479	7,437	7,662
Federal insurance premium	1,342	1,078	4,092	3,264
Deposit and loan transaction costs	1,435	1,326	4,065	3,976
Regulatory and outside services	1,365	1,437	3,867	3,990
Low income housing partnerships	492	547	3,404	1,966
Advertising and promotional	1,069	942	2,707	2,825
Other non-interest expense	1,235	1,269	3,882	3,948
Total non-interest expense	23,106	22,380	69,107	66,995
INCOME BEFORE INCOME TAX EXPENSE	28,729	29,130	87,629	85,039
INCOME TAX EXPENSE	9,127	9,147	28,321	27,555
NET INCOME	$ 19,602	$ 19,983	$ 59,308	$ 57,484
Basic earnings per share ("EPS")	$ 0.14	$ 0.14	$ 0.43	$ 0.41
Diluted EPS	$ 0.14	$ 0.14	$ 0.43	$ 0.41
Dividends declared per share	$ 0.34	$ 0.33	$ 0.76	$ 0.91
Basic weighted average common shares	135,745,753	138,331,681	136,013,448	140,246,658

Diluted weighted average common shares	135,763,353	138,334,404	136,040,702	140,247,794

See accompanying notes to consolidated financial statements.

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CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Dollars in thousands)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2015	2014	2015	2014
Net income	$ 19,602	$ 19,983	$ 59,308	$ 57,484
Other comprehensive income (loss), net of tax:				
Changes in unrealized holding gains/(losses) on AFS securities, net of deferred income tax (benefits) expenses of $919 and $(1,260) for the three months ended June 30, 2015 and 2014, respectively, and $(754) and $103 for the nine months ended June 30, 2015 and 2014, respectively	(1,513)	2,074	1,241	(167)
Comprehensive income	$ 18,089	$ 22,057	$ 60,549	$ 57,317

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Unearned Compensation ESOP	Retained Earnings	AOCI	Total Stockholders' Equity
Balance at October 1, 2014	$ 1,410	$ 1,180,732	$ (42,951)	$ 346,705	$ 6,986	$ 1,492,882
Net income				59,308		59,308
Other comprehensive income, net of tax					1,241	1,241
ESOP activity, net		300	1,239			1,539
Restricted stock activity, net		80				80
Stock-based compensation		1,566				1,566
Repurchase of common stock	(23)	(19,121)		(8,239)		(27,383)
Stock options exercised		267				267
Dividends on common stock to stockholders ($0.76 per share)				(102,777)		(102,777)
Balance at June 30, 2015	$ 1,387	$ 1,163,824	$ (41,712)	$ 294,997	$ 8,227	$ 1,426,723

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	For the Nine Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 59,308	$ 57,484
Adjustments to reconcile net income to net cash provided by operating activities:		
FHLB stock dividends	(9,389)	(3,877)
Provision for credit losses	771	982
Originations of loans receivable held-for-sale ("LHFS")	—	(1,325)
Proceeds from sales of LHFS	—	1,998
Amortization and accretion of premiums and discounts on securities	4,217	4,502
Depreciation and amortization of premises and equipment	5,054	4,704
Amortization of deferred amounts related to FHLB advances, net	3,270	4,882
Common stock committed to be released for allocation - ESOP	1,539	1,516
Stock-based compensation	1,566	1,617
Changes in:		
Other assets, net	2,869	2,375
Income taxes payable/receivable	1,845	3,766
Accounts payable and accrued expenses	(8,847)	(11,983)
Net cash provided by operating activities	62,203	66,641
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of AFS securities	(149,937)	(120,817)
Purchase of HTM securities	(54,133)	(164,128)
Proceeds from calls, maturities and principal reductions of AFS securities	145,663	332,841
Proceeds from calls, maturities and principal reductions of HTM securities	242,958	240,907
Proceeds from the redemption of FHLB stock	202,929	22,387
Purchase of FHLB stock	(146,743)	(2,856)
Net increase in loans receivable	(268,769)	(177,483)
Purchase of premises and equipment	(7,396)	(5,036)
Proceeds from sale of other real estate owned ("OREO")	4,212	3,888
Net cash (used in) provided by investing activities	(31,216)	129,703

(Continued)

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	For the Nine Months Ended June 30,	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(102,777)	(127,854)
Deposits, net of withdrawals	157,916	43,416
Proceeds from borrowings	5,400,000	644,477
Repayments on borrowings	(6,200,000)	(694,477)
Change in advance payments by borrowers for taxes and insurance	(20,674)	(21,956)
Repurchase of common stock	(29,842)	(65,823)
Other, net	218	411
Net cash used in financing activities	(795,159)	(221,806)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(764,172)	(25,462)
CASH AND CASH EQUIVALENTS:		
Beginning of period	810,840	113,886
End of period	$46,668	$88,424
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income tax payments	$26,476	$23,790
Interest payments	$77,861	$75,705

See accompanying notes to consolidated financial statements. (Concluded)

Notes to Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements include the accounts of Capitol Federal® Financial, Inc. (the "Company") and its wholly-owned subsidiary, Capitol Federal Savings Bank (the "Bank"). The Bank has a wholly-owned subsidiary, Capitol Funds, Inc. Capitol Funds, Inc. has a wholly-owned subsidiary, Capitol Federal Mortgage Reinsurance Company. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014, filed with the Securities and Exchange Commission ("SEC"). Interim results are not necessarily indicative of results for a full year.

Recent Accounting Pronouncements - In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date. The ASU provides recognition, measurement, and disclosure guidance for certain obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. ASU 2013-04 is effective for fiscal years beginning after December 15, 2013, which was October 1, 2014 for the Company, and should be applied retrospectively. The adoption of this ASU did not have a material impact on the Company's consolidated financial condition or result of operations.

In January 2014, the FASB issued ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. The ASU revised the conditions that an entity must meet to elect to use the effective yield method when accounting for qualified affordable housing project investments. Per current accounting guidance, an entity that invests in a qualified affordable housing project may elect to account for that investment using the effective yield method if all required conditions are met. For those investments that are not accounted for using the effective yield method, current accounting guidance requires that the investments be accounted for under either the equity method or the cost method. Certain existing conditions required to be met to use the effective yield method are restrictive and thus prevent many such investments from qualifying for the use of the effective yield method. The ASU replaces the effective yield method with the proportional amortization method and modifies the conditions that an entity must meet to be eligible to use a method other than the equity or cost methods to account for qualified affordable housing project investments. If the modified conditions are met, the ASU permits an entity to use the proportional amortization method to amortize the initial cost of the investment in proportion to the amount of tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of income tax expense. Additionally, the ASU requires new disclosures about all investments in qualified affordable housing projects irrespective of the method used to account for the investments. ASU 2014-01 is effective for fiscal years beginning after December 15, 2014, which is October 1, 2015 for the Company, and should be applied retrospectively. The ASU is not expected to have a material impact on the Company's consolidated financial condition or result of operations when adopted.

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The ASU clarifies when an in-substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The ASU also requires disclosure of both (1) the amount of foreclosed residential real estate property held by a creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU 2014-04 is effective for fiscal years beginning after December 15, 2014, which is October 1, 2015 for the Company, and can be applied using either a modified retrospective transition method or a prospective transition method. The ASU is not expected to have a material impact on the Company's consolidated financial condition or result of operations when adopted.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The ASU clarifies principles for recognizing revenue and provides a common revenue standard for GAAP and International Financial Reporting Standards. Additionally, the ASU provides implementation guidance on several topics and requires entities to disclose both quantitative and qualitative information regarding contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016, which is October 1, 2017 for the Company, and can be applied using either a retrospective or cumulative-effect transition method. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue recognition standard, making the ASU effective for fiscal years beginning after December 15, 2017, which is October 1, 2018 for the Company. Early adoption is permitted but not before the original effective date, which is October 1, 2017 for the Company. The Company has not yet completed its evaluation of this ASU.

In June 2014, the FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The ASU makes limited amendments to the current guidance on accounting for certain repurchase agreements. The ASU also expands disclosure requirements for certain transfers of financial assets accounted for as sales or as secured borrowings. The accounting changes in ASU 2014-11 are effective for the first quarterly period or fiscal year beginning after December 15, 2014, which was January 1, 2015 for the Company, and should be applied using a cumulative-effect transition method. The adoption of this ASU did not have an impact on the Company's financial condition or results of operations. The expanded disclosure requirements for ASU 2014-11 are effective for fiscal years beginning after December 15, 2014, and for quarterly periods beginning after March 15, 2015, which was April 1, 2015 for the Company. The expanded disclosures required by the adoption of the ASU are included in the Repurchase Agreements Note.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis. The ASU amends the consolidation requirements in Accounting Standards Codification ("ASC") 810 and significantly changes the consolidation analysis required under GAAP. The ASU is expected to result in the deconsolidation of many entities; therefore, companies will need to reevaluate all of their previous consolidation conclusions. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, which is October 1, 2016 for the Company. Early adoption is allowed for all entities, but the guidance must be applied as of the beginning of the annual period containing the adoption date. The Company has not yet completed its evaluation of this ASU.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, which is October 1, 2016 for the Company, and should be applied retrospectively. Early adoption is allowed for all entities, including adoption in an interim period. The Company has not yet completed its evaluation of this ASU.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This ASU provides explicit guidance related to a customer's accounting for fees paid in a cloud computing arrangement. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, which is October 1, 2016 for the Company, and can be applied either prospectively or retrospectively upon adoption. Early adoption is allowed for all entities. The Company has not yet completed its evaluation of this ASU.

In June 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements. The amendments in the ASU represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Amendments in the ASU that require transition guidance are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, which is October 1, 2016 for the Company. Early adoption is allowed for all entities, including adoption in an interim period. All other amendments in the ASU were effective upon the issuance of the ASU. The Company has not yet completed its evaluation of the transition guidance associated with this ASU. All other amendments in the ASU did not have an impact on the Company's financial condition or results of operations.

2. EARNINGS PER SHARE

Shares acquired by the ESOP are not considered in the basic average shares outstanding until the shares are committed for allocation or vested to an employee's individual account. Unvested shares awarded pursuant to the Company's restricted stock benefit plans are treated as participating securities in the computation of EPS pursuant to the two-class method as they contain nonforfeitable rights to dividends. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security.

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in thousands, except per share amounts)			
Net income	$ 19,602	$ 19,983	$ 59,308	$ 57,484
Income allocated to participating securities	(24)	(41)	(93)	(135)
Net income available to common stockholders	$ 19,578	$ 19,942	$ 59,215	$ 57,349
Average common shares outstanding	135,662,701	138,248,629	135,971,846	140,205,057
Average committed ESOP shares outstanding	83,052	83,052	41,602	41,601
Total basic average common shares outstanding	135,745,753	138,331,681	136,013,448	140,246,658
Effect of dilutive stock options	17,600	2,723	27,254	1,136
Total diluted average common shares outstanding	135,763,353	138,334,404	136,040,702	140,247,794
Net EPS:				
Basic	$ 0.14	$ 0.14	$ 0.43	$ 0.41
Diluted	$ 0.14	$ 0.14	$ 0.43	$ 0.41
Antidilutive stock options, excluded from the diluted average common shares outstanding calculation	1,240,309	2,052,485	1,253,057	2,064,175

3. SECURITIES

The following tables reflect the amortized cost, estimated fair value, and gross unrealized gains and losses of AFS and HTM securities at the dates presented. The majority of the MBS and investment securities portfolios are composed of securities issued by United States Government-Sponsored Enterprises ("GSEs").

	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
GSE debentures	$ 600,376	$ 656	$ 1,076	$ 599,956
MBS	230,615	13,932	5	244,542
Trust preferred securities	2,351	—	287	2,064
Municipal bonds	490	7	—	497
	833,832	14,595	1,368	847,059
HTM:				
MBS	1,320,642	26,521	7,827	1,339,336
Municipal bonds	39,015	354	93	39,276
	1,359,657	26,875	7,920	1,378,612
	$ 2,193,489	$ 41,470	$ 9,288	$ 2,225,671

	September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
GSE debentures	$ 554,811	$ 413	$ 5,469	$ 549,755
MBS	271,138	16,640	172	287,606
Trust preferred securities	2,493	—	197	2,296
Municipal bonds	1,116	17	—	1,133
	829,558	17,070	5,838	840,790
HTM:				
MBS	1,514,941	31,130	12,935	1,533,136
Municipal bonds	37,758	654	24	38,388
	1,552,699	31,784	12,959	1,571,524
	$ 2,382,257	$ 48,854	$ 18,797	$ 2,412,314

The following tables summarize the estimated fair value and gross unrealized losses of those securities on which an unrealized loss at the dates presented was reported and the continuous unrealized loss position for less than 12 months and equal to or greater than 12 months as of the dates presented.

	June 30, 2015			
	Less Than 12 Months		Equal to or Greater Than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)			
AFS:				
GSE debentures	$ 278,414	$ 731	$ 74,655	$ 345
MBS	—	—	875	5
Trust preferred securities	—	—	2,064	287
	$ 278,414	$ 731	$ 77,594	$ 637
HTM:				
MBS	$ 130,703	$ 571	$ 315,011	$ 7,256
Municipal bonds	14,761	81	1,126	12
	$ 145,464	$ 652	$ 316,137	$ 7,268

	September 30, 2014			
	Less Than 12 Months		Equal to or Greater Than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)			
AFS:				
GSE debentures	$ 70,666	$ 209	$ 403,389	$ 5,260
MBS	18,571	172	—	—
Trust preferred securities	—	—	2,296	197
	$ 89,237	$ 381	$ 405,685	$ 5,457
HTM:				
MBS	$ 353,344	$ 2,194	$ 409,275	$ 10,741
Municipal bonds	4,688	19	739	5
	$ 358,032	$ 2,213	$ 410,014	$ 10,746

The unrealized losses at June 30, 2015 were primarily a result of an increase in market yields from the time the securities were purchased. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been classified as other-than-temporarily impaired. The impairment is also considered temporary because scheduled coupon payments have been made, it is anticipated that the entire principal balance will be collected as scheduled, and management neither intends to sell the securities, nor is it more likely than not that the Company will be required to sell the securities before the recovery of the remaining amortized cost amount, which could be at maturity. As a result of the analysis, management has concluded that no other-than-temporary impairments existed at June 30, 2015.

The amortized cost and estimated fair value of debt securities as of June 30, 2015, by contractual maturity, are shown below. Actual principal repayments may differ from contractual maturities due to prepayment or early call privileges by the issuer.

	AFS		HTM	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
One year or less	$—	$—	$3,135	$3,166
One year through five years	600,866	600,453	25,002	25,289
Five years through ten years	—	—	10,878	10,821
Ten years and thereafter	2,351	2,064	—	—
	603,217	602,517	39,015	39,276
MBS	230,615	244,542	1,320,642	1,339,336
	$833,832	$847,059	$1,359,657	$1,378,612

The following table presents the taxable and non-taxable components of interest income on investment securities for the periods presented.

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Taxable	$1,730	$1,508	$4,696	$4,947
Non-taxable	184	231	566	727
	$1,914	$1,739	$5,262	$5,674

The following table summarizes the amortized cost and estimated fair value of securities pledged as collateral as of the dates presented.

	June 30, 2015		September 30, 2014	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
FHLB borrowings	$231,663	$232,568	$487,736	$488,368
Public unit deposits	345,537	348,023	282,464	284,251
Repurchase agreements	238,010	246,666	239,922	247,306
Federal Reserve Bank	21,377	22,260	25,969	27,067
	$836,587	$849,517	$1,036,091	$1,046,992

4. LOANS RECEIVABLE and ALLOWANCE FOR CREDIT LOSSES

Loans receivable, net at the dates presented is summarized as follows:

	June 30, 2015	September 30, 2014
	(Dollars in thousands)	
Real estate loans:		
One- to four-family	$6,222,818	$5,972,031
Multi-family and commercial	108,576	75,677
Construction	86,168	106,790
Total real estate loans	6,417,562	6,154,498
Consumer loans:		
Home equity	125,907	130,484
Other	4,233	4,537
Total consumer loans	130,140	135,021
Total loans receivable	6,547,702	6,289,519
Less:		
Undisbursed loan funds	51,523	52,001
ACL	9,601	9,227
Discounts/unearned loan fees	23,850	23,687
Premiums/deferred costs	(33,740)	(28,566)
	$6,496,468	$6,233,170

Lending Practices and Underwriting Standards - Originating and purchasing one- to four-family loans is the Bank's primary lending business, resulting in a loan concentration in residential first mortgage loans. The Bank purchases one- to four-family loans, on a loan-by-loan basis, from a select group of correspondent lenders, and also originates consumer loans, commercial and multi-family real estate loans, and construction loans secured by residential, multi-family or commercial real estate. As a result of our one- to four-family lending activities, the Bank has a concentration of loans secured by real property located in Kansas and Missouri.

One- to four-family loans - 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. Loans are underwritten according to the "ability to repay" and "qualified mortgage" standards, as issued by the Consumer Financial Protection Bureau ("CFPB"). Properties securing one- to four-family loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and approved by our Board of Directors.

The underwriting standards for loans purchased from correspondent and nationwide lenders are generally similar to the Bank's internal underwriting standards. The underwriting of loans purchased from correspondent lenders on a loan-by-loan basis is performed by the Bank's underwriters. For the tables within this Note, correspondent loans purchased on a loan-by-loan basis are included with originated loans and loans purchased in loan packages ("bulk loans") are reported as purchased loans. The Bank also originates construction-to-permanent loans secured by one- to four-family residential real estate. 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. All construction loans are manually underwritten using the Bank's internal underwriting standards. Construction draw requests and the supporting documentation are reviewed and approved by management. 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.

Multi-family and commercial loans - The Bank's multi-family, commercial real estate, and related construction loans are originated by the Bank or are in participation with a lead bank. These loans are granted based on the income producing potential of the property and the financial strength of the borrower and/or guarantor. At the time of origination, loan-to-value ("LTV") ratios on multi-family, commercial real estate, and related construction loans generally cannot exceed 80% of the appraised value of the property securing the loans. The net operating income, which is the income derived from the operation of the property less all operating expenses, must generally be in excess of the required payments related to the outstanding debt at the time of origination. The Bank generally requires personal guarantees from the borrowers covering a portion of the debt in addition to the security property as collateral for these loans. Appraisals on properties securing these loans are performed by independent state certified fee appraisers.

Consumer loans - 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. The majority of the consumer loan portfolio is comprised of home equity lines of credit for which the Bank also has the first mortgage or the home equity line of credit is in the first lien position.

The underwriting standards for consumer loans include a determination of an applicant's payment history on other debts and an assessment of an applicant's ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of an 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.

Credit Quality Indicators - Based on the Bank's lending emphasis and underwriting standards, management has segmented the loan portfolio into three segments: (1) one- to four-family loans; (2) consumer loans; and (3) multi-family and commercial loans. The one- to four-family and consumer segments are further segmented into classes for purposes of providing disaggregated information about the credit quality of the loan portfolio. The classes are: one- to four-family loans - originated, one- to four-family loans - purchased, consumer loans - home equity, and consumer loans - other.

The Bank's primary credit quality indicators for the one- to four-family loan and consumer - home equity loan portfolios are delinquency status, asset classifications, LTV ratios, and borrower credit scores. The Bank's primary credit quality indicators for the multi-family and commercial loan and consumer - other loan portfolios are delinquency status and asset classifications.

The following tables present the recorded investment, by class, in loans 30 to 89 days delinquent, loans 90 or more days delinquent or in foreclosure, total delinquent loans, current loans, and total recorded investment at the dates presented. The recorded investment in loans is defined as the unpaid principal balance of a loan (net of unadvanced funds related to loans in process), less charge-offs and inclusive of unearned loan fees and deferred costs. At June 30, 2015 and September 30, 2014, all loans 90 or more days delinquent were on nonaccrual status.

	June 30, 2015				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family loans - originated	$ 21,057	$ 6,223	$ 27,280	$ 5,727,919	$ 5,755,199
One- to four-family loans - purchased	6,274	7,655	13,929	492,676	506,605
Multi-family and commercial loans	—	—	—	114,125	114,125
Consumer - home equity	646	443	1,089	124,818	125,907
Consumer - other	80	16	96	4,137	4,233
	$ 28,057	$ 14,337	$ 42,394	$ 6,463,675	$ 6,506,069

	September 30, 2014				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family loans - originated	$ 15,396	$ 8,566	$ 23,962	$ 5,421,112	$ 5,445,074

One- to four-family loans - purchased	7,937	7,190	15,127	550,229	565,356
Multi-family and commercial loans	—	—	—	96,946	96,946
Consumer - home equity	770	397	1,167	129,317	130,484
Consumer - other	69	13	82	4,455	4,537
	$ 24,172	$ 16,166	$ 40,338	$ 6,202,059	$ 6,242,397

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The following table presents the recorded investment, by class, in loans classified as nonaccrual at the dates presented.

	June 30, 2015	September 30, 2014
	(Dollars in thousands)	
One- to four-family loans - originated	$ 15,806	$ 16,546
One- to four-family loans - purchased	8,625	7,940
Multi-family and commercial loans	—	—
Consumer - home equity	662	442
Consumer - other	16	13
	$ 25,109	$ 24,941

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

- Special mention - These loans are performing loans 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 - A loan 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 loans include those characterized by the distinct possibility the Bank will sustain some loss if the deficiencies are not corrected.
- Doubtful - Loans classified as doubtful have all the weaknesses inherent in 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 - Loans classified as loss are considered uncollectible and of such little value that their continuance as assets on the books is not warranted.

The following table sets forth the recorded investment in loans classified as special mention or substandard, by class, at the dates presented. Special mention and substandard loans are included in the formula analysis model if the loans are not individually evaluated for loss. Loans classified as doubtful or loss are individually evaluated for loss. At the dates presented, there were no loans classified as doubtful, and all loans classified as loss were fully charged-off.

	June 30, 2015		September 30, 2014	
	Special Mention	Substandard	Special Mention	Substandard
	(Dollars in thousands)			
One- to four-family - originated	$ 17,549	$ 29,025	$ 20,068	$ 29,151
One- to four-family - purchased	1,103	12,662	2,738	11,470
Multi-family and commercial	—	—	—	—
Consumer - home equity	148	1,206	146	887
Consumer - other	—	26	5	13
	$ 18,800	$ 42,919	$ 22,957	$ 41,521

The following table shows the weighted average credit score and weighted average LTV for originated and purchased one- to four-family loans and originated consumer home equity loans at the dates presented. Borrower credit scores are intended to provide an indication as to the likelihood that a borrower will repay their debts. Credit scores are updated at least semiannually, with the last update in March 2015, from a nationally recognized consumer rating agency. The LTV ratios provide an estimate of the extent to which the Bank may incur a loss on any given loan that may go into foreclosure. 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.

	June 30, 2015		September 30, 2014	
	Credit Score	LTV	Credit Score	LTV

One- to four-family - originated	765	65	%	764	65	%
One- to four-family - purchased	752	66		749	66	
Consumer - home equity	751	18		751	18	
	764	64		762	64	

Troubled Debt Restructurings ("TDRs") - The following tables present the recorded investment prior to restructuring and immediately after restructuring in all loans restructured during the periods presented. These tables do not reflect the recorded investment at the end of the periods indicated. Any increase in the recorded investment at the time of the restructuring was generally due to the capitalization of delinquent interest and/or escrow balances.

	For the Three Months Ended June 30, 2015			For the Nine Months Ended June 30, 2015		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)					
One- to four-family loans - originated	30	$ 4,125	$ 4,190	104	$ 13,862	$ 14,007
One- to four-family loans - purchased	2	874	876	4	1,140	1,144
Multi-family and commercial loans	—	—	—	—	—	—
Consumer - home equity	7	171	172	13	255	261
Consumer - other	—	—	—	3	12	12
	39	$ 5,170	$ 5,238	124	$ 15,269	$ 15,424

	For the Three Months Ended June 30, 2014			For the Nine Months Ended June 30, 2014		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)					
One- to four-family loans - originated	36	$ 5,438	$ 5,461	105	$ 13,510	$ 13,534
One- to four-family loans - purchased	3	642	644	5	840	842
Multi-family and commercial loans	—	—	—	—	—	—
Consumer - home equity	1	20	20	6	100	101
Consumer - other	—	—	—	—	—	—
	40	$ 6,100	$ 6,125	116	$ 14,450	$ 14,477

The following table provides information on TDRs restructured within the last 12 months that became delinquent during the periods presented.

	For the Three Months Ended				For the Nine Months Ended			
	June 30, 2015		June 30, 2014		June 30, 2015		June 30, 2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(Dollars in thousands)							
One- to four-family loans - originated	16	$ 1,356	13	$ 1,818	44	$ 4,234	29	$ 3,299
One- to four-family loans - purchased	1	551	1	442	4	890	3	780
Multi-family and commercial loans	—	—	—	—	—	—	—	—
Consumer - home equity	2	12	1	29	4	33	2	56

Consumer - other	—	—	—	—	1	5	—	—
	19	$1,919	15	$2,289	53	$5,162	34	$4,135

Impaired loans - The following information pertains to impaired loans, by class, as of the dates presented. 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.

	June 30, 2015			September 30, 2014		
	Recorded Investment	Unpaid Principal Balance	Related ACL	Recorded Investment	Unpaid Principal Balance	Related ACL
	(Dollars in thousands)					
With no related allowance recorded						
One- to four-family - originated	$ 11,765	$ 12,347	$—	$ 13,871	$ 14,507	$—
One- to four-family - purchased	11,080	13,346	—	12,405	14,896	—
Multi-family and commercial	—	—	—	—	—	—
Consumer - home equity	468	726	—	605	892	—
Consumer - other	8	35	—	13	22	—
	23,321	26,454	—	26,894	30,317	—
With an allowance recorded						
One- to four-family - originated	26,909	27,015	214	23,675	23,767	107
One- to four-family - purchased	2,818	2,785	82	1,820	1,791	56
Multi-family and commercial	—	—	—	—	—	—
Consumer - home equity	902	902	62	464	464	39
Consumer - other	18	18	1	—	—	—
	30,647	30,720	359	25,959	26,022	202
Total						
One- to four-family - originated	38,674	39,362	214	37,546	38,274	107
One- to four-family - purchased	13,898	16,131	82	14,225	16,687	56
Multi-family and commercial	—	—	—	—	—	—
Consumer - home equity	1,370	1,628	62	1,069	1,356	39
Consumer - other	26	53	1	13	22	—
	$ 53,968	$ 57,174	$ 359	$ 52,853	$ 56,339	$ 202

The following information pertains to impaired loans, by class, for the periods presented.

	For the Three Months Ended				For the Nine Months Ended			
	June 30, 2015		June 30, 2014		June 30, 2015		June 30, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)							
With no related allowance recorded								
One- to four-family - originated	$12,099	$120	$14,012	$110	$12,727	$342	$13,448	$307
One- to four-family - purchased	10,765	48	13,636	55	11,254	147	13,549	147
Multi-family and commercial	—	—	—	—	—	—	—	—
Consumer - home equity	455	7	583	8	480	22	578	25
Consumer - other	8	—	7	—	14	—	5	—
	23,327	175	28,238	173	24,475	511	27,580	479
With an allowance recorded								
One- to four-family - originated	28,420	281	25,704	261	27,223	829	29,425	875
One- to four-family - purchased	3,101	10	1,839	13	2,770	33	2,354	41
Multi-family and commercial	—	—	—	—	—	—	22	1
Consumer - home equity	876	9	524	6	741	22	564	17
Consumer - other	17	—	12	—	16	1	13	—
	32,414	300	28,079	280	30,750	885	32,378	934
Total								
One- to four-family - originated	40,519	401	39,716	371	39,950	1,171	42,873	1,182
One- to four-family - purchased	13,866	58	15,475	68	14,024	180	15,903	188
Multi-family and commercial	—	—	—	—	—	—	22	1
Consumer - home equity	1,331	16	1,107	14	1,221	44	1,142	42
Consumer - other	25	—	19	—	30	1	18	—
	$55,741	$475	$56,317	$453	$55,225	$1,396	$59,958	$1,413

Allowance for Credit Losses - The following is a summary of ACL activity, by segment, for the periods presented, and the ending balance of ACL based on the Company's impairment methodology.

	For the Three Months Ended June 30, 2015					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$6,711	$1,858	$8,569	$528	$309	$9,406
Charge-offs	(108)	(28)	(136)	—	(21)	(157)
Recoveries	12	—	12	—	17	29
Provision for credit losses	516	(261)	255	69	(1)	323
Ending balance	$7,131	$1,569	$8,700	$597	$304	$9,601

	For the Nine Months Ended June 30, 2015					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$6,263	$2,323	$8,586	$400	$241	$9,227
Charge-offs	(260)	(221)	(481)	—	(71)	(552)
Recoveries	45	58	103	—	52	155
Provision for credit losses	1,083	(591)	492	197	82	771
Ending balance	$7,131	$1,569	$8,700	$597	$304	$9,601

	For the Three Months Ended June 30, 2014					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$6,737	$1,817	$8,554	$143	$270	$8,967
Charge-offs	(144)	(149)	(293)	—	(15)	(308)
Recoveries	—	64	64	—	52	116
Provision for credit losses	(394)	749	355	18	(66)	307
Ending balance	$6,199	$2,481	$8,680	$161	$241	$9,082

	For the Nine Months Ended June 30, 2014					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$5,771	$2,486	$8,257	$185	$380	$8,822
Charge-offs	(284)	(536)	(820)	—	(34)	(854)
Recoveries	1	64	65	—	67	132
Provision for credit losses	711	467	1,178	(24)	(172)	982
Ending balance	$6,199	$2,481	$8,680	$161	$241	$9,082

The following is a summary of the loan portfolio and related ACL balances, at the dates presented, by loan portfolio segment disaggregated by the Company's impairment method. There was no ACL for loans individually evaluated for impairment at either date as all potential losses were charged-off.

	June 30, 2015					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Recorded investment in loans collectively evaluated for impairment	$5,743,434	$495,525	$6,238,959	$114,125	$129,664	$6,482,748
Recorded investment in loans individually evaluated for impairment	11,765	11,080	22,845	—	476	23,321
	$5,755,199	$506,605	$6,261,804	$114,125	$130,140	$6,506,069
ACL for loans collectively evaluated for impairment	$7,131	$1,569	$8,700	$597	$304	$9,601

	September 30, 2014					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Recorded investment in loans collectively evaluated for impairment	$5,431,203	$552,951	$5,984,154	$96,946	$134,403	$6,215,503
Recorded investment in loans individually evaluated for impairment	13,871	12,405	26,276	—	618	26,894
	$5,445,074	$565,356	$6,010,430	$96,946	$135,021	$6,242,397
ACL for loans collectively evaluated for impairment	$6,263	$2,323	$8,586	$400	$241	$9,227

5. REPURCHASE AGREEMENTS

At both June 30, 2015 and September 30, 2014, the Company had repurchase agreements outstanding in the amount of $220.0 million with a weighted average contractual rate of 3.08%. All of the Company's repurchase agreements at June 30, 2015 and September 30, 2014 were fixed-rate. See Note 3 for information regarding the amount of securities pledged as collateral in conjunction with repurchase agreements. Securities are delivered to the party with whom each transaction is executed and the party agrees to resell the same securities to the Bank at the maturity of the agreement. The Bank retains the right to substitute similar or like securities throughout the terms of the agreements. The repurchase agreements and collateral are subject to valuation at current market levels and the Bank may ask for the return of excess collateral or be required to post additional collateral due to changes in the market values of these items. The Bank may also be required to post additional collateral as a result of principal payments received on the securities pledged.

The following table presents the scheduled maturity of repurchase agreements by fiscal year as of June 30, 2015:

	Amount (Dollars in thousands)
2015	$ 20,000
2016	—
2017	—
2018	100,000
2019	—
Thereafter	100,000
	$ 220,000

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 ASC 820 and ASC 825. The Company did not have any liabilities that were measured at fair value at June 30, 2015 or September 30, 2014. The Company's AFS securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets or liabilities on a non-recurring basis, such as OREO and loans individually evaluated for impairment. These non-recurring fair value adjustments involve the application of lower-of-cost-or-fair value accounting or write-downs of individual assets.

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. These levels are:

- Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 - Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

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 following is a description of valuation methodologies used for assets measured at fair value on a recurring basis.

AFS Securities - The Company's AFS securities portfolio is carried at estimated fair value, with any unrealized gains and losses, net of taxes, reported as AOCI in stockholders' equity. The majority of the securities within the AFS portfolio were issued by GSEs. The Company primarily uses prices obtained from third party pricing services to determine the fair value of its securities. On a quarterly basis, management corroborates a sample of prices obtained from the third party pricing service for Level 2 securities by comparing them to an independent source. If the price provided by the independent source varies by more than a predetermined percentage from the price received from the third party pricing service, then the variance is researched by management. The Company did not have to adjust prices obtained from the third party pricing service when determining the fair value of its securities during the nine months ended June 30, 2015 or during fiscal year 2014. The Company's major security types, based on the nature and risks of the securities, are:

- GSE Debentures - Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking any embedded options into consideration and are discounted using current market yields for similar securities. (Level 2)
- MBS - Estimated fair values are based on a discounted cash flow method. Cash flows are determined based on prepayment projections of the underlying mortgages and are discounted using current market yields for benchmark securities. (Level 2)
- Municipal Bonds - Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking any embedded options into consideration and are discounted using current market yields for securities with similar credit profiles. (Level 2)
- Trust Preferred Securities - Estimated fair values are based on a discounted cash flow method. Cash flows are determined by taking prepayment and underlying credit considerations into account. The discount rates are derived from secondary trades and bid/offer prices. (Level 3)

The following tables provide the level of valuation assumption used to determine the carrying value of the Company's assets measured at fair value on a recurring basis at the dates presented.

	June 30, 2015			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(1)
	(Dollars in thousands)			
AFS Securities:				
GSE debentures	$ 599,956	$ —	$ 599,956	$ —
MBS	244,542	—	244,542	—
Municipal bonds	497	—	497	—
Trust preferred securities	2,064	—	—	2,064
	$ 847,059	$ —	$ 844,995	$ 2,064

	September 30, 2014			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(2)
	(Dollars in thousands)			
AFS Securities:				
GSE debentures	$ 549,755	$ —	$ 549,755	$ —
MBS	287,606	—	287,606	—
Municipal bonds	1,133	—	1,133	—
Trust preferred securities	2,296	—	—	2,296
	$ 840,790	$ —	$ 838,494	$ 2,296

(1) The Company's Level 3 AFS securities had no activity during the nine months ended June 30, 2015, except for principal repayments of $193 thousand and increases in net unrealized losses recognized in other comprehensive income. Increases in net unrealized losses included in other comprehensive income for the nine months ended June 30, 2015 were $55 thousand.

(2) The Company's Level 3 AFS securities had no activity during the year ended September 30, 2014, except for principal repayments of $150 thousand and increases in net unrealized losses recognized in other comprehensive income. Increases in net unrealized losses included in other comprehensive income for the year ended September 30, 2014 were $16 thousand.

The following is a description of valuation methodologies used for significant assets measured at fair value on a non-recurring basis.

Loans Receivable - The balance of loans individually evaluated for impairment at June 30, 2015 and September 30, 2014 was $23.3 million and $26.8 million, respectively. Substantially all of these loans were secured by residential real estate and were individually evaluated to ensure that the carrying value of the loan was not in excess of the estimated fair value of the collateral, less estimated selling costs. When no impairment is indicated, the carrying amount is considered to approximate fair value. Fair values were estimated through current appraisals or analyzed based on market indicators. Fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3. Based on this evaluation, the Bank charged-off any loss amounts as of June 30, 2015 and September 30, 2014; therefore, there was no ACL related to these loans.

OREO - OREO primarily represents real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at lower-of-cost or fair value. Fair value is estimated through current appraisals or listing prices, less estimated selling costs. As these properties are actively marketed, estimated fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3. The fair value of OREO at June 30, 2015 and September 30, 2014 was $4.9 million and $4.1 million, respectively.

The following tables provide the level of valuation assumptions used to determine the carrying value of the Company's assets measured at fair value on a non-recurring basis at the dates presented.

	June 30, 2015			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Loans individually evaluated for impairment	$23,253	$—	$—	$23,253
OREO	4,948	—	—	4,948
	$28,201	$—	$—	$28,201

	September 30, 2014			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Loans individually evaluated for impairment	$26,828	$—	$—	$26,828
OREO	4,094	—	—	4,094
	$30,922	$—	$—	$30,922

Fair Value Disclosures - The Company determined estimated fair value amounts using available market information and from a variety of valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material impact on the estimated fair value amounts. The fair value estimates presented herein were based on pertinent information available to management as of the dates presented.

The carrying amounts and estimated fair values of the Company's financial instruments, at the dates presented, were as follows:

	June 30, 2015		September 30, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)			
Assets:				
Cash and cash equivalents	$46,668	$46,668	$810,840	$810,840
AFS securities	847,059	847,059	840,790	840,790
HTM securities	1,359,657	1,378,612	1,552,699	1,571,524
Loans receivable	6,496,468	6,688,958	6,233,170	6,429,840
FHLB stock	166,257	166,257	213,054	213,054
Liabilities:				
Deposits	4,813,188	4,836,506	4,655,272	4,674,268
FHLB borrowings	2,572,898	2,622,229	3,369,677	3,423,547
Repurchase agreements	220,000	227,630	220,000	227,539

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Cash and Cash Equivalents - The carrying amounts of cash and cash equivalents are considered to approximate their fair value due to the nature of the financial assets. (Level 1)

HTM Securities - Estimated fair values of securities are based on one of three methods: (1) quoted market prices where available; (2) quoted market prices for similar instruments if quoted market prices are not available; (3) unobservable data that represents the Bank's assumptions about items that market participants would consider in determining fair value where no market data is available. HTM securities are carried at amortized cost. (Level 2)

Loans Receivable - The fair value of one- to four-family mortgages and home equity loans are generally estimated using the present value of expected future cash flows, assuming future prepayments and using discount factors determined by prices obtained from securitization markets, less a discount for the cost of servicing and lack of liquidity. The estimated fair value of the Bank's multi-family, commercial, and consumer loans are based on the expected future cash flows assuming future prepayments and discount factors based on current offering rates. (Level 3)

FHLB stock - The carrying value and estimated fair value of FHLB stock equals cost, which is based on redemption at par value. (Level 1)

Deposits - The estimated fair value of demand deposits, savings, and money market accounts is the amount payable on demand at the reporting date. The estimated fair value of these deposits at June 30, 2015 and September 30, 2014 was $2.21 billion and $2.12 billion, respectively. (Level 1) The fair value of certificates of deposit is estimated by discounting future cash flows using current London Interbank Offered Rates ("LIBOR"). The estimated fair value of certificates of deposit at June 30, 2015 and September 30, 2014 was $2.63 billion and $2.55 billion, respectively. (Level 2)

FHLB borrowings and Repurchase Agreements - The fair value of fixed-maturity borrowed funds is estimated by discounting estimated future cash flows using current offer rates. (Level 2) The carrying value of FHLB line of credit is considered to approximate its fair value due to the nature of the financial liability. (Level 1)

7. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events occurring subsequent to June 30, 2015 for potential recognition and disclosure. There have been no material events or transactions which would require adjustments to the consolidated financial statements at June 30, 2015.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
The Company and its wholly-owned subsidiary 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 SEC. These forward-looking statements may be included in this Quarterly Report on Form 10-Q, 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 other 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;
- 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 deposit flows, loan demand, and/or real estate values, as well as unemployment levels, which may adversely affect our business;
- 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 ACL;
- 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.

As used in this Form 10-Q, unless the context indicates otherwise, "the Company," "we," "us," and "our" refer to Capitol Federal Financial, Inc. a Maryland corporation, and its consolidated subsidiaries. "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.

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. This discussion and analysis should be read in conjunction with Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014, filed with the SEC.

Executive Summary

The following summary should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section in its entirety.

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. We also originate consumer loans primarily secured by mortgages on one- to four-family residences, commercial and multi-family real estate loans, and construction loans secured by residential, multi-family, or commercial real estate. While our primary business is the origination of one- to four-family mortgage loans funded through retail deposits, we also purchase whole one- to four-family mortgage loans from correspondent and nationwide lenders, participate in loans with other lenders that are secured by multi-family or commercial real estate, and invest in certain investment securities and MBS using funding from deposits, FHLB borrowings, and repurchase agreements.

The Company's results of operations are primarily dependent on net interest income, which is the difference between the interest earned on loans, MBS, investment securities, and cash, 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.

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.

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 diversified, especially in the Kansas City metropolitan statistical area, which comprises the largest segment of our loan portfolio and deposit base. As of June 2015, the unemployment rate was 4.5% for Kansas and 5.8% for Missouri, compared to the national average of 5.3%, based on information from the Bureau of Labor Statistics. The Kansas City market area has an average household income of approximately $74 thousand per annum, based on 2014 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 $69 thousand per annum, with 90% of the population at or above the poverty level, also based on the 2014 estimates from the American Community Survey. The Federal Housing Finance Agency ("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 the fourth quarter of fiscal year 2014, management implemented a daily leverage strategy that involves borrowing up to $2.10 billion on the Bank's FHLB line of credit in two leverage tiers. The first tier of $800.0 million is intended to remain borrowed on the FHLB line of credit for an extended period of time, but will be paid off prior to the December and June quarter ends, only to be re-borrowed at the beginning of the subsequent quarter, to minimize regulatory fees. The second tier of $1.30 billion is borrowed at the beginning of each quarter and paid off prior to each quarter end. The proceeds of the borrowings, net of the required FHLB stock holdings, are deposited at the Federal Reserve Bank of Kansas City. 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 average interest-earning assets associated with the transaction, was 0.20% and 0.21% for the three and nine months ended June 30, 2015, respectively. Net income attributable to the daily leverage strategy was $699 thousand and $2.2 million for the three and nine months ended June 30, 2015, respectively.

For the quarter ended June 30, 2015, the Company recognized net income of $19.6 million, compared to net income of $20.0 million for the quarter ended June 30, 2014. The $381 thousand, or 1.9%, decrease in net income was due primarily to a decrease in non-interest income and an increase in non-interest expense, partially offset by net income associated with the daily leverage strategy.

The net interest margin decreased 38 basis points, from 2.09% for the prior year quarter to 1.71% for the current quarter, primarily as a result of the daily leverage strategy. Excluding the effects of the daily leverage strategy, the net interest margin would have been

2.05% for the current quarter, or a four basis point decrease from the prior year quarter. This decrease was due primarily to a decrease in the weighted average yield on the loans receivable portfolio.

The Company recognized net income of $19.2 million during the prior quarter, compared to net income of $19.6 million for the current quarter. The $368 thousand, or 1.9%, increase in net income during the current quarter was due primarily to a decrease in income tax expense resulting largely from a decrease in the effective income tax rate. The net interest margin for the current quarter held steady from the prior quarter at 1.71%. Excluding the effects of the daily leverage strategy, the net interest margin would have been 2.05% for the current quarter, compared to 2.04% for the prior quarter.

For the nine month period ended June 30, 2015, the Company recognized net income of $59.3 million, compared to net income of $57.5 million for the nine month period ended June 30, 2014. The $1.8 million, or 3.2%, increase in net income was due primarily to the daily leverage strategy.

The net interest margin decreased 32 basis points, from 2.04% for the prior year nine month period, to 1.72% for the current nine month period 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 nine month period, or three basis points higher than the prior year nine month period. This increase was primarily a result of a decrease in the cost of funds and an increase in the dividend rate received on FHLB stock between the two periods.

Total assets were $9.13 billion at June 30, 2015 compared to $9.87 billion at September 30, 2014. The $733.8 million decrease in total assets was primarily in cash and cash equivalents due to the removal of the entire daily leverage strategy at June 30, 2015, compared to having $800.0 million of the daily leverage strategy in place at September 30, 2014. The full daily leverage strategy was reinstated on July 1, 2015. Loans receivable, net, increased $263.3 million, or 4.2%, to $6.50 billion at June 30, 2015, from $6.23 billion at September 30, 2014. During the current year nine month period, the Bank originated and refinanced $563.2 million of loans with a weighted average rate of 3.57%, purchased $458.3 million of loans from correspondent lenders with a weighted average rate of 3.44%, and participated in $23.0 million of commercial real estate loans with a weighted average rate of 3.73%. Cash flows from the MBS portfolio largely funded the loan growth.

Total liabilities were $7.70 billion at June 30, 2015 compared to $8.37 billion at September 30, 2014. The $667.7 million decrease was due primarily to a decrease in FHLB borrowings due to the removal of the entire daily leverage strategy at June 30, 2015 compared to having $800.0 million of the daily leverage strategy in place at September 30, 2014. This decrease was partially offset by a $157.9 million, or 4.5% annualized, increase in the deposit portfolio. The growth in deposits was primarily in the checking portfolio and retail certificate of deposit portfolio, which increased $56.6 million and $53.3 million, respectively.

Stockholders' equity was $1.43 billion at June 30, 2015 compared to $1.49 billion at September 30, 2014. The $66.2 million decrease between periods was due primarily to the payment of $102.8 million in dividends and the repurchase of $27.4 million of common stock, partially offset by net income of $59.3 million.

Available Information

Financial and other Company information, including press releases, 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 investor relations website, http://ir.capfed.com. SEC filings are available on our website immediately after they are electronically filed with or furnished to the SEC, and are also available on the SEC's website at www.sec.gov.

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 the audit committee of our Board of Directors. For a full discussion of our critical accounting policies, see Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014.

Financial Condition

The following table presents selected balance sheet information as of the dates presented.

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	(Dollars in thousands)				
Total assets	$9,131,181	$10,023,099	$9,056,356	$9,865,028	$9,031,039
Cash and cash equivalents	46,668	1,021,150	208,642	810,840	88,424
AFS securities	847,059	842,856	777,329	840,790	857,372
HTM securities	1,359,657	1,425,383	1,472,914	1,552,699	1,637,043
Loans receivable, net	6,496,468	6,365,320	6,261,619	6,233,170	6,132,520
FHLB stock	166,257	154,951	121,306	213,054	112,876
Deposits	4,813,188	4,837,274	4,705,012	4,655,272	4,654,862
FHLB borrowings	2,572,898	3,371,970	2,570,946	3,369,677	2,468,420
Repurchase agreements	220,000	220,000	220,000	220,000	320,000
Stockholders' equity	1,426,723	1,476,656	1,465,929	1,492,882	1,498,907
Equity to total assets at end of period	15.6 %	14.7 %	16.2 %	15.1 %	16.6 %

Assets. Total assets were $9.13 billion at June 30, 2015 compared to $9.87 billion at September 30, 2014. The decrease in total assets was primarily in cash and cash equivalents due to the removal of the entire daily leverage strategy at June 30, 2015, compared to having $800.0 million of the daily leverage strategy in place at September 30, 2014. The full daily leverage strategy was reinstated on July 1, 2015.

Loans Receivable. Loans receivable, net, increased $263.3 million from September 30, 2014, to $6.50 billion at June 30, 2015. The growth in the loan portfolio was primarily in the correspondent one- to four-family purchased loan portfolio.

Included in the loan portfolio at June 30, 2015 were $81.4 million, or 1.3% of the total loan portfolio, of adjustable-rate mortgage ("ARM") loans that were originated as interest-only. Of these interest-only loans, $69.0 million were purchased in bulk loan packages from nationwide lenders, primarily during fiscal year 2005. The $69.0 million of bulk purchased interest-only ARM loans had a weighted average credit score of 723 and a weighted average LTV ratio of 69% at June 30, 2015. Interest-only ARM loans do not typically require principal payments during their initial term, and have initial interest-only terms of either 5 or 10 years. At June 30, 2015, $20.7 million, or 25%, of the interest-only loans were still in their interest-only payment term. Included in the $20.7 million of interest-only loans were $9.8 million of bulk purchased interest-only ARM loans, all of which were scheduled to begin amortizing by September 30, 2015. At June 30, 2015, $3.5 million, or 14% of non-performing loans, were interest-only ARMs.

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 portfolio decreased nine basis points from 3.76% at September 30, 2014 to 3.67% at June 30, 2015. The decrease in the weighted average rate was due primarily to loan purchases and originations/refinances at market rates less than the weighted average rate of the existing portfolio, as well as to endorsements to current market rates and adjustable-rate loans repricing to lower rates. Within the one- to four-family loan portfolio at June 30, 2015, 65% of the loans had a balance at origination of less than $417 thousand.

	June 30, 2015		September 30, 2014	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Real estate loans:				
One- to four-family	$6,222,818	3.64 %	$5,972,031	3.72 %
Multi-family and commercial	108,576	4.14	75,677	4.39
Construction:				
One- to four-family	68,748	3.54	72,113	3.66
Multi-family and commercial	17,420	3.85	34,677	4.01
Total construction	86,168	3.60	106,790	3.77
Total real estate loans	6,417,562	3.65	6,154,498	3.73
Consumer loans:				
Home equity	125,907	5.04	130,484	5.14
Other	4,233	4.08	4,537	4.16
Total consumer loans	130,140	5.01	135,021	5.11
Total loans receivable	6,547,702	3.67	6,289,519	3.76
Less:				
Undisbursed loan funds	51,523		52,001	
ACL	9,601		9,227	
Discounts/unearned loan fees	23,850		23,687	
Premiums/deferred costs	(33,740)		(28,566)	
Total loans receivable, net	$6,496,468		$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 the average balance per loan at the dates presented. Credit scores are up-dated at least semiannually, with the last update in March 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.

	June 30, 2015					September 30, 2014				
	Amount	% of Total	Credit Score	LTV	Average Balance	Amount	% of Total	Credit Score	LTV	Average Balance
	(Dollars in thousands)									
Originated	$4,001,231	64.3 %	765	64 %	$128	$3,978,396	66.6 %	764	64 %	$127
Correspondent purchased	1,717,845	27.6	764	68	340	1,431,745	24.0	764	68	332
Bulk purchased	503,742	8.1	752	66	309	561,890	9.4	749	67	311
	$6,222,818	100.0 %	764	65	164	$5,972,031	100.0 %	763	65	159

The following tables summarize activity in the 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 and nationwide lenders. There were no bulk loan purchases from nationwide lenders during the periods presented. Loan endorsements are not included in the activity in the following table 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 three and nine months ended June 30, 2015, the Bank endorsed $27.9 million and $112.5 million of one- to four-family loans, respectively, reducing the average rate on those loans by 99 and 95 basis points, respectively.

	For the Three Months Ended							
	June 30, 2015		March 31, 2015		December 31, 2014		September 30, 2014	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)							
Beginning balance	$6,418,780	3.71 %	$6,317,251	3.74 %	$6,289,519	3.76 %	$6,197,114	3.78 %
Originated and refinanced:								
Fixed	207,895	3.50	131,532	3.49	101,270	3.74	116,296	3.88
Adjustable	47,609	3.55	36,053	3.63	38,878	3.75	47,025	3.67
Purchased and participations:								
Fixed	147,887	3.51	144,370	3.56	94,374	3.74	127,814	3.75
Adjustable	29,046	2.92	41,858	2.94	23,705	2.96	44,417	3.07
Repayments	(301,835)		(250,422)		(228,940)		(241,320)	
Principal charge-offs, net	(128)		(166)		(103)		(282)	
Other	(1,552)		(1,696)		(1,452)		(1,545)	
Ending balance	$6,547,702	3.67	$6,418,780	3.71	$6,317,251	3.74	$6,289,519	3.76

	For the Nine Months Ended			
	June 30, 2015		June 30, 2014	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Beginning balance	$6,289,519	3.76 %	$6,011,799	3.82 %
Originations and refinances:				
Fixed	440,697	3.55	271,418	4.04
Adjustable	122,540	3.64	132,169	3.76
Purchases and participations:				
Fixed	386,631	3.59	282,735	4.01
Adjustable	94,609	2.94	118,817	3.25
Repayments	(781,197)		(616,253)	
Principal charge-offs, net	(397)		(722)	
Other	(4,700)		(2,849)	
Ending balance	$6,547,702	3.67	$6,197,114	3.78

The Bank's pricing strategy for originated 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. During the nine months ended June 30, 2015, the average rate offered on the Bank's 30-year fixed-rate originated one- to four-family loans, with no points paid by the borrower, was approximately 170 basis points above the average 10-year Treasury rate, while the average rate offered on the Bank's 15-year fixed-rate originated one- to four-family loans was approximately 90 basis points above the average 10-year Treasury rate.

The following tables present loan origination, refinance, and purchase activity for the periods indicated, excluding endorsement activity, along with associated weighted average rates and percent of total. Loan originations, purchases and refinances are reported together. 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 $503.4 million of one- to four-family loans originated and refinanced during the current year nine month period, 76% had loan values of $417 thousand or less. Of the $458.3 million of one- to four-family correspondent loans purchased during the current year nine month period, 27% had loan values of $417 thousand or less.

	For the Three Months Ended					
	June 30, 2015			June 30, 2014		
	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)					
Fixed-rate:						
One- to four-family:						
<= 15 years	$ 106,115	2.90 %	24.5 %	$ 43,359	3.34 %	14.0 %
> 15 years	244,947	3.74	56.6	148,570	4.26	48.0
Multi-family and commercial real estate	3,268	4.11	0.8	27,850	4.09	9.0
Home equity	1,265	6.21	0.3	635	6.36	0.2
Other	187	7.82	—	661	5.54	0.2
Total fixed-rate	355,782	3.50	82.2	221,075	4.07	71.4
Adjustable-rate:						
One- to four-family:						
<= 36 months	2,757	2.52	0.6	2,472	2.76	0.8
> 36 months	54,285	2.91	12.6	66,656	3.15	21.5
Home equity	19,250	4.58	4.5	19,053	4.66	6.2
Other	363	2.88	0.1	269	3.37	0.1
Total adjustable-rate	76,655	3.31	17.8	88,450	3.46	28.6
Total originated, refinanced and purchased	$ 432,437	3.47	100.0 %	$ 309,525	3.90	100.0 %
Purchased and participation loans included above:						
Fixed-rate:						
Correspondent - one- to four-family	$ 146,487	3.50		$ 98,007	4.02	
Participations - commercial real estate	1,400	4.25		24,400	4.08	
Total fixed-rate purchased/participations	147,887	3.51		122,407	4.03	
Adjustable-rate:						
Correspondent - one- to four-family	29,046	2.92		40,344	3.12	
Total purchased/participation loans	$ 176,933	3.41		$ 162,751	3.81	

	For the Nine Months Ended					
	June 30, 2015			June 30, 2014		
	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)					
Fixed-rate:						
One- to four-family:						
<= 15 years	$ 253,435	2.97 %	24.3 %	$ 130,457	3.35 %	16.2 %
> 15 years	543,934	3.82	52.1	384,435	4.24	47.8
Multi-family and commercial real estate	26,518	3.74	2.5	36,450	4.08	4.5
Home equity	2,812	6.18	0.3	1,812	6.19	0.2
Other	629	7.72	0.1	999	7.08	0.1
Total fixed-rate	827,328	3.57	79.3	554,153	4.03	68.8
Adjustable-rate:						
One- to four-family:						
<= 36 months	5,197	2.57	0.5	5,982	2.76	0.8
> 36 months	159,092	2.95	15.2	177,818	3.15	22.1
Multi-family and commercial real estate	—	—	—	14,358	4.34	1.8
Home equity	51,655	4.59	4.9	51,791	4.65	6.4
Other	1,205	3.08	0.1	1,037	3.17	0.1
Total adjustable-rate	217,149	3.33	20.7	250,986	3.52	31.2
Total originated, refinanced and purchased	$ 1,044,477	3.52	100.0 %	$ 805,139	3.87	100.0 %
Purchased and participation loans included above:						
Fixed-rate:						
Correspondent - one- to four-family	$ 363,661	3.58		$ 253,335	4.01	
Participations - commercial real estate	22,970	3.73		29,400	4.07	
Total fixed-rate purchased/participations	386,631	3.59		282,735	4.01	
Adjustable-rate:						
Correspondent - one- to four-family	94,609	2.94		104,459	3.10	
Participations - commercial real estate	—	—		14,358	4.34	
Total adjustable-rate purchased/participations	94,609	2.94		118,817	3.25	
Total purchased/participation loans	$ 481,240	3.46		$ 401,552	3.79	

The following tables present originated, refinanced, and correspondent 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 Three Months Ended					
	June 30, 2015			June 30, 2014		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originated	$ 188,742	78 %	772	$ 112,219	79 %	768
Refinanced by Bank customers	43,829	70	767	10,487	68	759
Correspondent purchased	175,533	74	767	138,351	76	765
	$ 408,104	75	769	$ 261,057	77	766

	For the Nine Months Ended					
	June 30, 2015			June 30, 2014		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originated	$401,357	77 %	771	$297,850	78 %	766
Refinanced by Bank customers	102,031	68	768	43,048	69	760
Correspondent purchased	458,270	74	765	357,794	75	763
	$961,658	74	768	$698,692	76	764

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 nine months ended June 30, 2015.

	For the Three Months Ended			For the Nine Months Ended		
	June 30, 2015			June 30, 2015		
State	Amount	% of Total	Rate	Amount	% of Total	Rate
	(Dollars in thousands)					
Kansas	$208,018	51.0 %	3.39 %	$460,641	47.9 %	3.46 %
Missouri	92,533	22.7	3.39	227,163	23.6	3.42
Texas	42,991	10.5	3.41	122,558	12.8	3.40
Other states	64,562	15.8	3.42	151,296	15.7	3.46
	$408,104	100.0 %	3.40	$961,658	100.0 %	3.44

The following table summarizes our one- to four-family loan origination, refinance, and correspondent purchase commitments as of June 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. In addition to the amounts presented in the following table, as of June 30, 2015, the Bank had commitments outstanding to originate $4.0 million of commercial real estate loans and participate in $36.6 million of commercial construction-permanent loans. Subsequent to June 30, 2015, the Bank entered into $61.1 million of additional commitments to participate in commercial construction-permanent loans. It is anticipated that the $97.7 million of commercial construction-permanent loan participations will be disbursed over a 24-month period. As a result of expanding relationships with some of its correspondent lenders, the Bank has taken opportunities to participate in high-quality commercial construction-permanent loans, and plans to continue doing so. Based upon our underwriting, we expect that these loans will continue meeting the credit quality standards established by the Bank for its existing commercial real estate loans.

	Fixed-Rate				
	15 years or less	More than 15 years	Adjustable-Rate	Total Amount	Rate
	(Dollars in thousands)				
Originate/refinance	$15,861	$61,937	$19,540	$97,338	3.53 %
Correspondent	17,913	76,427	12,158	106,498	3.64
	$33,774	$138,364	$31,698	$203,836	3.59
Rate	3.01 %	3.86 %	3.02 %		

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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. One- to four-family owner occupied loans are underwritten according to the "ability to repay" and "qualified mortgage" standards, as issued by the CFPB, with total debt-to-income ratios not exceeding 43% of the borrower's verified income. This allows the Bank to make an informed credit decision based upon a thorough assessment of the borrower's ability to repay the loan. See additional discussion regarding underwriting standards in "Part I, Item 1. Business - Lending Practices and Underwriting Standards" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014. In the following asset quality discussion, unless otherwise noted, correspondent purchased loans are included with originated loans and bulk purchased loans are reported as purchased loans.

Delinquent and non-performing loans and OREO - The following table presents the Company's 30 to 89 day delinquent loans at the dates indicated. Of the loans 30 to 89 days delinquent at June 30, 2015, approximately 77% were 59 days or less delinquent.

	Loans Delinquent for 30 to 89 Days at:									
	June 30, 2015		March 31, 2015		December 31, 2014		September 30, 2014		June 30, 2014	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)									
One- to four-family:										
Originated	150	$16,320	128	$13,097	164	$16,638	138	$13,074	130	$14,435
Correspondent purchased	15	4,741	7	2,206	6	1,280	9	2,335	5	1,301
Bulk purchased	30	6,249	35	8,137	46	10,047	37	7,860	36	6,826
Consumer loans:										
Home equity	34	646	30	681	41	916	33	770	33	628
Other	18	80	9	36	14	29	18	69	11	40
	247	$28,036	209	$24,157	271	$28,910	235	$24,108	215	$23,230
30 to 89 days delinquent loans to total loans receivable, net		0.43 %		0.38 %		0.46 %		0.39 %		0.38 %

The table below presents the Company's non-performing loans and OREO at the dates indicated. Non-performing loans are loans that are 90 or more days delinquent or in foreclosure, and nonaccrual loans that are less than 90 days delinquent but are 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.

	Non-Performing Loans and OREO at:									
	June 30, 2015		March 31, 2015		December 31, 2014		September 30, 2014		June 30, 2014	
	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	70	$6,180	79	$8,047	75	$7,762	82	$7,880	83	$8,130
Correspondent purchased	1	67	1	490	3	1,039	2	709	2	314
Bulk purchased	29	7,577	27	8,040	24	7,191	28	7,120	29	8,322
Consumer loans:										
Home equity	19	443	23	366	20	354	25	397	23	345
Other	5	16	6	19	5	28	4	13	6	24
	124	14,283	136	16,962	127	16,374	141	16,119	143	17,135
Nonaccrual loans less than 90 Days Delinquent:[1]										
One- to four-family:										
Originated	71	9,224	80	9,709	89	9,636	67	7,473	66	8,379
Correspondent purchased	2	398	2	401	3	492	4	553	2	134
Bulk purchased	5	959	5	732	6	872	5	724	3	630
Consumer loans:										
Home equity	10	219	6	108	5	91	2	45	3	61
Other	—	—	3	11	3	12	—	—	—	—
	88	10,800	96	10,961	106	11,103	78	8,795	74	9,204
Total non-performing loans	212	25,083	232	27,923	233	27,477	219	24,914	217	26,339
Non-performing loans as a percentage of total loans[2]		0.39 %		0.44 %		0.44 %		0.40 %		0.43 %
OREO:										
One- to four-family:										
Originated[3]	28	$1,920	36	$1,989	26	$2,551	25	$2,040	24	$1,430
Correspondent purchased	2	714	1	216	—	—	1	179	1	179
Bulk purchased	4	1,019	5	1,162	5	685	2	575	2	369
Consumer loans:										
Home equity	2	17	—	—	—	—	—	—	—	—
Other[4]	1	1,278	1	1,278	1	1,300	1	1,300	1	1,300
	37	4,948	43	4,645	32	4,536	29	4,094	28	3,278
Total non-performing assets	249	$30,031	275	$32,568	265	$32,013	248	$29,008	245	$29,617
Non-performing assets as a percentage of total assets		0.33 %		0.32 %		0.35 %		0.29 %		0.33 %

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(1) Represents loans required to be reported as nonaccrual pursuant to regulatory reporting requirements even if the loans are current. At June 30, 2015, March 31, 2015, December 31, 2014, September 30, 2014 and June 30, 2014, this amount was comprised of $3.4 million, $1.2 million, $2.7 million, $1.1 million and $2.5 million, respectively, of loans that were 30 to 89 days delinquent and are reported as such, and $7.4 million, $9.8 million, $8.4 million, $7.7 million and $6.7 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 0.22%, 0.27%, 0.26%, 0.26% and 0.28%, at June 30, 2015, March 31, 2015, December 31, 2014, September 30, 2014 and June 30, 2014, 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 private mortgage insurance ("PMI") receipts. Any loss amounts identified as a result of this review are charged-off. At June 30, 2015, $9.7 million, or 70%, 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 following table presents the top 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 at June 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 June 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	$3,732,200	60.0 %	$13,770	50.4 %	$5,778	41.8 %	72 %
Missouri	1,219,824	19.6	4,492	16.4	469	3.4	80
Texas	315,224	5.1	2,855	10.5	—	—	n/a
California	273,408	4.4	—	—	—	—	n/a
Tennessee	133,778	2.1	649	2.4	—	—	n/a
Alabama	92,796	1.5	258	0.9	—	—	n/a
Oklahoma	75,854	1.2	—	—	328	2.4	63
North Carolina	45,020	0.7	—	—	767	5.5	48
Colorado	33,324	0.5	—	—	—	—	n/a
Nebraska	30,149	0.5	168	0.6	570	4.1	78
Illinois	28,050	0.5	379	1.4	1,078	7.8	63
Georgia	26,482	0.4	761	2.8	—	—	n/a
Other states	216,709	3.5	3,978	14.6	4,834	35.0	71
	$6,222,818	100.0 %	$27,310	100.0 %	$13,824	100.0 %	70

TDRs - The following table presents the Company's TDRs, based on accrual status, at the dates indicated. At June 30, 2015, $26.9 million of TDRs were included in the ACL formula analysis model and $118 thousand of the ACL was related to these loans. The remaining $13.2 million of TDRs at June 30, 2015 were individually evaluated for loss and any potential losses have been charged-off.

	At				
	June 30,	March 31,	December 31,	September 30,	June 30,

	2015	2015	2014	2014	2014
	(Dollars in thousands)				
Accruing TDRs	$25,444	$23,861	$24,365	$24,636	$26,081
Nonaccrual TDRs[(1)]	14,653	15,337	15,912	13,370	13,987
Total TDRs	$40,097	$39,198	$40,277	$38,006	$40,068

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

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 activity and 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, loan portfolio growth and concentrations, and certain ACL ratios such as ACL to loans receivable, net and annualized historical losses to ACL. See "Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014.

The ACL is maintained through provisions for credit losses which are either charged to or credited to income. The provision for credit losses is based upon the results of management's quarterly assessment of the ACL. During the nine months ended June 30, 2015, the Company recorded a provision for credit losses of $771 thousand, which takes into account net charge-offs of $397 thousand during the period and loan growth.

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.

	At June 30, 2015							September 30, 2014						
	Amount of ACL	% of ACL to Total ACL		Total Loans	% of Loans to Total Loans			Amount of ACL	% of ACL to Total ACL		Total Loans	% of Loans to Total Loans		
	(Dollars in thousands)													
One- to four-family:														
Originated	$7,097	73.9	%	$5,719,076	87.3	%		$6,228	67.5	%	$5,410,140	86.0	%	
Purchased	1,569	16.3		503,742	7.7			2,323	25.2		561,890	8.9		
Multi-family and commercial	566	5.9		108,576	1.7			312	3.4		75,677	1.2		
Construction	65	0.8		86,168	1.3			123	1.3		106,791	1.7		
Consumer:														
Home equity	233	2.4		125,907	1.9			211	2.3		130,484	2.1		
Other consumer	71	0.7		4,233	0.1			30	0.3		4,537	0.1		
	$9,601	100.0	%	$6,547,702	100.0	%		$9,227	100.0	%	$6,289,519	100.0	%	

The following tables present ACL activity and selected ACL ratios for, or at, the periods presented. See "Note 4 - Loans Receivable and Allowance for Credit Losses" for additional information related to ACL activity by loan segment.

	For the Three Months Ended				
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	(Dollars in thousands)				
ACL beginning balance	$9,406	$9,297	$9,227	$9,082	$8,967
Charge-offs	(157)	(189)	(206)	(288)	(308)
Recoveries	29	23	103	6	116
Provision for credit losses	323	275	173	427	307
ACL ending balance	$9,601	$9,406	$9,297	$9,227	$9,082
ACL to loans receivable, net at end of period	0.15 %	0.15 %	0.15 %	0.15 %	0.15 %
ACL to non-performing loans at end of period	38.28	33.69	33.84	37.04	34.48
Ratio of net charge-offs during the period to average loans outstanding during the period	—	—	—	—	—
Ratio of net charge-offs during the period to average non-performing assets	0.41	0.51	0.34	0.97	0.62
ACL to net charge-offs (annualized)	18.7x	14.2x	22.6x	8.2x	11.8x

	For the Nine Months Ended	
	June 30, 2015	June 30, 2014
	(Dollars in thousands)	
ACL beginning balance	$9,227	$8,822
Charge-offs	(552)	(854)
Recoveries	155	132
Provision for credit losses	771	982
ACL ending balance	$9,601	$9,082
Ratio of net charge-offs during the period to average loans outstanding during the period	0.01 %	0.01 %
Ratio of net charge-offs during the period to average non-performing assets during the period	1.34	2.41
ACL to net charge-offs (annualized)	18.2x	9.4x

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 June 30, 2015. The weighted average life ("WAL") is the estimated remaining principal repayment term (in years) after three-month historical prepayment speeds and projected call option assumptions have been applied. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis. The decrease in the weighted average yield on the securities portfolio from September 30, 2014 to June 30, 2015 was due primarily to repayments of MBS with yields greater than the weighted average yield on the existing portfolio, as well as to investment securities representing a larger percentage of the overall securities portfolio at June 30, 2015. Generally, investment securities have a lower yield than MBS and a shorter WAL. Purchasing shorter-term agency debentures has been an on-going balance sheet strategy by management in anticipation of higher interest rates.

	June 30, 2015			March 31, 2015			September 30, 2014		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)								
Fixed-rate securities:									
MBS	$1,120,019	2.26 %	3.3	$1,173,186	2.32 %	3.6	$1,279,990	2.35 %	3.7
GSE debentures	600,376	1.13	2.3	579,731	1.12	2.0	554,811	1.06	2.9
Municipal bonds	39,505	1.91	3.1	37,828	1.96	3.1	38,874	2.29	2.8
Total fixed-rate securities	1,759,900	1.87	3.0	1,790,745	1.93	3.1	1,873,675	1.97	3.4
Adjustable-rate securities:									
MBS	431,238	2.22	5.3	459,489	2.25	5.9	506,089	2.24	5.4
Trust preferred securities	2,351	1.54	22.0	2,346	1.53	22.2	2,493	1.49	22.7
Total adjustable-rate securities	433,589	2.21	5.4	461,835	2.24	6.0	508,582	2.24	5.5
Total securities portfolio	$2,193,489	1.93	3.4	$2,252,580	1.99	3.7	$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.

	June 30, 2015	September 30, 2014
	(Dollars in thousands)	
Federal National Mortgage Association ("FNMA")	$940,763	$1,052,464
Federal Home Loan Mortgage Corporation ("FHLMC")	502,393	598,153
Government National Mortgage Association	122,028	151,930
	$1,565,184	$1,802,547

Mortgage-Backed Securities - The balance of MBS, which primarily consists of securities of U.S. GSEs, decreased $237.4 million from $1.80 billion at September 30, 2014 to $1.57 billion at June 30, 2015. 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 decrease in the weighted average yield on the MBS portfolio from September 30, 2014 to June 30, 2015 was due primarily to repayments of MBS with yields greater than the weighted average yield on the existing portfolio. The beginning and ending WAL is the estimated remaining principal repayment term (in years) after three-month historical prepayment speeds have been applied. Fixed-rate MBS purchased during the current fiscal year were generally comprised of loans with contractual terms-to-maturity of 15 years or less to help mitigate exposure to rising interest rates.

	For the Three Months Ended											
	June 30, 2015			March 31, 2015			December 31, 2014			September 30, 2014		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)											
Beginning balance - carrying value	$1,648,046	2.30%	4.3	$1,711,231	2.32%	4.5	$1,802,547	2.32%	4.2	$1,904,010	2.32%	4.4
Maturities and repayments	(100,538)			(86,156)			(89,795)			(100,521)		
Net amortization of (premiums)/discounts	(1,412)			(1,258)			(1,332)			(1,464)		
Purchases:												
Fixed	20,532	1.74	4.5	25,137	1.53	3.8	—	—	—	—	—	—
Change in valuation on AFS securities	(1,444)			(908)			(189)			522		
Ending 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

	For the Nine Months Ended					
	June 30, 2015			June 30, 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	(276,489)			(287,473)		
Net amortization of (premiums)/discounts	(4,002)			(4,210)		
Purchases:						
Fixed	45,669	1.62	4.1	129,002	1.73	3.8
Adjustable	—	—	—	21,737	1.92	5.2
Change in valuation on AFS securities	(2,541)			(2,754)		
Ending balance - carrying value	$1,565,184	2.25	3.9	$1,904,010	2.32	4.4

Investment Securities - Investment securities, which consist of U.S. GSE debentures (primarily issued by FNMA, FHLMC, or Federal Home Loan Banks) and municipal investments, increased $50.6 million, from $590.9 million at September 30, 2014 to $641.5 million at June 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 increase in the weighted average yield between September 30, 2014 and June 30, 2015 was due primarily to lower rate securities being called during the period. The beginning and ending WALs represent the estimated remaining principal repayment terms (in years) of the securities after projected call dates have been considered, based upon market rates at each date presented.

	For the Three Months Ended											
	June 30, 2015			March 31, 2015			December 31, 2014			September 30, 2014		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)											
Beginning balance - carrying value	$620,193	1.18%	2.2	$539,012	1.18%	2.9	$590,942	1.15%	3.0	$590,405	1.15%	3.4
Maturities and calls	(30,000)			(28,051)			(54,081)			(3,374)		
Net amortization of (premiums)/discounts	(52)			(68)			(95)			(87)		
Purchases:												
Fixed	52,379	1.31	3.1	105,212	1.16	1.7	810	1.22	5.0	4,702	1.57	5.2
Change in valuation on AFS securities	(988)			4,088			1,436			(704)		
Ending 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

	For the Nine Months Ended					
	June 30, 2015			June 30, 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	(112,132)			(286,275)		
Net amortization of (premiums)/discounts	(215)			(292)		
Purchases:						
Fixed	158,401	1.21	2.1	134,206	1.01	2.7
Change in valuation on AFS securities	4,536			2,484		
Ending balance - carrying value	$641,532	1.18	2.5	$590,405	1.15	3.4

Liabilities. Total liabilities were $7.70 billion at June 30, 2015 compared to $8.37 billion at September 30, 2014. The $667.7 million decrease was due primarily to a decrease in FHLB borrowings due to the removal of the entire daily leverage strategy at June 30, 2015 compared to having $800.0 million of the daily leverage strategy in place at September 30, 2014. This decrease was partially offset by a $157.9 million, or 4.5% annualized, increase in the deposit portfolio.

Deposits - Deposits were $4.81 billion at June 30, 2015 compared to $4.66 billion at September 30, 2014. The $157.9 million increase was due primarily to a $56.6 million increase in the checking portfolio and a $53.3 million increase in the retail certificate of deposit portfolio. We remain 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.

	June 30, 2015			March 31, 2015			September 30, 2014		
	Amount	Rate	% of Total	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)								
Noninterest-bearing checking	$188,127	— %	3.9 %	$187,139	— %	3.9 %	$167,045	— %	3.6 %
Interest-bearing checking	559,428	0.05	11.6	573,632	0.05	11.9	523,959	0.05	11.2
Savings	311,658	0.16	6.5	311,878	0.14	6.4	296,187	0.15	6.4
Money market	1,148,490	0.23	23.8	1,156,764	0.23	23.9	1,135,915	0.23	24.4
Retail certificates of deposit	2,285,046	1.27	47.5	2,279,154	1.26	47.1	2,231,737	1.22	47.9
Public units/brokered deposits	320,439	0.31	6.7	328,707	0.65	6.8	300,429	0.63	6.5
	$4,813,188	0.70	100.0 %	$4,837,274	0.71	100.0 %	$4,655,272	0.70	100.0 %

At June 30, 2015, public unit deposits totaled $320.4 million, compared to $258.6 million at September 30, 2014, and had a weighted average rate of 0.31% and an average remaining term to maturity of seven months. There were no brokered deposits at June 30, 2015 compared to $41.9 million at September 30, 2014. Management will continue to monitor the wholesale deposit market for attractive opportunities relative to the use of proceeds.

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

	Amount Due					
Rate range	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%	$830,161	$203,198	$10,804	$—	$1,044,163	0.53 %
1.00 – 1.99%	262,468	307,529	451,809	437,439	1,459,245	1.51
2.00 – 2.99%	92,149	7,483	158	1,718	101,508	2.51
3.00 – 3.99%	113	220	105	—	438	3.20
4.00 – 4.99%	131	—	—	—	131	4.40
	$1,185,022	$518,430	$462,876	$439,157	$2,605,485	1.15

Percent of total	45.5 %	19.9 %	17.8 %	16.8 %	
Weighted average rate	0.81	1.19	1.44	1.75	
Weighted average maturity (in years)	0.4	1.5	2.5	3.9	1.6
Weighted average maturity for the retail certificate of deposit portfolio (in years)					1.7

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	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	$ 180,642	$ 139,360	$ 326,045	$ 847,153	$ 1,493,200
Retail certificates of deposit of $100,000 or more	83,926	49,952	146,829	511,139	791,846
Public unit deposits of $100,000 or more	153,277	56,903	48,088	62,171	320,439
	$ 417,845	$ 246,215	$ 520,962	$ 1,420,463	$ 2,605,485

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 net impact of the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid and deferred gains related to interest rate swaps previously terminated. 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											
	June 30, 2015			March 31, 2015			December 31, 2014			September 30, 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	2.51 %	3.3	$2,795,000	2.55 %	3.0	$2,795,000	2.45 %	2.8	$2,795,000	2.53 %	2.9
Maturities and prepayments:												
FHLB advances	(100,000)	3.01		(250,000)	2.48		(250,000)	0.84		—	—	
Repurchase agreements	—	—		—	—		—	—		(100,000)	4.20	
New borrowings:												
FHLB advances	100,000	2.25	7.0	250,000	2.06	6.4	250,000	1.99	5.2	100,000	1.96	5.0
Ending 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

	For the Nine Months Ended					
	June 30, 2015			June 30, 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	(600,000)	1.88		(450,000)	3.90	
New borrowings:						
FHLB advances	600,000	2.06	6.0	400,000	2.45	6.6
Ending balance	$ 2,795,000	2.49	3.3	$ 2,795,000	2.53	2.9

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 June 30, 2015. In mid-July 2015, a $20.0 million repurchase agreement matured and was not renewed or replaced by another type of borrowing.

Maturity by Fiscal year	FHLB Advances Amount	Repurchase Agreements Amount	Total Amount	Contractual Rate		Effective Rate[1]	
	(Dollars in thousands)						
2015	$—	$20,000	$20,000	4.45	%	4.45	%
2016	575,000	—	575,000	2.29		2.91	
2017	500,000	—	500,000	2.69		2.72	
2018	200,000	100,000	300,000	2.90		2.90	
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	$220,000	$2,795,000	2.35		2.49	

(1) The effective rate includes the net impact of the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid and deferred gains related to interest rate swaps previously terminated.

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 June 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)											
September 30, 2015	$264,568	1.19	%	$153,277	0.14	%	$20,000	4.45	%	$437,845	0.97	%
December 31, 2015	189,312	0.74		56,903	0.23		200,000	1.94		446,215	1.21	
March 31, 2016	212,851	0.88		17,803	0.22		175,000	5.08		405,654	2.66	
June 30, 2016	260,023	1.00		30,285	0.45		100,000	3.17		390,308	1.51	
	$926,754	0.97		$258,268	0.20		$495,000	3.40		$1,680,022	1.57	

Stockholders' Equity. Stockholders' equity was $1.43 billion at June 30, 2015 compared to $1.49 billion at September 30, 2014. The $66.2 million decrease between periods was due primarily to the payment of $102.8 million in dividends and the repurchase of $27.4 million of common stock, partially offset by net income of $59.3 million. The $102.8 million in dividends paid during the current nine month period consisted of a $0.26 per share, or $35.5 million, 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 three regular quarterly dividends totaling $0.245 per share, or $33.4 million. The $33.9 million True Blue Capitol Dividend was funded by a $36.0 million capital distribution from the Bank to the holding company. On July 22, 2015, the Company declared a regular quarterly cash dividend of $0.085 per share, or approximately $11.4 million, payable on August 21, 2015 to stockholders of record as of the close of business on August 7, 2015.

At June 30, 2015, Capitol Federal Financial, Inc., at the holding company level, had $105.7 million on deposit at the Bank. For fiscal year 2015, 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. 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. For the quarter ending September 30, 2015, the amount presented does not represent the actual dividend payout, but rather management's estimate of the dividend announced on July 22, 2015.

	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	11,399	0.085	10,318	0.075	10,703	0.075
Quarter ended December 31			10,226	0.075	10,754	0.075
True-up dividends paid			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	$ 68,500	$ 0.505	$ 111,569	$ 0.810	$ 104,801	$ 0.730

The Company's current stock repurchase plan, which does not have an expiration date, is for $175.0 million of common stock, of which $15.7 million remained available as of July 29, 2015. The Company repurchased $23.8 million of shares during the current quarter at an average price of $12.02 per share, bringing share repurchases to $27.4 million at an average price of $12.01 per share for the nine months ended June 30, 2015. Subsequent to the end of the current quarter, through July 29, 2015, the Company repurchased an additional $3.4 million of shares at an average price of $12.06 per share, resulting in a total of 13,331,092 shares having been repurchased at an average price of $11.95 per share, or $159.3 million, since the inception of the current stock repurchase plan.

Operating Results

The following table presents selected income statement and other information for the quarters indicated.

	For the Three Months Ended				
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	(Dollars in thousands, except per share data)				
Interest and dividend income:					
Loans receivable	$58,922	$58,198	$58,619	$58,405	$57,474
MBS	8,849	9,537	10,001	10,535	11,206
Investment securities	1,914	1,673	1,675	1,711	1,739
FHLB stock	3,132	3,076	3,181	2,678	1,452
Cash and cash equivalents	1,357	1,393	1,424	905	50
Total interest and dividend income	74,174	73,877	74,900	74,234	71,921
Interest expense:					
FHLB borrowings	17,072	17,198	16,988	16,217	14,826
Deposits	8,377	8,207	8,145	8,081	8,124
Repurchase agreements	1,712	1,693	1,731	1,963	2,773
Total interest expense	27,161	27,098	26,864	26,261	25,723
Net interest income	47,013	46,779	48,036	47,973	46,198
Provision for credit losses	323	275	173	427	307
Net interest income (after provision for credit losses)	46,690	46,504	47,863	47,546	45,891
Non-interest income	5,145	5,277	5,257	6,109	5,619
Non-interest expense	23,106	22,859	23,142	23,542	22,380
Income tax expense	9,127	9,688	9,506	9,903	9,147
Net income	$19,602	$19,234	$20,472	$20,210	$19,983
Efficiency ratio	44.30 %	43.91 %	43.42 %	43.53 %	43.19 %
Basic EPS	$0.14	$0.14	$0.15	$0.15	$0.14
Diluted EPS	0.14	0.14	0.15	0.15	0.14

Comparison of Operating Results for the Nine Months Ended June 30, 2015 and 2014

For the nine month period ended June 30, 2015, the Company recognized net income of $59.3 million, compared to net income of $57.5 million for the nine month period ended June 30, 2014. The $1.8 million, or 3.2%, increase in net income was due primarily to the daily leverage strategy. Net income attributable to the daily leverage strategy was $2.2 million during the current nine month period.

Net interest income increased $5.7 million, or 4.2%, from the prior year nine month period to $141.8 million for the current nine month period due primarily to the daily leverage strategy. The net interest margin decreased 32 basis points, from 2.04% for the prior year nine month period, to 1.72% for the current nine month period 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 nine month period, or three basis points higher than the prior year nine month period. This increase was primarily a result of a decrease in the cost of funds and an increase in the dividend rate received on FHLB stock between the two periods. 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 mostly offset by a decrease in market interest rates.

Interest and Dividend Income
The weighted average yield on total interest-earning assets decreased 53 basis points, from 3.24% for the prior year nine month period, to 2.71% for the current nine month period, while the average balance of interest-earning assets increased $2.08 billion from the prior year nine month period. The decrease in the weighted average yield and the increase in the average balance both 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 two basis points from the prior year nine month period, to 3.22%, and the average balance would have decreased $6.3 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 Nine Months Ended June 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$175,739	$171,539	$4,200	2.4 %
MBS	28,387	34,765	(6,378)	(18.3)
Investment securities	5,262	5,674	(412)	(7.3)
FHLB stock	9,389	3,877	5,512	142.2
Cash and cash equivalents	4,174	157	4,017	2,558.6
Total interest and dividend income	$222,951	$216,012	$6,939	3.2

The increase in interest income on loans receivable was due to a $283.2 million 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 portfolio decreased eight basis points, from 3.78% for the prior year nine month period, to 3.70% for the current nine month period. The decrease in the weighted average yield was due primarily to adjustable-rate loans, endorsements, and refinances repricing to lower rates.

The decrease in interest income on MBS and investment securities was due primarily to a decrease in the average balance of each portfolio as cash flows not reinvested in the portfolios were used largely to fund loan growth. The average balance of the MBS portfolio decreased $287.2 million and the average balance of the investment securities portfolio decreased $74.0 million between the two periods. Additionally, the weighted average yield on the MBS portfolio decreased 10 basis points, from 2.36% during the prior year nine month period, to 2.26% for the current nine month period. The decrease in the weighted average yield on the MBS portfolio was due primarily to repayments of

MBS with yields greater than the weighted average yield on the existing portfolio, and to an increase in the impact of net premium amortization. Net premium amortization was $4.0 million during the current nine month period, which decreased the weighted average yield on the portfolio by 32 basis points. During the prior year nine month period, $4.2 million of net premiums were amortized, which decreased the weighted average yield on the portfolio by 29 basis points. At June 30, 2015, the net balance of premiums/(discounts) on our portfolio of MBS was $15.6 million.

The increase in dividends received on FHLB stock was due primarily to an $83.9 million increase in the average balance of the portfolio as a result of the daily leverage strategy, as well as an increase in the FHLB dividend rate between the two periods. The increase in interest income on cash and cash equivalents was due primarily to a $2.07 billion increase in the average balance resulting mainly from the daily leverage strategy.

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Interest Expense

The weighted average rate paid on total interest-bearing liabilities decreased 30 basis points, from 1.43% for the prior year nine month period, to 1.13% for the current nine month period, while the average balance of interest-bearing liabilities increased $2.17 billion from the prior year nine month period 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 nine month period, to 1.37%, due primarily to a decrease in the cost of term borrowings. The average balance of interest-bearing liabilities would have increased $100.6 million due mainly to 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 Nine Months Ended June 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
FHLB borrowings	$51,258	$47,000	$4,258	9.1 %
Deposits	24,729	24,523	206	0.8
Repurchase agreements	5,136	8,319	(3,183)	(38.3)
Total interest expense	$81,123	$79,842	$1,281	1.6

The increase in interest expense on FHLB borrowings was due primarily to a $2.07 billion increase in the average balance on the FHLB line of credit as a result of the daily leverage strategy, partially offset by a 106 basis point decrease in the weighted average rate paid on FHLB borrowings. The decrease in the weighted average rate paid on the FHLB borrowings portfolio was primarily a result of borrowings on the FHLB line of credit, at an average rate of 0.25% for the current nine month period, in conjunction with the daily leverage strategy. Absent the impact of the daily leverage strategy, the average rate paid on FHLB borrowings would have decreased seven basis points from the prior year nine month period, to 2.46% for the current nine month period, primarily as 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 to the maturity of a $100.0 million agreement at 4.20% between periods. 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 nine month period of $771 thousand compared to a provision for credit losses during the prior year nine month period of $982 thousand. The $771 thousand provision for credit losses in the current nine month period takes into account net charge-offs of $397 thousand and loan growth. See "Financial Condition - Asset Quality" for additional information related to ACL activity.

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 Nine Months Ended June 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Retail fees and charges	$11,052	$11,056	$(4)	— %
Insurance commissions	2,059	2,589	(530)	(20.5)
Loan fees	1,071	1,221	(150)	(12.3)

BOLI	819	1,001	(182)	(18.2)
Other non-interest income	678	979	(301)	(30.7)
Total non-interest income	$ 15,679	$ 16,846	$ (1,167)	(6.9)

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. Management currently anticipates retail fees and charges earned will decrease approximately $100 thousand during the full fiscal year 2015 compared to the full fiscal year 2014, as opposed to our original estimate of a $1.3 million decrease. The change in our estimate is due primarily to higher than anticipated growth in our checking portfolio, resulting in higher than anticipated fee and debit card activity.

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 Nine Months Ended June 30,		Change Expressed in:	
	2015	2014	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 31,927	$ 32,379	$ (452)	(1.4)%
Information technology and communications	7,726	6,985	741	10.6
Occupancy, net	7,437	7,662	(225)	(2.9)
Federal insurance premium	4,092	3,264	828	25.4
Deposit and loan transaction costs	4,065	3,976	89	2.2
Regulatory and outside services	3,867	3,990	(123)	(3.1