MEXICAN RESTAURANTS INC
Form S-8 POS
November 16, 2010

As filed with the Securities and Exchange Commission on November 16, 2010
Registration No. 333-22271
Registration No. 333-130053

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

Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 333-22271
Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 333-130053

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MEXICAN RESTAURANTS, INC.
(Exact name of registrant as specified in its charter)

Texas	76-0493269
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

Casa Olé Restaurants, Inc. 1996 Long Term Incentive Plan
Casa Olé Restaurants, Inc. 1996 Manager’s Stock Option Plan
Casa Olé Restaurants, Inc. Stock Option Plan for Non-Employee Directors
Mexican Restaurants, Inc. 2005 Long Term Incentive Plan
(Full titles of the plans)

Curt Glowacki
President and Chief Executive Officer
Mexican Restaurants, Inc.
12000 Aerospace Avenue
Suite 400
Houston, Texas 77034
(832) 300-5858
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

DEREGISTRATION OF SECURITIES

This Post-Effective Amendment relates to the following Registration Statements on Form S-8 (collectively, the “Registration Statements”) of Mexican Restaurants, Inc. (the “Company”):

- Registration No. 333-22271, pertaining to the registration of 620,000 shares of common stock, par value $0.01 per share, of the Company (the “Common Stock”), which was filed by the Company with the Securities and Exchange Commission (the “SEC”) on February 24, 1997; and

- Registration No. 333-130053, pertaining to the registration of 350,000 shares of Common Stock, which was filed by the Company with the SEC on December 1, 2005.

This Post-Effective Amendment to Form S-8 Registration Statement is being filed in order to deregister all securities remaining unsold under the Registration Statements set forth above. As of November 12, 2010, the Company had fewer than 300 shareholders of record. As a result, after filing this Post-Effective Amendment, the Company will file a Form 15 to deregister its common stock under Sections 12(g) and Section 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”). On November 15, 2010, the Company filed a Form 25 to deregister its common stock under Section 12(b) of the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe it meets all of the requirements for filing on Form S-8 and has duly caused this Post-Effective Amendment to Form S-8 Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on November 16, 2010.

MEXICAN RESTAURANTS, INC.

By: /s/ Curt Glowacki
Curt Glowacki
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this Post-Effective Amendment to the Registration Statements has been signed below by the following persons in the capacities and on the dates indicated.

/s/ Curt Glowacki Curt Glowacki	President, Chief Executive Officer and Director (Principal Executive Officer)	November 16, 2010
/s/ Andrew J. Dennard Andrew J. Dennard	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	November 16, 2010
/s/ Michael D. Domec Michael D. Domec	Director	November 16, 2010
/s/ Larry N. Forehand Larry N. Forehand	Director	November 16, 2010
/s/ Lloyd Fritzmeier Lloyd Fritzmeier	Director	November 16, 2010
/s/ Michael G. Huss Michael G. Huss	Director	November 16, 2010
/s/ J. J. Fitzsimmons J. J. Fitzsimmons	Director	November 16, 2010
/s/ Thomas E. Martin Thomas E. Martin	Director	November 16, 2010
/s/ Darrin Straughan Darrin Straughan	Director	November 16, 2010

size:10pt;">$
891,681

Cumulative (deficiency) excess of interest-earning assets over interest-bearing

liabilities as a percent of total Bank assets at:

September 30, 2018
(0.16
)%

(2.91
)%

(0.48
)%

9.41
%

September 30, 2017
6.98

Cumulative one-year gap - interest rates +200 bps at:

September 30, 2018
(4.18
)

September 30, 2017
0.88

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

(2)

MBS reflect projected prepayments at amortized cost. Investment securities are presented based on contractual maturities, term to call dates or pre-refunding dates as of September 30, 2018, at amortized cost.

(3) Although the Bank's checking, savings, and money market accounts are subject to immediate withdrawal, management considers a substantial amount of these accounts to be core deposits having significantly longer effective maturities. The decay rates (the assumed rates at which the balances of existing accounts decline) used on these accounts is based on assumptions developed from our actual experiences with these accounts. If all of the Bank's checking, savings, and money market accounts had been assumed to be subject to repricing within one year, interest-bearing liabilities which were estimated to mature or reprice within one year would have exceeded interest-earning assets with comparable characteristics by $2.51 billion, for a cumulative one-year gap of (26.6)% of total assets.

(4) Borrowings exclude deferred prepayment penalty costs. Included in this line are $475.0 million of FHLB adjustable-rate advances with interest rate swaps. The repricing for these liabilities is projected to occur at the maturity date of each interest rate swap.

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

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

Change	Net Interest Income At September 30,					
(in Basis Points)	2018			2017		
in Interest Rates[1]	Amount ($)	Change ($)	Change (%)	Amount ($)	Change ($)	Change (%)
	(Dollars in thousands)					
-100 bp	$201,434	$1,221	0.61 %	$181,200	$(6,623)	(3.53)%
000 bp	200,213	—	—	187,823	—	—
+100 bp	196,272	(3,941)	(1.97)	189,259	1,436	0.76
+200 bp	190,872	(9,341)	(4.67)	188,508	685	0.36
+300 bp	184,603	(15,610)	(7.80)	186,299	(1,524)	(0.81)

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

The net interest income projection was higher in the base case scenario at September 30, 2018 compared to September 30, 2017 due mainly to an increase in earning assets in connection with the acquisition of CCB. The net interest income projections decreased from the base case in all rising rate scenarios at September 30, 2018, while at September 30, 2017 the net interest income projection improved in the +100 and +200 basis point scenarios before decreasing in the +300 basis point scenario. This change is consistent with the decrease in the one-year gap at September 30, 2018 compared to September 30, 2017. The projected decreases in the up rate scenarios was due to a reduction in cash flows from the Bank's mortgage-related assets and callable agency debentures as a result of higher interest rates. At September 30, 2018, as interest rates move higher, liabilities reprice to higher interest rates at a faster pace than assets and have a negative impact on the Bank's net interest income projection. At September 30, 2017, modeled in the +300 basis point scenario, liabilities would reprice to higher interest rates at a faster pace than assets and have a negative

impact on the Bank's net interest income projection.

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

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

Change	Market Value of Portfolio Equity At September 30,					
(in Basis Points)	2018			2017		
in Interest Rates[1]	Amount ($)	Change ($)	Change (%)	Amount ($)	Change ($)	Change (%)
	(Dollars in thousands)					
-100 bp	$1,498,631	$53,683	3.72 %	$1,446,537	$(13,891)	(0.95)%
000 bp	1,444,948	—	—	1,460,428	—	—
+100 bp	1,281,910	(163,038)	(11.28)	1,352,558	(107,870)	(7.39)
+200 bp	1,087,644	(357,304)	(24.73)	1,173,891	(286,537)	(19.62)
+300 bp	888,611	(556,337)	(38.50)	969,747	(490,681)	(33.60)

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

The percentage change in the Bank's MVPE at September 30, 2018 was more adversely impacted in the increasing interest rate scenarios than at September 30, 2017. This was due primarily to an increase in interest rates between the two periods. As long-term interest rates increase, repayments on mortgage-related assets are more likely to decrease and only be realized through significant changes in borrowers' lives such as divorce, death, job-related relocations, or other events as there is less economic incentive for borrowers to prepay their debt, resulting in an increase in the average life of mortgage-related assets. Similarly, call projections for the Bank's callable agency debentures decrease as interest rates rise, which results in cash flows related to these assets moving closer to the contractual maturity dates.

The higher expected average lives of these assets, relative to the assumptions in the base case interest rate environment, increases the sensitivity of their market value to changes in interest rates. In addition, the WAL of the Bank's non-maturity deposits has decreased since September 30, 2017 due to an increase in interest rates. When the difference between deposit account interest rates and market interest rates increases, the Bank's deposit model assumes a higher level of deposit balance runoff as depositors are more likely to move funds from deposit accounts into higher yielding assets. The shorter expected average lives of these liabilities compared to the prior year reduces the sensitivity of their market value to changes in interest rates.

The following table presents the weighted average yields/rates and WALs (in years), after applying prepayment, call assumptions, and decay rates for our interest-earning assets and interest-bearing liabilities as of September 30, 2018. Yields presented for interest-earning assets include the amortization of fees, costs, premiums and discounts, which are considered adjustments to the yield. The interest rate presented for term borrowings is the effective rate, which includes the impact of interest rate swaps and the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid. The WAL presented for term borrowings includes the effect of interest rate swaps. The maturity and repricing terms presented for one- to four-family loans represent the contractual terms of the loan.

	Amount	Yield/Rate	WAL	% of Category	% of Total
	(Dollars in thousands)				
Investment securities	$289,942	2.05 %	1.6	21.9 %	3.2 %
MBS - fixed	729,808	2.43	3.4	55.0	8.0
MBS - adjustable	307,182	2.89	2.9	23.1	3.4
Total securities	1,326,932	2.45	2.9	100.0 %	14.6
Loans receivable:					
Fixed-rate one- to four-family:					
<= 15 years	1,153,971	3.14	4.2	15.4 %	12.7
> 15 years	4,495,405	3.86	6.8	59.9	49.5
Fixed-rate commercial	356,295	4.45	3.6	4.7	4.0
All other fixed-rate loans	45,700	5.43	3.7	0.6	0.5
Total fixed-rate loans	6,051,371	3.77	6.1	80.6	66.7
Adjustable-rate one- to four-family:					
<= 36 months	249,331	2.15	3.2	3.3	2.7
> 36 months	866,579	3.29	2.8	11.6	9.6
Adjustable-rate commercial	213,315	5.18	7.7	2.8	2.4
All other adjustable-rate loans	127,049	5.65	1.5	1.7	1.4
Total adjustable-rate loans	1,456,274	3.58	3.5	19.4	16.1
Total loans receivable	7,507,645	3.74	5.6	100.0 %	82.8
FHLB stock	99,726	7.22	1.7		1.1
Cash and cash equivalents	139,055	2.19	—		1.5
Total interest-earning assets	$9,073,358	3.57	5.1		100.0%
Non-maturity deposits	$2,666,297	0.25	12.2	47.6 %	33.8 %
Retail/business certificates of deposit	2,529,368	1.79	1.7	45.1	32.0
Public unit certificates of deposit	407,689	1.89	0.7	7.3	5.2
Total deposits	5,603,354	1.06	6.7	100.0 %	71.0
Term borrowings	2,185,052	2.17	2.9	95.6 %	27.7
FHLB line of credit	100,000	2.35	—	4.4	1.3
Total borrowings	2,285,052	2.18	2.7	100.0 %	29.0
Total interest-bearing liabilities	$7,888,406	1.39	5.5		100.0%

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Capitol Federal Financial, Inc. and subsidiary

Opinion on Internal Control over Financial Reporting
We have audited the internal control over financial reporting of Capitol Federal Financial, Inc. and subsidiary (the "Company") as of September 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended September 30, 2018, of the Company and our report dated November 29, 2018, expressed an unqualified opinion on those consolidated financial statements.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Capital City Bancshares, Inc., which was acquired on August 31, 2018 and whose financial statements constitute approximately 4% of loans receivable, net, 6% of deposits, 5% of total assets, 1% of net interest income and 0% of net income of the consolidated financial statement amounts as of and for the year ended September 30, 2018. Accordingly, our audit did not include the internal control over financial reporting at Capital City Bancshares, Inc.

Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have

a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Kansas City, Missouri
November 29, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Capitol Federal Financial, Inc. and subsidiary

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Capitol Federal Financial, Inc. and subsidiary (the "Company") as of September 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended September 30, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2018 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 29, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Kansas City, Missouri
November 29, 2018

We have served as the Company's auditor since 1974.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018 and 2017 (Dollars in thousands, except per share amounts)

	2018	2017
ASSETS:		
Cash and cash equivalents (includes interest-earning deposits of $122,733 and $340,748)	$139,055	$351,659
Securities:		
Available-for-sale ("AFS"), at estimated fair value (amortized cost of $718,564 and $410,541)	714,614	415,831
Held-to-maturity ("HTM"), at amortized cost (estimated fair value of $601,071 and $833,009)	612,318	827,738
Loans receivable, net (allowance for credit losses ("ACL") of $8,463 and $8,398)	7,514,485	7,195,071
Federal Home Loan Bank Topeka ("FHLB") stock, at cost	99,726	100,954
Premises and equipment, net	96,005	84,818
Income taxes receivable, net	2,177	—
Other assets	271,167	216,845
TOTAL ASSETS	$9,449,547	$9,192,916
LIABILITIES:		
Deposits	$5,603,354	$5,309,868
FHLB borrowings	2,174,981	2,173,808
Other borrowings	110,052	200,000
Advance payments by borrowers for taxes and insurance	65,264	63,749
Income taxes payable, net	—	530
Deferred income tax liabilities, net	21,253	24,458
Accounts payable and accrued expenses	83,021	52,190
Total liabilities	8,057,925	7,824,603
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 100,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $.01 par value; 1,400,000,000 shares authorized, 141,225,516 and 138,223,835		
shares issued and outstanding as of September 30, 2018 and 2017, respectively	1,412	1,382
Additional paid-in capital	1,207,644	1,167,368
Unearned compensation, Employee Stock Ownership Plan ("ESOP")	(36,343)	(37,995)
Retained earnings	214,569	234,640
Accumulated other comprehensive income ("AOCI"), net of tax	4,340	2,918
Total stockholders' equity	1,391,622	1,368,313
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,449,547	$9,192,916

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016 (Dollars in thousands, except per share amounts)

	2018	2017	2016
INTEREST AND DIVIDEND INCOME:			
Loans receivable	$260,198	$253,393	$243,311
Cash and cash equivalents	23,443	19,389	9,831
Mortgage-backed securities ("MBS")	22,619	23,809	29,794
FHLB stock	10,962	12,233	12,252
Investment securities	4,670	4,362	5,925
Total interest and dividend income	321,892	313,186	301,113
INTEREST EXPENSE:			
FHLB borrowings	67,120	68,871	65,091
Deposits	52,625	42,968	37,859
Other borrowings	3,374	5,965	5,981
Total interest expense	123,119	117,804	108,931
NET INTEREST INCOME	198,773	195,382	192,182
PROVISION FOR CREDIT LOSSES	—	—	(750)
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	198,773	195,382	192,932
NON-INTEREST INCOME:			
Deposit service fees	15,636	15,053	14,835
Income from bank-owned life insurance ("BOLI")	1,875	2,233	3,420
Other non-interest income	4,524	4,910	5,057
Total non-interest income	22,035	22,196	23,312
NON-INTEREST EXPENSE:			
Salaries and employee benefits	46,563	43,437	42,378
Information technology and related expense	13,999	11,282	10,540
Occupancy, net	11,455	10,814	10,576
Regulatory and outside services	5,709	5,821	5,645
Deposit and loan transaction costs	5,621	5,284	5,585
Advertising and promotional	5,034	4,673	4,609
Federal insurance premium	3,277	3,539	5,076
Office supplies and related expense	1,888	1,981	2,640
Low income housing partnerships	—	—	3,872
Other non-interest expense	3,356	2,827	3,384
Total non-interest expense	96,902	89,658	94,305
INCOME BEFORE INCOME TAX EXPENSE	123,906	127,920	121,939
INCOME TAX EXPENSE	24,979	43,783	38,445
NET INCOME	$98,927	$84,137	$83,494
Basic earnings per share ("EPS")	$0.73	$0.63	$0.63
Diluted EPS	$0.73	$0.63	$0.63
Dividends declared per share	$0.88	$0.88	$0.84

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016 (Dollars in thousands)

	2018	2017	2016
Net income	$98,927	$84,137	$83,494
Other comprehensive income (loss), net of tax:			
Changes in unrealized gains (losses) on AFS securities, net of taxes of $2,499, $1,595, and $1,494	(6,741)	(2,625)	(2,459)
Changes in unrealized gains (losses) on cash flow hedges, net of taxes of $(2,785), $226, and $0	7,496	(372)	—
Comprehensive income	$99,682	$81,140	$81,035

See accompanying notes to consolidated financial statements.

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CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016 (Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Unearned Compensation ESOP	Retained Earnings	AOCI	Total Stockholders' Equity
Balance at October 1, 2015	$ 1,371	$ 1,151,041	$ (41,299)	$ 296,739	$ 8,374	$ 1,416,226
Net income, fiscal year 2016				83,494		83,494
Other comprehensive loss, net of tax					(2,459)	(2,459)
ESOP activity		522	1,652			2,174
Restricted stock activity, net	1	48				49
Stock-based compensation		1,121				1,121
Stock options exercised	3	4,123				4,126
Cash dividends to stockholders ($0.84 per share)				(111,767)		(111,767)
Balance at September 30, 2016	1,375	1,156,855	(39,647)	268,466	5,915	1,392,964
Net income, fiscal year 2017				84,137		84,137
Other comprehensive loss, net of tax					(2,997)	(2,997)
ESOP activity		784	1,652			2,436
Restricted stock activity, net		57				57
Stock-based compensation		506				506
Stock options exercised	7	9,166				9,173
Cash dividends to stockholders ($0.88 per share)				(117,963)		(117,963)
Balance at September 30, 2017	1,382	1,167,368	(37,995)	234,640	2,918	1,368,313
Net income, fiscal year 2018				98,927		98,927
Other comprehensive income, net of tax					755	755
Reclassification of certain tax effects related to adopting Accounting Standards Update ("ASU") 2018-02				(667)	667	—
Cumulative effect of adopting ASU 2016-09		19		(19)		—
Capital City Bancshares, Inc. ("CCB") acquisition	30	39,083				39,113
ESOP activity		541	1,652			2,193
Stock-based compensation		372				372
Stock options exercised		261				261
Cash dividends to stockholders ($0.88 per share)				(118,312)		(118,312)
Balance at September 30, 2018	$ 1,412	$ 1,207,644	$ (36,343)	$ 214,569	$ 4,340	$ 1,391,622

See accompanying notes to consolidated financial statements.

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CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016 (Dollars in thousands)

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 98,927	$ 84,137	$ 83,494
Adjustments to reconcile net income to net cash provided by operating activities:			
FHLB stock dividends	(10,962)	(12,233)	(12,252)
Provision for credit losses	—	—	(750)
Originations of loans receivable held-for-sale ("LHFS")	(777)	—	—
Proceeds from sales of LHFS	16,423	6,816	—
Amortization and accretion of premiums and discounts on securities	3,150	4,479	5,342
Depreciation and amortization of premises and equipment	8,458	7,796	7,141
Amortization of intangible assets	234	—	—
Amortization of deferred amounts related to FHLB advances, net	1,173	1,419	1,868
Common stock committed to be released for allocation - ESOP	2,193	2,436	2,174
Stock-based compensation	372	506	1,121
Provision for deferred income taxes	(4,540)	922	470
Changes in cash collateral received from derivative counterparty, net	10,701	(731)	—

Changes in:						
Other assets, net	1,712		51		1,807	
Income taxes payable, net	(2,262	)	590		1,381	
Accounts payable and accrued expenses	(639	)	(10,743	)	(6,840	)
Net cash provided by operating activities	124,163		85,445		84,956	
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of AFS securities	(411,459	)	(37,425	)	(99,927	)
Purchase of HTM securities	—		—		(144,392	)
Proceeds from calls, maturities and principal reductions of AFS securities	192,966		144,643		326,814	
Proceeds from calls, maturities and principal reductions of HTM securities	212,267		268,689		309,328	
Proceeds from sale of AFS securities	2,078		—		—	
Proceeds from the redemption of FHLB stock	291,506		386,900		382,450	
Purchase of FHLB stock	(277,552	)	(365,651	)	(329,625	)
Net increase in loans receivable	(37,537	)	(246,882	)	(336,056	)
Purchase of premises and equipment	(11,761	)	(9,128	)	(14,854	)
Proceeds from sale of other real estate owned ("OREO")	2,240		5,138		4,973	
Cash acquired from acquisition	15,685		—		—	
Proceeds from BOLI death benefit	—		—		783	
Net cash (used in) provided by investing activities	(21,567	)	146,284		99,494	

(Continued)

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CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016 (Dollars in thousands)

	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid	(118,312)	(117,963)	(111,767)
Net change in deposits	(58,988)	145,850	331,498
Proceeds from borrowings	17,275,100	2,700,100	8,000,100
Repayments on borrowings	(17,414,200)	(2,900,100)	(8,900,100)
Change in advance payments by borrowers for taxes and insurance	939	1,106	825
Stock options exercised	261	8,843	4,070
Excess tax benefits from stock options	—	330	56
Net cash used in financing activities	(315,200)	(161,834)	(675,318)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(212,604)	69,895	(490,868)
CASH AND CASH EQUIVALENTS:			
Beginning of year	351,659	281,764	772,632
End of year	$ 139,055	$ 351,659	$ 281,764
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income tax payments	$ 24,785	$ 37,875	$ 36,483
Interest payments	$ 119,699	$ 117,308	$ 106,182
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Loans transferred to LHFS	$ 15,814	$ 6,714	$ —
Acquisition:			
Common stock issued	$ 39,113	$—	$ —
Fair value of assets acquired, excluding acquired cash and intangibles	$ 418,062	$—	$ —
Fair value of liabilities assumed	$ 412,675	$—	$ —

See accompanying notes to consolidated financial statements. (Concluded)

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CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Description of Business - Capitol Federal Financial, Inc. (the "Company") provides a full range of retail banking services through its wholly-owned subsidiary, Capitol Federal Savings Bank (the "Bank"), a federal savings bank, which has 48 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. The Bank emphasizes mortgage lending, primarily originating and purchasing one- to four-family loans, and providing personal retail financial services. The Bank is subject to competition from other financial institutions and other companies that provide financial services.

Basis of Presentation - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, the Bank. The Bank has two wholly owned subsidiaries, Capitol Funds, Inc. and Capital City Investments, Inc. Capitol Funds, Inc. has a wholly-owned subsidiary, Capitol Federal Mortgage Reinsurance Company. Capital City Investments, Inc. is a real estate and investment holding company. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates and assumptions.

The Company also owns 100 percent of Capital City Statutory Trust I ("CCST") and Capital City Statutory Trust II ("CCSTII") (collectively, the "Trusts"). The accounts of the Trusts do not qualify for consolidation accounting. The Company reports its subordinated debentures issued to the Trusts as other borrowings in the consolidated balance sheets and the common stock of the Trusts is reported as an equity method investment in other assets in the consolidated balance sheets.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand and amounts due from banks. Regulations of the Board of Governors of the Federal Reserve System ("FRB") require federally chartered savings banks to maintain cash reserves against their transaction accounts. Required reserves must be maintained in the form of vault cash, an account at a Federal Reserve Bank, or a pass-through account as defined by the FRB. The amount of interest-earning deposits held at the Federal Reserve Bank of Kansas City ("FRB of Kansas City") as of September 30, 2018 and 2017 was $120.8 million and $337.5 million, respectively. The Bank is in compliance with the FRB requirements. For the years ended September 30, 2018 and 2017, the average daily balance of required reserves at the FRB of Kansas City was $11.0 million and $9.1 million, respectively.

Net Presentation of Cash Flows Related to Borrowings - During the current fiscal year, the Bank entered into certain FHLB advances with contractual maturities of 90 days or less. Cash flows related to these advances are reported on a net basis in the consolidated statements of cash flows.

Securities - Securities include MBS and agency debentures issued primarily by United States Government-Sponsored Enterprises ("GSE"), including Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and the Federal Home Loan Banks, United States Government agencies, including Government National Mortgage Association, and municipal bonds. Securities are classified as HTM, AFS, or trading based on management's intention for holding the securities on the date of purchase. Generally, classifications are made in response to liquidity needs, asset/liability management strategies, and the market interest rate environment at the time of purchase.

Securities that management has the intent and ability to hold to maturity are classified as HTM and reported at amortized cost. Such securities are adjusted for the amortization of premiums and discounts which are recognized as adjustments to interest income over the life of the securities using the level-yield method.

Securities that management may sell if necessary for liquidity or asset management purposes are classified as AFS and reported at fair value, with unrealized gains and losses reported as a component of AOCI within stockholders' equity, net of deferred income taxes. The amortization of premiums and discounts are recognized as adjustments to interest income over

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the life of the securities using the level-yield method. Gains or losses on the disposition of AFS securities are recognized using the specific identification method. The Company primarily uses prices obtained from third party pricing services to determine the fair value of securities. See additional discussion of fair value of AFS securities in "Note 15. Fair Value of Financial Instruments."

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 included in non-interest income in the consolidated statements of income. During the fiscal years ended September 30, 2018 and 2017, neither the Company nor the Bank maintained a trading securities portfolio.

Management monitors securities in the investment portfolio for impairment on an ongoing basis and performs a formal review quarterly. The process involves monitoring market events and other items that could impact issuers. The evaluation includes, but is not limited to, such factors as: the nature of the investment, the length of time the security has had a fair value less than the amortized cost basis, the cause(s) and severity of the loss, expectation of an anticipated recovery period, recent events specific to the issuer or industry including the issuer's financial condition and current ability to make future payments in a timely manner, external credit ratings and recent downgrades in such ratings, management's intent to sell and whether it is more likely than not management would be required to sell prior to recovery for debt securities. Management determines whether other-than-temporary losses should be recognized for impaired securities by assessing all known facts and circumstances surrounding the securities. If management intends to sell an impaired security or if it is more likely than not that management will be required to sell an impaired security before recovery of its amortized cost basis, an other-than-temporary impairment has occurred and the difference between amortized cost and fair value will be recognized as a loss in earnings and the security will be written down to fair value.

Loans Receivable - Loans receivable that management has the intent and ability to hold for the foreseeable future are carried at the amount of unpaid principal, net of ACL, undisbursed loan funds, unamortized premiums and discounts, and deferred loan origination fees and costs. Net loan origination fees and costs, and premiums and discounts are amortized as yield adjustments to interest income using the level-yield method. Interest on loans is credited to income as earned and accrued only if deemed collectible.

Troubled debt restructurings ("TDRs") - For borrowers experiencing financial difficulties, the Bank may grant a concession to the borrower. Such concessions generally involve extensions of loan maturity dates, the granting of periods during which reduced payment amounts are required, and/or reductions in interest rates. If a concession requires assistance in the form of an interest rate reduction to less than the current market rate, or should the borrower have been discharged from Chapter 7 bankruptcy without reaffirming the debt, then the loan is classified as a TDR. The Bank does not forgive principal or interest nor does it commit to lend additional funds to these borrowers, except for situations generally involving the capitalization of delinquent interest and/or escrow not to exceed the original loan amount.

Delinquent loans - A loan is considered delinquent when payment has not been received within 30 days of its contractual due date. The number of days delinquent is determined by the number of scheduled payments that remain unpaid, assuming a period of 30 days between each scheduled payment.

Nonaccrual loans - The accrual of income on loans is generally discontinued when interest or principal payments are 90 days in arrears, unless, in the case of commercial loans, the loan is well secured and in the process of collection. We also report certain TDR loans as nonaccrual loans that are required to be reported as such pursuant to regulatory reporting requirements. Loans on which the accrual of income has been discontinued are designated as nonaccrual and outstanding interest previously credited beyond 90 days delinquent is reversed, except in the case of commercial loans in which all delinquent accrued interest is reversed. A nonaccrual loan is returned to accrual status once the contractual payments have been made to bring the loan less than 90 days past due or, in the case of a TDR loan, the

borrower has made the required consecutive loan payments.

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 original 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, in which case interest income is no longer recognized. Loans reported as impaired loans include loans partially charged-off and TDRs.

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Acquired Loans - Acquired loans are initially recorded at fair value based on a discounted cash flow valuation methodology that considers, among other things, interest rates, projected prepayments, projected default rates, loss given default and recovery rates, with no carryover of any existing ACL. Acquired loans with evidence of credit quality deterioration at acquisition are reviewed to determine if it is probable that the Company will not be able to collect all contractual amounts due, including both principal and interest. When both conditions exist, such loans are categorized and accounted for as purchased credit impaired ("PCI") loans. When these conditions do not exist, the loans are categorized as non-PCI loans.

The Company has determined that the amount and timing of cash flows to be collected from PCI loans cannot be reasonably estimated. As such, income related to PCI loans is recognized using the cost recovery method. Cash receipts are applied first as a reduction to the carrying amount of the loan. Once the entire carrying amount has been recovered, additional income is applied to any principal amounts previously written off, with any excess being recognized as interest income.

Allowance for Credit Losses - The ACL represents management's best estimate of the amount of inherent losses in the loan portfolio as of the balance sheet date. It involves a high degree of complexity and requires management to make difficult and subjective judgments and assumptions about highly uncertain matters. Management's methodology for assessing the appropriateness of the ACL consists of a formula analysis model, along with analyzing and considering several other relevant internal and external factors. The use of different judgments and assumptions could cause reported results to differ significantly. Management maintains the ACL through provisions for credit losses that are either charged or credited to income.

One- to four-family loans, including home equity loans, are individually evaluated for loss when the loan is generally 180 days delinquent and any losses are charged-off. Losses are based on new collateral values obtained through appraisals, less estimated costs to sell. Anticipated private mortgage insurance proceeds are taken into consideration when calculating the loss amount. An updated appraisal is requested, at a minimum, every 12 months thereafter if the loan is 180 days or more delinquent or in foreclosure. If the Bank holds the first and second mortgage, both loans are combined when evaluating whether there is a potential loss on the loan. When a non-real estate secured consumer loan is 120 days delinquent, any identified losses are charged-off. For commercial loans, generally losses are charged-off when the loan is more than 120 days delinquent and it is determined, through the analysis of any available current financial information with regards to the borrower, that the borrower is not able to service the debt and there is little or no prospect for near term improvement, or, in the case of secured loans, it is determined, through the analysis of current information with regards to the Bank's collateral position, that the amounts due from the borrower are in excess of the calculated current fair value of the collateral after consideration of estimated costs to sell. Charge-offs for any loan type may also occur at any time if the Bank has knowledge of the existence of a probable loss.

The primary risk characteristics inherent in the 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. Any one or a combination of these events may adversely affect the ability of borrowers to repay their loans, resulting in increased delinquencies, non-performing assets, loan losses, and future loan loss provisions. Although the commercial loan portfolio is subject to the same risk of declines in economic conditions, the primary risk characteristics inherent in this portfolio include the ability of the borrower to sustain sufficient cash flows from leases and business operations and to control operational and/or business 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 more limited 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. Our commercial and industrial loans are primarily secured by accounts receivable, inventory and equipment, which may be difficult to appraise, may be illiquid and may fluctuate in value based on the success of the business.

Each quarter end, a formula analysis is prepared which segregates the loan portfolio into categories based on certain risk characteristics. The categories include the following: one- to four-family loans; commercial loans; consumer home equity loans; and other consumer loans. Home equity loans 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 loan-to-value ("LTV") ratio. The one- to four-family loan portfolio and related home equity loans are segregated into additional categories based on the following risk characteristics: loan source (originated, correspondent purchased, or bulk purchased), interest payments (fixed-rate and adjustable-rate), LTV ratios, borrower's credit scores, and geographic location. The categories were derived

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by management based on reviewing the historical performance of the one- to four-family loan portfolio and taking into consideration current economic conditions, such as trends in residential real estate values in certain areas of the U.S. and unemployment rates. The commercial loan portfolio is segregated into additional categories based on loan source (originated or participation) and the type of loan (real estate loan, construction loan or commercial and industrial). Impaired loans are not included in the formula analysis as they are individually evaluated for loss.

Historical loss factors are applied to each loan category in the formula analysis model. Each quarter end, management reviews historical losses over a look-back time period and utilizes the historical loss time periods believed to be the most appropriate considering the current economic conditions. The historical loss time period is then adjusted for a loss emergence time period, which represents the estimated time period from the date of a loss event to the date we recognize a charge-off/loss. Qualitative loss factors are utilized in the formula analysis model to reflect risks inherent in each loan category that are not captured by the historical loss factors. The qualitative loss factors for one- to four-family and consumer loan portfolios take into consideration such items as: unemployment rate trends, residential real estate value trends, credit score trends, and delinquent loan trends. The qualitative loss factors for the commercial loan portfolio take into consideration the composition of the portfolio along with industry and peer charge-off information and certain ACL ratios. As loans are classified or become delinquent, the qualitative loss factors increase for each respective loan category. The qualitative loss factors were derived by management based on a review of the historical performance of the respective loan portfolios and industry and peer information for those loan portfolios with no or limited historical loss experience, along with consideration of current economic conditions and the likely impact such conditions might have to the performance of the loan portfolio.

For non-PCI loans, the Company estimates a hypothetical amount of ACL. The Company uses the acquired bank's past loss history adjusted for qualitative factors to establish the hypothetical amount of ACL. This amount is compared with the remaining net purchase discount for the non-PCI loans to test for credit quality deterioration and the possible need for an additional loan loss provision. To the extent the remaining net purchase discount of the pool is greater than the hypothetical ACL, no additional ACL is necessary. If the remaining net purchase discount of the pool is less than the hypothetical ACL, the difference results in an increase to the ACL recorded through a provision for credit losses.

Management utilizes the formula analysis model, along with analyzing and considering several other relevant internal and external factors when evaluating the adequacy of the ACL. Such factors include the trend and composition of delinquent loans and non-performing 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 housing markets, loan growth and concentrations, industry and peer charge-off and ACL information, and certain ACL ratios such as ACL to loans receivable, net and annualized historical losses. Since the Bank's 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 the Bank lends, 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 the Bank's ACL methodology. Management seeks to apply the ACL methodology in a consistent manner; however, the methodology may be modified in response to changing conditions. Although management believes the ACL was at a level adequate to absorb inherent losses in the loan portfolio at September 30, 2018, the level of the ACL remains an estimate that is subject to significant judgment and short-term changes.

Federal Home Loan Bank Stock - As a member of FHLB Topeka, the Bank is required to acquire and hold shares of FHLB stock. The Bank's holding requirement varies based on the Bank's activities, primarily the Bank's outstanding borrowings, with FHLB. FHLB stock is carried at cost and is considered a restricted asset because it cannot be pledged as collateral or bought or sold on the open market and it also has certain redemption restrictions. Management

conducts a quarterly evaluation to determine if any FHLB stock impairment exists. The quarterly impairment evaluation focuses primarily on the capital adequacy and liquidity of FHLB, while also considering the impact that legislative and regulatory developments may have on FHLB. Stock and cash dividends received on FHLB stock are reflected as dividend income in the consolidated statements of income.

Premises and Equipment - Land is carried at cost. Buildings, leasehold improvements, and furniture, fixtures and equipment are carried at cost less accumulated depreciation and leasehold amortization. Buildings, furniture, fixtures and equipment are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the

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shorter of their estimated useful lives or the term of the respective leases. The costs for major improvements and renovations are capitalized, while maintenance, repairs and minor improvements are charged to operating expenses as incurred. Gains and losses on dispositions are recorded as non-interest income or non-interest expense as incurred.

Other Assets - Included in other assets on the consolidated balance sheet are the Company's intangible assets, recognized as a result of the acquisition of CCB, which consist of goodwill, deposit intangibles and other intangibles.

Goodwill is assessed for impairment on an annual basis, or more frequently in certain circumstances. The test for impairment is performed by comparing the fair value of the reporting unit with its carrying amount. If the fair value is determined to be less than the carrying amount, an impairment is recorded.

The Company's intangible assets primarily relate to core deposits. These intangible assets are amortized based upon the expected economic benefit over an estimated life of approximately 8 years and are tested for impairment whenever events or circumstances change.

Income Taxes - The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Deferred income tax expense (benefit) represents the change in deferred income tax assets and liabilities excluding the tax effects of the change in net unrealized gain (loss) on AFS securities and interest rate swaps and changes in the market value of restricted stock between the grant date and vesting date. Income tax related penalties and interest, if any, are included in income tax expense in the consolidated statements of income.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. To the extent that management considers it more likely than not that a deferred tax asset will not be recovered, a valuation allowance is recorded. All positive and negative evidence is reviewed in determining how much of a valuation allowance is recognized on a quarterly basis.

Certain accounting literature prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an uncertain tax position taken, or expected to be taken, in a tax return. Interest and penalties related to unrecognized tax benefits are recognized in income tax expense in the consolidated statements of income. Accrued interest and penalties related to unrecognized tax benefits are included within the related tax liabilities line in the consolidated balance sheet.

Employee Stock Ownership Plan - The funds borrowed by the ESOP from the Company to purchase the Company's common stock are being repaid from dividends paid on unallocated ESOP shares and, if necessary, contributions by the Bank. The ESOP shares pledged as collateral are reported as a reduction of stockholders' equity at cost. As ESOP shares are committed to be released from collateral each quarter, the Company records compensation expense based on the average market price of the Company's stock during the quarter. Additionally, the ESOP shares become outstanding for EPS computations once they are committed to be released.

Stock-based Compensation - The Company has share-based plans under which stock options and restricted stock awards have been granted. Compensation expense is recognized over the service period of the share-based payment award. The Company utilizes a fair-value-based measurement method in accounting for the share-based payment transactions with employees, except for equity instruments held by the ESOP. The Company applies the modified prospective method in which compensation cost is recognized over the service period for all awards granted.

Borrowed Funds - The Bank has entered into repurchase agreements, which are sales of securities under agreements to repurchase, with approved counterparties. These agreements are recorded as financing transactions, and thereby

reported as liabilities on the consolidated balance sheet, with the related expense reported as interest expense on the consolidated statements of income, as the Bank maintains effective control over the transferred securities and the securities continue to be carried in the Bank's securities portfolio.

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The Bank has obtained borrowings from FHLB in the form of advances and a line of credit. Total FHLB borrowings are secured by certain qualifying loans pursuant to a blanket collateral agreement with FHLB and certain securities, as necessary. Additionally, the Bank is authorized to borrow from the Federal Reserve Bank's "discount window."

The Company uses interest rate swaps as part of its interest rate risk management strategy to hedge the variable cash outflows associated with certain borrowings. Interest rate swaps are carried at fair value in the Company's consolidated financial statements. For interest rate swaps that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of such agreements are recorded in AOCI and are subsequently reclassified into interest expense in the period that interest on the borrowings affects earnings. The ineffective portion of the change in fair value of the interest rate swap is recognized directly in earnings. Effectiveness is assessed using regression analysis. At the inception of a hedge, the Company documents certain items, including the relationship between the hedging instrument and the hedged item, the risk management objective and the nature of the risk being hedged, a description of how effectiveness will be measured and an evaluation of hedged transaction effectiveness.

Segment Information - As a community-oriented financial institution, substantially all of the Bank's operations involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of these community banking operations, which constitute the Company's only operating segment for financial reporting purposes.

Low Income Housing Partnerships - As part of the Bank's community reinvestment initiatives, the Bank invests in affordable housing limited partnerships ("low income housing partnerships") that make equity investments in affordable housing properties. The Bank is a limited partner in each partnership in which it invests. A separate, unrelated third party is the general partner. The Bank receives affordable housing tax credits and other tax benefits for these investments. Previously, the Bank accounted for low income housing partnerships using the equity method of accounting as two of the Bank's officers were involved in the operational management of the low income housing partnership investment group. Effective September 30, 2016, those two Bank officers discontinued their involvement in the operational management of the investment group. The Bank started using the proportional method of accounting for its low income housing partnership investments on October 1, 2016. See "Note 7. Low Income Housing Partnerships" for additional information.

Earnings Per Share - Basic EPS is computed by dividing income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock (such as stock options) were exercised or resulted in the issuance of common stock. These potentially dilutive shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method. Shares issued and shares reacquired during any period are weighted for the portion of the period that they were outstanding.

In computing both basic and diluted EPS, the weighted average number of common shares outstanding includes the ESOP shares previously allocated to participants and shares committed to be released for allocation to participants and restricted stock shares which have vested or have been allocated to participants. ESOP shares that have not been committed to be released are excluded from the computation of basic and diluted EPS. Unvested restricted stock awards contain nonforfeitable rights to dividends and are treated as participating securities in the computation of EPS pursuant to the two-class method.

Trust Asset Management - Assets (other than cash deposits with the Bank) held in fiduciary or agency capacities for customers are not included in the accompanying consolidated balance sheets, since such items are not assets of the Company or its subsidiaries.

Comprehensive Income - Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on AFS securities and changes in the accumulated

gains/losses on effective cash flow hedging instruments, net of taxes.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers. The ASU, as amended, implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of the amended guidance is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to

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which the entity expects to be entitled in exchange for those goods or services. Additionally, the amended guidance identifies specific steps an entity should apply in order to achieve this principle. The amended guidance requires entities to disclose both quantitative and qualitative information regarding contracts with customers. ASU 2014-09 will become effective for the Company on October 1, 2018. The majority of the Company's revenue is composed of interest income from loans and securities which are explicitly excluded from the amended ASU. The Company completed its identification of revenue within the scope of the ASU and has concluded that the new guidance does not require any significant changes in the revenue recognition process. However, the Company believes it is appropriate to classify interchange network charges, currently reported as expense, as a reduction in revenue upon adoption of the ASU. The Company intends to elect to implement the ASU using the modified retrospective application, with the cumulative effect recorded as an adjustment to opening retained earnings at October 1, 2018. The cumulative effect adjustment is not expected to be material to the consolidated financial statements. Additionally, the expanded disclosures required by the ASU will be provided starting with the Company's first quarter of 2019 Form 10-Q.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU supersedes certain accounting guidance related to equity securities with readily determinable fair values and the related impairment assessment. An entity's equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this ASU. The Company does not currently hold any equity investments included within the scope of the ASU. The ASU requires public business entities to utilize the exit price notation in determining fair value for financial instruments measured at amortized cost on the balance sheet. The ASU requires additional reporting in other comprehensive income for financial liabilities measured at fair value in accordance with the fair value option. The ASU also requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the notes to the financial statements. ASU 2016-01 will become effective for the Company on October 1, 2018. The Company is currently evaluating the impact the ASU may have on the Company's consolidated financial condition, results of operations and disclosures. Based on the Company's preliminary analysis, the ASU it is not expected to have a material impact when adopted. Upon adoption, the exit price notion will be utilized when determining the fair value of financial instruments measured at amortized cost in the Company's fair value disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases. The ASU amends lease accounting guidance by requiring that lessees recognize the assets and liabilities arising from leases on the balance sheet. Additionally, the ASU requires entities to disclose both quantitative and qualitative information regarding their leasing activities. The accounting applied by a lessor is largely unchanged from that applied under the previous guidance. ASU 2016-02 will become effective for the Company on October 1, 2019. In July 2018, the FASB issued ASU 2018-11, Leases, which provides entities with relief from the costs of implementation by allowing the option to not restate comparative periods as part of the transition. The Company expects to select the transition relief provisions. The Company has completed its development of a lease inventory and an internal lease data collection, organization, and computing platform for compliance with this ASU. The Company is continuing to evaluate the impact this ASU may have on the Company's consolidated financial condition and results of operations. The Company expects to recognize right-of-use assets and lease liabilities for substantially all of its operating lease commitments based on the present value of the minimum commitments under non-cancellable leases as of the date of adoption. The Company's current minimum commitments under non-cancellable operating leases are disclosed in Note 6, Premises and Equipment. The Company is continuing to evaluate the impact this ASU may have to the Company's disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, along with simplifying the classification in the statement of cash flows. The Company adopted the ASU on October 1, 2017. Upon adoption, the Company elected to account for forfeitures of stock-based compensation awards when they occur. The Company will recognize excess tax benefits and tax deficiencies in income tax expense

on the consolidated statements of income and present them within operating activities on the consolidated statements of cash flows. This ASU did not have a material impact on the Company's consolidated financial condition or results of operations at the time of adoption. However, the impact of tax benefits and the timing of their recognition within income tax expense is unpredictable, as these benefits are recognized primarily as a result of stock options being exercised.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU replaces the incurred loss impairment methodology in current GAAP, which requires credit

losses to be recognized when it is probable that a loss has been incurred, with a new impairment methodology. The new impairment methodology requires an entity to measure, at each reporting date, the expected credit losses of financial assets not measured at fair value, such as loans, HTM debt securities, and loan commitments, over their contractual lives. Under the new impairment methodology, expected credit losses will be measured at each reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Additionally, the ASU amends the current credit loss measurements for AFS debt securities. Credit losses related to AFS debt securities will be recorded through the ACL rather than as a direct write-down as per current GAAP. The ASU also requires enhanced disclosures related to credit quality and significant estimates and judgments used by management when estimating credit losses. The ASU will become effective for the Company on October 1, 2020. The Company has selected a third-party vendor solution to assist in the application of this ASU and will begin implementation procedures in the first half of calendar year 2019. While we are currently unable to reasonably estimate the impact of adopting this ASU, we expect the impact of adoption will be influenced by the composition of our loan and securities portfolios as well as the economic conditions and forecasts at the time of adoption.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment. The ASU simplifies the subsequent measurement of goodwill by eliminating the second step of the goodwill impairment test, which required computing the implied fair value of goodwill. Under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The effective date of this ASU for the Company is October 1, 2020, with early adoption permitted. The Company elected to early-adopt this ASU during the current fiscal year.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. The ASU amends the hedge accounting recognition and presentation requirements in current GAAP. The purpose of the ASU was to improve transparency of hedging relationships in the financial statements and to reduce the complexity of applying hedge accounting for preparers. The ASU will become effective for the Company on October 1, 2019. The Company is currently evaluating the effect of the ASU on the Company's consolidated financial condition, results of operations and disclosures.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU helps organizations address certain stranded income tax effects in AOCI resulting from the tax legislation enacted by the U.S. government on December 22, 2017 commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") by allowing the reclassification of these amounts from AOCI to retained earnings. The effective date of this ASU for the Company is October 1, 2019, with early adoption permitted. The Company elected to early-adopt this ASU during the current fiscal year and reclassify the related tax effects from the enactment of the Tax Act, specifically those related to the change in the federal corporate tax rate, from AOCI to retained earnings. The reclassification was applied prospectively and is reflected in the Consolidated Statements of Stockholders' Equity. The Company releases the income tax effects of unrealized gains and losses related to AFS securities on a portfolio basis.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement: Disclosure Framework - Changes to the Disclosures Requirements for Fair Value Measurement. This ASU eliminates, modifies and adds certain disclosure requirements for fair value measurements. The ASU adds disclosure requirements for the changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The effective date of this ASU for the Company is October 1, 2020, with early adoption permitted. Entities are allowed to elect early adoption of the eliminated or modified disclosure requirements and delay adoption of the new disclosure requirements until their effective date. Since this ASU only requires disclosure changes, it will not have a significant impact on the Company's consolidated financial condition and results of operations.

In August 2018, the FASB issued ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include internal-use software license). The effective date of this ASU for the Company is October 1, 2020,

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with early adoption permitted. The Company is currently evaluating the effect of the ASU on the Company's consolidated financial condition, results of operations and disclosures.

2. ACQUISITION

On August 31, 2018, the Company completed the acquisition of CCB and its wholly-owned subsidiary Capital City Bank headquartered in Topeka, Kansas. Capital City Bank owned and leased banking locations in Topeka, Lawrence, and Overland Park, Kansas. The acquisition was not considered significant to the Company's financial statements; therefore, pro-forma financial data and related disclosures are not included.

The Company acquired loans and deposits with fair values of $299.7 million and $352.5 million, respectively, at the date of acquisition. Included in the loans acquired from CCB at August 31, 2018 were PCI loans with contractually required cash flows totaling $2.6 million. Of that amount, the Company expects to collect $1.9 million, which was also the fair value at the date of acquisition. Under the terms of the acquisition agreement, the Company issued 3.0 million shares of common stock for all outstanding shares of CCB capital stock, for a total merger consideration of $39.1 million, based on the Company's closing stock price of $13.21 on August 31, 2018. See "Note 8. Intangible Assets" for additional information regarding the acquisition of CCB.

During fiscal year 2018, the Company incurred $872 thousand of pre-tax merger-related expenses attributable to the CCB acquisition. The merger-related expenses are reflected on the Company's consolidated statement of income and are reported primarily in regulatory and outside services.

3. EARNINGS PER SHARE

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

	For the Year Ended September 30,		
	2018	2017	2016
	(Dollars in thousands, except per share amounts)		
Net income	$98,927	$ 84,137	$ 83,494
Income allocated to participating securities	(40)	(44)	(66)
Net income available to common stockholders	$98,887	$ 84,093	$ 83,428
Average common shares outstanding	134,635,886	134,019,962	132,982,815
Average committed ESOP shares outstanding	62,458	62,458	62,400
Total basic average common shares outstanding	134,698,344	134,082,420	133,045,215
Effect of dilutive stock options	60,647	161,442	131,161
Total diluted average common shares outstanding	134,758,991	134,243,862	133,176,376
Net EPS:			
Basic	$0.73	$ 0.63	$ 0.63
Diluted	$0.73	$ 0.63	$ 0.63
Antidilutive stock options, excluded from the diluted average common shares outstanding calculation	541,418	200,800	886,417

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4. SECURITIES

The following tables reflect the amortized cost, estimated fair value, and gross unrealized gains and losses of AFS and HTM securities at the dates presented. The majority of the MBS and investment securities portfolios are composed of securities issued by GSEs.

	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
MBS	$445,883	$ 3,270	$ 4,063	$445,090
GSE debentures	268,525	30	3,157	265,398
Municipal bonds	4,156	—	30	4,126
	$718,564	$ 3,300	$ 7,250	$714,614
HTM:				
MBS	$591,900	$ 4,514	$ 15,589	$580,825
Municipal bonds	20,418	—	172	20,246
	$612,318	$ 4,514	$ 15,761	$601,071

	September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
GSE debentures	$271,300	$ 16	$ 587	$270,729
MBS	135,644	5,923	51	141,516
Trust preferred securities	2,067	—	16	2,051
Municipal bonds	1,530	5	—	1,535
	$410,541	$ 5,944	$ 654	$415,831
HTM:				
MBS	$800,931	$ 10,460	$ 5,295	$806,096
Municipal bonds	26,807	119	13	26,913
	$827,738	$ 10,579	$ 5,308	$833,009

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

	September 30, 2018			
	Less Than 12 Months		Equal to or Greater Than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)			
AFS:				
MBS	$324,563	$ 3,797	$8,129	$ 266
GSE debentures	101,735	1,231	148,049	1,926
Municipal bonds	4,126	30	—	—
	$430,424	$ 5,058	$156,178	$ 2,192
HTM:				
MBS	$58,233	$ 904	$362,806	$ 14,685
Municipal bonds	18,345	171	685	1
	$76,578	$ 1,075	$363,491	$ 14,686

	September 30, 2017			
	Less Than 12 Months		Equal to or Greater Than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)			
AFS:				
GSE debentures	$224,421	$ 539	$24,952	$ 48
MBS	9,648	46	673	5
Trust preferred securities	—	—	2,051	16
	$234,069	$ 585	$27,676	$ 69
HTM:				
MBS	$259,200	$ 1,582	$201,094	$ 3,713
Municipal bonds	5,638	8	1,460	5
	$264,838	$ 1,590	$202,554	$ 3,718

The unrealized losses at September 30, 2018 and 2017 were primarily a result of an increase in market yields from the time the securities were purchased. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary. Therefore, these securities have not been classified as other-than-temporarily impaired. The impairment is also considered temporary because scheduled coupon payments have been made, it is anticipated that the entire principal balance will be collected as scheduled, and management neither intends to sell the securities, nor is it more likely than not that the Company will be required to sell the securities before the recovery of the remaining amortized cost amount, which could be at maturity. As a result of the analysis, management has concluded that no other-than-temporary impairments existed at September 30, 2018 or 2017. See "Note 1. Summary of Significant Accounting Policies - Securities" for additional information regarding our

impairment review and classification process for securities.

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The amortized cost and estimated fair value of debt securities as of September 30, 2018, by contractual maturity, are shown below. Actual principal repayments may differ from contractual maturities due to prepayment or early call privileges by the issuer. In the case of MBS, borrowers on the underlying loans generally have the right to prepay their loans without prepayment penalty. For this reason, MBS are not included in the maturity categories.

	AFS		HTM	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
One year or less	$54,627	$54,476	$4,161	$4,152
One year through five years	218,054	215,048	16,257	16,094
	272,681	269,524	20,418	20,246
MBS	445,883	445,090	591,900	580,825
	$718,564	$714,614	$612,318	$601,071

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

	For the Year Ended September 30,		
	2018	2017	2016
	(Dollars in thousands)		
Taxable	$4,275	$3,847	$5,255
Non-taxable	395	515	670
	$4,670	$4,362	$5,925

The following table summarizes the carrying value of securities pledged as collateral for the obligations indicated below as of the dates presented.

	September 30,	
	2018	2017
	(Dollars in thousands)	
Public unit deposits	$515,553	$499,993
Repurchase agreements	108,360	214,298
FRB of Kansas City	9,529	11,769
	$633,442	$726,060

During the current fiscal year, the Company sold trust preferred securities and received proceeds of $2.1 million. The Company recognized a gain of $9 thousand on the sale. All other dispositions of securities during fiscal years 2018, 2017, and 2016 were the result of principal repayments, calls, or maturities.

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Loans receivable, net at September 30, 2018 and 2017 is summarized as follows:

	2018	2017
	(Dollars in thousands)	
One- to four-family:		
Originated	$3,965,692	$3,959,232
Correspondent purchased	2,505,987	2,445,311
Bulk purchased	293,607	351,705
Construction	33,149	30,647
Total	6,798,435	6,786,895
Commercial:		
Commercial real estate	426,243	183,030
Commercial and industrial	62,869	—
Construction	80,498	86,952
Total	569,610	269,982
Consumer:		
Home equity	129,588	122,066
Other	10,012	3,808
Total	139,600	125,874
Total loans receivable	7,507,645	7,182,751
Less:		
ACL	8,463	8,398
Discounts/unearned loan fees	33,933	24,962
Premiums/deferred costs	(49,236)	(45,680)
	$7,514,485	$7,195,071

Included in the loan portfolio at September 30, 2018 were $296.5 million of non-PCI loans and $2.4 million of PCI loans associated with the acquisition of CCB during fiscal year 2018. At September 30, 2018, the Company had $5.5 million of net purchase discounts related to non-PCI loans and $516 thousand related to PCI loans.

As of September 30, 2018 and 2017, the Bank serviced loans for others aggregating $134.2 million and $101.2 million, respectively. Such loans are not included in the accompanying consolidated balance sheets. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. Loan servicing income includes servicing fees withheld from investors and certain charges collected from borrowers, such as late payment fees. The Bank held borrowers' escrow balances on loans serviced for others of $2.4 million and $2.1 million as of September 30, 2018 and 2017, respectively.

Lending Practices and Underwriting Standards - Originating and purchasing one- to four-family loans is the Bank's primary lending business. The Bank also originates consumer loans primarily secured by one- to four-family residential properties and originates and participates in commercial loans. The Bank has a loan concentration in one- to four-family loans and a geographic concentration of these loans in Kansas and Missouri.

One- to four-family loans - Full documentation to support an applicant's credit and income, and sufficient funds to cover all applicable fees and reserves at closing, are required on all loans. Generally, loans are underwritten according to the "ability to repay" and "qualified mortgage" standards, as issued by the Consumer Financial Protection Bureau. Properties securing one- to four-family loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and approved by our Board of Directors.

The underwriting standards for loans purchased from correspondent lenders are generally similar to the Bank's internal underwriting standards. The underwriting of loans purchased from correspondent lenders on a loan-by-loan basis is performed by the Bank's underwriters.

The Bank also originates construction and owner-occupied construction-to-permanent loans secured by one- to four-family residential real estate. Construction draw requests and the supporting documentation are reviewed and approved by designated 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.

Commercial loans - The Bank's commercial real estate loans are originated by the Bank or are in participation with a lead bank. When underwriting a commercial real estate loan, several factors are considered, such as the income producing potential of the property, cash equity provided by the borrower, the financial strength of the borrower, managerial expertise of the borrower or tenant, feasibility studies, lending experience with the borrower and the marketability of the property. For commercial real estate participation loans, the Bank performs the same underwriting procedures as if the loan was being originated by the Bank. At the time of origination, LTV ratios on commercial real estate loans generally do not exceed 80% of the appraised value of the property securing the loans and the minimum debt service coverage ratio is generally 1.20. Appraisals on properties securing these loans are performed by independent state certified fee appraisers.

The Bank's commercial and industrial loans are generally made in the Bank's market areas and are underwritten on the basis of the borrower's ability to service the debt from income. Working capital loans are primarily collateralized by short-term assets whereas term loans are primarily collateralized by long-term assets. In general, commercial and industrial loans involve more credit risk than commercial real estate loans due to the type of collateral securing these loans, as well as the expectation that commercial and industrial loans generally will be serviced principally from the operations of the business, and those operations may not be successful. As a result of these additional complexities, variables and risks, these loans require more thorough underwriting and servicing than other types of loans.

Consumer loans - The Bank offers a variety of secured consumer loans, including home equity loans and lines of credit, home improvement loans, vehicle loans, and loans secured by deposits. The Bank also originates a very limited amount of unsecured loans. The majority of the consumer loan portfolio is comprised of home equity lines of credit for which the Bank also has the first mortgage or the home equity line of credit is in the first lien position.

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

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

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

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The following tables present the recorded investment, by class, in loans 30 to 89 days delinquent, loans 90 or more days delinquent or in foreclosure, total delinquent loans, current loans, and total recorded investment at the dates presented. The recorded investment in loans is defined as the unpaid principal balance of a loan, less charge-offs and inclusive of unearned loan fees and deferred costs. At September 30, 2018 and 2017, all loans 90 or more days delinquent were on nonaccrual status.

	September 30, 2018				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family:					
Originated	$10,613	$ 5,025	$ 15,638	$3,968,362	$3,984,000
Correspondent purchased	3,846	458	4,304	2,536,913	2,541,217
Bulk purchased	3,521	3,063	6,584	288,386	294,970
Commercial:					
Commercial real estate	76	—	76	501,932	502,008
Commercial and industrial	250	—	250	61,255	61,505
Consumer:					
Home equity	472	521	993	128,351	129,344
Other	61	10	71	9,833	9,904
	$18,839	$ 9,077	$ 27,916	$7,495,032	$7,522,948

	September 30, 2017				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family:					
Originated	$13,216	$ 5,500	$ 18,716	$3,956,598	$3,975,314
Correspondent purchased	1,855	92	1,947	2,477,916	2,479,863
Bulk purchased	3,233	3,399	6,632	346,807	353,439
Commercial:					
Commercial real estate	—	—	—	268,979	268,979
Commercial and industrial	—	—	—	—	—
Consumer:					
Home equity	467	406	873	121,193	122,066
Other	33	4	37	3,771	3,808
	$18,804	$ 9,401	$ 28,205	$7,175,264	$7,203,469

The recorded investment in mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process as of September 30, 2018 and 2017 was $2.9 million and $4.3 million, respectively, which is included in loans 90 or more days delinquent or in foreclosure in the table above. The carrying value of residential OREO held as a result of obtaining physical possession upon completion of a foreclosure or through completion of a deed in lieu of foreclosure was $1.3 million at September 30, 2018 and $1.4 million at September 30, 2017.

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

	September 30,	
	2018	2017
	(Dollars in thousands)	
One- to four-family:		
Originated	$6,503	$10,054
Correspondent purchased	863	1,804
Bulk purchased	3,063	4,264
Commercial:		
Commercial real estate	—	—
Commercial and industrial	—	—
Consumer:		
Home equity	530	519
Other	10	4
	$10,969	$16,645

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

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

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

	September 30,			
	2018		2017	
	Special Mention	Substandard	Special Mention	Substandard
	(Dollars in thousands)			
One- to four-family:				
Originated	$8,660	$ 22,409	$7,031	$ 30,059
Correspondent purchased	997	3,126	261	3,800
Bulk purchased	—	7,195	—	8,005
Commercial:				
Commercial real estate	1,251	1,368	—	—
Commercial and industrial	1,126	—	—	—
Consumer:				

Home equity	298	894	9	1,032
Other	—	10	—	4
	$12,332	$ 35,002	$7,301	$ 42,900

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The following table shows the weighted average credit score and weighted average LTV for one- to four-family loans and consumer home equity loans at the dates presented. Borrower credit scores are intended to provide an indication as to the likelihood that a borrower will repay their debts. Credit scores are updated at least semiannually, with the last update in September 2018, from a nationally recognized consumer rating agency. The LTV ratios provide an estimate of the extent to which the Bank may incur a loss on any given loan that may go into foreclosure. The consumer - home equity LTV does not take into account the first lien position, if applicable. 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,			
	2018		2017	
	Credit Score	LTV	Credit Score	LTV
One- to four-family - originated	767	63%	767	63%
One- to four-family - correspondent	764	67	764	68
One- to four-family - bulk purchased	758	62	757	63
Consumer - home equity	750	22	755	19
	765	63	765	64

TDRs - The following tables present the recorded investment prior to restructuring and immediately after restructuring in all loans restructured during the periods presented. These tables do not reflect the recorded investment at the end of the periods indicated. Any increase in the recorded investment at the time of the restructuring was generally due to the capitalization of delinquent interest and/or escrow balances. During the fourth quarter of fiscal year 2017, management refined its methodology for assessing whether a loan modification qualifies as a TDR which, though not material, resulted in fewer loans being classified as TDRs in the current fiscal year.

	For the Year Ended September 30, 2018		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)		
One- to four-family:			
Originated	5	$ 264	$ 281
Correspondent purchased	2	406	406
Bulk purchased	—	—	—
Commercial:			
Commercial real estate	—	—	—
Commercial and industrial	—	—	—
Consumer:			
Home equity	—	—	—
Other	—	—	—
	7	$ 670	$ 687

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	For the Year Ended September 30, 2017		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)		
One- to four-family:			
Originated	112	$ 11,940	$ 12,402
Correspondent purchased	12	2,443	2,459
Bulk purchased	3	1,031	1,048
Commercial:			
Commercial real estate	—	—	—
Commercial and industrial	—	—	—
Consumer:			
Home equity	17	368	380
Other	—	—	—
	144	$ 15,782	$ 16,289

	For the Year Ended September 30, 2016		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)		
One- to four-family:			
Originated	122	$ 17,201	$ 17,557
Correspondent purchased	12	2,592	2,619
Bulk purchased	3	596	594
Commercial:			
Commercial real estate	—	—	—
Commercial and industrial	—	—	—
Consumer:			
Home equity	19	427	433
Other	1	8	8
	157	$ 20,824	$ 21,211

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

	For the Years Ended					
	September 30, 2018		September 30, 2017		September 30, 2016	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(Dollars in thousands)					
One- to four-family:						
Originated	22	$ 1,416	46	$ 4,561	48	$ 5,330
Correspondent purchased	1	124	2	148	3	548
Bulk purchased	3	1,040	2	698	—	—
Commercial:						
Commercial real estate	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—
Consumer:						
Home equity	4	133	16	440	6	174
Other	—	—	—	—	—	—
	30	$ 2,713	66	$ 5,847	57	$ 6,052

Impaired loans - The following information pertains to impaired loans, by class, as of the dates presented. During the fourth quarter of fiscal year 2017, management refined its methodology for classifying loans as impaired. The change resulting from this refinement was immaterial. All impaired loans were individually evaluated for loss and all losses were charged-off, resulting in no related ACL for these loans.

	September 30, 2018		September 30, 2017	
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
	(Dollars in thousands)			
One- to four-family:				
Originated	$18,857	$19,388	$30,251	$30,953
Correspondent purchased	2,668	2,768	3,800	3,771
Bulk purchased	6,011	6,976	7,403	8,606
Commercial:				
Commercial real estate	—	—	—	—
Commercial and industrial	—	—	—	—
Consumer:				
Home equity	504	720	775	997
Other	—	25	—	24
	$28,040	$29,877	$42,229	$44,351

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

	For the Years Ended					
	September 30, 2018		September 30, 2017		September 30, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)					
With no related allowance recorded						
One- to four-family:						
Originated	$23,847	$ 990	$24,122	$ 917	$12,063	$ 470
Correspondent purchased	3,204	112	3,346	118	495	18
Bulk purchased	6,438	191	9,852	194	11,022	196
Commercial:						
Commercial real estate	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—
Consumer:						
Home equity	588	39	988	86	628	93
Other	—	—	7	—	13	1
	34,077	1,332	38,315	1,315	24,221	778
With an allowance recorded						
One- to four-family:						
Originated	—	—	11,469	434	24,199	983
Correspondent purchased	—	—	2,018	65	2,669	50
Bulk purchased	—	—	1,160	20	2,219	27
Commercial:						
Commercial real estate	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—
Consumer:						
Home equity	—	—	457	36	895	64
Other	—	—	10	1	13	1
	—	—	15,114	556	29,995	1,125
Total						
One- to four-family:						
Originated	23,847	990	35,591	1,351	36,262	1,453
Correspondent purchased	3,204	112	5,364	183	3,164	68
Bulk purchased	6,438	191	11,012	214	13,241	223
Commercial:						
Commercial real estate	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—
Consumer:						
Home equity	588	39	1,445	122	1,523	157
Other	—	—	17	1	26	2
	$34,077	$ 1,332	$53,429	$ 1,871	$54,216	$ 1,903

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

	For the Year Ended September 30, 2018						
	One- to Four-Family						
		Correspondent	Bulk				
	Originated	Purchased	Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Beginning balance	$3,173	$ 1,922	$ 1,000	$6,095	$ 2,112	$ 191	$8,398
Charge-offs	(136)	(128)	—	(264)	—	(38)	(302)
Recoveries	144	—	196	340	—	27	367
Provision for credit losses	(228)	67	(271)	(432)	444	(12)	—
Ending balance	$2,953	$ 1,861	$ 925	$5,739	$ 2,556	$ 168	$8,463

	For the Year Ended September 30, 2017						
	One- to Four-Family						
		Correspondent	Bulk				
	Originated	Purchased	Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Beginning balance	$3,928	$ 2,102	$ 1,065	$7,095	$ 1,208	$ 237	$8,540
Charge-offs	(72)	—	(216)	(288)	—	(60)	(348)
Recoveries	4	—	165	169	—	37	206
Provision for credit losses	(687)	(180)	(14)	(881)	904	(23)	—
Ending balance	$3,173	$ 1,922	$ 1,000	$6,095	$ 2,112	$ 191	$8,398

	For the Year Ended September 30, 2016						
	One- to Four-Family						
		Correspondent	Bulk				
	Originated	Purchased	Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Beginning balance	$4,865	$ 2,115	$ 1,434	$8,414	$ 742	$ 287	$9,443
Charge-offs	(200)	—	(342)	(542)	—	(88)	(630)
Recoveries	77	—	374	451	—	26	477
Provision for credit losses	(814)	(13)	(401)	(1,228)	466	12	(750)
Ending balance	$3,928	$ 2,102	$ 1,065	$7,095	$ 1,208	$ 237	$8,540

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

	September 30, 2018						
	One- to Four-Family						
		Correspondent	Bulk				
	Originated	Purchased	Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Recorded investment in loans collectively evaluated for impairment	$3,965,143	$ 2,538,549	$288,959	$6,792,651	$ 563,513	$138,744	$7,494,908
Recorded investment in loans individually evaluated for impairment	18,857	2,668	6,011	27,536	—	504	28,040
	$3,984,000	$ 2,541,217	$294,970	$6,820,187	$ 563,513	$139,248	$7,522,948
ACL for loans collectively evaluated for impairment	$2,953	$ 1,861	$925	$5,739	$ 2,556	$168	$8,463

	September 30, 2017						
	One- to Four-Family						
		Correspondent	Bulk				
	Originated	Purchased	Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Recorded investment in loans collectively evaluated for impairment	$3,945,063	$ 2,476,063	$346,035	$6,767,161	$ 268,979	$125,100	$7,161,240
Recorded investment in loans individually evaluated for impairment	30,251	3,800	7,404	41,455	—	774	42,229
	$3,975,314	$ 2,479,863	$353,439	$6,808,616	$ 268,979	$125,874	$7,203,469
ACL for loans collectively evaluated for impairment	$3,173	$ 1,922	$1,000	$6,095	$ 2,112	$191	$8,398

6. PREMISES AND EQUIPMENT

A summary of the net carrying value of premises and equipment at September 30, 2018 and 2017 was as follows:

	2018	2017
	(Dollars in thousands)	
Land	$13,536	$11,670
Building and improvements	107,580	96,401
Furniture, fixtures and equipment	48,852	43,410
	169,968	151,481
Less accumulated depreciation	73,963	66,663
	$96,005	$84,818

The Bank has entered into non-cancelable operating lease agreements with respect to banking premises and equipment. It is expected that many agreements will be renewed at expiration in the normal course of business. Rental expense was $1.2 million, $1.1 million, and $1.2 million for the years ended September 30, 2018, 2017, and 2016, respectively.

As of September 30, 2018, future minimum rental commitments, rounded to the nearest thousand, required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year were as follows:

2019	$1,364
2020	1,067
2021	941
2022	828
2023	689
Thereafter	1,573
	$6,462

7. LOW INCOME HOUSING PARTNERSHIPS

The Bank's investment in low income housing partnerships, which is included in other assets in the consolidated balance sheets, was $74.5 million and $66.1 million at September 30, 2018 and 2017, respectively. The Bank's obligations related to unfunded commitments, which are included in accounts payable and accrued expenses in the consolidated balance sheets, were $34.0 million and $29.4 million at September 30, 2018 and 2017, respectively. The majority of the commitments at September 30, 2018 are projected to be funded through the end of calendar year 2021.

For fiscal year 2018, the net income tax benefit associated with these investments, which consists of proportional amortization expense and affordable housing tax credits and other related tax benefits, was reported in income tax expense in the consolidated statements of income. The amount of proportional amortization expense recognized during fiscal years 2018 and 2017 was $7.0 million and $4.4 million, respectively, and the amount of affordable housing tax credits and other related tax benefits was $7.5 million and $6.9 million, respectively, resulting in a net income tax benefit of $500 thousand and $2.5 million, respectively. The increase in proportional amortization expense was due primarily to a change in the tax rate resulting from the Tax Act, as well as to changes in the life cycle stage of the investments. For fiscal year 2016, the expenses were reported in the low income housing partnerships line of the consolidated statements of income, and the amount of affordable housing tax credits and other related tax benefits was $6.0 million. There were no impairment losses during fiscal years 2018, 2017, or 2016 resulting from the forfeiture or ineligibility of tax credits or other circumstances.

8. INTANGIBLE ASSETS

With the acquisition of CCB, the Company recognized goodwill of $8.0 million, which is calculated as the consideration exchanged in excess of the fair value of assets, net of the fair value of liabilities assumed. The Company also recognized $10.1 million of other intangible assets which is largely composed of core deposit intangibles. These assets will be amortized over their estimated lives, which management has determined to be 8 years.

Changes in the carrying amount of the Company's intangible assets, which are included in other assets on the consolidated balance sheet, for fiscal year 2018 are presented in the following table.

	Goodwill	Core Deposit and Other Intangibles
	(Dollars in thousands)	
Balance as of September 30, 2017	$—	$ —
Add: Acquisition of CCB	7,989	10,052
Less: Amortization	—	(234)
Balance as of September 30, 2018	$7,989	$ 9,819

As of September 30, 2018, there was no impairment recorded on goodwill or other intangible assets.

The estimated amortization expense for the next five years related to the core deposit and other intangible assets as of September 30, 2018 is presented in the following table (dollars in thousands):

2019	$2,317
2020	1,964
2021	1,659
2022	1,358
2023	1,056

9. DEPOSITS AND BORROWED FUNDS

Deposits - Non-interest-bearing deposits totaled $336.5 million and $243.7 million as of September 30, 2018 and 2017, respectively. Certificates of deposit with a minimum denomination of $250 thousand were $668.8 million and $676.1 million as of September 30, 2018 and 2017, respectively. Deposits in excess of $250 thousand may not be fully insured by the Federal Deposit Insurance Corporation.

FHLB Borrowings - FHLB borrowings at September 30, 2018 consisted of $2.07 billion in FHLB advances, of which $1.60 billion were fixed-rate advances and $475.0 million were variable-rate advances, and $100.0 million against the variable-rate FHLB line of credit. FHLB borrowings at September 30, 2017 consisted of $2.17 billion in FHLB advances, of which $1.98 billion were fixed-rate advances and $200.0 million were variable-rate advances. There were no borrowings against the variable-rate FHLB line of credit at September 30, 2017. The line of credit is set to expire on November 15, 2019, at which time it is expected to be renewed by FHLB for a one year period.

FHLB advances at September 30, 2018 and 2017 were comprised of the following:

	2018	2017
	(Dollars in thousands)	
FHLB advances	$2,075,000	$2,175,000
Deferred prepayment penalty	(19)	(1,192)
	$2,074,981	$2,173,808
Weighted average contractual interest rate on FHLB advances	2.07 %	1.96 %
Weighted average effective interest rate on FHLB advances[(1)]	2.12	2.09

(1) The effective interest rate includes the net impact of deferred amounts and interest rate swaps related to the adjustable-rate FHLB advances.

During fiscal years 2018, 2017 and 2016, the Bank utilized a leverage strategy (the "leverage strategy") to increase earnings. The leverage strategy involves borrowing up to $2.10 billion either on the Bank's FHLB line of credit or by entering into short-term FHLB advances, depending on the rates offered by FHLB, with all of the balance being paid down at each quarter end, or earlier if the strategy it is not profitable. The proceeds of the borrowings, net of the required FHLB stock holdings, are deposited at the FRB of Kansas City. Management can discontinue the use of the leverage strategy at any point in time.

At September 30, 2018 and 2017, the Bank had entered into interest rate swap agreements with a total notional amount of $475.0 million and $200.0 million, respectively, in order to hedge the variable cash flows associated with $475.0 million and $200.0 million, respectively, of adjustable-rate FHLB advances. At September 30, 2018 and 2017, the interest rate swap agreements had an average remaining term to maturity of 5.8 years and 5.9 years, respectively. The interest rate swaps were designated as cash flow hedges and involve the receipt of variable amounts from a counterparty in exchange for the Bank making fixed-rate payments over the life of the interest rate swap agreements. At September 30, 2018, the interest rate swaps were in a gain position with a total fair value of $9.7 million, which was reported in other assets on the consolidated balance sheet. At September 30, 2017, the interest rate swaps were in a loss position with a total fair value of $598 thousand, which was reported in accounts payable and accrued expenses on the consolidated balance sheet. During fiscal years 2018 and 2017, $515 thousand and $134 thousand, respectively, were reclassified from AOCI as an increase to interest expense and no hedge ineffectiveness was recognized in the consolidated statements of income during either period. At September 30, 2018, the Company estimates that $755 thousand will be reclassified as a decrease to interest expense during the next 12 months. The Bank has minimum collateral posting thresholds with its derivative counterparty and posts collateral on a daily basis. The Bank held cash collateral of $10.0 million at September 30, 2018 and posted cash collateral of $731 thousand at September 30, 2017.

FHLB borrowings are secured by certain qualifying loans pursuant to a blanket collateral agreement with FHLB and certain securities, when necessary. Per FHLB's lending guidelines, total FHLB borrowings cannot exceed 40% of a borrowing institution's regulatory total assets without the pre-approval of FHLB senior management. In July 2018, the president of FHLB approved an increase, through July 2019, in the Bank's borrowing limit to 55% of Bank Call Report total assets. At September 30, 2018, the ratio of the par value of the Bank's FHLB borrowings to the Bank's Call Report total assets was 23%. At times, the Bank's FHLB borrowings to the Bank's Call Report total assets may be in excess of 40% due to the leverage strategy.

Repurchase Agreements - At September 30, 2018 and 2017, the Company had repurchase agreements outstanding in the amount of $100.0 million and $200.0 million, respectively, with a weighted average contractual rate of 2.53% and 2.94% respectively. The repurchase agreements are included in other borrowings on the consolidated balance sheet. All of the Company's repurchase agreements at September 30, 2018 and 2017 were fixed-rate. See Note 4 for information regarding the amount of securities pledged as collateral in conjunction with repurchase agreements. Securities are delivered to the party with whom each transaction is executed and the party agrees to resell the same

securities to the Bank at the maturity of the agreement. The Bank retains the right to substitute similar or like securities throughout the terms of the agreements. The repurchase agreements and collateral are subject to valuation at current market levels and the Bank may ask for the return of excess collateral or be required to post additional collateral due to changes in the market values of these items. The Bank may also be required to post additional collateral as a result of principal payments received on the securities pledged.

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Maturity of Borrowed Funds and Certificates of Deposit - The following table presents the scheduled maturity of FHLB advances, at par, repurchase agreements, and certificates of deposit as of September 30, 2018:

	FHLB Advances Amount	Repurchase Agreements Amount	Certificates of Deposit Amount
	(Dollars in thousands)		
2019	$875,000	$ —	$1,229,859
2020	350,000	100,000	812,885
2021	550,000	—	372,331
2022	200,000	—	401,527
2023	100,000	—	119,313
Thereafter	—	—	1,142
	$2,075,000	$ 100,000	$2,937,057

Junior Subordinated Debentures and Trust-Preferred Securities - In conjunction with the CCB acquisition, the Company acquired $10.1 million of mandatorily redeemable capital trust-preferred securities that were previously issued by CCB-sponsored trusts (the "Trusts") to third-party investors. The Company also acquired $302 thousand of common equity securities that were issued by the Trusts which is included in other assets on the consolidated balance sheet. The proceeds from such securities were invested in junior subordinated debentures issued by CCB. The junior subordinated debentures are included in other borrowings on the consolidated balance sheet.

The terms of the trust-preferred securities are identical to those of the junior subordinated debentures. The trust-preferred securities are subject to mandatory redemption upon repayment of the junior subordinated debentures at their stated maturity dates or earlier redemption in an amount equal to their liquidation amount plus accumulated and unpaid distributions to the date of redemption. The Company guarantees the payment of distributions and payments for redemption or liquidation of the trust-preferred securities to the extent of funds held by the Trusts.

The junior subordinated debentures are unsecured with interest distributions payable quarterly. Of the $10.1 million, $6.2 million bear interest at 10.6% with a maturity date of September 7, 2030 and $3.9 million bear interest at three-month London Interbank Offered Rate ("LIBOR") plus 3.45% (5.82% at September 30, 2018) with a maturity date of June 26, 2032. The Company intends to redeem the trust-preferred securities and related junior subordinated debentures during fiscal year 2019.

10. INCOME TAXES

Income tax expense for the years ended September 30, 2018, 2017, and 2016 consisted of the following:

	2018	2017	2016
	(Dollars in thousands)		
Current:			
Federal	$26,007	$38,127	$33,298
State	3,512	4,734	4,677
	29,519	42,861	37,975
Deferred:			
Federal	(5,956)	712	286
State	1,416	210	184
	(4,540)	922	470
	$24,979	$43,783	$38,445

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The Tax Act made significant changes to the U.S. corporate income tax laws, such as a permanent reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018, bonus depreciation that will allow full expensing of qualified property, and other changes to and/or limitations on certain corporate income tax deductions. As required by Section 15 of the Internal Revenue Code, the Company had a blended statutory federal income tax rate of 24.5% for the year ended September 30, 2018, which is based on the applicable income tax rates prior to and subsequent to January 1, 2018 and the number of days in the fiscal year. In accordance with GAAP, the Company revalued its deferred tax assets and liabilities as of December 22, 2017 to account for the future impact of a lower federal income tax rate. The revaluation of the Company's deferred tax assets and liabilities resulted in a $7.5 million reduction in income tax expense during the December 31, 2017 quarter and a corresponding reduction in the Company's net deferred tax liability. During the December 31, 2017 quarter, management reviewed the carrying value of the Bank's low income housing partnership investments in relation to the remaining tax benefits, considering the reduction in the corporate income tax rate, and determined there was no impairment present.

The Company's effective tax rates were 20.2%, 34.2%, and 31.5% for the years ended September 30, 2018, 2017, and 2016, respectively. The decrease in the effective tax rate for the year ended September 30, 2018 was due primarily to the revaluation of the Company's deferred tax assets and liabilities along with a lower blended statutory federal tax rate as a result of the enactment of the Tax Act. The differences between such effective rates and the statutory Federal income tax rate computed on income before income tax expense resulted from the following:

	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)					
Federal income tax expense computed at statutory Federal rate	$30,392	24.5 %	$44,772	35.0 %	$42,679	35.0 %
Increases (decreases) in taxes resulting from:						
State taxes, net of Federal tax effect	3,986	3.2	3,452	2.7	3,308	2.7
Deferred tax liability remeasurement, net	(7,498)	(6.0)	—	—	—	—
Low income housing tax credits, presented net of proportional amortization in 2018 and 2017	(500)	(0.4)	(2,468)	(2.0)	(4,815)	(4.0)
ESOP related expenses, net	(790)	(0.6)	(1,052)	(0.8)	(1,127)	(0.9)
Other	(611)	(0.5)	(921)	(0.7)	(1,600)	(1.3)
	$24,979	20.2 %	$43,783	34.2 %	$38,445	31.5 %

Deferred income tax expense represents the change in deferred income tax assets and liabilities excluding the tax effects of the change in net unrealized gain (loss) on AFS securities and interest rate swaps and changes in the market value of restricted stock between the grant date and vesting date. The sources of these differences and the tax effect of each as of September 30, 2018, 2017, and 2016 were as follows:

	2018	2017	2016
	(Dollars in thousands)		
ACL	$1,827	$185	$480
Salaries, deferred compensation and employee benefits	897	437	(143)
Low income housing partnerships	604	285	(318)
FHLB stock dividends	(7,692)	4	(1,357)
Premises and equipment	(122)	14	1,593
Other, net	(54)	(3)	215
	$(4,540)	$922	$470

The components of the net deferred income tax liabilities as of September 30, 2018 and 2017 were as follows:

	2018	2017
	(Dollars in thousands)	
Deferred income tax assets:		
Salaries, deferred compensation and employee benefits	$1,686	$2,583
Net purchase discounts related to acquired loans	1,456	—
ESOP compensation	1,206	1,724
Unrealized loss on AFS securities	960	—
Low income housing partnerships	874	1,478
ACL	—	711
Other	3,154	2,621
Gross deferred income tax assets	9,336	9,117
Valuation allowance	(1,822)	(1,795)
Gross deferred income tax asset, net of valuation allowance	7,514	7,322
Deferred income tax liabilities:		
FHLB stock dividends	15,550	23,242
Premises and equipment	5,983	6,105
Deposit intangible	2,567	—
Unrealized gain on interest rate swap	2,353	—
ACL	1,116	—
Unrealized gain on AFS securities	—	2,000
Other	1,198	433
Gross deferred income tax liabilities	28,767	31,780
Net deferred tax liabilities	$21,253	$24,458

The State of Kansas allows for a bad debt deduction on savings and loan institutions' privilege tax returns of up to 5% of Kansas taxable income. Due to the low level of net loan charge-offs experienced by the Bank historically, the Bank's bad debt deduction on the Kansas privilege tax return has been in excess of actual net charge-offs for several years resulting in a state deferred tax liability. At September 30, 2018, the state deferred tax liability associated with ACL was in excess of the federal deferred tax asset.

The Company assesses the available positive and negative evidence surrounding the recoverability of its deferred tax assets and applies its judgment in estimating the amount of valuation allowance necessary under the circumstances. At both September 30, 2018 and 2017, the Company had a valuation allowance of $1.8 million related to the net operating losses generated by the Company's consolidated Kansas corporate income tax return. The companies included in the consolidated Kansas corporate income tax return are the holding company, Capitol Funds, Inc. and Capital City Investments, Inc., as the Bank files a Kansas privilege tax return. Based on the nature of the operations of the holding company, Capitol Funds, Inc. and Capital City Investments, Inc., management believes there will not be sufficient taxable income to fully utilize the deferred tax assets noted above; therefore, a valuation allowance has been recorded for the related amounts at September 30, 2018 and 2017.

Accounting Standards Codification ("ASC") 740 Income Taxes prescribes a process by which a tax position taken, or expected to be taken, on an income tax return is determined based upon the technical merits of the position, along with whether the tax position meets a more-likely-than-not-recognition threshold, to determine the amount, if any, of unrecognized tax benefits to recognize in the financial statements. Estimated penalties and interest related to unrecognized tax benefits are included in income tax expense in the consolidated statements of income. For the year

ended September 30, 2018 and 2017,

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the Company had no unrecognized tax benefits. For the year ended September 30, 2016, the Company's unrecognized tax benefits, estimated penalties and interest, and related activities were insignificant.

The Company files income tax returns in the U.S. federal jurisdiction and the state of Kansas, as well as other states where it has either established nexus under an economic nexus theory or has exceeded enumerated nexus thresholds based on the amount of interest income derived from sources within a given state. With few exceptions, the Company is no longer subject to U.S. federal and state examinations by tax authorities for fiscal years before 2015.

11. EMPLOYEE STOCK OWNERSHIP PLAN

The ESOP trust acquired 3,024,574 shares (6,846,728 shares post-corporate reorganization) of common stock in the Company's initial public offering and 4,726,000 shares of common stock in the Company's corporate reorganization in December of 2010. Both acquisitions of common stock were made with proceeds from loans from the Company, secured by shares of the Company's stock purchased in each offering. The Bank has agreed to make cash contributions to the ESOP trust on an annual basis sufficient to enable the ESOP trust to make the required annual loan payments to the Company on September 30 of each year. The loan for the shares acquired in the initial public offering matured on September 30, 2013. The loan for the shares acquired in the corporate reorganization matures on September 30, 2040.

As annual loan payments are made on September 30, shares are released from collateral and allocated to qualified employees based on the proportion of their qualifying compensation to total qualifying compensation. On September 30, 2018, 165,198 shares were released from collateral. On September 30, 2019, 165,198 shares will be released from collateral. As ESOP shares are committed to be released from collateral, the Company records compensation expense. Dividends on unallocated ESOP shares are applied to the debt service payments of the loan secured by the unallocated shares. Dividends on unallocated ESOP shares in excess of the debt service payment are recorded as compensation expense and distributed to participants or participants' ESOP accounts. Compensation expense related to the ESOP was $2.9 million for the year ended September 30, 2018, $3.3 million for the year ended September 30, 2017, and $3.0 million for the year ended September 30, 2016. Of these amounts, $541 thousand, $784 thousand, and $522 thousand related to the difference between the market price of the Company's stock when the shares were acquired by the ESOP trust and the average market price of the Company's stock during the years ended September 30, 2018, 2017, and 2016, respectively. The amount included in compensation expense for dividends on unallocated ESOP shares in excess of the debt service payments was $688 thousand, $833 thousand, and $813 thousand for the years ended September 30, 2018, 2017, and 2016, respectively.

Shares may be withdrawn from the ESOP trust due to diversification (a participant may begin to diversify at least 25% of their ESOP shares at age 50), retirement, termination, or death of the participant. The following is a summary of shares held in the ESOP trust as of September 30, 2018 and 2017:

	2018	2017
	(Dollars in thousands)	
Allocated ESOP shares	4,339,002	4,369,840
Unreleased ESOP shares	3,634,356	3,799,554
Total ESOP shares	7,973,358	8,169,394
Fair value of unreleased ESOP shares	$ 46,302	$ 55,853

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12. STOCK-BASED COMPENSATION
The Company has a Stock Option Plan, a Restricted Stock Plan, and an Equity Incentive Plan, all of which are considered share-based plans. The Stock Option Plan and Restricted Stock Plan expired in April 2015. No additional grants can be made from these two plans; however awards granted under these two plans remain outstanding until they are individually vested, forfeited or expire. The objectives of the Equity Incentive Plan are to provide additional compensation to certain officers, directors and key employees by facilitating their acquisition of stock interest in the Company and enable the Company to retain personnel of experience and ability in key positions of responsibility.

Stock Option Plans – There are currently 504,195 stock options outstanding as a result of grants awarded from the Stock Option Plan. The Equity Incentive Plan had 5,907,500 stock options originally eligible to be granted and, as of September 30, 2018, the Company had 4,184,316 stock options still available for future grants under this plan. This plan will expire in January 2027 and no additional grants may be made after expiration, but awards granted under this plan remain outstanding until they are individually vested, forfeited, or expire.

The Company may issue incentive and nonqualified stock options under the Equity Incentive Plan. The Company may also award stock appreciation rights, although no stock appreciation rights have been awarded to date. The incentive stock options expire no later than 10 years from the date of grant, and the nonqualified stock options expire no later than 15 years from the date of grant. The vesting period of the stock options under the Equity Incentive Plan generally has ranged from three to five years. The stock option exercise price cannot be less than the market value at the date of the grant as defined by each plan. The fair value of stock option grants is estimated on the date of the grant using the Black-Scholes option pricing model.

At September 30, 2018, the Company had 1,210,374 stock options outstanding with a weighted average exercise price of $13.33 per option and a weighted average contractual life of 4.3 years, and 1,161,374 options exercisable with a weighted average exercise price of $13.37 per option and a weighted average contractual life of 4.2 years. The exercise price may be paid in cash, shares of common stock, or a combination of both. New shares are issued by the Company upon the exercise of stock options.

Compensation expense attributable to stock option awards during the years ended September 30, 2018, 2017, and 2016 totaled $71 thousand, $118 thousand, and $335 thousand, respectively. The fair value of stock options vested during the years ended September 30, 2018, 2017, and 2016 was $77 thousand, $174 thousand, and $652 thousand, respectively. As of September 30, 2018, the total future compensation cost related to non-vested stock options not yet recognized in the consolidated statements of income was $61 thousand, and the weighted average period over which these awards are expected to be recognized was 1.2 years.

Restricted Stock Plans – The Equity Incentive Plan had 2,363,000 shares originally eligible to be granted as restricted stock and, as of September 30, 2018, the Company had 1,738,750 shares available for future grants of restricted stock under this plan. This plan will expire in January 2027 and no additional grants may be made after expiration, but awards granted under this plan remain outstanding until they are individually vested or forfeited. The vesting period of the restricted stock awards under the Equity Incentive Plan has generally ranged from three to five years. At September 30, 2018, the Company had 53,150 unvested restricted stock shares with a weighted average grant date fair value of $13.48 per share.

Compensation expense is calculated based on the fair market value of the common stock at the date of the grant, as defined by the plan, and is recognized over the vesting time period. Compensation expense attributable to restricted stock awards during the years ended September 30, 2018, 2017, and 2016 totaled $301 thousand, $388 thousand, and $787 thousand, respectively. The fair value of restricted stock that vested during the years ended September 30, 2018, 2017, and 2016 totaled $294 thousand, $563 thousand, and $1.6 million, respectively. As of September 30, 2018 there was $572 thousand of unrecognized compensation cost related to unvested restricted stock to be recognized over a weighted average period of 2.7 years.

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13. COMMITMENTS AND CONTINGENCIES

The following table summarizes the Bank's loan commitments as of September 30, 2018 and 2017:

	2018	2017
	(Dollars in thousands)	
Originate fixed-rate	$46,645	$33,528
Originate adjustable-rate	25,228	9,861
Purchase/participate fixed-rate	122,418	74,104
Purchase/participate adjustable-rate	10,085	52,453
	$204,376	$169,946

Commitments to originate loans are commitments to lend to a customer. Commitments to purchase/participate in loans represent commitments to purchase loans from correspondent lenders on a loan-by-loan basis or participate in commercial real estate loans with a lead bank. The Bank evaluates each borrower's creditworthiness on a case-by-case basis. Commitments generally have expiration dates or other termination clauses and one-to four-family loan commitments may require the payment of a rate lock fee. Some of the commitments are expected to expire without being fully drawn upon; therefore, the amount of total commitments disclosed in the table above does not necessarily represent future cash requirements. As of September 30, 2018 and 2017, there were no significant loan-related commitments that met the definition of derivatives or commitments to sell mortgage loans. As of September 30, 2018 and 2017, the Bank had approved but unadvanced lines of credit of $246.1 million and $240.0 million, respectively.

Upon the acquisition of CCB, the Company assumed certain standby letters of credit, which are conditional commitments to guarantee the performance of a customer to a third party. Most guarantees have one-year terms. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At September 30, 2018, the Company had approximately $1.2 million in outstanding standby letters of credit, and no amounts have been recorded as liabilities for the Company's potential obligations under these agreements.

In the normal course of business, the Company and its subsidiary are named defendants in various lawsuits and counterclaims. In the opinion of management, after consultation with legal counsel, none of the currently pending suits are expected to have a materially adverse effect on the Company's consolidated financial statements for the year ended September 30, 2018, or future periods.

14. REGULATORY CAPITAL REQUIREMENTS

The Bank and the Company are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and, possibly additional discretionary, actions by regulators that, if undertaken, could have a material adverse effect on the Company's financial statements. Under regulatory capital adequacy guidelines, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Additionally, the Bank must meet specific capital guidelines to be considered well capitalized per the regulatory framework for prompt corrective action. The Company's and Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Generally, savings institutions, such as the Bank, may make capital distributions during any calendar year equal to the earnings of the previous two calendar years and current year-to-date earnings. It is generally required that the Bank remain well capitalized before and after the proposed distribution. The Company's ability to pay dividends is dependent, in part, upon its ability to obtain capital distributions from the Bank. So long as the Bank continues to remain well capitalized after each capital distribution and operates in a safe and sound manner, it is management's belief that the regulators will continue to allow the Bank to distribute its net income to the Company, although no

assurance can be given in this regard.

In conjunction with the Company's corporate reorganization in December 2010, a "liquidation account" was established for the benefit of certain depositors of the Bank in an amount equal to Capitol Federal Savings Bank MHC's ownership interest in the retained earnings of Capitol Federal Financial as of June 30, 2010. As of September 30, 2018, the balance of this

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liquidation account was $145.4 million. Under applicable federal banking regulations, neither the Company nor the Bank is permitted to pay dividends on its capital stock to its stockholders if stockholders' equity would be reduced below the amount of the liquidation account at that time.
The Bank and the Company must maintain certain minimum capital ratios as set forth in the table below for capital adequacy purposes. Effective January 1, 2016, the Company and Bank were required 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. The required capital conservation buffer is being phased in over a four year period by increasing the required buffer amount by 0.625% each year. The capital conservation buffer was 1.875% at September 30, 2018 and 1.25% at September 30, 2017. At September 30, 2018 and 2017, the Bank and Company exceeded the capital conservation buffer requirement. Once fully phased-in, which will be on January 1, 2019 for the Company and Bank, the organization must maintain a balance of capital that exceeds by more than 2.5% each of the minimum risk-based capital ratios in order to satisfy the requirement. Management believes, as of September 30, 2018, that the Bank and Company meet all capital adequacy requirements to which they are subject and there were no conditions or events subsequent to September 30, 2018 that would change the Bank's or Company's category.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Bank						
As of September 30, 2018						
Tier 1 leverage	$1,202,125	13.0%	$370,559	4.0%	$463,199	5.0 %
Common Equity Tier 1 ("CET1") capital	1,202,125	25.1	215,764	4.5	311,659	6.5
Tier 1 capital	1,202,125	25.1	287,685	6.0	383,580	8.0
Total capital	1,210,589	25.2	383,580	8.0	479,475	10.0
As of September 30, 2017						
Tier 1 leverage	1,201,863	10.8	444,877	4.0	556,097	5.0
CET1 capital	1,201,863	27.2	199,181	4.5	287,706	6.5
Tier 1 capital	1,201,863	27.2	265,575	6.0	354,100	8.0
Total capital	1,210,261	27.3	354,100	8.0	442,625	10.0
Company						
As of September 30, 2018						
Tier 1 leverage	1,381,791	14.9	370,475	4.0	N/A	N/A
CET1 capital	1,381,791	28.6	215,793	4.5	N/A	N/A
Tier 1 capital	1,381,791	28.8	287,724	6.0	N/A	N/A
Total capital	1,390,255	29.0	383,632	8.0	N/A	N/A
As of September 30, 2017						
Tier 1 leverage	1,365,395	12.3	444,785	4.0	N/A	N/A
CET1 capital	1,365,395	30.8	199,195	4.5	N/A	N/A
Tier 1 capital	1,365,395	30.8	265,594	6.0	N/A	N/A
Total capital	1,373,793	31.0	354,125	8.0	N/A	N/A

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements – The Company uses fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures in accordance with ASC 820 and ASC 825. The Company's AFS securities and interest rate swaps are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other financial instruments on a non-recurring basis, such as OREO and loans individually evaluated for impairment. These non-recurring fair value adjustments involve the application of lower of cost or fair value accounting or write-downs of individual financial instruments.

The Company groups its financial instruments at fair value in three levels based on the markets in which the financial instruments are traded and the reliability of the assumptions used to determine fair value. These levels are:

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

The Company bases its fair values on the price that would be received from the sale of a financial instrument in an orderly transaction between market participants at the measurement date under current market conditions. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

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

AFS Securities - The Company's AFS securities portfolio is carried at estimated fair value. The majority of the securities within the AFS portfolio were issued by GSEs. The Company primarily uses prices obtained from third party pricing services to determine the fair value of its securities. On a quarterly basis, management corroborates a sample of prices obtained from the third party pricing service for Level 2 securities by comparing them to an independent source. If the price provided by the independent source varies by more than a predetermined percentage from the price received from the third party pricing service, then the variance is researched by management. The Company did not have to adjust prices obtained from the third party pricing service when determining the fair value of its securities during the years ended September 30, 2018 and 2017. The Company's major security types, based on the nature and risks of the securities, are:

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

from secondary trades and bid/offer prices. (Level 3)

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Interest Rate Swaps - The Company's interest rate swaps are designated as cash flow hedges and are reported at fair value in other assets on the consolidated balance sheet if in a gain position, and in accounts payable and accrued expenses if in a loss position, with any unrealized gains and losses, net of taxes, reported as AOCI in stockholders' equity. See "Note 9. Deposits and Borrowed Funds" for additional information. The estimated fair value of the interest rates swaps are obtained from the counterparty and are determined using a discounted cash flow analysis using observable market-based inputs. On a quarterly basis, management corroborates the estimated fair values by internally calculating the estimated fair value using a discounted cash flow analysis using independent observable market-based inputs from a third party. The Company did not make any adjustments to the estimated fair value during the years ended September 30, 2018 and 2017. (Level 2)

The following tables provide the level of valuation assumption used to determine the carrying value of the Company's financial instruments measured at fair value on a recurring basis at the dates presented. The Company did not have any liabilities that were measured at fair value at September 30, 2018.

	September 30, 2018			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
AFS Securities:				
MBS	$445,090	$ —	$ 445,090	$ —
GSE debentures	265,398	—	265,398	—
Municipal bonds	4,126	—	4,126	—
	714,614	—	714,614	—
Interest rate swaps	9,685	—	9,685	—
	$724,299	$ —	$ 724,299	$ —

	September 30, 2017			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
AFS Securities:				
GSE debentures	$270,729	$ —	$ 270,729	$ —
MBS	141,516	—	141,516	—
Municipal bonds	1,535	—	1,535	—
Trust preferred securities	2,051	—	—	2,051
	$415,831	$ —	$ 413,780	$ 2,051

Liabilities:

Interest rate swaps	$598	$ —	$ 598	$ —

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The Company sold its Level 3 AFS security during fiscal year 2018, received proceeds of $2.1 million, and recognized a gain on sale of $9 thousand, which is included in other non-interest income in the Company's consolidated statement of income. The Company's Level 3 AFS securities had no activity during fiscal years 2017 and 2016 except for principal repayments of $88 thousand and $97 thousand, respectively, and (decreases)/increases in net unrealized losses included in other comprehensive income of $(218) thousand and $61 thousand, respectively.

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

Loans Receivable – The amount of loans individually evaluated for impairment on a non-recurring basis during fiscal years 2018 and 2017 that were still held in the portfolio as of September 30, 2018 and 2017 was $6.7 million and $18.4 million, respectively. All of these loans were secured by residential real estate and were individually evaluated to determine if the carrying value of the loan was in excess of the fair value of the collateral, less estimated selling costs of 10%. Fair values were estimated through current appraisals. Management does not adjust or apply a discount to the appraised value, except for the estimated sales cost noted above. The primary significant unobservable input for loans individually evaluated for impairment was the appraisal. Fair values of loans individually evaluated for impairment cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the loan and, as such, are classified as Level 3. Based on this evaluation, the Bank charged-off all loss amounts as of September 30, 2018 and 2017; therefore, the fair value was equal to the carrying value and there was no ACL related to these loans.

OREO – OREO primarily represents real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at lower of cost or fair value. Also included in OREO at September 30, 2018 was $889 thousand of OREO acquired from CCB. The fair value for the OREO not acquired from CCB is estimated through current appraisals or listing prices, less estimated selling costs of 10%. Management does not adjust or apply a discount to the appraised value or listing price, except for the estimated sales costs noted above. The primary significant unobservable input for OREO was the appraisal or listing price. Fair values of foreclosed property cannot be determined with precision and may not be realized in an actual sale of the property and, as such, are classified as Level 3. The fair value of OREO measured on a non-recurring basis during fiscal years 2018 and 2017 that was still held in the portfolio as of September 30, 2018 and 2017 was $1.9 million and $1.4 million, respectively. The carrying value of the properties equaled the fair value of the properties at September 30, 2018 and 2017.

Fair Value Disclosures – The Company determined estimated fair value amounts using available market information and a variety of valuation methodologies as of the dates presented. Considerable judgment is required to interpret market data to develop the estimates of fair value. The estimates presented are not necessarily indicative of amounts the Company would realize from a current market exchange at subsequent dates.

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

	2018		2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)			
Assets:				
Cash and cash equivalents	$139,055	$139,055	$351,659	$351,659
AFS securities	714,614	714,614	415,831	415,831
HTM securities	612,318	601,071	827,738	833,009
Loans receivable	7,514,485	7,418,026	7,195,071	7,354,100
FHLB stock	99,726	99,726	100,954	100,954
Interest rate swaps	9,685	9,685	—	—
Liabilities:				
Deposits	5,603,354	5,569,591	5,309,868	5,318,249
FHLB borrowings	2,174,981	2,145,477	2,173,808	2,182,841
Other borrowings	110,052	109,465	200,000	202,004
Interest rate swaps	—	—	598	598

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

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

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

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

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

Interest rate swaps - The fair value of the interest rate swaps was determined using discounted cash flow analysis using observable market-based inputs. (Level 2)

Deposits - The estimated fair value of demand deposits, savings, and money market accounts is the amount payable on demand at the reporting date. The estimated fair value of these deposits at September 30, 2018 and 2017 was $2.67 billion and $2.40 billion, respectively. (Level 1) The fair value of certificates of deposit is estimated by discounting future cash flows using current LIBOR. The estimated fair value of certificates of deposit at September 30, 2018 and 2017 was $2.90 billion and $2.92 billion, respectively. (Level 2)

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FHLB borrowings and other borrowings - The fair value of fixed-maturity borrowed funds is estimated by discounting estimated future cash flows using current offer rates. (Level 2) The carrying value of FHLB line of credit is considered to approximate its fair value due to the nature of the financial liability. (Level 1) The fair value of the junior subordinated debentures is estimated as the payoff value, as management intends to redeem these borrowings during fiscal year 2019. (Level 1)

16. OTHER COMPREHENSIVE INCOME

The following tables present the changes in the components of AOCI, net of tax, for the years ended September 30, 2018 and 2017. During the year ended September 30, 2016, the only changes in AOCI, net of tax, were related to unrealized gains (losses) on AFS securities and there were no amounts reclassified from AOCI.

	For the Year Ended September 30, 2018		
	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) on Cash Flow Hedges	Total AOCI
	(dollars in thousands)		
Beginning balance	$3,290	$ (372)	$2,918
Other comprehensive income (loss), before reclassifications	(6,741)	6,981	240
Amount reclassified from AOCI	—	515	515
Other comprehensive income (loss)	(6,741)	7,496	755
Reclassification of certain income tax effects related to adoption of ASU 2018-02	461	206	667
Ending balance	$(2,990)	$ 7,330	$4,340

	For the Year Ended September 30, 2017		
	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) on Cash Flow Hedges	Total AOCI
	(dollars in thousands)		
Beginning balance	$5,915	$ —	$5,915
Other comprehensive income (loss), before reclassifications	(2,625)	(506)	(3,131)
Amount reclassified from AOCI	—	134	134
Other comprehensive income (loss)	(2,625)	(372)	(2,997)
Ending balance	$3,290	$ (372)	$2,918

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents summarized quarterly data for each of the years indicated for the Company.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars and counts in thousands, except per share amounts)				
2018					
Total interest and dividend income	$80,644	$81,774	$82,161	$77,313	$321,892
Net interest and dividend income	49,374	49,889	49,433	50,077	198,773
Provision for credit losses	—	—	—	—	—
Net income	31,836	23,330	22,372	21,389	98,927
Basic EPS	0.24	0.17	0.17	0.16	0.73
Diluted EPS	0.24	0.17	0.17	0.16	0.73
Dividends declared per share	0.375	0.085	0.335	0.085	0.88
Average number of basic shares outstanding	134,373	134,428	134,484	135,500	134,698
Average number of diluted shares outstanding	134,467	134,475	134,530	135,556	134,759
2017					
Total interest and dividend income	$75,322	$77,660	$79,630	$80,574	$313,186
Net interest and dividend income	47,306	49,054	49,364	49,658	195,382
Provision for credit losses	—	—	—	—	—
Net income	20,578	21,587	21,370	20,602	84,137
Basic EPS	0.15	0.16	0.16	0.15	0.63
Diluted EPS	0.15	0.16	0.16	0.15	0.63
Dividends declared per share	0.375	0.085	0.335	0.085	0.88
Average number of basic shares outstanding	133,697	134,066	134,254	134,314	134,082
Average number of diluted shares outstanding	133,950	134,259	134,360	134,404	134,244

18. PARENT COMPANY FINANCIAL INFORMATION (PARENT COMPANY ONLY)
The Company serves as the holding company for the Bank (see "Note 1. Summary of Significant Accounting Policies"). The Company's (parent company only) balance sheets at the dates presented, and the related statements of income and cash flows for each of the years presented are as follows:
BALANCE SHEETS
SEPTEMBER 30, 2018 and 2017
(Dollars in thousands, except per share amounts)

	2018	2017
ASSETS:		
Cash and cash equivalents	$137,684	$120,785
Investment in the Bank	1,221,706	1,204,781
Note receivable - ESOP	41,285	42,557
Other assets	690	365
Income taxes receivable, net	486	—
TOTAL ASSETS	$1,401,851	$1,368,488
LIABILITIES:		
Income taxes payable, net	$—	$88
Junior subordinated debentures	10,052	—
Accounts payable and accrued expenses	177	52
Deferred income tax liabilities, net	—	35
Total liabilities	10,229	175
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 100,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $.01 par value; 1,400,000,000 shares authorized, 141,225,516 and 138,223,835		
shares issued and outstanding as of September 30, 2018 and 2017, respectively	1,412	1,382
Additional paid-in capital	1,207,644	1,167,368
Unearned compensation - ESOP	(36,343)	(37,995)
Retained earnings	214,569	234,640
AOCI, net of tax	4,340	2,918
Total stockholders' equity	1,391,622	1,368,313
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,401,851	$1,368,488

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STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016
(Dollars in thousands)

	2018	2017	2016
INTEREST AND DIVIDEND INCOME:			
Dividend income from the Bank	$134,540	$120,215	$117,513
Interest income from other investments	1,951	1,715	1,725
Total interest and dividend income	136,491	121,930	119,238
INTEREST EXPENSE	62	—	—
NET INTEREST INCOME	136,429	121,930	119,238
NON-INTEREST EXPENSE:			
Salaries and employee benefits	1,031	896	827
Regulatory and outside services	1,129	247	261
Other non-interest expense	581	561	558
Total non-interest expense	2,741	1,704	1,646
INCOME BEFORE INCOME TAX EXPENSE AND EQUITY IN EXCESS OF DISTRIBUTION OVER EARNINGS OF SUBSIDIARY	133,688	120,226	117,592
INCOME TAX (BENEFIT) EXPENSE	(179)	4	28
INCOME BEFORE EQUITY IN EXCESS OF DISTRIBUTION OVER EARNINGS OF SUBSIDIARY	133,867	120,222	117,564
EQUITY IN EXCESS OF DISTRIBUTION OVER EARNINGS OF SUBSIDIARY	(34,940)	(36,085)	(34,070)
NET INCOME	$98,927	$84,137	$83,494

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018, 2017, and 2016
(Dollars in thousands)

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$98,927	$84,137	$83,494
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in excess of distribution over earnings of subsidiary	34,940	36,085	34,070
Depreciation of equipment	30	29	30
Provision for deferred income taxes	(35)	(2)	2
Changes in:			
Other assets	(53)	(5)	1
Income taxes receivable/payable	(145)	(40)	445
Accounts payable and accrued expenses	(257)	(22)	14
Net cash provided by operating activities	133,407	120,182	118,056
CASH FLOWS FROM INVESTING ACTIVITIES:			
Principal collected on notes receivable from ESOP	1,272	1,233	1,194
Cash acquired from acquisition	18	—	—
Net cash provided by investing activities	1,290	1,233	1,194
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net payment from subsidiary related to restricted stock awards	253	293	473
Cash dividends paid	(118,312)	(117,963)	(111,767)
Stock options exercised	261	8,843	4,070
Net cash used in financing activities	(117,798)	(108,827)	(107,224)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,899	12,588	12,026
CASH AND CASH EQUIVALENTS:			
Beginning of year	120,785	108,197	96,171
End of year	$137,684	$120,785	$108,197
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Common stock issued for acquisition	$39,113	$—	$—
Capital contribution to subsidiary in conjunction with acquisition of CCB	$48,798	$—	$—

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures
Evaluation of Disclosure Controls and Procedures
Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the "Act") as of September 30, 2018. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of September 30, 2018, such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Act is accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Internal Control Over Financial Reporting
Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act). The Company's internal control system is a process designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial reporting. Further, because of changes in conditions, the effectiveness of any system of internal control may vary over time. The design of any internal control system also factors in resource constraints and consideration for the benefit of the control relative to the cost of implementing the control. Because of these inherent limitations in any system of internal control, management cannot provide absolute assurance that all control issues and instances of fraud within the Company have been detected.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). Management has concluded that the Company maintained an effective system of internal control over financial reporting based on these criteria as of September 30, 2018. SEC guidance permits companies to exclude certain acquisitions from the assessment of internal control over financial reporting during the first year following the acquisition. Accordingly, management excluded from its assessment the internal control over financial reporting at CCB, which was acquired on August 31, 2018 and whose financial statements constitute approximately 4% of loans receivable, net, 6% of deposits, 5% of total assets, 1% of net interest income and 0% of net income of the consolidated financial statement amounts as of and for the fiscal year ended September 30, 2018.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, who audited the consolidated financial statements included in the Company's annual report, has issued an audit report on the Company's internal control over financial reporting as of September 30, 2018 and it is included in Item 8.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) that occurred during the Company's quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item concerning the Company's directors and compliance with Section 16(a) of the Act is incorporated herein by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held in January 2019, a copy of which will be filed not later than 120 days after the close of the fiscal year. Pursuant to General Instruction G(3), information concerning executive officers of the Company is included in Part I, under the caption "Executive Officers of the Registrant" of this Form 10-K.

Information required by this item regarding the audit committee of the Company's Board of Directors, including information regarding the audit committee financial experts serving on the committee, is incorporated herein by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held in January 2019, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Code of Ethics

We have adopted a written code of ethics within the meaning of Item 406 of SEC Regulation S-K that applies to our principal executive officer and senior financial officers, and to all of our other employees and our directors, a copy of which is available free of charge in the Investor Relations section of our website, www.capfed.com.

Item 11. Executive Compensation

Information required by this item concerning compensation is incorporated herein by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held in January 2019, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held in January 2019, a copy of which will be filed not later than 120 days after the close of the fiscal year.

The following table sets forth information as of September 30, 2018 with respect to compensation plans under which shares of our common stock may be issued.

Equity Compensation Plan Information

Plan Category	Number of Shares to be issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in the First Column)	
Equity compensation plans approved by stockholders	1,210,374	$ 13.33	5,923,066	(1)
Equity compensation plans not				

approved by stockholders	N/A	N/A	N/A
	1,210,374	$ 13.33	5,923,066

(1) This amount includes 1,738,750 shares available for future grants of restricted stock under the Equity Incentive Plan.

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Item 13. Certain Relationships and Related Transactions, and Director Independence
Information required by this item concerning certain relationships, related transactions and director independence is incorporated herein by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held in January 2019, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Item 14. Principal Accounting Fees and Services
Information required by this item concerning principal accounting fees and services is incorporated herein by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held in January 2019, a copy of which will be filed not later than 120 days after the close of the fiscal year.

PART IV
Item 15. Exhibits, Financial Statement Schedules
(a) The following is a list of documents filed as part of this report:
(1) Financial Statements:

The following financial statements are included under Part II, Item 8 of this Form 10-K:
1. Reports of Independent Registered Public Accounting Firm.
2. Consolidated Balance Sheets as of September 30, 2018 and 2017.
3. Consolidated Statements of Income for the Years Ended September 30, 2018, 2017, and 2016.
4. Consolidated Statements of Comprehensive Income for the Years Ended September 30, 2018, 2017, and 2016.
5. Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2018, 2017, and 2016.
6. Consolidated Statements of Cash Flows for the Years Ended September 30, 2018, 2017, and 2016.
7. Notes to Consolidated Financial Statements for the Years Ended September 30, 2018, 2017, and 2016.

(2) Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable.

(3) Exhibits:
See "Index to Exhibits."

INDEX TO EXHIBITS

Exhibit Number	Document
3(i)	Charter of Capitol Federal Financial, Inc., as filed on May 6, 2010, as Exhibit 3(i) to Capitol Federal Financial, Inc.'s Registration Statement on Form S-1 (File No. 333-166578) and incorporated herein by reference
3(ii)	Bylaws of Capitol Federal Financial, Inc., as amended, filed on September 30, 2016, as Exhibit 3.2 to Form 8-K for Capitol Federal Financial Inc. and incorporated herein by reference
10.1(i)	Form of Change of Control Agreement with each of John B. Dicus, Kent G. Townsend, and Rick C. Jackson filed on January 20, 2011 as Exhibit 10.1 to the Registrant's Current Report on Form 8-K and incorporated herein by reference
10.1(ii)	Form of Change of Control Agreement with each of Natalie G. Haag and Carlton A. Ricketts filed on November 29, 2012 as Exhibit 10.1(iv) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(iii)	Form of Change of Control Agreement with Daniel L. Lehman filed on November 29, 2016 as Exhibit 10.1(v) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(iv)	Form of Change of Control Agreement with Robert D. Kobbeman
10.1(v)	Employment Agreement with Robert D. Kobbeman
10.2	Capitol Federal Financial's 2000 Stock Option and Incentive Plan (the "Stock Option Plan") filed on April 13, 2000 as Appendix A to Capitol Federal Financial's Revised Proxy Statement (File No. 000-25391) and incorporated herein by reference
10.3	Capitol Federal Financial Deferred Incentive Bonus Plan, as amended
10.4	Form of Incentive Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.5 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.5	Form of Non-Qualified Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.6 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.6	Description of Director Fee Arrangements
10.7	Short-term Performance Plan filed on August 4, 2015 as Exhibit 10.10 to the Registrant's June 30, 2015 Form 10-Q and incorporated herein by reference
10.8	Capitol Federal Financial, Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan") filed on December 22, 2011 as Appendix A to Capitol Federal Financial, Inc.'s Proxy Statement (File No. 001-34814) and incorporated herein by reference
10.9	Form of Incentive Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.12 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
10.10	Form of Non-Qualified Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.13 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
10.11	Form of Stock Appreciation Right Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.14 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
10.12	Form of Restricted Stock Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.15 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
11	Calculations of Basic and Diluted Earnings Per Share (See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 3. Earnings Per Share")
14	Code of Ethics*
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer
31.2	

Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 made by Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer

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32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer, and Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer
101	The following information from the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018, filed with the SEC on November 29, 2018, has been formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets at September 30, 2018 and 2017, (ii) Consolidated Statements of Income for the fiscal years ended September 30, 2018, 2017, and 2016, (iii) Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2018, 2017, and 2016, (iv) Consolidated Statement of Stockholders' Equity for the fiscal years ended September 30, 2018, 2017, and 2016, (v) Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2018, 2017, and 2016, and (vi) Notes to the Consolidated Financial Statements

*May be obtained free of charge in the Investor Relations section of our website, www.capfed.com.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITOL FEDERAL FINANCIAL, INC.

Date: November 29, 2018 By: /s/ John B. Dicus
John B. Dicus, Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By: /s/ John B. Dicus
John B. Dicus, Chairman, President and Chief Executive Officer
(Principal Executive Officer)
Date: November 29, 2018

By: /s/ Kent G. Townsend
Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)
Date: November 29, 2018

By: /s/ Jeffrey R. Thompson
Jeffrey R. Thompson, Director
Date: November 29, 2018

By: /s/ Jeffrey M. Johnson
Jeffrey M. Johnson, Director
Date: November 29, 2018

By: /s/ Morris J. Huey II
Morris J. Huey II, Director
Date: November 29, 2018

By: /s/ Reginald L. Robinson
Reginald L. Robinson, Director
Date: November 29, 2018

By: /s/ Michael T. McCoy, M.D.
Michael T. McCoy, M.D., Director
Date: November 29, 2018

By: /s/ James G. Morris
James G. Morris, Director
Date: November 29, 2018

By: /s/ Michel' P. Cole
Michel' P. Cole, Director
Date: November 29, 2018

By: /s/ Tara D. Van Houweling
Tara D. Van Houweling, First Vice President and Reporting Director
(Principal Accounting Officer)
Date: November 29, 2018