Capitol Federal Financial Inc
Form 10-K
November 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2016
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 South Kansas Avenue, Topeka, Kansas	66603
(Address of principal executive offices)	(Zip Code)

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

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

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

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

the Act. (Check one):
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(do not check if smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ
The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, computed by reference to the average of the closing bid and asked price of such stock on the NASDAQ Stock Market as of March 31, 2016, was $1.79 billion.
As of November 22, 2016, there were issued and outstanding 137,883,847 shares of the Registrant's common stock.
DOCUMENTS INCORPORATED BY REFERENCE
Part III of Form 10-K - Portions of the proxy statement for the Annual Meeting of Stockholders for the year ended September 30, 2016.

Private Securities Litigation Reform Act-Safe Harbor Statement

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

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

- our ability to maintain overhead costs at reasonable levels;
- our ability to originate and purchase a sufficient volume of one- to four-family loans in order to maintain the balance of that portfolio at a level desired by management;
- our ability to invest funds in wholesale or secondary markets at favorable yields compared to the related funding source;
- our ability to access cost-effective funding;
- fluctuations in deposit flows;
- the future earnings and capital levels of the Bank and the continued non-objection by our primary federal banking regulators, to the extent required, to distribute capital from the Bank to the Company, which could affect the ability of the Company to pay dividends in accordance with its dividend policy;
- 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;
- changes in real estate values, unemployment levels, and the level and direction of loan delinquencies and charge-offs may require changes in the estimates of the adequacy of the allowance for credit losses ("ACL"), which may adversely affect our business;
- increases in non-performing assets, which may require the Bank to increase the ACL, charge-off loans and incur elevated collection and carrying costs related to such non-performing assets;
- 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 effects of, and changes in, monetary and interest rate policies of the Board of Governors of the Federal Reserve System ("FRB");
- the effects of, and changes in, trade and fiscal policies and laws of the United States government;
- 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, borrowing and saving habits; and
- our success at managing the risks involved in our business.

1

This list of important factors is not all inclusive. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company or the Bank.

PART I

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

Item 1. Business

General

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

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

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

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

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

Available Information

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

2

Market Area and Competition

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

The Bank ranked third in deposit market share, at 6.23%, in the state of Kansas as reported in the June 30, 2016 FDIC "Summary of Deposits - Market Share Report." The first and second ranked institutions had a 15.06% and a 7.00% deposit market share, respectively. The institution with 15.06% of deposit market share is primarily an Internet-based institution with only one physical location in Kansas. Deposit market share is measured by total deposits, without consideration for type of deposit. We do not offer commercial deposit accounts, while many of our competitors have both commercial and retail deposits in their total deposit base. Some of our competitors also offer products and services that we do not, such as trust services and private banking, which may add to their total deposits. Consumers also have the ability to utilize online financial institutions and investment brokerages that are not confined to any specific market area. Management considers our well-established retail banking network together with our reputation for financial strength and customer service to be major factors in our success at attracting and retaining customers in our market areas.

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

Lending Practices and Underwriting Standards

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

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

Originated Loans

While the Bank originates both fixed- and adjustable-rate loans, our origination volume is dependent upon customer demand for loans in our market areas. Demand is affected by the local housing market, competition, and the interest rate environment. During fiscal years 2016 and 2015, the Bank originated and refinanced $663.3 million and $697.1 million of one- to four-family loans, respectively.

Correspondent Purchased Loans

The Bank purchases one- to four-family loans, on a loan-by-loan basis, from a select group of correspondent lenders. Loan purchases enable the Bank to attain geographic diversification in the loan portfolio. At September 30, 2016, the Bank had correspondent lending relationships in 28 states and the District of Columbia. During fiscal years 2016 and 2015, the Bank purchased $662.8 million and $651.0 million, respectively, of one- to four-family loans from correspondent lenders. We generally pay a premium of 0.50% to 1.0% of the loan balance to purchase these loans, and we pay 1.0% of the loan balance to purchase the servicing of these loans.

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

Bulk Purchased Loans
The Bank has also purchased one- to four-family loans from correspondent and nationwide lenders in bulk loan packages. The last bulk loan package purchased by the Bank was in August 2012. The Bank no longer purchases bulk loan packages. See "Part I, Item 1A. Risk Factors" for additional information regarding why the Bank no longer purchases bulk loan packages.

At September 30, 2016, $239.1 million, or 57% of the Bank's bulk purchased loan portfolio, are loans guaranteed by the seller. The Bank believes the seller has the financial ability to repurchase or replace loans if any loans were to become delinquent. The Bank has not experienced any losses with this group of loans since the loan package was purchased in August 2012.

The servicing rights associated with bulk purchased loans were generally retained by the lender/seller for the loans purchased from nationwide lenders. The servicing with nationwide lenders is governed by a servicing agreement, which outlines collection policies and procedures, as well as oversight requirements, such as servicer certifications attesting to and providing proof of compliance with the servicing agreement.

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

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

The underwriting standards for loans purchased from correspondent and nationwide lenders are generally similar to the Bank's internal underwriting standards. The underwriting of correspondent loans is performed by the Bank's underwriters. Our standard contractual agreement with the lender/seller includes recourse options for any breach of representation or warranty with respect to the loans purchased. The Bank did not request any lenders/sellers to repurchase loans for breach of representation during fiscal year 2016.

Adjustable-rate Mortgage ("ARM") Loans
ARM loans are offered with a three-year, five-year, or seven-year term to the initial repricing date. After the initial period, the interest rate for each ARM loan adjusts annually for the remainder of the term of the loan. Currently, the repricing index for loan originations and correspondent purchases is tied to London Interbank Offered Rates ("LIBOR"); however, other indices have been used in the past. Current adjustable-rate one- to four-family loans originated by the Bank generally provide for a specified rate limit or cap on the periodic adjustment to the interest rate, as well as a specified maximum lifetime cap and minimum rate, or floor. As a consequence of using caps, the interest rates on these loans may not be as rate sensitive as our cost of funds. Negative amortization of principal is not allowed. For three- and five-year ARM loans, borrowers are qualified based on the principal, interest, tax, and insurance payments at the initial interest rate plus the life of loan cap and the initial interest rate plus the first period cap, respectively. For seven-year ARM loans, borrowers are qualified based on the principal, interest, tax, and

insurance payments at the initial rate. After the initial three-, five-, or seven-year period, the interest rate resets annually and the new principal and interest payment is based on the new interest rate, remaining unpaid principal balance, and term of the ARM loan. Our ARM loans are not automatically convertible into fixed-rate loans; however, we do allow borrowers to pay an endorsement fee to convert an ARM loan to a fixed-rate loan. ARM loans can pose greater credit risks than fixed-rate loans, primarily because as interest rates rise, the borrower's payment also rises, increasing the potential for default. This specific type of risk is known as repricing risk.

Pricing

Our pricing strategy for one- to four-family 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 markets.

Mortgage Insurance

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

Repayment

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

Construction Lending

The Bank originates and purchases, from correspondent lenders, construction-to-permanent loans secured by one- to four-family residential real estate. At September 30, 2016, we had $39.4 million in construction-to-permanent one- to four-family loans outstanding representing approximately 1% of our total loan portfolio.

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

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

Loan Endorsement Program

In an effort to offset the impact of repayments and to retain our customers, existing loan customers, including customers whose loans were purchased from a correspondent lender, have the opportunity, for a cash fee, to endorse their original loan terms to current loan terms being offered. Customers whose loans have been sold to third parties, or have been delinquent on their contractual loan payments during the previous 12 months, or are currently in bankruptcy, are not eligible to participate in this program. The Bank does not solicit customers for this program, but considers it a valuable opportunity to retain customers who, based on our initial underwriting criteria, could likely obtain similar financing elsewhere. During fiscal years 2016 and 2015, the Bank endorsed $160.0 million and $121.6

million of one- to four-family loans, respectively.

Loan Sales
One- to four-family loans may be sold on a bulk basis for portfolio restructuring or on a flow basis as loans are originated to reduce interest rate risk and/or maintain a certain liquidity position. Loans originated by the Bank and purchased from correspondent lenders are generally eligible for sale in the secondary market. The Bank generally retains the servicing on these loans. ALCO determines the criteria upon which one- to four-family loans are to be classified as held-for-sale or held-for-investment. One- to four-family loans classified as held-for-sale are to be sold in accordance with policies set forth by ALCO. One- to four-family loans classified as held-for-investment are generally not sold unless a specific segment of the portfolio is identified for asset restructuring purposes. The Bank did not sell any one- to four-family loans during fiscal years 2016 or 2015.

Consumer Lending. The Bank offers a variety of secured consumer loans, including home equity loans and lines of credit, home improvement loans, auto loans, and loans secured by savings deposits. The Bank also originates a very limited amount of unsecured loans. The Bank does not originate any consumer loans on an indirect basis, such as contracts purchased from retailers of goods or services which have extended credit to their customers. All consumer loans are originated in the Bank's market areas. At September 30, 2016, our consumer loan portfolio totaled $127.6 million, or approximately 2% of our total loan portfolio.

The majority of our consumer loan portfolio is comprised of home equity lines of credit which have interest rates that can adjust monthly based upon changes in the Prime rate, up to a maximum of 18%. For a majority of the home equity lines of credit, the Bank has the first mortgage or the Bank is in the first lien position. Home equity lines of credit may be originated up to 90% of the value of the property securing the loan if no first mortgage exists, or up to 90% of the value of the property securing the loans if taking into consideration an existing first mortgage. Approximately 46%, or $48.8 million, of our home equity lines at September 30, 2016 require a payment of 1.5% of the outstanding loan balance per month, but have no stated term-to-maturity and no repayment period. Repaid principal may be re-advanced at any time, not to exceed the original credit limit of the loan. Approximately 53%, or $56.3 million, of our home equity lines at September 30, 2016 have a 7-year draw period, a 10-year repayment term, and typically a payment requirement of 1.5% of the outstanding loan balance per month during the draw period, with an amortizing payment during the repayment period. Repaid principal may be re-advanced at any time during the draw period, not to exceed the original credit limit of the loan. We also offer interest-only home equity lines of credit. These loans have a maximum term of 12 months and require monthly payments of accrued interest, and a balloon payment of unpaid principal at maturity. At September 30, 2016, approximately 1%, or $1.0 million, of our home equity lines were interest-only. Closed-end home equity loans, which totaled $17.2 million at September 30, 2016, may be originated up to 95% of the value of the property securing the loans if taking into consideration an existing first mortgage, or the lesser of up to $40 thousand or 25% of the value of the property securing the loan if no first mortgage exists. The term-to-maturity for closed-end home equity loans in the first lien position may be up to 10 years, or may be up to 20 years for loans in the second lien position. Other consumer loan terms vary according to the type of collateral and the length of the contract. Home equity loans, including lines of credit and closed-end loans, comprised approximately 97% of our consumer loan portfolio, or $123.3 million, at September 30, 2016; of that amount, 86% were adjustable-rate.

The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security in relation to the proposed loan amount.

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

Commercial Real Estate Lending. At September 30, 2016, the Bank's commercial real estate loans totaled $154.1 million, or approximately 2% of our total loan portfolio. Of this amount, $99.1 million were participation loans. Total undisbursed loan amounts related to commercial real estate loans were $193.4 million, resulting in a total commercial real estate loan concentration of $347.5 million at September 30, 2016.

During fiscal year 2016, the Bank entered into commercial real estate loan participations of $201.1 million, of which $34.9 million had been funded as of September 30, 2016. The Bank intends to continue to grow its commercial real estate loan portfolio through participations with correspondent lenders and other lead banks with which the Bank has commercial real estate lending relationships.

Our commercial real estate loans include a variety of property types, including hotels, office and retail buildings, senior housing facilities, and multi-family dwellings located in Texas, Missouri, Kansas, Colorado, Arkansas, California, and Montana. Our largest commercial real estate loan was $50.0 million at September 30, 2016, but no funds had been disbursed on this loan at September 30, 2016. The commercial real estate loan with the largest unpaid principal balance at September 30, 2016 was a loan for $24.5 million.

Underwriting
The Bank performs more extensive due diligence in underwriting commercial real estate loans than loans secured by one- to four-family residential properties due to the larger loan amounts, the more complex sources of repayment and the riskier nature of such loans. When participating in a commercial real estate loan, the Bank performs the same underwriting procedures as if the loan was being originated by the Bank. The primary source of repayment is funds from the operation of the subject property. For secondary sources of repayment, the Bank generally requires personal guarantees and also evaluates the real estate collateral.

When underwriting a commercial real estate loan, several factors are considered, such as the income producing potential of the property to support the debt service, cash equity provided by the borrower, the financial strength of the borrower, tenant and/or guarantor(s), managerial expertise of the borrower or tenant, feasibility studies from the borrower or an independent third party, the marketability of the property and our lending experience with the borrower. For non-owner occupied properties, the Bank has a pre-lease requirement, depending on the property type, and overall strength of the credit. Loans over $750 thousand must be approved by our ALCO while loans over $1.5 million must be approved by our Board of Directors.

For non-construction properties, the historical net operating income, which is the income derived from the operation of the property less all operating expenses, generally must be at least 1.25 times the required payments related to the outstanding debt (debt service coverage ratio) at the time of origination. For construction projects, the minimum debt service coverage ratio requirement of 1.25 applies to the projected cash flows, and the borrower must have successful experience with the construction and operation of properties similar to the subject property. As part of the underwriting process, the historical or projected cash flows are stressed under various scenarios to measure the viability of the project given adverse conditions.

Generally, our maximum LTV ratios conform to supervisory limits, including 65% for raw land, 75% for land development and 80% for commercial real estate loans. Full appraisals on properties securing these loans are performed by independent state certified fee appraisers. Additionally, the Bank has an independent third-party perform a review of each appraisal. The Bank generally requires at least 15% cash equity from the borrower for land acquisition, land development, and commercial real estate construction loans. For non-acquisition, development or construction loans, the equity may be from a combination of cash and the appraised value of the secured property.

Loan Terms
Commercial real estate loans generally have amortization terms of 15 to 30 years and maturities ranging from three to 20 years, which generally requires balloon payments of the remaining principal balance. The Bank has participated in a limited number of short-term loans with a maturity of three years or less. These loans are generally construction-only loans or land development loans that require interest-only payments for the entire term of the loan.

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

Additionally, the Bank may include covenants in the loan agreement that allow the Bank to take action when deterioration in the financial strength of the project is detected to potentially prevent the credit from becoming impaired. The covenants are specific to each loan agreement, based on factors such as the purpose of funds, the collateral type, and the financial strength of the project, the borrower and the guarantor, among other factors.

Monitoring of Risk
In order to monitor the adequacy of cash flows on income-producing properties with a principal balance of $1.5 million or more, the borrower is required to provide financial information annually, including borrower financial statements, subject property rental rates and income, maintenance costs, an update of real estate property tax and insurance payments, and personal financial information for the guarantor(s). The annual review process for loans with a principal balance of $1.5 million or more allows the Bank to monitor compliance with loan covenants and review the borrower's performance, including cash flows from operations, debt service coverage, and comparison of performance to projections and year-over-year performance trending. Additionally, the Bank performs a site visit, schedules a drive-by site visit or obtains an update from the lead bank to obtain information regarding the maintenance of the property and surrounding area. Depending on the financial strength of the project and/or the complexity of the borrower's financials, the Bank may also perform a global analysis of cash flows to account for all other properties owned by the borrower or guarantor. If signs of weakness are identified, the Bank may begin performing more frequent financial and/or collateral reviews or will initiate contact with the borrower, or the lead bank will contact the borrower if the loan is a participation loan, to ensure cash flows from operations are maintained at a satisfactory level to meet the debt requirements. Both macro-level and loan-level stress-test scenarios based on existing and forecasted market conditions are part of the on-going portfolio management process for the commercial real estate portfolio.

Commercial real estate construction lending generally involves a greater degree of risk than commercial real estate lending. Repayment of a construction loan is, to a great degree, dependent upon the successful and timely completion of the construction of the subject property. Construction delays, slower than anticipated stabilization or the financial impairment of the builder may negatively affect the borrower's ability to repay the loan. The Bank takes these risks into consideration during the underwriting process including the requirement of personal guarantees. The Bank mitigates the risk of commercial real estate construction lending during the construction period by monitoring inspection reports from an independent third-party, project budget, percentage of completion, on-site inspections and percentage of advanced funds.

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

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

	September 30,									
	2016		2015		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Per
	(Dollars in thousands)									
Real estate loans:										
One- to four-family:										
Originated	$4,005,615	57.6 %	$4,010,424	60.6 %	$3,978,342	63.8 %	$4,054,395	67.9 %	$4,032,530	71.
Correspondent purchased	2,206,072	31.7	1,846,210	27.9	1,431,745	23.0	1,044,127	17.5	575,502	10.
Bulk purchased	416,653	6.0	485,682	7.3	561,890	9.0	644,484	10.8	784,346	13.
Construction	39,430	0.6	29,552	0.4	33,378	0.5	27,649	0.5	18,464	0.3
Total	6,667,770	95.9	6,371,868	96.2	6,005,355	96.3	5,770,655	96.7	5,410,842	96.
Commercial:										
Permanent	110,768	1.6	109,314	1.6	75,677	1.2	50,358	0.8	48,623	0.9
Construction	43,375	0.6	11,523	0.2	21,465	0.3	7,328	0.1	10,967	0.2
Total	154,143	2.2	120,837	1.8	97,142	1.5	57,686	0.9	59,590	1.1
Total real estate loans	6,821,913	98.1	6,492,705	98.0	6,102,497	97.8	5,828,341	97.6	5,470,432	97.
Consumer loans:										
Home equity	123,345	1.8	125,844	1.9	130,484	2.1	135,028	2.3	149,321	2.7
Other	4,264	0.1	4,179	0.1	4,537	0.1	5,623	0.1	6,529	0.1
Total consumer loans	127,609	1.9	130,023	2.0	135,021	2.2	140,651	2.4	155,850	2.8
Total loans receivable	6,949,522	100.0%	6,622,728	100.0%	6,237,518	100.0%	5,968,992	100.0%	5,626,282	10(
Less:										
ACL	8,540		9,443		9,227		8,822		11,100	
Discounts/unearned loan fees	24,933		24,213		23,687		23,057		21,468	
Premiums/deferred costs	(41,975)		(35,955)		(28,566)		(21,755)		(14,369)	
Total loans receivable, net	$6,958,024		$6,625,027		$6,233,170		$5,958,868		$5,608,083	

The following table presents the contractual maturity of our loan portfolio, along with associated weighted average yields, at September 30, 2016. Loans which have adjustable or renegotiable interest rates are shown as maturing in the period during which the contract is due. The table does not reflect the effects of possible prepayments or enforcement of due on sale clauses.

	Real Estate						Consumer					
	One- to Four-Family		Commercial		Construction(2)		Home Equity(3)		Other		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yiel
	(Dollars in thousands)											
Amounts due:												
Within one year(1)	$1,614	3.65%	$16,424	3.49%	$63,876	3.75%	$1,733	5.54%	$522	3.66%	$84,169	3.74
After one year:												
Over one to two	10,231	4.89	4,487	4.04	16,261	4.03	301	5.08	655	6.37	31,935	4.37
Over two to three	10,851	4.70	3,167	5.25	2,668	3.73	368	5.83	551	3.83	17,605	4.65
Over three to five	24,427	4.30	8,324	4.30	—	—	1,759	6.23	2,408	3.73	36,918	4.35
Over five to ten	412,565	3.80	61,148	4.20	—	—	10,339	5.77	128	5.92	484,180	3.89
Over ten to fifteen	1,381,825	3.16	10,355	4.56	—	—	44,571	5.03	—	—	1,436,751	3.23
After fifteen years	4,786,827	3.61	6,863	4.26	—	—	64,274	4.77	—	—	4,857,964	3.63
Total due after one year	6,626,726	3.54	94,344	4.28	18,929	3.99	121,612	4.98	3,742	4.28	6,865,353	3.57
Totals loans	$6,628,340	3.54	$110,768	4.17	$82,805	3.81	$123,345	4.98	$4,264	4.20	6,949,522	3.57
Less:												
ACL											8,540	
Discounts/unearned loan fees											24,933	
Premiums/deferred costs											(41,975)	
Total loans receivable, net											$6,958,024	

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

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

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

10

The following table presents, as of September 30, 2016, the amount of loans due after September 30, 2017, and whether these loans have fixed or adjustable interest rates.

	Fixed	Adjustable	Total
	(Dollars in thousands)		
Real estate loans:			
One- to four-family	$5,461,030	$1,165,696	$6,626,726
Commercial	94,344	—	94,344
Construction	5,946	12,983	18,929
Consumer loans:			
Home equity	17,210	104,402	121,612
Other	1,094	2,648	3,742
Total	$5,579,624	$1,285,729	$6,865,353

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, participates in or purchases. Generally, 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.

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

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

For commercial real estate loans originated by the Bank, when a borrower fails to make a loan payment within 15 days after the due date, a late notice is mailed. If the loan becomes 30 days or more past due, the Bank begins collection efforts including sending legal notices for payment collection and contacting the borrower by telephone. The primary purpose of such contact is to notify the borrower of the past due payment in case the loan payment was misplaced or lost and to identify any changes in the project's income flow that may affect future loan performance. If it is determined that future loan performance may be adversely affected, the Bank initiates discussions with the borrower regarding plans to ensure cash flow from operations is sufficient to satisfy the debt requirements and meet the loan covenants. Generally, once a loan becomes 90 days delinquent, foreclosure procedures are initiated. For participation loans, the lead bank is responsible for all collection efforts and contact with the borrower. However, if the Bank does not receive an expected payment on a participation loan, the Bank contacts the lead bank to determine the cause of the late payment and to initiate discussions with the lead bank of collection efforts, as necessary. See "Lending Practices and Underwriting Standards – Commercial Real Estate Lending – Monitoring of Risk" for additional information.

Delinquent and non-performing loans and other real estate owned ("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 September 30, 2016, 2015, and 2014, approximately 75%, 75%, and 71%, respectively, were 59 days or less delinquent.

	Loans Delinquent for 30 to 89 Days at September 30,					
	2016		2015		2014	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
One- to four-family:						
Originated	143	$13,593	158	$16,955	138	$13,074
Correspondent purchased	9	3,329	8	2,344	9	2,335
Bulk purchased	21	5,008	32	7,259	37	7,860
Consumer:						
Home equity	36	635	32	703	33	770
Other	5	62	11	17	18	69
	214	$22,627	241	$27,278	235	$24,108
Loans 30 to 89 days delinquent to total loans receivable, net		0.33 %		0.41 %		0.39 %

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 other loans 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 five months before the properties were sold.

	September 30,									
	2016		2015		2014		2013		2012	
	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	73	$8,190	66	$6,728	82	$7,880	101	$8,579	86	$7,885
Correspondent purchased	3	985	1	394	2	709	5	812	5	722
Bulk purchased	28	7,323	36	8,898	28	7,120	34	9,608	43	10,447
Consumer:										
Home equity	26	520	24	497	25	397	29	485	19	369
Other	5	9	4	12	4	13	4	5	4	27
	135	17,027	131	16,529	141	16,119	173	19,489	157	19,450
Loans 90 or more days delinquent or in foreclosure as a percentage of total loans		0.24 %		0.25 %		0.26 %		0.33 %		0.35 %
Nonaccrual loans less than 90 Days Delinquent:(1)										
One- to four-family:										
Originated	70	$8,956	77	$9,004	67	$7,473	57	$5,833	77	$8,815
Correspondent purchased	9	2,786	1	25	4	553	2	740	4	686
Bulk purchased	1	31	1	82	5	724	2	280	10	2,405
Consumer:										
Home equity	12	328	12	295	2	45	6	101	22	456
Other	—	—	—	—	—	—	—	—	1	12
	92	12,101	91	9,406	78	8,795	67	6,954	114	12,374
Total non-performing loans	227	29,128	222	25,935	219	24,914	240	26,443	271	31,824
Non-performing loans as a percentage of total loans		0.42 %		0.39 %		0.40 %		0.44 %		0.57 %

13

	September 30,									
	2016		2015		2014		2013		2012	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)									
OREO:										
One- to four-family:										
Originated(2)	12	$692	29	$1,752	25	$2,040	28	$2,074	59	$5,374
Correspondent purchased	1	499	1	499	1	179	2	71	1	92
Bulk purchased	4	1,265	2	796	2	575	4	380	6	1,172
Consumer:										
Home equity	—	—	1	8	—	—	2	57	1	9
Other(3)	1	1,278	1	1,278	1	1,300	1	1,300	1	1,400
	18	3,734	34	4,333	29	4,094	37	3,882	68	8,047
Total non-performing assets	245	$32,862	256	$30,268	248	$29,008	277	$30,325	339	$39,871
Non-performing assets as a percentage of total assets		0.35 %		0.31 %		0.29 %		0.33 %		0.43 %

(1) Represents loans required to be reported as nonaccrual pursuant to regulatory reporting requirements, even if the loans are current. At September 30, 2016, 2015, 2014, 2013, and 2012, this amount was comprised of $2.3 million, $2.2 million, $1.1 million, $1.1 million, and $1.2 million, respectively, of loans that were 30 to 89 days delinquent and were reported as such, and $9.8 million, $7.2 million, $7.7 million, $5.9 million, and $11.2 million, respectively, of loans that were current.

(2) 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.

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

Once a one- to four-family loan is generally 180 days delinquent, a new collateral value is obtained through an appraisal, less estimated selling costs and anticipated PMI receipts. Any loss amounts identified as a result of this review are charged-off. At September 30, 2016, $13.7 million, or 83%, of the one-to four-family loans 90 or more days delinquent or in foreclosure had been individually evaluated for loss and any related losses have been charged-off.

The amount of interest income on nonaccrual loans and troubled debt restructurings ("TDRs") as of September 30, 2016 included in interest income was $1.9 million for the year ended September 30, 2016. The amount of additional interest income that would have been recorded on nonaccrual loans and TDRs as of September 30, 2016, if they had performed in accordance with their original terms, was $362 thousand for the year ended September 30, 2016.

The following table presents the states where the properties securing one percent or more of the total amount of 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 September 30, 2016. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. At September 30, 2016, 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	$3,739,675	56.4 %	$11,394	52.0 %	$8,341	50.6 %	70 %
Missouri	1,265,287	19.1	3,976	18.1	834	5.0	69
Texas	519,944	7.8	960	4.4	350	2.1	74
California	241,582	3.7	—	—	—	—	n/a
Tennessee	194,241	2.9	317	1.3	—	—	n/a
Alabama	108,702	1.6	561	2.6	—	—	n/a
Oklahoma	72,011	1.1	447	2.0	—	—	n/a
Georgia	66,030	1.0	1,285	5.9	361	2.2	84
North Carolina	63,293	1.0	277	1.3	1,248	7.6	39
Other states	357,575	5.4	2,713	12.4	5,364	32.5	67
	$6,628,340	100.0%	$21,930	100.0%	$16,498	100.0%	67

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

The following table presents the Company's TDRs, based on accrual status, at the dates indicated. At September 30, 2016, $15.5 million of TDRs were included in the ACL formula analysis model and $41 thousand of the ACL was related to these loans. The remaining $26.4 million of TDRs at September 30, 2016 were individually evaluated for loss and any potential losses have been charged-off.

	September 30,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Accruing TDRs	$23,177	$24,331	$24,636	$37,074	$36,316
Nonaccrual TDRs(1)	18,725	15,511	13,370	12,426	15,857
Total TDRs	$41,902	$39,842	$38,006	$49,500	$52,173

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

15

Impaired Loans. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. Interest income on impaired loans is recognized in the period collected unless the ultimate collection of principal is considered doubtful. The unpaid principal balance of loans reported as impaired at September 30, 2016, 2015, and 2014 was $58.9 million, $57.2 million, and $56.3 million, respectively. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1. Summary of Significant Accounting Policies and Note 4. Loans Receivable and Allowance for Credit Losses" for additional information related to impaired loans.

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

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

The following table sets forth the recorded investment in assets, classified as either special mention or substandard, as of September 30, 2016. At September 30, 2016, there were no loans classified as doubtful, and all loans classified as loss were fully charged-off. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 4. Loans Receivable and Allowance for Credit Losses" for additional information related to classified loans.

	Special Mention		Substandard	
	Number	Amount	Number	Amount
	(Dollars in thousands)			
One- to four-family:				
Originated	96	$10,242	254	$27,818
Correspondent purchased	7	2,496	17	5,168
Bulk purchased	6	1,156	43	11,480
Consumer Loans:				
Home equity	7	54	85	1,431
Other	1	8	6	16
Total loans	117	13,956	405	45,913
OREO:				
Originated	—	—	12	692
Correspondent purchased	—	—	1	499
Bulk purchased	—	—	4	1,265
Other	—	—	1	1,278

Total OREO	—	—	18	3,734
Trust preferred securities ("TRUPs")	—	—	1	1,756
Total classified assets	117	$13,956	424	$51,403

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. The ACL is maintained through provisions for credit losses which are either charged to or credited to income. Our ACL methodology considers a number of factors including the trend and composition of delinquent loans, trends in foreclosed property and short sale transactions and charge-off activity, the current status and trends of local and national employment levels, trends and current conditions in the real estate and housing markets, loan portfolio growth and concentrations, industry and peer charge-off information, and certain ACL ratios. For our commercial real estate portfolio, we also consider qualitative factors such as geographic locations, property types, tenant brand name, borrowing relationships, and lending relationships in the case of participation loans, among other factors. See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Allowance for Credit Losses" and "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1. Summary of Significant Accounting Policies" for a full discussion of our ACL methodology. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 4. Loans Receivable and Allowance for Credit Losses" for additional information on the ACL.

The Bank recorded a negative provision for credit losses during the current fiscal year of $750 thousand, compared to a provision for credit losses during the prior year fiscal year of $771 thousand. The negative provision for credit losses during the current fiscal year was due to the continued low level of net loan charge-offs, due partially to improving real estate values, along with improving delinquent loan ratios. The collateral value and historical loss factors within our ACL formula analysis model decreased during the current fiscal year due to the improvement in real estate values and reduction in net loan charge-offs. At September 30, 2016, loans 30 to 89 days delinquent were 0.33% of total loans and loans 90 or more days delinquent or in foreclosure were 0.24% of total loans. At September 30, 2015, loans 30 to 89 days delinquent were 0.41% of total loans and loans 90 or more days delinquent or in foreclosure were 0.25% of total loans.

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

	Year Ended September 30,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Balance at beginning of period	$9,443	$9,227	$8,822	$11,100	$15,465
Charge-offs:					
One- to four-family:					
Originated	(200)	(424)	(284)	(624)	(804)
Correspondent	—	(11)	(96)	(13)	(88)
Bulk purchased	(342)	(228)	(653)	(761)	(5,186)
Total	(542)	(663)	(1,033)	(1,398)	(6,078)
Consumer:					
Home equity	(83)	(29)	(103)	(252)	(330)
Other	(5)	(43)	(6)	(7)	(27)
Total	(88)	(72)	(109)	(259)	(357)
Total charge-offs	(630)	(735)	(1,142)	(1,657)	(6,435)
Recoveries:					
One- to four-family:					
Originated	77	56	1	14	14
Correspondent	—	—	—	—	2
Bulk purchased	374	58	64	398	8
Total	451	114	65	412	24
Consumer:					
Home equity	25	64	72	33	6
Other	1	2	1	1	—
Total	26	66	73	34	6
Total recoveries	477	180	138	446	30
Net charge-offs	(153)	(555)	(1,004)	(1,211)	(6,405)
Provision for credit losses	(750)	771	1,409	(1,067)	2,040
Balance at end of period	$8,540	$9,443	$9,227	$8,822	$11,100
Ratio of net charge-offs during the period to average loans outstanding during the period	— %	0.01 %	0.02 %	0.02 %	0.12 %
Ratio of net charge-offs during the period to average non-performing assets	0.48	1.87	3.38	3.45	16.49
ACL to non-performing loans at end of period	29.32	36.41	37.04	33.36	34.88
ACL to loans receivable, net at end of period	0.12	0.14	0.15	0.15	0.20
ACL to net charge-offs	55.8x	17.0x	9.2x	7.3x	1.7x (1)

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

charged-off for comparability purposes.

The distribution of our ACL at the dates indicated is summarized below. Included in bulk purchased loans are $239.1 million of loans, or 57% of the total bulk purchased loan portfolio, at September 30, 2016, for which the seller of the loans has guaranteed, and has the ability, to repurchase or replace any delinquent loans. The Bank has not experienced any losses on loans acquired from this seller as all delinquent loans have been repurchased by this seller since the loan package was purchased in fiscal year 2012. For the $177.6 million of bulk purchased loans at September 30, 2016 that do not have the above noted guarantee, the Bank has continued to experience a reduction in loan losses due to an improvement in collateral values. A large portion of these loans were originally interest-only loans with interest-only terms up to 10 years. All of the interest-only loans are now fully amortizing loans. Our correspondent purchased loans are purchased on a loan-by-loan basis from a select group of correspondent lenders and are underwritten by the Bank's underwriters based on underwriting standards that are generally the same as for our originated loans. The decrease in one- to four-family ACL from September 30, 2015 was due to improvements in collateral value and historical loss factors within our ACL formula analysis model, as well as to the continued low level of net loan charge-offs and delinquent loan ratios, partially offset by growth in the portfolio. The increase in the commercial real estate ACL was due primarily to growth in the portfolio during the current fiscal year.

	September 30, 2016		2015		2014		2013		2012	
	Amount of ACL	% of Loans to Total Loans	Amount of ACL	% of Loans to Total Loans	Amount of ACL	% of Loans to Total Loans	Amount of ACL	% of Loans to Total Loans	Amount of ACL	% of Loans to Total Loans
	(Dollars in thousands)									
Real estate loans:										
One- to four-family:										
Originated	$3,892	57.6 %	$4,833	60.6 %	$6,228	86.0 %	$5,748	84.8 %	$6,057	81.6 %
Correspondent purchased(1)	2,102	31.7	2,115	27.9	N/A	N/A	N/A	N/A	N/A	N/A
Bulk purchased	1,065	6.0	1,434	7.3	2,323	8.9	2,486	10.7	4,453	13.9
Construction	36	0.6	32	0.4	35	1.1	23	1.1	18	0.7
Total	7,095	95.9	8,414	96.2	8,586	96.0	8,257	96.6	10,528	96.2
Commercial:										
Permanent	774	1.6	604	1.6	312	1.2	172	0.8	196	0.9
Construction	434	0.6	138	0.2	88	0.6	13	0.2	22	0.2
Total	1,208	2.2	742	1.8	400	1.8	185	1.0	218	1.1
Total real estate loans	8,303	98.1	9,156	98.0	8,986	97.8	8,442	97.6	10,746	97.3
Consumer loans:										
Home equity	187	1.8	222	1.9	211	2.1	342	2.3	301	2.6
Other consumer	50	0.1	65	0.1	30	0.1	38	0.1	53	0.1
Total consumer loans	237	1.9	287	2.0	241	2.2	380	2.4	354	2.7
	$8,540	100.0%	$9,443	100.0%	$9,227	100.0%	$8,822	100.0%	$11,100	100.0%

(1) The disaggregation of data related to correspondent purchased loans is not available for years prior to fiscal year 2015. For these years, correspondent purchased amounts were combined with originated loans in the ACL formula analysis model.

Investment Activities

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

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

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

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

On a quarterly basis, management conducts a formal review of securities for the presence of an other-than-temporary impairment. Management assesses whether an other-than-temporary impairment is present when the fair value of a security is less than its amortized cost basis at the balance sheet date. For such securities, other-than-temporary impairment is considered to have occurred if the Company intends to sell the security, if it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, or if the present value of expected cash flows is not sufficient to recover the entire amortized cost. Management does not believe any other-than-temporary impairments existed at September 30, 2016.

Investment Securities. Our investment securities portfolio consists primarily of debentures issued by GSEs (primarily Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Home Loan Banks) and non-taxable municipal bonds. At September 30, 2016, our investment securities portfolio totaled $382.1 million. The portfolio consisted of securities classified as either HTM or AFS. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 3. Securities" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of

Operations – Financial Condition – Investment Securities" for additional information.

Our investment securities portfolio decreased $184.7 million from $566.8 million at September 30, 2015 to $382.1 million at September 30, 2016. The decrease in the balance was primarily a result of maturities and calls of $285.2 million, partially offset by purchases of $101.4 million. The cash flows from calls and maturities of investment securities that were not reinvested into the portfolio were used largely to fund loan growth. The purchases during fiscal year 2016 were fixed-rate and had a weighted average yield of 1.09% and a weighted average life ("WAL") of approximately 0.8 years at the time of purchase.

Mortgage-Backed Securities. At September 30, 2016, our MBS portfolio totaled $1.25 billion. The portfolio consisted of securities classified as either HTM or AFS and were primarily issued by GSEs. The principal and interest payments of MBS issued by GSEs are collateralized by the underlying mortgage assets with principal and interest payments guaranteed by the agencies. The underlying mortgage assets are conforming mortgages that comply with FNMA and FHLMC underwriting guidelines, as applicable, and are therefore not considered subprime. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 3. Securities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Mortgage-Backed Securities" for additional information.

Our MBS portfolio decreased $216.5 million from $1.46 billion at September 30, 2015 to $1.25 billion at September 30, 2016. During fiscal year 2016, $142.9 million of MBS were purchased, of which $42.8 million were fixed-rate and $100.1 million were adjustable-rate. The cash flows from MBS that were not reinvested into the portfolio were used largely to fund loan growth.

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

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

At September 30, 2016, the MBS portfolio included $184.8 million of collateralized mortgage obligations ("CMOs"). CMOs are special types of securities in which the stream of principal and interest payments on the underlying mortgages or MBS are used to create investment classes with different maturities and, in some cases, different amortization schedules, as well as a residual interest, with each such class possessing different risk characteristics. We do not purchase residual interest bonds.

While MBS issued by FNMA and FHLMC carry a reduced credit risk compared to whole mortgage loans, these securities remain subject to the risk that a fluctuating interest rate environment, along with other factors such as the geographic distribution of the underlying mortgage loans, may alter the prepayment rate of the underlying mortgage loans and consequently affect both the prepayment speed and value of the securities. As noted above, the Bank, on some transactions, pays a premium over par value on MBS purchased. Large premiums could cause significant negative yield adjustments due to accelerated prepayments on the underlying mortgages. The balance of net premiums on our portfolio of MBS at September 30, 2016 was $13.0 million.

The following table sets forth the composition of our investment and MBS portfolios as of the dates indicated. At September 30, 2016, our investment securities portfolio did not contain securities of any issuer with an aggregate book value in excess of 10% of our stockholders' equity, excluding those issued by GSEs.

	September 30,								
	2016			2015			2014		
	Carrying Value	% of Total	Fair Value	Carrying Value	% of Total	Fair Value	Carrying Value	% of Total	Fair Value
	(Dollars in thousands)								
AFS:									
GSE debentures	$347,038	65.8 %	$347,038	$526,620	69.4 %	$526,620	$549,755	65.4 %	$549,755
MBS	178,507	33.9	178,507	229,491	30.3	229,491	287,606	34.2	287,606
TRUPs	1,756	0.3	1,756	1,916	0.3	1,916	2,296	0.3	2,296
Municipal bonds	—	—	—	144	—	144	1,133	0.1	1,133
	527,301	100.0%	527,301	758,171	100.0%	758,171	840,790	100.0%	840,790
HTM:									
MBS	1,067,571	97.0 %	1,089,214	1,233,048	97.0 %	1,256,783	1,514,941	97.6 %	1,533,136
Municipal bonds	33,303	3.0	33,653	38,074	3.0	38,491	37,758	2.4	38,388
	1,100,874	100.0%	1,122,867	1,271,122	100.0%	1,295,274	1,552,699	100.0%	1,571,524
	$1,628,175		$1,650,168	$2,029,293		$2,053,445	$2,393,489		$2,412,314

The composition and maturities of the investment and MBS portfolio at September 30, 2016 are indicated in the following table by remaining contractual maturity, without consideration of call features or pre-refunding dates, along with associated weighted average yields. Yields on tax-exempt investments are not calculated on a fully taxable equivalent basis.

	1 year or less		More than 1 to 5 years		More than 5 to 10 years		Over 10 years		Total Securities		
	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Fair Value
	(Dollars in thousands)										
AFS:											
GSE debentures	$25,081	0.84%	$321,957	1.18%	$—	— %	$—	— %	$347,038	1.15%	$347,038
MBS	—	—	21,995	4.74	23,311	4.54	133,201	2.72	178,507	3.20	178,507
TRUPs	—	—	—	—	—	—	1,756	2.11	1,756	2.11	1,756
	25,081	0.84	343,952	1.40	23,311	4.54	134,957	2.71	527,301	1.83	527,301
HTM:											
MBS	—	—	69,756	2.71	388,995	2.02	608,820	1.95	1,067,571	2.02	1,089,214
Municipal bonds	5,196	2.00	22,152	1.62	5,955	1.69	—	—	33,303	1.69	33,653
	5,196	2.00	91,908	2.45	394,950	2.02	608,820	1.95	1,100,874	2.01	1,122,867
	$30,277	1.04	$435,860	1.62	$418,261	2.16	$743,777	2.09	$1,628,175	1.95	$1,650,168

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

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

The Board of Directors has authorized the utilization of brokers to obtain deposits as a source of funds. Depending on market conditions, the Bank may use brokered deposits to fund asset growth and gather deposits that may help to manage interest rate risk. No brokered deposits were acquired during fiscal year 2016 and there were no brokered deposits outstanding at September 30, 2016 or 2015.

The Board of Directors also has authorized the utilization of public unit deposits as a source of funds. In order to qualify to obtain such deposits, the Bank must have a branch in each county in which it collects public unit deposits and, by law, must pledge securities as collateral for all such balances in excess of the FDIC insurance limits. At September 30, 2016 and 2015, the balance of public unit deposits was $370.0 million and $312.4 million, respectively.

As of September 30, 2016, the Bank's policy allows for combined brokered and public unit deposits up to 15% of total deposits. At September 30, 2016, that amount was approximately 7% of total deposits.

Borrowings. We utilize borrowings when we desire additional capacity to fund loan demand or when they help us meet our asset and liability management objectives. Historically, our term borrowings have consisted primarily of FHLB advances. FHLB advances may be made pursuant to several different credit programs, each of which has its own interest rate, maturity, repayment, and embedded options, if any. All FHLB advances at September 30, 2016 were fixed-rate advances with no embedded options. The Bank supplements FHLB borrowings with repurchase agreements, wherein the Bank enters into agreements with Board approved counterparties to sell securities under agreements to repurchase them. These agreements are recorded as financing transactions as the Bank maintains effective control over the transferred securities. The Bank's internal policy limits total borrowings to 55% of total assets.

During fiscal year 2016, the Bank continued to utilize a leverage strategy ("daily leverage strategy") to increase earnings. The daily leverage strategy during the current fiscal year involved borrowing up to $2.10 billion on the Bank's FHLB line of credit, which was repaid at 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. Management can discontinue the use of the daily leverage strategy at any point in time.

At September 30, 2016, we had $2.38 billion of FHLB advances, at par, outstanding. Total FHLB borrowings are secured by certain qualifying loans pursuant to a blanket collateral agreement with FHLB. Per FHLB's lending guidelines, total FHLB borrowings cannot exceed 40% of Bank Call Report total assets without the pre-approval of FHLB senior management. In June 2016, the president of the FHLB renewed the approval of the increase in the Bank's borrowing limit to 55% of Bank Call Report total assets through July 2017. This approval was also in place throughout fiscal year 2016 as FHLB borrowings were in excess of 40% of Call Report total assets at certain points in time during the period due to the daily leverage strategy.

At September 30, 2016, repurchase agreements totaled $200.0 million, or approximately 2% of total assets. The Bank may enter into additional repurchase agreements as management deems appropriate, not to exceed 15% of total assets and subject to the internal policy limit on total borrowings of 55%. The securities underlying the agreements continue to be reported in the Bank's securities portfolio. At September 30, 2016, we had securities with a fair value of $224.1 million pledged as collateral on repurchase agreements. Repurchase agreements are made at mutually agreed upon terms between counterparties and the Bank. The use of repurchase agreements allows for the diversification of funding sources and the use of securities that were not being leveraged as collateral.

The following table sets forth certain information relating to the category of borrowings for which the average short-term balance outstanding during the period was at least 30% of stockholders' equity at the end of each period shown. The maximum balance, average balance, and weighted average contractual interest rate during the fiscal years shown reflect borrowings that were scheduled to mature within one year at any month-end during those years.

	2016	2015	2014
	(Dollars in thousands)		
FHLB Borrowings:			
Balance at end of period	$500,000	$1,100,000	$1,400,000
Maximum balance outstanding at any month-end during the period	2,600,000	2,700,000	2,700,000
Average balance	2,436,749	2,558,676	931,889
Weighted average contractual interest rate during the period	0.70 %	0.60 %	1.26 %
Weighted average contractual interest rate at end of period	2.69	0.69	0.84

Subsidiary Activities

At September 30, 2016, the Company had one wholly-owned subsidiary, the Bank. The Bank provides a full range of retail banking services through 47 banking offices serving primarily the metropolitan areas of Topeka, Wichita, Lawrence, Manhattan, Emporia and Salina, Kansas and portions of the metropolitan area of greater Kansas City. At September 30, 2016, the Bank had one wholly-owned subsidiary, Capitol Funds, Inc. At September 30, 2016, Capitol Funds, Inc. had one wholly-owned subsidiary, Capitol Federal Mortgage Reinsurance Company ("CFMRC"), which serves as a reinsurance company for the majority of the PMI companies the Bank uses in its normal course of operations. CFMRC stopped writing new business for the Bank in January 2010. Each wholly-owned subsidiary is reported on a consolidated basis.

Regulation and Supervision

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

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

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

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

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

As a federally chartered savings bank, the Bank is required to meet a Qualified Thrift Lender ("QTL") test. This test requires the Bank to have at least 65% of its portfolio assets, as defined by statute, in qualified thrift investments at month-end for 9 out of every 12 months on a rolling basis. Under an alternative test, the Bank's business must consist primarily of acquiring the savings of the public and investing in loans, while maintaining 60% of its assets in those assets specified in Section 7701(a)(19) of the Internal Revenue Code. Under either test, the Bank is required to maintain a significant portion of its assets in residential housing related loans and investments. An institution that fails to qualify as a QTL based upon one of these tests is immediately subject to certain restrictions on its operations, including a prohibition against capital distributions, except, with the prior approval of both the OCC and the FRB, as necessary to meet the obligations of a company controlling the institution. If the Bank fails the QTL test and does not regain QTL status within one year, or fails the test for a second time, the Company must immediately register as, and become subject to, the restrictions applicable to a bank holding company. The activities authorized for a bank holding company are more limited than are the activities authorized for a savings and loan holding company. Three years after failing the test, an institution must divest all investments and cease all activities not permissible for both a national bank and a savings association. Failure to meet the Qualified Thrift Lender test is a statutory violation subject to enforcement action. As of September 30, 2016, the Bank met the Qualified Thrift Lender test.

The Bank is subject to a 35% of total assets limit on non-real estate consumer loans, commercial paper and corporate debt securities, and a 20% limit on commercial non-mortgage loans. At September 30, 2016, the Bank had less than 1% of its assets in non-real estate consumer loans, commercial paper and corporate debt securities and less than 1% of its assets in commercial non-mortgage loans.

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

The Bank is subject to a statutory lending limit on aggregate loans to one person or a group of persons combined because of certain common interests. That limit is equal to 15% of our unimpaired capital and surplus, plus an additional 10% for loans fully secured by readily marketable collateral. At September 30, 2016, the Bank's lending limit under this restriction was $186.5 million. The Bank has no loans or loan relationships in excess of its lending limit.

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

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

Insurance of Accounts and Regulation by the FDIC. The DIF of the FDIC insures deposit accounts in the Bank up to applicable limits. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") permanently increased the maximum amount of deposit insurance for banks, savings institutions, and credit unions to $250 thousand per depositor.

Prior to July 1, 2016, the FDIC assessed deposit insurance premiums on each FDIC-insured institution quarterly based on annualized rates for one of four risk categories, applied to its assessment base. An institution's assessment base is equal to average consolidated total assets minus its average tangible equity (defined as Tier 1 capital). An institution with assets reported in its Call Report that have not exceeded $10 billion for at least four consecutive quarters and has been federally insured for at least five years is considered an established small institution and is assigned to one of four risk categories based on its capital, supervisory ratings, and other factors. The Bank is considered an established small institution. Well-capitalized institutions that were financially sound with only a few minor weaknesses were assigned to Risk Category I. Risk

Categories II, III and IV present progressively greater risks to the DIF. A range of initial base assessment rates applied to each Risk Category, adjusted downward based on unsecured debt issued by the institution and, except for an institution in Risk Category I, adjusted upward if the institution's brokered deposits exceed 10% of its domestic deposits, to produce total base assessment rates. Total base assessment rates ranged from 2.5 to 9 basis points for Risk Category I, 9 to 24 basis points for Risk Category II, 18 to 33 basis points for Risk Category III, and 30 to 45 basis points for Risk Category IV, all subject to further adjustment upward if the institution held more than a de minimis amount of unsecured debt issued by another FDIC-insured institution.

On April 26, 2016, the FDIC adopted a final rule that, effective July 1, 2016, changed the method of calculating assessments for established small institutions effective the quarter following the DIF reserve ratio reaching 1.15%, which occurred on June 30, 2016. Under the final rule, the FDIC established assessment rates for established small institutions based on an institution's weighted average CAMELS component ratings and certain financial ratios. The four risk categories noted above were eliminated. Total base assessment rates range from 1.5 to 16 basis points for institutions with CAMELS composite ratings of 1 or 2, 3 to 30 basis points for those with a CAMELS composite score of 3, and 11 to 30 basis points for those with CAMELS composite scores of 4 or 5, subject to certain adjustments. Assessment rates are expected to decrease in the future as the reserve ratio increases in specified increments to the 1.35% ratio required by the Dodd-Frank Act. Formerly, the required reserve ratio was 1.15%. For the fiscal year ended September 30, 2016, the Bank paid $4.5 million in FDIC premiums.

An institution that has reported on its Call Reports total assets of $10 billion or more for at least four consecutive quarters is considered a large institution and is assessed under a complex scorecard method employing many factors, including weighted average CAMELS ratings; a performance score; leverage ratio; ability to withstand asset-related stress; certain measures of concentration, core earnings, core deposits, credit quality, and liquidity; and a loss severity score and loss severity measure. Total base assessment rates for these institutions currently range from 1.5 to 40 basis points, subject to certain adjustments, and are expected to decrease in the future as the reserve ratio increases in specified increments.

The Dodd-Frank Act directs the FDIC to offset the effects of higher assessments due to the increase in the reserve ratio on established small institutions by charging higher assessments to large institutions. To implement this mandate, large and highly complex institutions must pay an annual surcharge of 4.5 basis points on their assessment base beginning July 1, 2016. If the DIF reserve ratio has not reached 1.35% by December 31, 2018, the FDIC plans to impose a shortfall assessment on large institutions on March 31, 2019. The FDIC may increase or decrease its rates by 2 basis points without further rule-making. In an emergency, the FDIC may also impose a special assessment.

Since established small institutions will be contributing to the DIF while the reserve ratio remains between 1.15% and 1.35% and the large institutions are paying a surcharge, the FDIC will provide assessment credits to the established small institutions for the portion of their assessments that contribute to the increase. When the reserve ratio reaches 1.38%, the FDIC will automatically apply an established small institution's assessment credits to reduce its regular deposit insurance assessments.

FDIC-insured institutions are required to pay additional quarterly assessments called the FICO assessments in order to fund the interest on bonds issued to resolve thrift failures in the 1980s. The rate for these assessments is adjusted quarterly and is applied to the same base as used for the deposit insurance assessment. These assessments are expected to continue until the bonds mature in the years 2017 through 2019. For the fiscal year ended September 30, 2016, the Bank paid $565 thousand in FICO assessments.

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

Regulatory Capital Requirements. The Bank and Company are required to maintain specified levels of regulatory capital under regulations of the OCC and FRB, respectively. The current regulatory capital rules, sometimes referred to as the Basel III rules, became effective for the Company and Bank in January 2016, with some rules being transitioned into full effectiveness over two-to-four years.

With respect to the Bank, the Basel III rules revised the "prompt corrective action" regulations, by (1) introducing a Common Equity Tier 1 ("CET1") ratio requirement at each level (other than critically under-capitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (2) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (compared to the previous 6%); and (3) eliminating the provision that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized.

Under the Basel III rules, an institution that is not an advanced approaches institution, such as the Company and the Bank, was allowed to make a one-time permanent election to continue to exclude certain AOCI items for the purpose of determining regulatory capital ratios. Management made this election in order to remove any volatility related to AOCI from the Company's and Bank's capital ratios. At September 30, 2016, the Bank had $5.9 million of AOCI.

Regulatory risk-weighted capital guidelines assign a certain risk weighting to every asset. Certain off-balance sheet items, such as binding loan commitments, are multiplied by credit conversion factors to translate the amounts into balance sheet equivalents before assigning them specific risk weightings. The risk weights for the Bank's and Company's assets and off-balance sheet items generally range from 0% to 150%. At September 30, 2016, the Bank and the Company each had risk-weighted assets of $4.34 billion.

For the quarter ended September 30, 2016, the Bank reported in its Call Report quarterly average assets of $11.31 billion and the Company reported to the FRB quarterly average assets of $11.31 billion. These average asset amounts are significantly higher than total assets at September 30, 2016 due the daily leverage strategy being in place during the quarter but not at September 30, 2016.

CET1 capital and Tier 1 capital for the Company and the Bank consists of common stock plus related surplus and retained earnings. Tier 2 capital for the Company and the Bank includes the balance of ACL; however, the amount of includable ACL in Tier 2 capital may be limited if the amount exceeds 1.25% of risk-weighted assets. At September 30, 2016, the Bank had $8.5 million of ACL, which was less than the 1.25% risk-weighted assets limit; therefore, the entire amount of ACL was includable in Tier 2 and total risk-based capital. Total capital for the Company and the Bank consists of common stock, plus related surplus and retained earnings (Tier 1 capital) plus the amount of includable ACL (Tier 2 capital).

Under the Basel III rules, the minimum capital ratios are as follows:

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

Basel III requires the Company and the Bank to maintain a capital conservation buffer above certain minimum capital ratios for capital adequacy purposes in order to avoid certain restrictions on capital distributions and other payments including dividends, share repurchases, and certain compensation. This requirement became effective January 1, 2016, and is being phased in over a four year period by increasing the required buffer amount by 0.625% each year. Once fully phased-in, the organization must maintain a balance of CET1 capital that exceeds by more than 2.5% each of the minimum risk-based capital ratios in order to satisfy the requirement. This translates into the following for the risk-based capital ratios when the capital conservation buffer is fully phased in: (1) CET1 capital ratio of more than 7.0%, (2) Tier 1 capital ratio of more than 8.5%, and (3) Total capital (Tier 1 plus Tier 2) ratio of more than 10.5%. At September 30, 2016, the Bank and Company had capital greater than necessary to meet the capital conservation buffer requirement then in effect.

At September 30, 2016, the Bank was considered well capitalized under OCC regulations. See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 12. Regulatory Capital Requirements" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for additional regulatory capital information

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

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

Federal regulations state that any institution that fails to comply with its capital plan or has a CET1 risk-based capital ratio of less than 4.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a total risk-based capital ratio of less than 6.0%, or a leverage ratio of less than 3.0% is considered significantly undercapitalized and must be made subject to one or more additional specified actions and operating restrictions that may cover all aspects of its operations and may include a forced merger or acquisition of the institution. An institution with tangible equity to total assets of less than 2.0% is critically undercapitalized and becomes subject to further mandatory restrictions on its operations. The OCC generally is authorized to reclassify an institution into a lower capital category and impose the restrictions applicable to such category if the institution is engaged in unsafe or unsound practices or is in an unsafe or unsound condition. The imposition by the OCC of any of these measures on the Bank may have a substantial adverse effect on its operations and profitability. In general, the FDIC must be appointed receiver for a critically undercapitalized institution whose capital is not restored within the time provided. When the FDIC as receiver liquidates an institution, the claims of depositors and the FDIC as their successor (for deposits covered by FDIC insurance) have priority over other unsecured claims against the institution.

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

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

Bank Secrecy Act /Anti-Money Laundering Laws. The Bank is subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001. These laws and regulations require the Bank to implement policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity and source of deposits and wealth of its customers. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing mergers and acquisitions.

Stress Testing. As required by the Dodd-Frank Act and the regulations of the FRB and the OCC, FDIC-insured institutions and their holding companies with average total consolidated assets greater than $10 billion must conduct annual, company-run stress tests under the baseline, adverse and severely adverse scenarios provided by the federal banking regulators. For this purpose, average total consolidated assets means the average, as of the end of the four most recent consecutive quarterly periods, of total consolidated assets reported in the Call Report or quarterly report to the FRB. The regulators may also require the use of additional scenarios. The stress test is a process to assess the potential impact of scenarios on the consolidated earnings, losses and capital of an institution over the planning horizon, taking into account the institution's condition, risks, exposures, strategies and activities. The purpose of the stress tests is to ensure that institutions have robust, forward-looking capital planning that accounts for their risks and to help ensure that institutions have sufficient capital throughout times of economic and financial stress. The Company and the Bank are not subject to this requirement as their average total consolidated assets for this purpose are not greater than $10 billion.

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

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

Federal Reserve System. The FRB requires all depository institutions to maintain reserves at specified levels against their transaction accounts, primarily checking accounts. At September 30, 2016, the Bank was in compliance with these reserve requirements. The Bank is authorized to borrow from the Federal Reserve Bank "discount window." An eligible institution need not exhaust other sources of funds before going to the discount window, nor are there restrictions on the purposes for which the borrower can use primary credit. At September 30, 2016, the Bank had no outstanding borrowings from the discount window.

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

As a member, the Bank is required to purchase and maintain capital stock in FHLB. The minimum required FHLB stock amount is generally 4.5% of the Bank's FHLB advances and outstanding balance against the FHLB line of credit, and 2% of the outstanding principal of loans sold into the Mortgage Partnership Finance program. At September 30, 2016, the Bank had a balance of $110.0 million in FHLB stock, which was in compliance with this requirement. In past years, the Bank has received dividends on its FHLB stock, although no assurance can be given that these dividends will continue. On a quarterly basis, management conducts a review of FHLB to determine whether an other-than-temporary impairment of the FHLB stock is present. At September 30, 2016, management concluded there was no such impairment.

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

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

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

Taxation

Federal Taxation

General

The Company and the Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The Company files a consolidated federal income tax return. The Company is no longer subject to federal income tax examination for fiscal years prior to 2013.

Method of Accounting

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

Minimum Tax

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

Net Operating Loss Carryovers

For federal income tax purposes, a financial institution may carryback net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. As of September 30, 2016, the Company had no net operating loss carryovers.

State Taxation

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

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

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

Employees

At September 30, 2016, we had a total of 676 employees, including 120 part-time employees. The full-time equivalent of our total employees at September 30, 2016 was 639. Our employees are not represented by any collective bargaining group. Management considers its employee relations to be good.

Executive Officers of the Registrant

John B. Dicus. Age 55 years. Mr. Dicus is Chairman of the Board of Directors, Chief Executive Officer, and President of the Bank and the Company. He has served as Chairman since January 2009 and Chief Executive Officer since January 2003. He has served as President of the Bank since 1996 and of the Company since its inception in March 1999. Prior to accepting the responsibilities of Chief Executive Officer, he served as Chief Operating Officer of the Bank and the Company. Prior to that, he served as the Executive Vice President of Corporate Services for the Bank for four years. He has been with the Bank in various other positions since 1985.

Kent G. Townsend. Age 55 years. Mr. Townsend serves as Executive Vice President and Chief Financial Officer of the Bank, its subsidiary, and the Company. Mr. Townsend also serves as Treasurer for the Company, Capitol Funds, Inc. and CFMRC. Mr. Townsend was promoted to Executive Vice President, Chief Financial Officer and Treasurer on September 1, 2005. Prior to that, he served as Senior Vice President, a position he held since April 1999, and Controller of the Company, a position he held since March 1999. He has served in similar positions with the Bank since September 1995. He served as the Financial Planning and Analysis Officer with the Bank for three years and other financial related positions since joining the Bank in 1984.

Rick C. Jackson. Age 51 years. Mr. Jackson serves as Executive Vice President, Chief Lending Officer and Community Development Director of the Bank and the Company. He also serves as the President of Capitol Funds, Inc., a subsidiary of the Bank and President of CFMRC. He has been with the Bank since 1993 and has held the position of Community Development Director since that time. He has held the position of Chief Lending Officer since February 2010.

Natalie G. Haag. Age 57 years. Ms. Haag serves as Executive Vice President and General Counsel of the Bank and the Company. Prior to joining the Bank in August of 2012, Ms. Haag was 2nd Vice President, Director of Governmental Affairs and Assistant General Counsel for Security Benefit Corporation and Security Benefit Life Insurance Company in Topeka, Kansas. Security Benefit provides retirement products and services, including annuities and mutual funds. Ms. Haag was employed by Security Benefit since 2003. The Security Benefit companies are not parents, subsidiaries or affiliates of the Bank or the Company.

Carlton A. Ricketts. Age 59 years. Mr. Ricketts serves as Executive Vice President, Chief Corporate Services Officer of the Bank and the Company. Prior to accepting those responsibilities in 2012, he served as Chief Strategic Planning Officer of the Bank, a position held since 2007.

Daniel L. Lehman. Age 51 years. Mr. Lehman serves as Executive Vice President, Chief Retail Operations Officer of the Bank and Company. Prior to accepting those responsibilities in 2016, he served as First Vice President and Accounting Director, a position held since 2003 and Controller, a position held since 2005.

Tara D. Van Houweling. Age 43 years. Ms. Van Houweling serves as First Vice President, Principal Accounting Officer and Reporting Director. She has been with the Bank and Company since 2003, has held the position of First Vice President and Reporting Director since 2003, and Principal Accounting Officer since 2005.

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

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

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

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

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

In addition to general changes in interest rates, changes that affect the shape of the yield curve could negatively impact the Bank. The Bank's interest-bearing liabilities are generally priced based on short-term interest rates while the majority of the Bank's interest-earning assets are priced based on long-term interest rates. Income for the Bank is primarily driven by the spread between these rates. As a result, a steeper yield curve, meaning long-term interest rates are significantly higher than short-term interest rates, would provide the Bank with a better opportunity to increase net interest income. When the yield curve is flat, meaning long-term interest rates and short-term interest rates are essentially the same, or when the yield curve is inverted, meaning long-term interest rates are lower than short-term interest rates, the yield between interest-earning assets and interest-bearing liabilities that reprice is compressed or diminished and would likely negatively impact the Bank's net interest income. See "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for additional information about the Bank's interest rate risk management.

33

The occurrence of any failure, breach or interruption in our information systems or those of our service providers could damage our reputation, cause losses, increase our expenses and result in a loss of customers, cause an increase in regulatory scrutiny or expose us to civil litigation and possibly financial liability.
Information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger, our deposits and our loans. In the normal course of our business, we collect, process, retain and transmit (by email and other electronic means) sensitive and confidential information regarding our customers, employees and others. We also outsource certain aspects of our data processing to third-party service providers. In addition to confidential information regarding our customers, employees and others, we, and in some cases a third party, compile, process, transmit and store proprietary, non-public information concerning our business, operations, plans and strategies.

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

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

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

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

Furthermore, there has recently been heightened legislative and regulatory focus on privacy, data protection and information security. New or revised laws and regulations may significantly impact our current and planned privacy, data protection and information security-related practices, the collection, use, sharing, retention and safeguarding of consumer and employee information, and current or planned business activities. Compliance with current or future privacy, data protection and information security laws could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial condition or results of operations.

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

Additionally, we have a concentration of loans secured by property located in Kansas and Missouri due to our lending practices. Approximately 57% of our loan portfolio is comprised of loans secured by property located in Kansas, and approximately 19% is comprised of loans secured by property located in Missouri. This makes us vulnerable to a downturn in local economies and real estate markets. We monitor the current status and trends of local and national employment levels and trends and current conditions in the real estate and housing markets in our local market areas. Adverse conditions in these local economies such as inflation, unemployment, recession, natural disasters, or other factors beyond our control, could impact the ability of our borrowers to repay their loans. Decreases in local real estate values could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Currently, there is not a single employer or industry in the area on which the majority of our customers are dependent. Additionally, correspondent loan purchases enable us to attain geographic diversification in our one- to four-family loan portfolio.

The increase in commercial real estate loans in our loan portfolio exposes us to increased lending and credit risks.
A growing portion of our loan portfolio consists of commercial real estate loans. These loan types tend to be larger than and in different geographic regions from most of our existing loan portfolio and are generally considered to have different and greater risks than one- to four-family residential real estate loans. Furthermore, these loan types can expose us to a greater risk of delinquencies, non-performing assets, loan losses, and future loan loss provisions than one- to four-family residential real estate loans because repayment of such loans often depends on the successful operations of a business or of the underlying property. Repayment of such loans may be affected by factors outside the borrower's control, such as adverse conditions in the real estate market, the economy, environmental factors or changes in government regulation. Also, there are risks inherent in commercial real estate construction lending as the value of the project is uncertain prior to the completion of construction and subsequent lease-up. A sudden downturn in the economy or other unforeseen events could result in stalled projects or collateral shortfalls, thus exposing us to increased credit risk. Additionally, a large portion of our commercial real estate loans were originated/participated in during the past three fiscal years, which makes it difficult to assess the future performance of these loans because of the borrower's relatively limited income history and loan payment history.

Our commercial real estate loans generally have significantly larger average loan balances compared to one- to four-family residential real estate loans and may involve multiple loans to groups of related borrowers. Our largest commercial real estate loan was $50.0 million at September 30, 2016, but no funds had been disbursed on this loan at September 30, 2016. The commercial real estate loan with the largest unpaid principal balance at September 30, 2016 was a loan for $24.5 million.

A growing commercial real estate loan portfolio subjects us to greater regulatory scrutiny. Regulatory agencies have observed that many commercial markets are experiencing substantial growth, and as a result, concentration levels of commercial loans have been rising at some institutions.

We regularly monitor the risks in our commercial real estate loan portfolio, including concentrations in such factors as geographic locations, property types, tenant brand name, borrowing relationships, and lending relationships in the case of participation loans, among other factors. We continually strive to maintain high underwriting standards, including selecting borrowers and guarantors that are financially sound and experienced in the industry, and selecting projects that meet the Bank's lending policies and risk appetite. For additional information regarding our commercial real estate underwriting and monitoring of risk, see "Part 1, Item 1. Business - Lending Practices and Underwriting Standards - Commercial Real Estate Lending."

We are heavily reliant on technology, and a failure to effectively implement technology initiatives or anticipate future technology needs or demands could adversely affect our business or performance.
Like most financial institutions, the Bank significantly depends on technology to deliver its products and other services and to otherwise conduct business. To remain technologically competitive and operationally efficient, the Bank invests in system upgrades, new technological solutions, and other technology initiatives. Many of these solutions and initiatives have a significant duration, are tied to critical information systems, and require substantial resources. Although the Bank takes steps to mitigate the risks and uncertainties associated with these solutions and initiatives, there is no guarantee that they will be implemented on time, within budget, or without negative operational or customer impact. The Bank also may not succeed in anticipating its future technology needs, the technology demands of its customers, or the competitive landscape for technology. If the Bank were to falter in any of these areas, it could have a material adverse effect on our business, financial condition or results of operations.

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

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

We operate in a highly regulated industry, which limits the manner and scope of our business activities and will continue to increase our operational and compliance costs.
We are subject to extensive regulation, supervision, and examination by the OCC, FRB, and the FDIC. These regulatory authorities exercise broad discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify assets, determine the adequacy of a bank's ACL, and determine the level of deposit insurance premiums assessed. The Dodd-Frank Act created the CFPB with broad powers to supervise and enforce consumer protection laws, including a wide range of consumer protection laws

that apply to all banks and savings institutions, like the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB also has examination and enforcement authority over all banks with regulatory assets exceeding $10 billion at four consecutive quarter-ends. The Bank has not exceeded $10 billion in regulatory assets at four consecutive quarter-ends, but it may at some point in the future. Smaller banks, like the Bank, will continue to be examined for compliance with the consumer laws and regulations of the CFPB by their primary bank regulators (the OCC, in the case of the Bank). The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws. Change in the authority and oversight of any of these agencies, whether in the form of regulatory policy, new regulations or legislation, or additional deposit insurance premiums, could have a material impact on our operations.

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

The Company's ability to pay dividends is subject to the ability of the Bank to make capital distributions to the Company.
The long-term ability of the Company to pay dividends to its stockholders is based primarily upon the ability of the Bank to make capital distributions to the Company, and also on the availability of cash at the holding company level in the event earnings are not sufficient to pay dividends.

Our risk-management and compliance programs and functions may not be effective in mitigating risk and loss.
We maintain an enterprise risk management program that is designed to identify, quantify, monitor, report, and control the risks that we face. These risks include: interest-rate, credit, liquidity, operations, reputation, compliance and litigation. We also maintain a compliance program to identify, measure, assess, and report on our adherence to applicable laws, policies and procedures. While we assess and improve these programs on an ongoing basis, there can be no assurance that our risk management or compliance programs, along with other related controls, will effectively mitigate all risk and limit losses in our business. If conditions or circumstances arise that expose flaws or gaps in our risk management or compliance programs, or if our controls do not function as designed, the performance and value of our business could be adversely affected.

Item 1B. Unresolved Staff Comments
None.
Item 2. Properties
At September 30, 2016, we had 37 traditional branch offices and 10 in-store branch offices. The Bank owns the office building and related land in which its home office and executive offices are located, and 28 of its other branch offices. The remaining 18 branches are either leased or partially owned.

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

Management believes that our current facilities are adequate to meet our present and immediately foreseeable needs. However, we will continue to monitor customer growth and expand our branching network, if necessary, to serve our customers' needs.
Item 3. Legal Proceedings
The Company and the Bank are involved as plaintiff or defendant in various legal actions arising in the normal course of business. In our opinion, after consultation with legal counsel, we believe it unlikely that such pending legal actions will have a material adverse effect on our financial condition, results of operations or liquidity.
Item 4. Mine Safety Disclosures

None.

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

Stock Listing
Capitol Federal Financial, Inc. common stock is traded on the Global Select tier of the NASDAQ Stock Market under the symbol "CFFN". At November 22, 2016, there were approximately 9,816 Capitol Federal Financial, Inc. stockholders of record.

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

FISCAL YEAR 2016	HIGH	LOW	DIVIDENDS
First Quarter	$13.36	$11.82	$ 0.335
Second Quarter	13.47	11.39	0.085
Third Quarter	13.95	12.70	0.335
Fourth Quarter	14.49	13.52	0.085

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

Share Repurchases
On October 28, 2015, the Company announced a stock repurchase plan for up to $70.0 million of common stock. The plan does not have an expiration date. Since the Company completed its second-step conversion in December 2010, $368.0 million worth of shares have been repurchased.

The following table summarizes our share repurchase activity during the three months ended September 30, 2016 and additional information regarding our share repurchase program.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
July 1, 2016 through July 31, 2016	—	$ ——		$70,000,000
August 1, 2016 through August 31, 2016	—	—	—	70,000,000
September 1, 2016 through September 30, 2016	—	—	—	70,000,000
Total	—	—	—	70,000,000

Stockholders and General Inquiries

Copies of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 are available at no charge to stockholders upon request. Please direct requests or inquiries to: James D. Wempe, Director, Investor Relations, 700 South Kansas Avenue, Topeka, KS 66603, (785) 270-6055, or jwempe@capfed.com.

Stockholder Return Performance Presentation

The information presented below assumes $100 invested on September 30, 2011 in the Company's common stock and in each of the indices, and assumes the reinvestment of all dividends. Historical stock price performance is not necessarily indicative of future stock price performance.

	Period Ending					
Index	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016
Capitol Federal Financial, Inc.	100.00	117.28	132.56	136.61	149.93	185.54
NASDAQ Composite	100.00	130.53	160.26	193.28	201.01	234.02
SNL U.S. Bank & Thrift	100.00	141.29	183.82	216.65	221.18	228.69

Source: SNL Financial LC

Restrictions on the Payments of Dividends

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

Item 6. Selected Financial Data

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

	September 30,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Selected Balance Sheet Data:					
Total assets	$9,267,247	$9,844,161	$9,865,028	$9,186,449	$9,378,304
Loans receivable, net	6,958,024	6,625,027	6,233,170	5,958,868	5,608,083
Securities:					
AFS	527,301	758,171	840,790	1,069,967	1,406,844
HTM	1,100,874	1,271,122	1,552,699	1,718,023	1,887,947
FHLB stock	109,970	150,543	213,054	128,530	132,971
Deposits	5,164,018	4,832,520	4,655,272	4,611,446	4,550,643
FHLB borrowings	2,372,389	3,270,521	3,369,677	2,513,538	2,530,322
Repurchase agreements	200,000	200,000	220,000	320,000	365,000
Stockholders' equity	1,392,964	1,416,226	1,492,882	1,632,126	1,806,458

	For the Year Ended September 30,				
	2016	2015	2014	2013	2012
	(Dollars and counts in thousands, except per share amounts)				
Selected Operations Data:					
Total interest and dividend income	$301,113	$297,362	$290,246	$298,554	$328,051
Total interest expense	108,931	107,594	106,103	120,394	143,170
Net interest and dividend income	192,182	189,768	184,143	178,160	184,881
Provision for credit losses	(750)	771	1,409	(1,067)	2,040
Net interest and dividend income after provision for credit losses	192,932	188,997	182,734	179,227	182,841
Retail fees and charges	14,835	14,897	14,937	15,342	15,915
Other non-interest income	8,477	6,243	8,018	7,947	8,318
Total non-interest income	23,312	21,140	22,955	23,289	24,233
Salaries and employee benefits	42,378	43,309	43,757	49,152	44,235
Other non-interest expense	51,927	51,060	46,780	47,795	46,840
Total non-interest expense	94,305	94,369	90,537	96,947	91,075
Income before income tax expense	121,939	115,768	115,152	105,569	115,999
Income tax expense	38,445	37,675	37,458	36,229	41,486
Net income	$83,494	$78,093	$77,694	$69,340	$74,513
Basic earnings per share	$0.63	$0.58	$0.56	$0.48	$0.47
Average basic shares outstanding	133,045	135,384	139,440	144,847	157,913
Diluted earnings per share	$0.63	$0.58	$0.56	$0.48	$0.47
Average diluted shares outstanding	133,176	135,409	139,442	144,848	157,916

	2016	2015	2014	2013	2012
Performance Ratios:					
Return on average assets	0.88 % (1)	0.83 % (1)	0.85 % (1)	0.75 %	0.79 %
Return on average equity	5.78 (1)	5.13 (1)	4.97 (1)	4.14	3.93
Dividends paid per share	$0.84	$0.84	$0.98	$1.00	$0.40
Dividend payout ratio	133.86 %	146.19 %	177.84 %	211.75 %	85.58 %
Operating expense ratio	0.84	0.84	0.96	1.05	0.97
Efficiency ratio	43.76	44.74	43.72	48.13	43.55
Ratio of average interest-earning assets to average interest-bearing liabilities	1.13x	1.14x	1.18x	1.21x	1.24x
Net interest margin	2.10 % (1)	2.07 % (1)	2.07 % (1)	1.97 %	2.01 %
Interest rate spread information:					
Average during period	1.93 (1)	1.87 (1)	1.84 (1)	1.70	1.64
End of period	1.92	1.85	1.84	1.72	1.68
Asset Quality Ratios:					
Non-performing assets to total assets	0.35	0.31	0.29	0.33	0.43
Non-performing loans to total loans	0.42	0.39	0.40	0.44	0.57
ACL to non-performing loans	29.32	36.41	37.04	33.36	34.88
ACL to loans receivable, net	0.12	0.14	0.15	0.15	0.20
Capital Ratios:					
Equity to total assets at end of period	15.0	14.4	15.1	17.8	19.3
Average equity to average assets	12.4	13.1	16.4	18.1	20.1
Company Tier 1 leverage ratio	12.3	12.6	N/A	N/A	N/A
Bank Tier 1 leverage ratio(2)	10.9	11.3	13.2	14.8	14.6
Other Data:					
Number of traditional offices	37	37	37	36	36
Number of in-store offices	10	10	10	10	10

(1) These ratios were adjusted to exclude the effects of the daily leverage strategy. This adjusted financial data is not presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The table below presents the ratios showing the financial results of the daily leverage strategy, along with GAAP financial ratios including the effects of the daily leverage strategy. Since the daily leverage strategy only involves assets and liabilities, there is no direct equity impact of the daily leverage strategy, outside of generating additional earnings. Therefore, the return on average equity of the daily leverage strategy is not applicable (N/A). Management believes it is important for comparability purposes to provide the financial ratios without the daily leverage strategy because of the unique nature of the daily leverage strategy. Management can discontinue the daily leverage strategy at any point in time.

	For the Year Ended September 30,					
	2016		2015		2014	
	Daily Leverage Strategy	Reported with Daily Leverage Strategy	Daily Leverage Strategy	Reported with Daily Leverage Strategy	Daily Leverage Strategy	Reported with Daily Leverage Strategy
Return on average assets	0.11 %	0.74 %	0.14 %	0.70 %	0.14 %	0.82 %
Return on average equity	N/A	5.95	N/A	5.32	N/A	5.00

Net interest margin	0.21	1.75	0.26	1.73	0.27	2.00
Average interest rate spread	0.22	1.63	0.26	1.59	0.27	1.79

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

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

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

The Company's results of operations are primarily dependent on net interest 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 stated maturities or repricing dates of less than two years.

Economic conditions in the Bank's local market areas have a significant impact on the ability of borrowers to repay loans and the value of the collateral securing these loans. The industries in our market areas are diversified, especially in the Kansas City metropolitan statistical area, which comprises the largest segment of our loan portfolio and deposit base. As of October 2016, the unemployment rate was 4.4% for Kansas and 5.1% for Missouri, compared to the national average of 4.9% 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 2016 estimates from Nielsen. The average household income in our combined market areas is approximately $70 thousand per annum, with 90% of the population at or above the poverty level, also based on the 2016 estimates from Nielsen. The FHFA price index for Kansas and Missouri has not experienced any significant fluctuations over the past several years which indicates relative stability in property values in our local market areas.

For fiscal year 2016, the Company recognized net income of $83.5 million, or $0.63 per share, compared to net income of $78.1 million, or $0.58 per share, for fiscal year 2015. The $5.4 million, or 6.9%, increase in net income was due primarily to a $2.4 million increase in net interest income and a $2.2 million increase in non-interest income, specifically bank-owned life insurance ("BOLI") income. The $2.4 million, or 1.3%, increase in net interest income from the prior fiscal year was due primarily to an $8.2 million decrease in interest expense on term borrowings, partially offset by a $4.7 million increase in interest expense on deposits. Additionally, the Bank recorded a negative provision for credit losses of $750 thousand in the current fiscal year compared to a provision for credit losses of $771 thousand in the prior fiscal year.

During fiscal year 2016, the Bank continued to utilize the daily leverage strategy to increase earnings. The daily leverage strategy during the current fiscal year involved borrowing up to $2.10 billion on the Bank's FHLB line of credit, which was repaid prior to each quarter end for regulatory purposes. The proceeds from the borrowings, net of the required FHLB stock holdings which yielded approximately 6% during the current fiscal year, were deposited at the Federal Reserve Bank of Kansas City. Net income attributable to the daily leverage strategy was $2.3 million during the current fiscal year, compared to $2.8 million for the prior fiscal year. The decrease was due to the average borrowings rate on the FHLB line of credit increasing more than the average yield earned on the cash balances held at the Federal Reserve Bank. The pre-tax yield of the daily leverage strategy, which is defined as the annualized pre-tax income resulting from the transaction as a percentage of the interest-earning assets associated with the transaction, was 0.16% for the current fiscal year. Management expects to continue this strategy in fiscal year 2017.

The net interest margin increased two basis points, from 1.73% for the prior fiscal year to 1.75% for the current fiscal year. Excluding the effects of the daily leverage strategy, the net interest margin would have increased three basis points, from 2.07% for the prior fiscal year to 2.10% for the current fiscal year. The increase in the net interest margin was due mainly to a decrease in interest expense on term borrowings, partially offset by an increase in interest expense on deposits. The positive impact on the net interest margin resulting from the shift in the mix of interest-earning assets from relatively lower yielding securities to higher yielding loans was offset by a decrease in the loan portfolio yield.

Total assets were $9.27 billion at September 30, 2016 compared to $9.84 billion at September 30, 2015. The $576.9 million decrease was due primarily to a $490.9 million decrease in cash and cash equivalents and a $40.6 million decrease in FHLB stock, both due primarily to the removal of the entire daily leverage strategy at September 30, 2016 compared to $700.0 million of the daily leverage strategy that remained in place at September 30, 2015. The entire $2.10 billion daily leverage strategy was reinstated on October 3, 2016. During the current fiscal year, management continued the strategy of moving cash flows from the relatively lower yield securities portfolio to the higher yield loans receivable portfolio resulting in a $401.1 million decrease in the securities portfolio and a $333.0 million increase in the loans receivable portfolio.

The loans receivable portfolio, net, increased to $6.96 billion at September 30, 2016, from $6.63 billion at September 30, 2015. The loan growth was mainly funded with cash flows from the securities portfolio. During the current fiscal year, the Bank originated and refinanced $772.9 million of loans with a weighted average rate of 3.55% and purchased $662.8 million of loans from correspondent lenders with a weighted average rate of 3.47%. During fiscal year 2016, we continued to expand our commercial real estate portfolio through loan participations with our correspondent lenders and other lead banks. The Bank entered into participations of $201.1 million of commercial real estate loans with a weighted average rate of 4.02% during the current fiscal year, of which $34.9 million was funded at September 30, 2016.

Total liabilities were $7.87 billion at September 30, 2016 compared to $8.43 billion at September 30, 2015. The $553.7 million decrease was due primarily to an $898.1 million decrease in FHLB borrowings, largely as a result of the removal of the entire daily leverage strategy at September 30, 2016, along with a $200.0 million decrease in term FHLB advances, partially offset by a $331.5 million increase in the deposit portfolio. The growth in deposits was primarily in the retail certificate of deposit, checking, and wholesale certificate of deposit portfolios, which increased $137.4 million, $75.6 million, and $57.6 million, respectively. Cash flows received from the deposit portfolio were used to pay off certain maturing FHLB advances.

Stockholders' equity was $1.39 billion at September 30, 2016 compared to $1.42 billion at September 30, 2015. The $23.3 million decrease was due primarily to the payment of $111.8 million in cash dividends, partially offset by net income of $83.5 million. Cash dividends paid during the current fiscal year totaled $0.84 per share.

Critical Accounting Policies

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

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

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

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

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

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

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

Fair Value Measurements. The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures in accordance with Accounting Standard Codification ("ASC") 820 and ASC 825. The Company groups its assets at fair value in three levels based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value, with Level 1 (quoted prices for identical assets in an active market) being considered the most reliable, and Level 3 having the most unobservable inputs and therefore being considered the least reliable. The Company bases its fair values on the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Company did not have any liabilities that were measured at fair value at September 30, 2016.

The Company's AFS securities are its most significant assets measured at fair value on a recurring basis. Changes in the fair value of AFS securities are recorded, net of tax, as AOCI in stockholders' equity. The Company primarily uses prices obtained from third party pricing services to determine the fair value of its securities. Various modeling techniques are used to determine pricing for the Company's securities, including option pricing, discounted cash flow models, and similar techniques. The inputs to these models may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. There is one security, with a balance of $1.8 million at September 30, 2016, in the AFS portfolio that has significant unobservable inputs requiring the independent pricing services to use some judgment in pricing the related securities. This AFS security is classified as Level 3. All other AFS securities are classified as Level 2.

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

Recent Accounting Pronouncements

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

Management Strategy

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

- Residential Portfolio Lending. We are one of the leading originators of one- to four-family loans in the state of Kansas. We originate these loans primarily for our own portfolio, and we service the loans we originate. We also purchase one- to four-family loans from correspondent lenders. We offer both fixed- and adjustable-rate products with various terms to maturity and pricing options. We maintain strong relationships with local real estate agents to attract mortgage loan business. We rely on our marketing efforts and customer service reputation to attract mortgage business from walk-in customers, customers that apply online, and existing customers.
- Retail Financial Services. We offer a wide array of deposit products and retail services. These products include checking, savings, money market, certificates of deposit, and retirement accounts. They are provided through a branch network of 47 locations, including traditional branches and retail in-store locations, our call center which operates on extended hours, mobile banking, and online banking and bill payment services.
- Cost Control. We generally are very effective at controlling our costs of operations. By using technology, we are able to centralize our loan servicing and deposit support functions for efficient processing. We have located our branches to serve a broad range of customers through relatively few branch locations. Our average deposit base per traditional branch at September 30, 2016 was approximately $122.0 million. This large average deposit base per branch helps to control costs. Our one- to four-family lending strategy and our effective management of credit risk allows us to service a large portfolio of loans at efficient levels because it costs less to service a portfolio of performing loans.
- Asset Quality. We utilize underwriting standards for our lending products that are designed to limit our exposure to credit risk. We require complete documentation for both originated and purchased loans, and make credit decisions based on our assessment of the borrower's ability to repay the loan in accordance with its terms.
- Capital Position. Our policy has always been to protect the safety and soundness of the Bank through credit and operational risk management, balance sheet strength, and sound operations. The end result of these activities has been a capital ratio in excess of the well-capitalized standards set by the OCC. We believe that maintaining a strong capital position safeguards the long-term interests of the Bank, the Company, and our stockholders.
- Stockholder Value. We strive to enhance stockholder value while maintaining a strong capital position. One way that we continue to provide returns to stockholders is through our dividend payments. Total dividends declared and paid during fiscal year 2016 were $111.8 million, including a $0.25 per share, or $33.3 million, True Blue® Capitol Dividend paid in June 2016. The Company's cash dividend payout policy is reviewed quarterly by management and the Board of Directors, and the ability to pay dividends under the policy depends upon a number of factors, including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company level. It is the intent of the Board of Directors to continue to pay regular quarterly and special cash dividends each year, and for fiscal year 2017, 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.
- Interest Rate Risk Management. Changes in interest rates are our primary market risk as our balance sheet is almost entirely comprised of interest-earning assets and interest-bearing liabilities. As such, fluctuations in interest rates have a significant impact not only upon our net income but also upon the cash flows related to those assets and liabilities and the market value of our assets and liabilities. In order to maintain what we believe to be acceptable levels of net interest income in varying interest rate environments, we actively manage our interest rate risk and assume a moderate amount of interest rate risk consistent with board policies.

Financial Condition

Assets. Total assets were $9.27 billion at September 30, 2016 compared to $9.84 billion at September 30, 2015. The $576.9 million decrease was due primarily to a $490.9 million decrease in cash and cash equivalents and a $40.6 million decrease in FHLB stock, both due primarily to the removal of the entire daily leverage strategy at September 30, 2016 compared to $700.0 million of the daily leverage strategy that remained in place at September 30, 2015.

Loans Receivable. Loans receivable, net, increased $333.0 million to $6.96 billion at September 30, 2016 from $6.63 billion at September 30, 2015. The growth in the loan portfolio was mainly funded with cash flows from the securities portfolio and was primarily in the correspondent one- to four-family purchased loan portfolio.

The following table presents the balance and weighted average rate of our loan portfolio as of the dates indicated. Within the one- to four-family loan portfolio at September 30, 2016, 60% of the loans had a balance at origination of less than $417 thousand.

	September 30, 2016		September 30, 2015	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Real estate loans:				
One- to four-family:				
Originated	$4,005,615	3.74%	$4,010,424	3.84%
Correspondent purchased	2,206,072	3.50	1,846,210	3.52
Bulk purchased	416,653	2.23	485,682	2.25
Construction	39,430	3.45	29,552	3.64
Total	6,667,770	3.56	6,371,868	3.63
Commercial:				
Permanent	110,768	4.16	109,314	4.15
Construction	43,375	4.13	11,523	3.82
Total	154,143	4.15	120,837	4.12
Total real estate loans	6,821,913	3.58	6,492,705	3.64
Consumer loans:				
Home equity	123,345	5.01	125,844	5.00
Other	4,264	4.21	4,179	4.03
Total consumer loans	127,609	4.99	130,023	4.97
Total loans receivable	6,949,522	3.60	6,622,728	3.66
Less:				
ACL	8,540		9,443	
Discounts/unearned loan fees	24,933		24,213	
Premiums/deferred costs	(41,975)		(35,955)	
Total loans receivable, net	$6,958,024		$6,625,027	

Loan Activity - The following tables summarize activity in the loan portfolio, along with weighted average rates where applicable, for the periods indicated, excluding changes in ACL, discounts/unearned loan fees, and premiums/deferred costs. Loans that were paid-off as a result of refinances are included in repayments. Loan endorsements are not included in the activity in the following tables because a new loan is not generated at the time of the endorsement. The endorsed balance and rate are included in the ending loan portfolio balance and rate. During the fiscal years ended September 30, 2016 and 2015, the Bank endorsed $160.0 million and $121.6 million of one- to four-family loans, respectively, reducing the average rate on those loans by 91 and 98 basis points, respectively.

	For the Three Months Ended							
	September 30, 2016		June 30, 2016		March 31, 2016		December 31, 2015	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)							
Beginning balance	$6,832,770	3.63%	$6,763,980	3.64%	$6,661,648	3.65%	$6,622,728	3.66%
Originated and refinanced:								
Fixed	176,534	3.31	155,179	3.52	117,205	3.65	157,447	3.67
Adjustable	48,608	3.53	44,319	3.61	35,495	3.77	38,117	3.74
Purchased and participations:								
Fixed	190,830	3.50	178,762	3.71	249,017	3.68	101,644	3.69
Adjustable	65,748	3.79	24,715	2.90	27,355	2.93	25,861	3.17
Change in undisbursed loan funds	(26,760)		(23,431)		(90,800)		(1,036)	
Repayments	(337,779)		(310,041)		(235,202)		(280,978)	
Principal (charge-offs) recoveries, net	(22)		119		(8)		(242)	
Other	(407)		(832)		(730)		(1,893)	
Ending balance	$6,949,522	3.60	$6,832,770	3.63	$6,763,980	3.64	$6,661,648	3.65

	For the Year Ended September 30,			
	2016		2015	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Beginning balance	$6,622,728	3.66%	$6,237,518	3.76%
Originations and refinances:				
Fixed	606,365	3.52	606,343	3.60
Adjustable	166,539	3.65	174,174	3.62
Purchases and participations:				
Fixed	720,253	3.64	551,028	3.60
Adjustable	143,679	3.36	160,331	3.25
Change in undisbursed loan funds	(142,027)		(38,564)	
Repayments	(1,164,000)		(1,061,868)	
Principal charge-offs, net	(153)		(555)	
Other	(3,862)		(5,679)	
Ending balance	$6,949,522	3.60	$6,622,728	3.66

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.

	For the Year Ended					
	September 30, 2016			September 30, 2015		
	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)					
Fixed-rate:						
One- to four-family:						
<= 15 years	$265,721	2.97%	16.2 %	$335,062	2.99%	22.4 %
> 15 years	871,669	3.67	53.3	785,290	3.83	52.6
Commercial real estate	184,153	4.01	11.2	32,580	3.86	2.2
Home equity	4,247	5.71	0.3	3,670	6.10	0.2
Other	828	8.73	0.1	769	8.07	0.1
Total fixed-rate	1,326,618	3.59	81.1	1,157,371	3.60	77.5
Adjustable-rate:						
One- to four-family:						
<= 36 months	4,980	2.58	0.3	6,871	2.61	0.5
> 36 months	183,697	2.90	11.2	220,886	2.98	14.8
Commercial real estate	47,876	4.29	2.9	35,236	4.25	2.4
Home equity	71,013	4.65	4.3	69,975	4.58	4.7
Other	2,652	3.36	0.2	1,537	3.11	0.1
Total adjustable-rate	310,218	3.52	18.9	334,505	3.44	22.5
Total originated, refinanced and purchased	$1,636,836	3.57	100.0%	$1,491,876	3.57	100.0%
Purchased and participation loans included above:						
Fixed-rate:						
Correspondent - one- to four-family	$567,014	3.56		$525,946	3.59	
Participations - commercial real estate	153,239	3.94		25,082	3.79	
Total fixed-rate purchased/participations	720,253	3.64		551,028	3.60	
Adjustable-rate:						
Correspondent - one- to four-family	95,803	2.90		125,095	2.96	
Participations - commercial real estate	47,876	4.29		35,236	4.25	
Total adjustable-rate purchased/participations	143,679	3.36		160,331	3.25	
Total purchased/participation loans	$863,932	3.60		$711,359	3.52	

One- to Four-Family Loans - 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 as of the dates presented. Credit scores are updated at least semiannually, with the latest update in September 2016, from a nationally recognized consumer rating agency. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. In most cases, the most recent appraisal was obtained at the time of origination.

	September 30, 2016				
	Amount	% of Total	Credit Score	LTV	Average Balance
	(Dollars in thousands)				
Originated	$4,005,615	60.4 %	766	63%	$ 132
Correspondent purchased	2,206,072	33.3	764	68	360
Bulk purchased	416,653	6.3	753	64	308
	$6,628,340	100.0%	765	65	175

	September 30, 2015				
	Amount	% of Total	Credit Score	LTV	Average Balance
	(Dollars in thousands)				
Originated	$4,010,424	63.2 %	765	64%	$ 129
Correspondent purchased	1,846,210	29.1	764	68	344
Bulk purchased	485,682	7.7	752	65	310
	$6,342,316	100.0%	764	65	167

The following table presents originated, refinanced, and correspondent purchased activity in our one- to four-family loan portfolio, excluding endorsement activity, along with associated weighted average LTVs and weighted average credit scores for the periods indicated. Of the loans originated and refinanced during the current year, 75% had loan values of $417 thousand or less. Of the correspondent loans purchased during the current year, 19% had loan values of $417 thousand or less.

	For the Year Ended					
	September 30, 2016			September 30, 2015		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originated	$515,395	78%	770	$563,107	77%	770
Refinanced by Bank customers	147,855	66	765	133,961	68	768
Correspondent purchased	662,817	74	763	651,041	74	765
	$1,326,067	75	766	$1,348,109	75	768

The following table presents the amount, percent of total, and weighted average rate, by state, of one- to four-family loan originations and correspondent purchases where originations and purchases in the state exceeded five percent of the total amount originated and purchased during the year ended September 30, 2016.

State	Amount	% of Total	Rate
	(Dollars in thousands)		
Kansas	$616,783	46.5 %	3.39%
Missouri	243,775	18.4	3.46
Texas	213,536	16.1	3.43
Other states	251,973	19.0	3.46
	$1,326,067	100.0%	3.42

One- to Four-Family Loan Commitments - The following table summarizes our one- to four-family loan origination and refinance commitments and one- to four-family correspondent loan purchase commitments as of September 30, 2016, along with associated weighted average rates. Loan commitments generally have fixed expiration dates or other termination clauses and may require the payment of a rate lock fee. A percentage of the loan commitments are expected to expire unfunded, so the amounts reflected in the table below are not necessarily indicative of future cash requirements.

	Fixed-Rate				
	15 years or less	More than 15 years	Adjustable-Rate	Total Amount	Rate
	(Dollars in thousands)				
Originate/refinance	$26,386	$58,000	$13,288	$97,674	3.20%
Correspondent	14,355	120,690	19,155	154,200	3.58
	$40,741	$178,690	$32,443	$251,874	3.43
Rate	2.83 %	3.67 %	2.90 %		

Commercial Real Estate Loans - Commercial real estate loans are originated or participated in based on the income producing potential of the property, the collateral value, and the financial strength of the borrower. Additionally, the Bank generally requires personal guarantees. The Bank generally requires a minimum debt service coverage ratio of 1.25 and limits LTV ratios to 80% for commercial real estate loans depending on the property type.

During the current year, the Bank entered into commercial real estate loan participations of $201.1 million, of which $34.9 million was funded as of September 30, 2016. The Bank intends to continue to grow its commercial real estate loan portfolio through participations with correspondent lenders and other lead banks with which the Bank has commercial real estate lending relationships.

The following table presents the Bank's commercial real estate loans and loan commitments by industry classification, as defined by the North American Industry Classification System, as of September 30, 2016. Based on the terms of the construction loans as of September 30, 2016, the majority of the undisbursed amounts in the table are projected to be disbursed by March 2019. It is possible that not all of the funds will be disbursed due to the nature of the funding of construction projects.

	Unpaid Principal	Undisbursed Amount	Gross Loan Amount	Outstanding Commitments	Total	% of Total
	(Dollars in thousands)					
Accommodation and food services	$63,778	$ 79,090	$142,868	$ —	$142,868	40.6 %
Health care and social assistance	14,044	42,709	56,753	—	56,753	16.1
Real estate rental and leasing	16,784	37,793	54,577	—	54,577	15.5
Arts, entertainment, and recreation	8,053	26,422	34,475	—	34,475	9.8
Multi-family	19,685	135	19,820	—	19,820	5.6
Retail trade	19,561	4,023	23,584	4,350	27,934	8.0
Other	12,238	3,155	15,393	—	15,393	4.4
	$154,143	$ 193,327	$347,470	$ 4,350	$351,820	100.0%

The following table summarizes the Bank's commercial real estate loans and loan commitments by state as of September 30, 2016.

	Unpaid Principal	Undisbursed Amount	Gross Loan Amount	Outstanding Commitments	Total	% of Total
	(Dollars in thousands)					
Texas	$34,945	$ 119,034	$153,979	$ —	$153,979	43.8 %
Missouri	38,265	42,709	80,974	4,350	85,324	24.2
Kansas	53,005	26,421	79,426	—	79,426	22.6
Colorado	14,798	508	15,306	—	15,306	4.3
Arkansas	8,284	—	8,284	—	8,284	2.4
California	3,346	3,155	6,501	—	6,501	1.8
Montana	1,500	1,500	3,000	—	3,000	0.9
	$154,143	$ 193,327	$347,470	$ 4,350	$351,820	100.0%

The following table presents the Bank's commercial real estate loan portfolio and outstanding loan commitments, categorized by gross loan amount (unpaid principal plus undisbursed amounts) or outstanding loan commitment amount, as of September 30, 2016.

	Count	Amount
	(Dollars in thousands)	
Greater than $30 million	4	$157,711
>$15 to $30 million	2	54,387
>$10 to $15 million	3	38,280
>$5 to $10 million	4	29,172
$1 to $5 million	23	67,918
Less than $1 million	14	4,352
	50	$351,820

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 75% of these portfolios at September 30, 2016. The WAL is the estimated remaining maturity (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.

	September 30, 2016			September 30, 2015		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Fixed-rate securities:						
MBS	$836,852	2.16%	2.9	$1,047,637	2.24%	3.2
GSE debentures	346,226	1.15	0.9	525,376	1.14	1.6
Municipal bonds	33,303	1.69	2.4	38,214	1.87	2.9
Total fixed-rate securities	1,216,381	1.86	2.3	1,611,227	1.87	2.7
Adjustable-rate securities:						
MBS	400,161	2.25	4.7	402,417	2.22	5.3
TRUPs	2,123	2.11	20.7	2,186	1.59	21.7
Total adjustable-rate securities	402,284	2.24	4.8	404,603	2.21	5.4
Total securities portfolio	$1,618,665	1.95	2.9	$2,015,830	1.94	3.2

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

	At September 30,	
	2016	2015
	(Dollars in thousands)	
FNMA	$752,141	