Capitol Federal Financial Inc
Form 10-Q
February 04, 2013

UNITED STATES SECURITIES

AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2012

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-34814

Capitol Federal Financial, Inc.

(Exact name of registrant as specified in its charter)

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

Registrant’s telephone number, including area code:

(785) 235-1341

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes þ No ¨

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

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

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

As of January 28, 2013, there were 152,124,857 shares of Capitol Federal Financial, Inc. common stock outstanding.

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	December 31, 2012	September 30, 2012
ASSETS:		
Cash and cash equivalents (includes interest-earning deposits of $69,236 and $127,544)	$105,157	$ 141,705
Securities:		
Available-for-sale (“AFS”) at estimated fair value (amortized cost of $1,226,591 and $1,367,925)	1,259,392	1,406,844
Held-to-maturity (“HTM”) at amortized cost (estimated fair value of $1,974,115 and $1,969,899)	1,902,228	1,887,947
Loans receivable, net (of allowance for credit losses (“ACL”) of $10,477 and $11,100)	5,640,077	5,608,083
Bank-owned life insurance (“BOLI”)	58,394	58,012
Capital stock of Federal Home Loan Bank (“FHLB”), at cost	130,784	132,971
Accrued interest receivable	24,319	26,092
Premises and equipment, net	59,587	57,766
Other real estate owned (“OREO”), net	6,259	8,047
Other assets	52,589	50,837
TOTAL ASSETS	$9,238,786	$ 9,378,304
LIABILITIES:		
Deposits	$4,582,163	$ 4,550,643
Advances from FHLB, net	2,532,493	2,530,322
Repurchase agreements	365,000	365,000
Advance payments by borrowers for taxes and insurance	23,818	55,642
Income taxes payable	9,079	918
Deferred income tax liabilities, net	23,267	25,042
Accounts payable and accrued expenses	33,015	44,279
Total liabilities	7,568,835	7,571,846
STOCKHOLDERS’ EQUITY:		
Preferred stock ($0.01 par value) 100,000,000 shares authorized; no shares issued or outstanding	--	--
Common stock ($0.01 par value) 1,400,000,000 shares authorized; 152,115,857 and 155,379,739 shares issued and outstanding as of December 31, 2012 and September 30, 2012, respectively	1,521	1,554
Additional paid-in capital	1,266,918	1,292,122

Unearned compensation, Employee Stock Ownership Plan (“ESOP”)	(46,832)	(47,575)
Retained earnings	427,942	536,150
Accumulated other comprehensive income (“AOCI”), net of tax	20,402	24,207
Total stockholders’ equity	1,669,951	1,806,458
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$9,238,786	$ 9,378,304

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Dollars in thousands, except per share data)

	For the Three Months Ended December 31, 2012	2011
INTEREST AND DIVIDEND INCOME:		
Loans receivable	$ 58,467	$ 60,675
Mortgage-backed securities (“MBS”)	15,183	18,373
Investment securities	2,865	4,637
Capital stock of FHLB	1,128	1,091
Cash and cash equivalents	33	51
Total interest and dividend income	77,676	84,827
INTEREST EXPENSE:		
FHLB advances	18,628	22,339
Deposits	9,849	12,787
Repurchase agreements	3,569	4,327
Total interest expense	32,046	39,453
NET INTEREST INCOME	45,630	45,374
PROVISION FOR CREDIT LOSSES	233	540
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	45,397	44,834
OTHER INCOME:		
Retail fees and charges	3,992	4,164
Insurance commissions	571	569
Loan fees	467	575
Income from BOLI	382	412
Other income, net	356	432
Total other income	5,768	6,152

(Continued)

	For the Three Months Ended December 31,	
	2012	2011
OTHER EXPENSES:		
Salaries and employee benefits	12,181	10,587
Occupancy	2,318	2,079
Information technology and communications	2,198	1,830
Regulatory and outside services	1,765	1,435
Deposit and loan transaction costs	1,526	1,230
Federal insurance premium	1,114	1,092
Advertising and promotional	1,032	910
Other expenses, net	2,607	2,904
Total other expenses	24,741	22,067
INCOME BEFORE INCOME TAX EXPENSE	26,424	28,919
INCOME TAX EXPENSE	8,861	10,130
NET INCOME	$ 17,563	$ 18,789
Basic earnings per share	$ 0.12	$ 0.12
Diluted earnings per share	$ 0.12	$ 0.12
Dividends declared per share	$ 0.78	$ 0.18
Basic weighted average common shares	147,882,707	161,922,633
Diluted weighted average common shares	147,882,809	161,930,727

(Concluded)

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands)

	For the Three Months Ended December 31,	
	2012	2011
Net income	$ 17,563	$ 18,789
Other comprehensive income, net of tax:		
Changes in unrealized holding losses on AFS securities, net of deferred income taxes of $2,313 and $115, respectively	(3,805)	(256)
Comprehensive income	$ 13,758	$ 18,533

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Unearned Compensation ESOP	Retained Earnings	AOCI	Total Stockholders' Equity
Balance at October 1, 2012	$ 1,554	$ 1,292,122	$ (47,575)	$ 536,150	$ 24,207	$ 1,806,458
Net income				17,563		17,563
Other comprehensive income, net of tax					(3,805)	(3,805)
ESOP activity, net		893	743			1,636
Restricted stock activity, net		149				149
Stock-based compensation		909				909
Repurchase of common stock	(33)	(27,155)		(11,469)		(38,657)
Dividends on common stock to stockholders ($0.78 per share)				(114,302)		(114,302)
Balance at December 31, 2012	$ 1,521	$ 1,266,918	$ (46,832)	$ 427,942	$ 20,402	$ 1,669,951

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	For the Three Months Ended December 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 17,563	$ 18,789
Adjustments to reconcile net income to net cash provided by operating activities:		
FHLB stock dividends	(1,128)	(1,091)
Provision for credit losses	233	540
Originations of loans receivable held-for-sale (“LHFS”)	(1,364)	(1,641)
Proceeds from sales of LHFS	1,320	1,595
Amortization and accretion of premiums and discounts on securities	2,294	2,065
Depreciation and amortization of premises and equipment	1,257	1,199
Amortization of deferred amounts related to FHLB advances, net	2,171	1,842
Common stock committed to be released for allocation - ESOP	1,636	1,533
Stock-based compensation	909	53
Changes in:		
Prepaid federal insurance premium	987	964
Accrued interest receivable	1,773	1,031
Other assets, net	(3,379)	70
Income taxes payable/receivable	8,848	6,998
Accounts payable and accrued expenses	(11,865)	(4,995)
Net cash provided by operating activities	21,255	28,952
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of AFS securities	(204,142)	(273,634)
Purchase of HTM securities	(193,191)	(149,706)
Proceeds from calls, maturities and principal reductions of AFS securities	345,298	187,947
Proceeds from calls, maturities and principal reductions of HTM securities	176,794	389,366
Proceeds from the redemption of capital stock of FHLB	3,315	2,117
Purchases of capital stock of FHLB	--	(3,652)
Net increase in loans receivable	(33,926)	(77,848)
Purchases of premises and equipment	(2,118)	(1,546)
Proceeds from sales of OREO	3,430	2,330
Net cash provided by investing activities	95,460	75,374

(Continued)

	For the Three Months Ended December 31, 2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(114,302)	(28,339)
Deposits, net of withdrawals	31,520	5,971
Proceeds from borrowings	334,150	250,000
Repayments on borrowings	(334,150)	(250,000)
Change in advance payments by borrowers for taxes and insurance	(31,824)	(32,853)
Repurchase of common stock	(38,657)	--
Net cash used in financing activities	(153,263)	(55,221)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(36,548)	49,105
CASH AND CASH EQUIVALENTS:		
Beginning of period	141,705	121,070
End of period	$ 105,157	$ 170,175
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income tax payments	$ 12	$ 3,197
Interest payments	$ 30,601	$ 38,471

(Concluded)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012, filed with the Securities and Exchange Commission ("SEC"). Interim results are not necessarily indicative of results for a full year.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amou and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. The ACL is a significant estimate that involves a high degree of complexity and requires management to make difficult and subjective judgments and assumptions about highly uncertain matters. The use of different judgments and assumptions could cause reported results to differ significantly. In addition, bank regulators periodically review the ACL of Capitol Federal Savings Bank (the "Bank"). The bank regulators have the authority to require the Bank, as they can require all banks, to increase the ACL or recognize additional charge-offs based upon their judgments, which may differ from management's judgments. Any increases in the ACL or recognition of additional charge-offs required by bank regulators could adversely affect the Company's financial condition and results of operations.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. The Bank has a wholly-owned subsidiary, Capitol Funds, Inc. Capitol Funds, Inc. has a wholly-owned subsidiary, Capitol Federal Mortgage Reinsurance Company. All intercompany accounts and transactions have been eliminated in consolidation.

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, adjusted for the estimated prepayment speeds of the related loans when applicable. Interest on loans is credited to income as earned and accrued only if deemed collectible.

Endorsed loans - Existing loan customers, whose loans have not been sold to third parties, who have not been delinquent on their contractual loan payments during the previous 12 months and who are not currently in bankruptcy, have the opportunity, for a cash fee, to endorse their original loan terms to current loan terms being offered. The fee assessed for endorsing the mortgage loan is deferred and amortized over the remaining life of the endorsed loan using the level-yield method and is reflected as an adjustment to interest income. Each endorsement is examined on a loan-by-loan basis and if the new loan terms represent more than a minor change to the loan, then the unamortized balance of the pre-endorsement deferred fees and/or costs associated with the mortgage loan are recognized in interest income at the time of the endorsement. If the endorsement of terms does not represent more than a minor change to the loan, then the unamortized balance of the pre-endorsement deferred fees and/or costs continue to be deferred.

Troubled debt restructurings ("TDRs") - For borrowers experiencing financial difficulties, the Bank may grant a concession to the borrower. Generally, the Bank grants a short-term payment concession to borrowers who are experiencing a temporary cash flow problem. The most frequently used concession is to reduce the monthly payment amount for a period of 6 to 12 months, often by requiring payments of only interest and escrow during this period, resulting in an extension of the maturity date of the loan. For more severe situations requiring long-term solutions, the Bank also offers interest rate reductions to currently-offered rates and more lengthy extensions of the maturity date. The Bank does not forgive principal or interest nor does it commit to lend additional funds, except for the capitalization of delinquent interest and/or escrow balances not to exceed the original loan balance, to these borrowers.

Endorsed loans are classified as TDRs when certain guidelines for soft credit scores and/or estimated loan-to-value ("LTV") ratios are not met. These guidelines are intended to identify changes in the borrower's credit condition since origination, signifying the borrower could be experiencing financial difficulties even though the borrower has not been delinquent on his contractual loan payment in the previous 12 months.

An aforementioned loan will be reported as a TDR until it pays off, unless it has been restructured to an interest rate equal to or greater than the rate the Bank was willing to accept at the time of the restructuring for a new loan with comparable risk, and has performed under the new terms of the restructuring agreement for at least 12 consecutive months.

During July 2012, the Office of the Comptroller of the Currency ("OCC") provided guidance to the industry regarding loans that had been discharged under Chapter 7 bankruptcy proceedings where the borrower has not reaffirmed the debt owed to the lender. The OCC requires that these loans be reported as TDRs, regardless of their delinquency status. These loans will be reported as TDRs for at least four years after the Chapter 7 discharge date.

Delinquent loans - A loan is considered delinquent when payment has not been received within 30 days of its contractual due date.

Nonaccrual loans - The accrual of income on loans is discontinued when interest or principal payments are 90 days in arrears, until a nonaccrual TDR has made six consecutive monthly payments per the restructured loan terms, or for at least 12 months after the discharge date for loans discharged under Chapter 7 bankruptcy proceedings where the borrower did not reaffirm the debt. 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. 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, the borrower has made six consecutive payments under the restructured terms or 12 consecutive payments for loans discharged under Chapter 7 bankruptcy proceedings where the borrower did not reaffirm the debt.

Impaired loans - A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. Interest income on impaired loans is recognized in the period collected unless the ultimate collection of principal is considered doubtful. The following types of loans are reported as impaired loans: all nonaccrual loans, loans classified as substandard, loans partially charged-off, and all TDRs except those that have been restructured to an interest rate equal to or greater than the rate the Bank was willing to accept at the time of the restructuring for a new loan with comparable risk, and has performed under the new terms of the restructuring agreement for at least 12 consecutive months.

The majority of the Bank's impaired loans are related to one- to four-family properties. Impaired loans related to one- to four-family properties are individually evaluated for loss when the loan becomes 180 days delinquent or at any time management has knowledge of the existence of a potential loss to ensure that the carrying value of the loan is not in excess of the fair value of the collateral, less estimated selling costs.

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. Management's methodology for assessing the appropriateness of the ACL consists of an analysis ("formula analysis") model, along with analyzing several other factors. Management maintains the ACL through provisions for credit losses that are charged to income.

For one- to four-family secured loans, losses are charged-off when the loan is generally 180 days delinquent. Losses are based on new collateral values obtained through appraisals, less estimated costs to sell. Anticipated private mortgage insurance ("PMI") proceeds are taken into consideration when calculating the loss amount. An updated appraisal is requested, at a minimum, every six months thereafter that a purchased loan remains a classified asset and every 12 months thereafter that an originated loan remains 180 days or more delinquent. If the Bank holds the first and second mortgage, both loans are combined when evaluating whether there is a potential loss on the loan. Charge-offs for real estate-secured loans may also occur at any time if the Bank has knowledge of the existence of a potential loss. For all other real estate loans that are not secured by one- to four-family property, losses are charged-off when the collection of such amounts is unlikely. When a non-real estate secured loan is 120 days delinquent, any identified losses are charged-off.

The Bank's primary lending emphasis is the origination and purchase of one- to four-family first mortgage loans on residential properties and, to a lesser extent, second mortgage loans on one- to four-family residential properties, resulting in a loan concentration in residential mortgage loans. The Bank has a concentration of loans secured by residential property located in Kansas and Missouri. Based on the composition of the Bank's loan portfolio, 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 borrowers' ability to repay their loans, resulting in increased delinquencies, non-performing assets, loan losses, and future loan loss provisions. Although the multi-family and commercial loan portfolio is subject to the same risk of declines in economic conditions, the primary risk characteristics inherent in this portfolio include the ability of the borrower to sustain sufficient cash flows from leases and to control expenses to satisfy their contractual debt payments, and/or the ability to utilize personal and/or business resources to pay their contractual debt payments if the cash flows are not sufficient. Additionally, if the Bank were to repossess the secured collateral of a multi-family or commercial loan, the pool of potential buyers is limited more than that for a residential property. Therefore, the Bank could hold the property for an extended period of time and/or potentially be forced to sell at a discounted price, resulting in additional losses.

Each quarter, 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; multi-family and 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 LTV ratio. Loans individually evaluated for loss are excluded from the formula analysis model. The one- to four-family loan portfolio and related home equity loans are segregated into additional categories based on the following risk characteristics: originated or bulk purchased; interest payments (fixed-rate, adjustable-rate, and interest-only); LTV ratios; borrower's credit scores; and geographic location. The categories were derived 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 geographic location category pertains primarily to certain states in which the Bank has experienced measurable loan losses.

Quantitative loss factors are applied to each loan category in the formula analysis model based on the historical loss experience for each respective loan category. Each quarter, management reviews the historical loss time periods and utilizes the historical loss time periods believed to be the most reflective of the current economic conditions and recent charge-off experience for each respective loan category.

Qualitative loss factors are applied to each loan category in the formula analysis model. The qualitative factors for the one- to four-family and consumer loan portfolios are: unemployment rate trends; collateral value trends; credit score trends; and delinquent loan trends. The qualitative factors for the multi-family and commercial loan portfolio are: unemployment rate trends; credit score trends; delinquent loan trends and other factors related to the higher risk level for this loan category. As loans are classified or become delinquent, the qualitative loss factors increase. Additionally, TDRs that have not been partially charged-off are included in a category within the formula analysis model with an overall higher qualitative loss factor than corresponding performing loans, for the life of the loan. The qualitative factors were derived by management based on a review of the historical performance of the respective loan portfolios and consideration of current economic conditions and their likely impact to the loan portfolio.

Management utilizes the formula analysis, along with analyzing several other factors, when evaluating the adequacy of the ACL. Such factors include the trend and composition of delinquent loans, results of foreclosed property and short sale transactions, charge-off trends, the current status and trends of local and national economies (particularly levels of unemployment), trends and current conditions in the real estate and housing markets, and loan portfolio growth and concentrations. 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 factors 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 can be modified in response to changing conditions.

Assessing the adequacy of the ACL is inherently subjective. Actual results could differ from estimates as a result of changes in economic or market conditions. Changes in estimates could result in a material change in the ACL. In the opinion of management, the ACL, when taken as a whole, is adequate to absorb estimated losses inherent in the loan portfolio. However, future adjustments may be necessary if loan portfolio performance or economic or market conditions differ substantially from the conditions that existed at the time of the initial determinations.

Recent Accounting Pronouncements - In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2011-05, Presentation of Comprehensive Income, which revises how entities present comprehensive income in their financial statements. The ASU requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. In a continuous statement of comprehensive income, an entity would be required to present the components of the income statement as presented today, along with the components of other comprehensive income. In the two-statement approach, an entity would be required to present a statement that is consistent with the income statement format used today, along with a second statement, which would immediately follow the income statement, that would include the components of other comprehensive income. The ASU does not change the items that an entity must report in other comprehensive income. ASU 2011-05 was effective October 1, 2012 for the Company. The Company elected the two-statement approach upon adoption on October 1, 2012 and applied the ASU retrospectively for all periods presented in the financial statements.

2. Earnings Per Share

The Company accounts for the shares acquired by its ESOP and the shares awarded pursuant to its restricted stock benefit plans in accordance with Accounting Standard Codification ("ASC") 260, which requires that unvested restricted stock awards be treated as participating securities in the computation of earnings per share pursuant to the two-class method as they contain nonforfeitable rights to dividends. The two-class method is an earnings allocation that determines earnings per share for each class of common stock and participating security. 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.

	For the Three Months Ended December 31,	
	2012	2011
	(Dollars in thousands, except per share data)	
Net income	$ 17,563	$ 18,789
Income allocated to participating securities (unvested restricted stock)	(60)	--
Net income available to common stockholders	17,503	18,789
Average common shares outstanding	147,881,207	161,921,133
Average committed ESOP shares outstanding	1,500	1,500
Total basic average common shares outstanding	147,882,707	161,922,633
Effect of dilutive restricted stock	--	4,351
Effect of dilutive stock options	102	3,743
Total diluted average common shares outstanding	147,882,809	161,930,727
Net earnings per share:		
Basic	$ 0.12	$ 0.12
Diluted	$ 0.12	$ 0.12
Antidilutive stock options and restricted stock, excluded from the diluted average common shares outstanding calculation	2,471,473	897,136

3. Securities

The following tables reflect the amortized cost, estimated fair value, and gross unrealized gains and losses of AFS and HTM securities at December 31, 2012 and September 30, 2012. The majority of the MBS and investment portfolios are composed of securities issued by U.S. government-sponsored enterprises ("GSEs").

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
GSE debentures	$ 762,673	$ 3,401	$ 545	$ 765,529
MBS	459,706	30,314	1	490,019
Trust preferred securities	2,900	--	436	2,464
Municipal bonds	1,312	68	--	1,380
	1,226,591	33,783	982	1,259,392
HTM:				
MBS	1,834,168	71,384	1,123	1,904,429
Municipal bonds	43,067	1,549	6	44,610
GSE debentures	24,993	83	--	25,076
	1,902,228	73,016	1,129	1,974,115
	$ 3,128,819	$ 106,799	$ 2,111	$ 3,233,507

	September 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
GSE debentures	$ 857,409	$ 4,317	$ 2	$ 861,724
MBS	505,169	35,137	--	540,306
Municipal bonds	2,435	81	--	2,516
Trust preferred securities	2,912	--	614	2,298
	1,367,925	39,535	616	1,406,844
HTM:				
MBS	1,792,636	79,883	--	1,872,519
GSE debentures	49,977	247	--	50,224
Municipal bonds	45,334	1,822	--	47,156
	1,887,947	81,952	--	1,969,899
	$ 3,255,872	$ 121,487	$ 616	$ 3,376,743

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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 December 31, 2012 and September 30, 2012 was reported and the continuous unrealized loss position for at least 12 months or less than 12 months as of December 31, 2012 and September 30, 2012.

	December 31, 2012					
	Less Than 12 Months			Equal to or Greater Than 12 Months		
	Count	Estimated Fair Value	Unrealized Losses	Count	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)					
AFS:						
GSE debentures	6	$ 138,605	$ 545	--	$ --	$ --
MBS	1	37	1	--	--	--
Trust preferred securities	--	--	--	1	2,464	436
	7	$ 138,642	$ 546	1	$ 2,464	$ 436
HTM:						
MBS	9	$ 188,944	$ 1,123	--	$ --	$ --
Municipal bonds	2	977	6	--	--	--
GSE debentures	--	--	--	--	--	--
	11	$ 189,921	$ 1,129	--	$ --	$ --

	September 30, 2012					
	Less Than 12 Months			Equal to or Greater Than 12 Months		
	Count	Estimated Fair Value	Unrealized Losses	Count	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)					
AFS:						
GSE debentures	2	$ 42,733	$ 2	--	$ --	$ --
MBS	--	--	--	--	--	--
Trust preferred securities	--	--	--	1	2,298	614
	2	$ 42,733	$ 2	1	$ 2,298	$ 614
HTM:						
MBS	--	$ --	$ --	--	$ --	$ --
Municipal bonds	--	--	--	--	--	--
GSE debentures	--	--	--	--	--	--
	--	$ --	$ --	--	$ --	$ --

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

The unrealized losses at December 31, 2012 are primarily a result of increases in market yields from the time of purchase. 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. Additionally, 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. The unrealized losses at September 30, 2012 are primarily a result of a decrease in the credit rating of the Bank's trust preferred security since the time of purchase. Management reviews the underlying cash flows of this security on a quarterly basis. As of December 31, 2012 and September 30, 2012, the analysis indicated the present value of future expected cash flows are adequate to recover the entire amortized cost. Management neither intends to sell this security, nor is it more likely than not that the Company will be required to sell the security before the recovery of the remaining amortized cost amount, which could be at maturity. As a result of the analysis discussed above, management does not believe any other-than-temporary impairments exist at December 31, 2012, nor did any at September 30, 2012.

The amortized cost and estimated fair value of securities by remaining contractual maturity without consideration for call features or pre-refunding dates as of December 31, 2012 are shown below. Actual maturities of MBS may differ from contractual maturities because borrowers have the right to prepay obligations, generally without penalties. As of December 31, 2012, the amortized cost of the securities in our portfolio which are callable or have pre-refunding dates within one year totaled $598.9 million. Maturities of MBS depend on the repayment characteristics and experience of the underlying financial instruments. Issuers of certain investment securities have the right to call and prepay obligations with or without prepayment penalties.

	AFS		HTM	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
One year or less	$ 191	$ 195	$ 5,136	$ 5,181
One year through five years	639,588	643,338	54,557	55,836
Five years through ten years	267,606	278,305	390,391	404,936
Ten years and thereafter	319,206	337,554	1,452,144	1,508,162
	$ 1,226,591	$ 1,259,392	$ 1,902,228	$ 1,974,115

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

	December 31, 2012	September 30, 2012
	(Dollars in thousands)	
Federal National Mortgage Association ("FNMA")	$ 1,358,418	$ 1,324,293
Federal Home Loan Mortgage Corporation ("FHLMC")	789,337	824,197
Government National Mortgage Association	176,124	183,778
Private Issuer	308	674
	$ 2,324,187	$ 2,332,942

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

	For the Three Months Ended December 31,	
	2012	2011
	(Dollars in thousands)	
Taxable	$ 2,539	$ 4,196
Non-taxable	326	441
	$ 2,865	$ 4,637

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

	December 31, 2012		September 30, 2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Repurchase agreements	$ 400,529	$ 426,106	$ 400,827	$ 427,864
Public unit deposits	217,839	228,423	219,913	232,514
Federal Reserve Bank	45,952	48,053	49,472	52,122
	$ 664,320	$ 702,582	$ 670,212	$ 712,500

4. Loans Receivable and Allowance for Credit Losses

Loans receivable, net at December 31, 2012 and September 30, 2012 is summarized as follows:

	December 31, 2012	September 30, 2012
	(Dollars in thousands)	
Real estate loans:		
One- to four-family	$ 5,429,556	$ 5,392,429
Multi-family and commercial	46,815	48,623
Construction	60,975	52,254
Total real estate loans	5,537,346	5,493,306
Consumer loans:		
Home equity	144,121	149,321
Other	6,426	6,529
Total consumer loans	150,547	155,850
Total loans receivable	5,687,893	5,649,156
Less:		

Undisbursed loan funds	30,843	22,874
ACL	10,477	11,100
Discounts/unearned loan fees	21,864	21,468
Premiums/deferred costs	(15,368)	(14,369)
	$ 5,640,077	$ 5,608,083

Lending Practices and Underwriting Standards - Originating and purchasing loans secured by one- to four-family residential properties is the Bank's primary lending business, resulting in a loan concentration in residential first mortgage loans. The Bank purchases one- to four-family loans, on a loan-by-loan basis, from a select group of correspondent lenders located generally throughout the central, eastern, and southern United States. As a result of originating loans in our branches, along with the correspondent lenders in our local markets, the Bank has a concentration of loans secured by real property located in Kansas and Missouri. Additionally, the Bank periodically purchases whole one- to four-family loans in bulk packages from nationwide and correspondent lenders. The Bank also makes consumer loans, construction loans secured by residential or commercial properties, and real estate loans secured by multi-family dwellings.

One- to four-family loans - One- to four-family loans are underwritten manually or by using an internal loan origination auto-underwriting method. The method closely resembles the Bank's manual underwriting standards which are generally in accordance with FHLMC and FNMA manual underwriting guidelines. The method includes, but is not limited to, an emphasis on credit scoring, qualifying ratios reflecting the applicant's ability to repay, asset reserves, LTV ratio, property, and occupancy type. Full documentation to support the applicant's credit, income, and sufficient funds to cover all applicable fees and reserves at closing are required on all loans. Loans that do not meet the automated underwriting standards are referred to a staff underwriter for manual underwriting. 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.

The underwriting standards for loans purchased from correspondent and nationwide lenders are generally similar to the Bank's internal underwriting standards. The underwriting of correspondent loans is generally performed by the Bank's underwriters. Before committing to a bulk loan purchase, the Bank's Chief Lending Officer or Secondary Marketing Manager reviews specific criteria such as loan amount, credit scores, LTV ratios, geographic location, and debt ratios of each loan in the pool. If the specific criteria do not meet the Bank's underwriting standards and compensating factors are not sufficient, then a loan will be removed from the population. Before the bulk loan purchase is funded, an internal Bank underwriter or a third party reviews at least 25% of the loan files to confirm loan terms, credit scores, debt service ratios, property appraisals, and other underwriting related documentation. For the tables within Note 4, correspondent loans are included with originated loans, and bulk loan purchases are reported as purchased loans.

The Bank also originates construction-to-permanent loans secured by one- to four-family residential real estate. The majority of the one- to four-family construction loans are secured by property located within the Bank's Kansas City market area. Construction loans are obtained by homeowners who will occupy the property when construction is complete. Construction loans to builders for speculative purposes are not permitted. The application process includes submission of complete plans, specifications, and costs of the project to be constructed. All construction loans are manually underwritten using the Bank's internal underwriting standards. Construction draw requests and the supporting documentation are reviewed and approved by management. The Bank also performs regular documented inspections of the construction project to ensure the funds are being used for the intended purpose and the project is being completed according to the plans and specifications provided.

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

Consumer loans - The Bank offers a variety of secured consumer loans, including home equity loans and lines of credit, home improvement loans, auto loans, and loans secured by savings deposits. The Bank also originates a very limited amount of unsecured loans. The Bank does not originate any consumer loans on an indirect basis, such as contracts purchased from retailers of goods or services which have extended credit to their customers. The majority of the consumer loan portfolio is comprised of home equity lines of credit.

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

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

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

The following table presents the recorded investment of loans, defined as the unpaid principal balance of a loan (net of unadvanced funds related to loans in process and charge-offs) inclusive of unearned loan fees and deferred costs, of the Company's loans 30 to 89 days delinquent, loans 90 or more days delinquent or in foreclosure, total delinquent loans, total current loans, and the total loans receivable balance at December 31, 2012 and September 30, 2012, by class. In the formula analysis model, delinquent loans not individually evaluated for impairment are assigned a higher loss factor than corresponding performing loans. At December 31, 2012 and September 30, 2012, all loans in the 90 or more days delinquent were on nonaccrual status. In addition to loans 90 or more days delinquent, the Bank also had $8.3 million and $10.0 million of originated loan TDRs classified as nonaccrual at December 31, 2012 and September 30, 2012, respectively, as well as $1.4 million and $2.4 million of purchased loan TDRs classified as nonaccrual at December 31, 2012 and September 30, 2012, respectively, as required by the OCC Call Report requirements. Of these amounts, $7.9 million and $11.2 million were current at December 31, 2012 and September 30, 2012, respectively. At December 31, 2012 and September 30, 2012, loans with unpaid principal amounts totaling $28.7 million and $31.8 million, respectively, were on nonaccrual status.

	December 31, 2012				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family loans - originated	$ 15,384	$ 8,196	$ 23,580	$ 4,655,885	$ 4,679,465
One- to four-family loans - purchased	6,687	10,475	17,162	742,663	759,825
Multi-family and commercial loans	--	--	--	60,717	60,717
Consumer - home equity	966	357	1,323	142,798	144,121
Consumer - other	188	76	264	6,162	6,426
	$ 23,225	$ 19,104	$ 42,329	$ 5,608,225	$ 5,650,554

	September 30, 2012				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family loans - originated	$ 14,902	$ 8,602	$ 23,504	$ 4,590,194	$ 4,613,698
One- to four-family loans - purchased	7,788	10,530	18,318	771,755	790,073

Multi-family and commercial loans	--	--	--	59,562	59,562
Consumer - home equity	521	369	890	148,431	149,321
Consumer - other	106	27	133	6,396	6,529
	$ 23,317	$ 19,528	$ 42,845	$ 5,576,338	$ 5,619,183

In accordance with the Bank's asset classification policy, management regularly reviews the problem loans in the Bank's portfolio to determine whether any assets require classification. Loan classifications, other than pass loans, 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 as those classified as substandard, with the added characteristic that the weaknesses present make collection or liquidation in full on the basis of currently existing facts and conditions and values highly questionable and improbable.
- Loss - Loans classified as loss are considered uncollectible and of such little value that their continuance as assets on the books is not warranted.

Special mention and substandard loans are included in the formula analysis model, if the loan is not individually evaluated for impairment. Loans classified as doubtful or loss are individually evaluated for impairment.

The following tables set forth the recorded investment in loans classified as special mention or substandard at December 31, 2012 and September 30, 2012, by class. At December 31, 2012 and September 30, 2012, there were no loans classified as doubtful or loss that were not fully charged-off.

	December 31, 2012		September 30, 2012	
	Special Mention	Substandard	Special Mention	Substandard
	(Dollars in thousands)			
One- to four-family - originated	$ 32,986	$ 25,866	$ 36,055	$ 23,153
One- to four-family - purchased	1,993	15,440	2,829	14,538
Multi-family and commercial	2,612	--	2,578	--
Consumer - home equity	126	935	413	815
Consumer - other	--	87	--	39
	$ 37,717	$ 42,328	$ 41,875	$ 38,545

The following table shows the weighted average LTV and credit score information for originated and purchased one- to four-family loans and originated consumer home equity loans at December 31, 2012 and September 30, 2012. Borrower credit scores are intended to provide an indication as to the likelihood that a borrower will repay their debts. Credit scores are typically updated in the last month of the quarter and are obtained from a nationally recognized consumer rating agency. The LTV ratios provide an estimate of the extent to which the Bank may incur a loss on any given loan that may go into foreclosure. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent bank appraisal or broker price opinions ("BPO"), if available. In most cases, the most recent appraisal was obtained at the time of origination.

	December 31, 2012		September 30, 2012	
	Weighted Average		Weighted Average	
	Credit Score	LTV	Credit Score	LTV
One- to four-family - originated	763	65 %	763	65 %
One- to four-family - purchased	748	67	749	67
Consumer - home equity	746	19	747	19
	761	64 %	761	64 %

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Troubled Debt Restructurings - The following table presents the recorded investment prior to restructuring and immediately after restructuring for all loans restructured during the three months ended December 31, 2012 and 2011. This table does not reflect the recorded investment at the end of the periods indicated. The increase in the recorded investment at the time of the restructuring was generally due to the capitalization of delinquent amounts due.

	For the Three Months Ended December 31, 2012		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)		
One- to four-family loans - originated	55	$ 12,578	$ 12,650
One- to four-family loans - purchased	2	555	598
Multi-family and commercial loans	2	82	79
Consumer - home equity	3	80	80
Consumer - other	--	--	--
	62	$ 13,295	$ 13,407

	For the Three Months Ended December 31, 2011		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)		
One- to four-family loans - originated	70	$ 10,331	$ 10,370
One- to four-family loans - purchased	--	--	--
Multi-family and commercial loans	--	--	--
Consumer - home equity	1	--	10
Consumer - other	--	--	--
	71	$ 10,331	$ 10,380

The following table provides information on TDRs restructured within the 12 month period prior to the end of the periods presented that became delinquent during the three months ended December 31, 2012 and 2011.

	For the Three Months Ended		December 31, 2011	
	December 31, 2012			
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(Dollars in thousands)			
One- to four-family loans - originated	6	$ 405	1	$ 76
One- to four-family loans - purchased	1	47	1	401
Multi-family and commercial loans	--	--	--	--
Consumer - home equity	1	2	--	--
Consumer - other	--	--	--	--
	8	$ 454	2	$ 477

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Impaired loans – The following is a summary of information pertaining to impaired loans by class as of December 31, 2012 and September 30, 2012.

	December 31, 2012			September 30, 2012		
	Recorded Investment	Unpaid Principal Balance	Related ACL	Recorded Investment	Unpaid Principal Balance	Related ACL
	(Dollars in thousands)					
With no related allowance recorded						
One- to four-family - originated	$ 7,141	$ 7,161	$ --	$ 10,729	$ 10,765	$ --
One- to four-family - purchased	15,195	15,069	--	15,340	15,216	--
Multi-family and commercial	--	--	--	--	--	--
Consumer - home equity	508	506	--	882	881	--
Consumer - other	45	45	--	27	27	--
	22,889	22,781	--	26,978	26,889	--
With an allowance recorded						
One- to four-family - originated	43,718	43,886	291	41,125	41,293	268
One- to four-family - purchased	2,354	2,323	99	2,028	2,016	54
Multi-family and commercial	79	81	3	--	--	--
Consumer - home equity	538	538	42	307	307	52
Consumer - other	42	42	1	12	12	1
	46,731	46,870	436	43,472	43,628	375
Total						
One- to four-family - originated	50,859	51,047	291	51,854	52,058	268
One- to four-family - purchased	17,549	17,392	99	17,368	17,232	54
Multi-family and commercial	79	81	3	--	--	--
Consumer - home equity	1,046	1,044	42	1,189	1,188	52
Consumer - other	87	87	1	39	39	1
	$ 69,620	$ 69,651	$ 436	$ 70,450	$ 70,517	$ 375

The following is a summary of information pertaining to impaired loans by class for the three months ended December 31, 2012 and 2011.

	For the Three Months Ended December 31, 2012		For the Three Months Ended December 31, 2011	
	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	$ 8,935	$ 46	$ 48,051	$ 385
One- to four-family - purchased	15,267	46	6,812	25
Multi-family and commercial	--	--	558	9
Consumer - home equity	695	6	526	5
Consumer - other	36	--	7	--
	24,933	98	55,954	424
With an allowance recorded				
One- to four-family - originated	42,421	433	3,001	25
One- to four-family - purchased	2,191	17	13,097	30
Multi-family and commercial	40	1	--	--
Consumer - home equity	423	5	187	1
Consumer - other	27	--	--	--
	45,102	456	16,285	56
Total				
One- to four-family - originated	51,356	479	51,052	410
One- to four-family - purchased	17,458	63	19,909	55
Multi-family and commercial	40	1	558	9
Consumer - home equity	1,118	11	713	6
Consumer - other	63	--	7	--
	$ 70,035	$ 554	$ 72,239	$ 480

Allowance for credit losses - The following is a summary of the activity in the ACL by segment and the ending balance of the ACL based on the Company's impairment methodology for and at the beginning and end of the periods presented. Net charge-offs during the current quarter were $856 thousand, of which $369 thousand related to loans that were previously discharged under Chapter 7 bankruptcy that must be, in accordance with OCC regulations, evaluated for collateral value loss, even if they are current.

	For the Three Months Ended December 31, 2012					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$6,074	$ 4,453	$ 10,527	$ 219	$ 354	$ 11,100
Charge-offs	(219)	(532)	(751)	--	(115)	(866)
Recoveries	--	--	--	--	10	10
Provision for credit losses	(216)	369	153	(18)	98	233
Ending balance	$5,639	$ 4,290	$ 9,929	$ 201	$ 347	$ 10,477

Ratio of net charge-offs during the period to average loans outstanding during the period	0.02	%
Ratio of net charge-offs during the period to average non-performing assets during the period	2.29	%

	For the Three Months Ended December 31, 2011					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Beginning balance	$ 4,915	$ 9,901	$ 14,816	$ 254	$ 395	$ 15,465

Charge-offs	(90)	(304)	(394)	--	(6)	(400)
Recoveries	--	--	--	--	--	--
Provision for credit losses	96	745	841	(171)	(130)	540
Ending balance	$ 4,921	10,342	$ 15,263	$ 83	$ 259	$ 15,605

Ratio of net charge-offs during the period to average loans outstanding during the period	0.01	%
Ratio of net charge-offs during the period to average non-performing assets during the period	1.03	%

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The following is a summary of the loan portfolio and related ACL balances at December 31, 2012 and September 30, 2012 by loan portfolio segment disaggregated by the Company's impairment method. There was no ACL for loans individually evaluated for impairment at December 31, 2012 or September 30, 2012, as all potential losses were charged-off.

	December 31, 2012					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Recorded investment of loans collectively evaluated for impairment	$ 4,672,011	$ 744,630	$ 5,416,641	$ 60,717	$ 149,976	$ 5,627,334
Recorded investment of loans individually evaluated for impairment	7,454	15,195	22,649	--	571	23,220
	$ 4,679,465	$ 759,825	$ 5,439,290	$ 60,717	$ 150,547	$ 5,650,554
ACL for loans collectively evaluated for impairment	$ 5,639	$ 4,290	$ 9,929	$ 201	$ 347	$ 10,477

	September 30, 2012					
	One- to Four-Family - Originated	One- to Four-Family - Purchased	One- to Four-Family - Total	Multi-family and Commercial	Consumer	Total
	(Dollars in thousands)					
Recorded investment of loans collectively evaluated for impairment	$ 4,602,969	$ 774,734	$ 5,377,703	$ 59,562	$ 154,940	$ 5,592,205
Recorded investment of loans individually evaluated for impairment	10,729	15,339	26,068	--	910	26,978
	$ 4,613,698	$ 790,073	$ 5,403,771	$ 59,562	$ 155,850	$ 5,619,183
ACL for loans collectively evaluated for impairment	$ 6,074	$ 4,453	$ 10,527	$ 219	$ 354	$ 11,100

As noted above, the Bank has a loan concentration in residential first mortgage loans. Declines in residential real estate values could adversely impact the property used as collateral for the Bank's loans. Adverse changes in the economic conditions and increasing unemployment rates may have a negative effect on the ability of the Bank's borrowers to make timely loan payments, which would likely increase delinquencies and have an adverse impact on the Bank's earnings. Further increases in delinquencies would decrease interest income on loans receivable and would likely adversely impact the Bank's loan loss experience, resulting in an increase in the Bank's ACL and provision for credit losses. Although management believes the ACL was at a level adequate to absorb inherent losses in the loan portfolio at December 31, 2012, the level of the ACL remains an estimate that is subject to significant judgment and short-term changes. Additions to the ACL may be necessary if future economic and other conditions worsen substantially from the current environment.

5. Fair Value of Financial Instruments

Fair Value Measurements - ASC 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 applies only to fair value measurements already required or permitted by other accounting standards and does not impose requirements for additional fair value measures. ASC 820 was issued to increase consistency and comparability in reporting fair values.

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. The Company did not have any liabilities that were measured at fair value at December 31, 2012 or September 30, 2012. The Company's AFS securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets or liabilities on a non-recurring basis, such as OREO and loans individually evaluated for impairment. These non-recurring fair value adjustments involve the application of lower-of-cost-or-fair value accounting or write-downs of individual assets.

In accordance with ASC 820, the Company groups its assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

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

The Company bases its fair values on the price that would be received to sell an asset in an orderly transaction between market
As required by ASC 820, the Company maximizes
the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

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

AFS Securities - The Company's AFS securities portfolio is carried at estimated fair value, with any unrealized gains and losses, net of taxes, reported as AOCI in stockholders' equity. The majority of the securities within the AFS portfolio are issued by U.S. GSEs. 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).
- 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).
- 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).

The following table provides the level of valuation assumption used to determine the carrying value of the Company's assets m
which consists of AFS securities, at December 31, 2012 and September 30, 2012.

	December 31, 2012			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) [1]
	(Dollars in thousands)			
AFS Securities:				
GSE debentures	$ 765,529	$ --	$ 765,529	$ --
MBS	490,019	--	490,019	--
Trust preferred securities	2,464	--	--	2,464
Municipal bonds	1,380	--	1,380	--
	$ 1,259,392	$ --	$ 1,256,928	$ 2,464

	September 30, 2012			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) [2]
	(Dollars in thousands)			
AFS Securities:				
GSE debentures	$ 861,724	$ --	$ 861,724	$ --
MBS	540,306	--	540,306	--
Municipal bonds	2,516	--	2,516	--
Trust preferred securities	2,298	--	--	2,298
	$ 1,406,844	$ --	$ 1,404,546	$ 2,298

(1) The Company's Level 3 AFS securities had no activity from September 30, 2012 to December 31, 2012, except for principal repayments of $23 thousand and reductions in net unrealized losses recognized in other comprehensive income. Reductions in net unrealized losses included in other comprehensive income for the quarter ended December 31, 2012 were $111 thousand.
(2) The Company's Level 3 AFS securities had no activity from September 30, 2011 to September 30, 2012, except for principal repayments of $996 thousand and reductions in net unrealized losses recognized in other comprehensive income. Reductions of net unrealized losses included in other comprehensive income for the year ended September 30, 2012 were $78 thousand.

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

Loans Receivable - The unpaid principal balance of loans individually evaluated for impairment at December 31, 2012 and September 30, 2012 was $23.1 million and $26.9 million, respectively. Substantially all of these loans were secured by residential real estate and were individually evaluated to ensure that the carrying value of the loan was not in excess of the fair value of the collateral, less estimated selling costs. Fair values were estimated through current appraisals, BPOs, or listing prices. Fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3. Based on this evaluation, the Bank charged-off any loss amounts at December 31, 2012 and September 30, 2012; therefore there was no ACL related to these loans.

OREO - OREO primarily represents real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at lower-of-cost or fair value. Fair value is estimated through current appraisals or listing prices. As these properties are actively marketed, estimated fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3. The fair value of OREO at December 31, 2012 and September 30, 2012 was $6.3 million and $8.0 million, respectively.

The following table provides the level of valuation assumption used to determine the carrying value of the Company's assets m
31, 2012 and September 30, 2012.

	December 31, 2012			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Loans individually evaluated for impairment	$ 23,115	$ --	$ --	$ 23,115
OREO	6,259	--	--	6,259
	$ 29,374	$ --	$ --	$ 29,374

	September 30, 2012			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Loans individually evaluated for impairment	$ 26,890	$ --	$ --	$ 26,890
OREO	8,047	--	--	8,047
	$ 34,937	$ --	$ --	$ 34,937

Fair Value Disclosures - The Company determined estimated fair value amounts using available market information and from a variety of valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material impact on the estimated fair value amounts. The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2012 and September 30, 2012.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2012 and September 30, 2012 were as follows:

	December 31, 2012		September 30, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)			
Assets:				
Cash and cash equivalents	$ 105,157	$ 105,157	$ 141,705	$ 141,705
HTM securities	1,902,228	1,974,115	1,887,947	1,969,899
Loans receivable	5,640,077	5,996,716	5,608,083	5,978,872
BOLI	58,394	58,394	58,012	58,012
Capital stock of FHLB	130,784	130,784	132,971	132,971
Liabilities:				
Deposits	4,582,163	4,633,035	4,550,643	4,607,732
Advances from FHLB	2,532,493	2,686,396	2,530,322	2,701,142
Repurchase agreements	365,000	385,555	365,000	388,761

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 asset. (Level 1)

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

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

BOLI - The carrying value of BOLI is considered to approximate its fair value due to the nature of the financial asset. (Level 1)

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

Deposits - The estimated fair value of demand deposits, savings and money market accounts is the amount payable on demand at the reporting date. The estimated fair value of these deposits at December 31, 2012 and September 30, 2012 was $2.06 billion and $1.98 billion, respectively. (Level 1) The fair value of certificates of deposit is estimated by discounting future cash flows using current LIBOR rates. The estimated fair value of certificates of deposit at December 31, 2012 and September 30, 2012 was $2.57 billion and $2.63 billion, respectively. (Level 2)

Advances from FHLB and Repurchase Agreements - The fair value of fixed-maturity borrowed funds is estimated by discounting estimated future cash flows using currently offered rates. (Level 2)

6. Subsequent Events

In preparing these financial statements, management has evaluated events occurring subsequent to December 31, 2012, for potential recognition and disclosure. There have been no material events or transactions which would require adjustments to the consolidated financial statements at December 31, 2012.

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

The Company and its wholly-owned subsidiary may from time to time make written or oral "forward-looking statements," including statements contained in documents filed or furnished by the Company with the SEC. These forward-looking statements may be included in this Quarterly Report on Form 10-Q and the exhibits attached to it, in the Company's reports to stockholders, in the Company's press releases, and in other communications by the Company, which are made in good faith by us pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

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

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

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

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

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The following discussion and analysis is intended to assist in understanding the financial condition, results of operations, liquidity and capital resources of the Company. It should be read in conjunction with the consolidated financial statements and notes presented in this report. The discussion includes comments relating to the Bank, since the Bank is wholly-owned by the Company and comprises the majority of its assets and is the principal source of income for the Company. This discussion and analysis should be read in conjunction with management's discussion and analysis included in the Company's 2012 Annual Report on Form 10-K filed with the SEC.

Executive Summary

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

We have been, and intend to continue to be, a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. We attract retail deposits from the general public and invest those funds primarily in permanent loans secured by first mortgages on owner-occupied, one- to four-family residences. To a lesser extent, we also originate consumer loans, loans secured by first mortgages on non-owner-occupied one- to four-family residences, multi-family and commercial real estate loans, and construction loans. While our primary business is the origination of one- to four-family mortgage loans funded through retail deposits, we also purchase whole one- to four-family mortgage loans from correspondent and nationwide lenders, and invest in certain investment securities and MBS using funding from retail deposits, advances from FHLB, and repurchase agreements. The Company is significantly affected by prevailing economic conditions including federal monetary and fiscal policies and federal regulation of financial institutions. Retail deposit balances are influenced by a number of factors including interest rates paid on competing personal investment products, the level of personal income, and the personal rate of savings within our market areas. Lending activities are influenced by the demand for housing and other loans, our loan underwriting guidelines compared to those of our competitors, as well as interest rate pricing competition from other lending institutions. The primary sources of funds for lending activities include deposits, loan repayments, investment income, borrowings, and funds provided from operations.

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

The Federal Open Market Committee of the Federal Reserve (the "FOMC") noted in their January 2013 statement that while growth in economic activity has paused in recent months, they believe that with appropriate policy accommodations the economy will resume expansion at a moderate pace and the level of unemployment will gradually decline. The FOMC also noted that household spending and business fixed investment has continued to advance, and the housing sector continues to show signs of improvement. Inflation, over the medium-term, is expected to run at or below 2% and longer-term inflationary expectations have remained stable. The FOMC decided to continue its existing policy of reinvesting principal payments from its holdings of agency debt and agency MBS in agency MBS and continues to purchase additional longer-term Treasury securities at a pace of $45 billion per month and agency MBS at a pace of $40 billion per month. The FOMC believes that these actions, taken together, will put downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative. There is no stated end date to this program. The FOMC remarked that it will continue to maintain the overnight lending rate at zero to 0.25% as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the FOMC's 2% longer-run goal, and longer-term inflation expectations continue to be well anchored.

Economic conditions in the Bank's local market areas have a significant impact on the ability of borrowers to repay loans and the value of the collateral securing these loans. As of December 2012, the unemployment rate was 5.4% for Kansas and 6.7% for Missouri, compared to the national average of 7.8% based on information from the Bureau of Economic Analysis. The unemployment rate remains relatively low in our market areas, compared to the national average, due to diversified industries within our market areas, primarily in the Kansas City metropolitan statistical area, but it is higher than the historical average. Our Kansas City market area, which comprises the largest segment of our loan portfolio and deposit base, has an average household income of approximately $79 thousand per annum, based on 2012 estimates from the American Community Survey, which is a statistical survey by the U.S. Census Bureau. The average household income in our combined market areas is approximately $68 thousand per annum, with 92% of the population at or above the poverty level, also based on the 2012 estimates from the American Community Survey. The Federal Housing Finance Agency ("FHFA") price index for Kansas and Missouri has not experienced significant fluctuations during the past 10 years, unlike other market areas of the United States, which indicates relative stability historically in property values in our local market areas.

Total assets decreased $139.5 million, from $9.38 billion at September 30, 2012 to $9.24 billion at December 31, 2012, due primarily to a $133.2 million decrease in the securities portfolio as a result of cash flows from the portfolio not being fully replaced. The cash flows from this portfolio were used, in part, to pay dividends to stockholders, to repurchase stock, and to fund loan activity.

The overall performance of our loan portfolio continued to improve during the current quarter as evidenced by the decline in our loans 90 or more days delinquent or in foreclosure. Loans 90 or more days delinquent or in foreclosure decreased $429 thousand, or 2.2%, from $19.5 million at September 30, 2012 to $19.0 million at December 31, 2012. Net loan charge-offs during the current quarter were $856 thousand compared to $677 thousand in the September 30, 2012 quarter. Of the $856 thousand of net charge-offs during the current quarter, $369 thousand related to loans that were previously discharged under Chapter 7 bankruptcy that must be, in accordance with OCC regulations, evaluated for collateral value loss, even if they are current.

Total liabilities remained relatively unchanged, decreasing $3.0 million from September 30, 2012 to $7.57 billion at December 31, 2012. Stockholders' equity decreased $136.5 million, from $1.81 billion at September 30, 2012 to $1.67 billion at December 31, 2012. The decrease was due primarily to the payment of $114.3 million of dividends and the repurchase of $38.7 million of stock, partially offset by net income.

Net income for the quarter ended December 31, 2012 was $17.6 million, compared to $18.8 million for the quarter ended December 31, 2011. The $1.2 million, or 6.5%, decrease for the current quarter as compared to the prior year quarter was due primarily to a $2.6 million, or 12.1%, increase in other expenses, partially offset by a $1.3 million, or 12.5%, decrease in income tax expense and a $307 thousand, or 56.9%, decrease in the provision for credit losses. The net interest margin increased three basis points, from 1.98% for the prior year quarter to 2.01% for the current quarter, primarily as a result of a decrease in the cost of liabilities between the two periods.

The Bank currently expects to open one new branch in calendar year 2013. The branch will be located in our Kansas City market area. Management continues to consider expansion opportunities in all of our market areas.

Available Information

Financial and other Company information, including press releases, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports can be obtained free of charge from our investor relations website, http://ir.capfed.com. SEC filings are available on our website immediately after they are electronically filed with or furnished to the SEC, and are also available on the SEC's website at www.sec.gov.

Critical Accounting Policies

Our most critical accounting policies are the methodologies used to determine the ACL and fair value measurements. These policies are important to the presentation of our financial condition and results of operations, involve a high degree of complexity, and require management to make difficult and subjective judgments that may require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could cause reported results to differ materially. These critical accounting policies and their application are reviewed at least annually by our audit committee. For a full discussion of our critical accounting policies, see Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Financial Condition

Total assets decreased $139.5 million, from $9.38 billion at September 30, 2012 to $9.24 billion at December 31, 2012, due primarily to a $133.2 million decrease in the securities portfolio. Total liabilities decreased $3.0 million to $7.57 billion at December 31, 2012. Stockholders' equity decreased $136.5 million, from $1.81 billion at September 30, 2012 to $1.67 billion at December 31, 2012. The decrease in stockholders' equity was due primarily to the payment of $114.3 million of dividends and the repurchase of $38.7 million of stock, partially offset by net income of $17.6 million.

	Balance at December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
	(Dollars in thousands)				
Total assets	$ 9,238,786	$ 9,378,304	$ 9,420,614	$ 9,573,144	$ 9,421,040
Cash and cash equivalents	105,157	141,705	172,948	143,707	170,175
AFS securities	1,259,392	1,406,844	1,632,297	1,715,445	1,570,730
HTM securities	1,902,228	1,887,947	2,073,951	2,165,036	2,129,417
Loans receivable, net	5,640,077	5,608,083	5,209,990	5,224,178	5,224,942
Capital stock of FHLB	130,784	132,971	131,437	130,614	129,503
Deposits	4,582,163	4,550,643	4,592,437	4,657,010	4,501,144

Advances from FHLB	2,532,493	2,530,322	2,527,903	2,525,535	2,531,304
Repurchase agreements	365,000	365,000	365,000	365,000	365,000
Stockholders' equity	1,669,951	1,806,458	1,832,858	1,912,472	1,931,309
Equity to total assets at end of period	18.1 %	19.3 %	19.5 %	20.0 %	20.5 %

Loans Receivable. The loans receivable portfolio increased $32.0 million, or at an annualized rate of 2.3%, to $5.64 billion at December 31, 2012, from $5.61 billion at September 30, 2012. The increase in the portfolio was due primarily to an increase in one- to four-family loans resulting largely from correspondent loan purchases outpacing principal repayments during the current quarter. As of December 31, 2012, the Bank had 27 correspondent lending relationships located in 20 different states. During the current quarter, the Bank originated $122.5 million of one- to four-family loans, refinanced $109.4 million of Bank customer one- to four-family loans, and purchased $106.3 million of one- to four-family loans from correspondent lenders.

As a portfolio lender focused on delivering outstanding customer service while acquiring quality assets, our borrowers' ability to repay has always been paramount in our business model. While we continue to evaluate the recently issued "qualified mortgage" rules by the Consumer Financial Protection Bureau, we currently anticipate that the impact to our overall book of business will generally be minimal.

The following table presents characteristics of our loan portfolio as of December 31, 2012 and September 30, 2012. The weighted average rate of the loan portfolio decreased 11 basis points from 4.15% at September 30, 2012 to 4.04% at December 31, 2012. The decrease in the weighted average portfolio rate was due primarily to the endorsement of loans at current market rates, as well as to the purchase and origination of loans between periods with rates less than the average rate of the existing portfolios. Within the one- to four-family loan portfolio at December 31, 2012, 70% of the loans had a balance at origination of less than $417 thousand.

	December 31, 2012		September 30, 2012	
	Amount	Average Rate	Amount	Average Rate
	(Dollars in thousands)			
Real Estate Loans:				
One- to four-family	$ 5,429,556	3.99 %	$ 5,392,429	4.10 %
Multi-family and commercial	46,815	5.62	48,623	5.64
Construction	60,975	3.92	52,254	4.08
Total real estate loans	5,537,346	4.00	5,493,306	4.11
Consumer Loans:				
Home equity	144,121	5.39	149,321	5.42
Other	6,426	4.62	6,529	4.77
Total consumer loans	150,547	5.36	155,850	5.39
Total loans receivable	5,687,893	4.04 %	5,649,156	4.15 %
Less:				
Undisbursed loan funds	30,843		22,874	
ACL	10,477		11,100	
Discounts/unearned loan fees	21,864		21,468	
Premiums/deferred costs	(15,368)		(14,369)	
Total loans receivable, net	$ 5,640,077		$ 5,608,083	

Included in the loan portfolio at December 31, 2012 were $129.4 million, or 2.3% of the total loan portfolio, of adjustable-rate mortgage ("ARM") loans that were originated as interest-only. Of these interest-only loans, $108.4 million were purchased in bulk loan packages from nationwide lenders, primarily during fiscal year 2005. Interest-only ARM loans do not typically require principal payments during their initial term, and have initial interest-only terms of either five or 10 years. The $108.4 million of purchased interest-only ARM loans held at December 31, 2012, had a weighted average credit score of 721 and a weighted average LTV ratio of 71% as of December 31, 2012. At December 31, 2012, $64.4 million, or 50%, of the interest-only loans were still in their interest-only payment term and $5.5 million, or 19% of non-performing loans, were interest-only ARMs.

The following tables present the weighted average credit score, LTV ratio, and average balance per loan for our one- to four-family loans as of the dates presented. Credit scores are updated in the last month of the quarter and are obtained from a nationally recognized consumer rating agency. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent bank appraisal or BPO, if available. In most cases, the most recent appraisal was obtained at the time of origination.

	December 31, 2012				September 30, 2012			
	Balance	Credit Score	LTV	Average Balance	Balance	Credit Score	LTV	Average Balance
	(Dollars in thousands)							
Originated	$ 4,024,920	763	65 %	$ 124	$ 4,032,581	763	65 %	$ 124
Correspondent purchases	650,115	764	65	336	575,502	761	65	326
Bulk purchases	754,521	748	67	317	784,346	749	67	316
	$ 5,429,556	761	65 %	$ 148	$ 5,392,429	761	65 %	$ 147

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The following table presents the rates and weighted average lives ("WAL") in years, which reflects prepayment assumptions, of our loan portfolio as of December 31, 2012 and September 30, 2012. The terms listed under fixed-rate one- to four-family loans represent original terms-to-maturity. The terms listed under adjustable-rate one- to four-family loans represent initial terms-to-repricing. Yields include the amortization of fees, costs, and premiums and discounts, all of which are considered adjustments to the yield.

	December 31, 2012			September 30, 2012			
	Amount	Rate	WAL	Amount	Rate	WAL	
	(Dollars in thousands)						
Fixed-rate one- to four-family:							
<= 15 years	$ 1,087,787	3.84 %	2.9	$ 1,059,416	4.00 %	2.6	
> 15 years	3,176,924	4.40	4.2	3,157,909	4.53	3.6	
All other fixed-rate loans	115,526	5.53	3.0	110,496	5.79	1.4	(1)
Total fixed-rate loans	4,380,237	4.29	3.8	4,327,821	4.43	3.3	
Adjustable-rate one- to four-family:							
<= 36 months	452,328	2.70	3.7	460,444	2.73	3.6	
> 36 months	712,517	3.21	2.8	714,660	3.26	2.7	
All other adjustable-rate loans	142,811	4.69	0.3	146,231	4.70	1.4	(1)
Total adjustable-rate loans	1,307,656	3.20	2.8	1,321,335	3.23	2.9	
Total loans receivable	$ 5,687,893	4.04 %	3.6	$ 5,649,156	4.15 %	3.2	

(1) The 1.4 years presented at September 30, 2012 is for all other fixed-rate and adjustable-rate loans combined as the individual WAL for each category was not available.

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The following tables present the annualized prepayment speeds of our one- to four-family loan portfolio for the quarter ended December 31, 2012, by interest rate tier. The balances represent unpaid principal balances, excluding charge-offs, and including LIP, construction loans and non-performing loans. The terms presented in the tables below represent the original terms for our fixed-rate one-to four-family loans, and current terms to repricing for our adjustable-rate one- to four-family loans. Loan endorsements and refinances are considered prepayments and therefore are included in the prepayment speeds below. During the quarter ended December 31, 2012, $6.4 million of adjustable-rate one- to four-family loans were endorsed to fixed-rate loans. The annualized prepayment speeds are presented with and without endorsements. Additionally, annualized prepayment speeds for our originated, correspondent purchased and bulk purchased portfolios for the quarter ended December 31, 2012, is also presented below.

	Original Term					
	15 years or less			More than 15 years		
		Prepayment Speed (annualized)			Prepayment Speed (annualized)	
Rate Range	Principal Balance	Including Endorsements	Excluding Endorsements	Principal Balance	Including Endorsements	Excluding Endorsements
	(Dollars in thousands)					
<= 3.50%	$522,128	14.1 %	9.9 %	$ 507,391	15.8 %	6.5 %
3.51 - 3.99%	208,997	58.0	28.3	578,349	26.0	6.1
4.00 - 4.50%	115,896	55.1	27.0	1,066,783	45.3	16.3
4.51 - 4.99%	97,520	46.5	30.2	207,024	77.6	32.3
5.00 - 5.50%	103,624	35.6	26.7	525,453	60.3	29.5
5.51 - 5.99%	23,096	25.5	21.7	149,370	49.8	27.3
>= 6.00%	16,532	26.4	17.7	179,748	30.1	17.9
	$1,087,793	34.9 %	20.3 %	$ 3,214,118	43.4 %	17.8 %
Originated	$926,650	32.1 %	19.1 %	$ 2,795,299	42.7 %	17.2 %
Correspondent purchases	130,573	54.7	23.9	370,130	49.5	19.4
Bulk purchases	30,570	40.7	40.7	48,689	39.1	39.1
	$1,087,793	34.9 %	20.3 %	$ 3,214,118	43.4 %	17.8 %

	Current Term to Reset Term					
	36 months or less			More than 36 months		
		Prepayment Speed (annualized)			Prepayment Speed (annualized)	
Rate Range	Principal Balance	Including Endorsements	Excluding Endorsements	Principal Balance	Including Endorsements	Excluding Endorsements
	(Dollars in thousands)					
<= 2.50%	$ 354,344	7.7 %	7.7 %	$ 43,015	15.5 %	15.5 %
2.51 - 2.99%	262,608	14.3	14.3	115,207	7.3	6.2
3.00 - 3.50%	93,817	27.3	24.5	109,517	23.7	14.3

3.51 - 4.49%		41,851	40.0		26.2			32,033	68.8		43.2	
4.50 - 5.49%		87,030	34.0		23.4			5,012	16.2		16.2	
>= 5.50%		30,117	16.4		13.2			345	0.5		0.5	
	$	869,767	16.3	%	14.2	%	$	305,129	23.3	%	15.7	%
Originated	$	155,935	36.4	%	28.1	%	$	190,205	19.9	%	17.2	%
Correspondent purchases		50,881	23.8		12.3			98,901	27.7		8.5	
Bulk purchases		662,951	11.2		11.2			16,023	36.8		36.8	
	$	869,767	16.3	%	14.2	%	$	305,129	23.3	%	15.7	%

The following table summarizes the activity in the loan portfolio for the periods shown, excluding changes in loans in process, deferred fees, and ACL. Loans that were paid-off as a result of refinances are included in repayments. Loan endorsements are not included in the activity in the following table because a new loan is not generated at the time of the endorsement. The endorsed balance and rate are included in the ending loan portfolio balance and rate.

	For the Three Months Ended							
	December 31, 2012		September 30, 2012		June 30, 2012		March 31, 2012	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)							
Beginning balance	$ 5,649,156	4.15 %	$ 5,256,803	4.37 %	$ 5,275,296	4.45 %	$ 5,282,485	4.53 %
Originations and refinances:								
Fixed	209,873	3.26	220,934	3.51	151,724	3.78	139,295	3.79
Adjustable	39,964	3.58	50,533	3.50	42,802	3.74	41,139	3.67
Purchases and Participations:								
Fixed	88,763	3.45	90,939	3.62	34,567	3.94	31,165	4.29
Adjustable	21,434	2.70	360,463	2.49	12,722	3.00	16,426	3.07
Repayments	(318,332)		(327,972)		(256,221)		(228,203)	
Principal charge-offs, net	(856)		(677)		(782)		(4,546)	
Other[1]	(2,109)		(1,867)		(3,305)		(2,465)	
Ending balance	$ 5,687,893	4.04 %	$ 5,649,156	4.15 %	$ 5,256,803	4.37 %	$ 5,275,296	4.45 %

(1) "Other" consists of transfers to OREO, endorsement fees advanced and reductions in commitments.

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The following table presents loan origination, refinance and purchase activity for the periods indicated, excluding endorsement activity. Loan originations, purchases and refinances are reported together. During the quarters ended December 31, 2012 and 2011, the Bank endorsed $253.3 million and $340.8 million, respectively, of one-to four-family loans, reducing the average rate on those loans by 107 basis points and 114 basis points, respectively. The fixed-rate one- to four-family loans less than or equal to 15 years have a maturity at origination of less than or equal to 15 years, while fixed-rate one- to four-family loans greater than 15 years have a maturity at origination of greater than 15 years. The adjustable-rate one- to four-family loans less than or equal to 36 months have a term to first reset of less than or equal to 36 months at origination and adjustable-rate one- to four-family loans greater than 36 months have a term to first reset of greater than 36 months at origination. Of the $231.9 million of one- to four-family loan originations and refinances for the current quarter, 77% had loan values of $417 thousand or less. Of the $106.3 million of one- to four-family loans purchased during the current quarter, 22% had loan values of $417 thousand or less.

	For the Three Months Ended					
	December 31, 2012			December 31, 2011		
	Amount	Rate	% of Total	Amount	Rate	% of Total
Fixed-Rate:	(Dollars in thousands)					
One- to four-family:						
<= 15 years	$ 112,339	2.84 %	31.2 %	$ 113,116	3.44 %	33.7 %
> 15 years	181,741	3.56	50.5	110,831	4.18	33.0
Multi-family and commercial real estate	3,850	5.00	1.1	--	--	--
Home equity	456	5.97	0.1	607	7.01	0.2
Other	250	8.01	0.1	444	6.87	0.1
Total fixed-rate	298,636	3.32	83.0	224,998	3.82	67.0
Adjustable-Rate:						
One- to four-family:						
<= 36 months	2,069	2.25	0.6	2,759	2.57	0.8
> 36 months	42,139	2.70	11.7	75,617	3.17	22.5
Multi-family and commercial real estate	--	--	--	13,975	5.00	4.2
Home equity	16,766	4.83	4.6	17,336	4.83	5.2
Other	424	2.88	0.1	840	3.28	0.3
Total adjustable-rate	61,398	3.27	17.0	110,527	3.65	33.0
Total originations, refinances and purchases	$ 360,034	3.31 %	100.0 %	$ 335,525	3.77 %	100.0 %
Purchased and participation loans included above:						
Fixed-Rate:						
Correspondent - one- to four-family	$ 84,913	3.38 %		$ 44,275	4.04 %	
Bulk - one- to four-family	--	--		392	3.25	
Participations - commercial real estate	3,850	5.00		--	--	
Participations - other	--	--		133	2.57	
Total fixed-rate purchases/participations	88,763	3.45		44,800	4.03	

Adjustable-Rate:				
Correspondent - one- to four-family	21,434	2.70	19,363	3.16
Bulk - one- to four-family	--	--	19,868	3.55
Participations - commercial real estate	--	--	13,975	5.00
Total adjustable-rate purchases/participations	21,434	2.70	53,206	3.79
Total purchased/participation loans	$ 110,197	3.30 %	$ 98,006	3.90 %

The Bank generally prices its first mortgage loan products based on secondary market and competitor pricing. During the current quarter, the average rate offered on the Bank's 30-year fixed-rate one- to four-family loans, with no points paid by the borrower, was approximately 180 basis points above the average 10-year Treasury rate, while the average rate offered on the Bank's 15-year fixed-rate one- to four-family loans was approximately 100 basis points above the average 10-year Treasury rate.

The following table presents the origination and purchase activity in our one- to four-family loan portfolio for the three months ended December 31, 2012 and 2011, excluding endorsement activity, and the LTV and credit score at the time of origination.

	For the Three Months Ended					
	December 31, 2012			December 31, 2011		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originations	$ 122,516	75 %	768	$ 125,192	73 %	764
Refinances by Bank customers	109,425	67	771	93,233	67	774
Correspondent purchases	106,347	69	768	63,638	66	771
Bulk purchases	--	--	--	20,260	60	763
	$ 338,288	70 %	769	$ 302,323	69 %	769

Asset Quality – Loans and OREO

The Bank's traditional underwriting guidelines have provided the Bank with generally low delinquencies and low levels of non-performing assets compared to national levels. Of particular importance is the complete and full documentation required for each loan the Bank originates and purchases. This allows the Bank to make an informed credit decision based upon a thorough assessment of the borrower's ability to repay the loan compared to underwriting methodologies that do not require full documentation. See additional discussion regarding underwriting standards in "Lending Practices and Underwriting Standards" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012. In the following asset quality discussion, unless otherwise noted, correspondent purchased loans are included with originated loans and bulk purchased loans are reported as purchased loans. Management believes that it is unlikely the balances of loans 30 to 89 days delinquent, non-performing loans, and OREO will decrease significantly from their current levels, and will likely stay within a range seen during the past year.

Delinquent and non-performing loans and OREO

The following tables present the Company's 30 to 89 day delinquent loans, non-performing loans, and OREO at the dates indicated. Non-performing loans are loans that are 90 or more days delinquent or in foreclosure or nonaccrual loans less than 90 days delinquent, which are loans that are required to be reported as nonaccrual pursuant to OCC Call Report requirements, even if they are current. In accordance with OCC Call Report requirements, TDRs that were either nonaccrual at the time of restructuring or did not receive a credit evaluation prior to the restructuring and have not made six consecutive monthly payments per the restructured loan terms must be reported as nonaccrual loans. Similarly, loans that have been discharged under Chapter 7 bankruptcy proceedings where the borrower has not reaffirmed the debt owed to the lender must be reported as nonaccrual loans, even if they are current, until the borrower has made 12 consecutive monthly payments subsequent to their discharge date. The principal balance of loans required by the OCC to be reported as nonaccrual, even if they are current, was $9.7 million at December 31, 2012. At all dates presented, there were no loans 90 or more days delinquent that were still accruing interest. OREO primarily includes assets acquired in settlement of loans. Over the past 12 months, OREO properties were owned by the Bank, on average, for approximately five months before they were sold. Non-performing assets include non-performing loans and OREO.

	Loans Delinquent for 30 to 89 Days at:									
	December 31, 2012		September 30, 2012		June 30, 2012		March 31, 2012		December 31, 2011	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amo
Loans 30 to 89 Days Delinquent:	(Dollars in thousands)									
One- to four-family:										
Originated	156	$ 15,182	142	$ 14,178	131	$ 13,060	118	$ 12,725	164	$ 15
Correspondent	2	243	3	770	7	1,598	4	709	5	2,
Purchased	35	6,622	39	7,695	37	8,463	38	7,343	40	6,

Consumer Loans:										
Home equity	42	966	28	521	31	526	33	616	38	51
Other	10	188	16	106	13	128	20	342	12	22
	245	$ 23,201	228	$ 23,270	219	$ 23,775	213	$ 21,735	259	$ 25
30 to 89 days delinquent loans to total loans receivable, net		0.41 %		0.41 %		0.46 %		0.42 %		0.4

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	Non-Performing Loans and OREO at:									
	December 31, 2012		September 30, 2012		June 30, 2012		March 31, 2012		December 31, 2011	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Am
	(Dollars in thousands)									
Loans 90 or More Days Delinquent or in Foreclosure:										
One- to four-family:										
Originated	83	$ 7,395	86	$ 7,885	92	$ 8,998	99	$ 10,545	106	$ 1
Correspondent	6	815	5	722	2	328	4	1,897	4	6
Purchased	43	10,378	43	10,447	47	11,792	49	12,485	50	1
Consumer Loans:										
Home equity	21	357	19	369	21	505	14	327	26	5
Other	14	76	4	27	5	20	4	10	5	8
	167	19,021	157	19,450	167	21,643	170	25,264	191	2
Nonaccrual loans less than 90 Days Delinquent:(1)										
One- to four-family:										
Originated	66	7,246	77	8,815	26	3,744	29	4,313	--	--
Correspondent	3	657	4	686	2	457	2	458	--	--
Purchased	7	1,450	10	2,405	--	--	1	324	--	--
Consumer Loans:										
Home equity	17	342	22	456	--	--	1	10	--	--
Other	1	11	1	12	--	--	--	--	--	--
	94	9,706	114	12,374	28	4,201	33	5,105	--	--
Total non-performing loans	261	28,727	271	31,824	195	25,844	203	30,369	191	2
Non-performing loans as a percentage of total loans		0.51 %		0.57 %		0.50 %		0.58 %		0
OREO:										
One- to four-family:										
Originated(2)	51	3,639	59	5,374	69	6,452	71	6,996	71	6

Correspondent	--	--	1	92	5	1,045	5	429	6	5
Purchased	7	1,188	6	1,172	5	1,007	11	2,851	11	3
Consumer Loans:										
Home equity	2	32	1	9	1	9	2	21	2	1
Other[3]	1	1,400	1	1,400	1	1,400	1	1,502	1	1
	61	6,259	68	8,047	81	9,913	90	11,799	91	1
Total non-performing assets	322	$ 34,986	339	$ 39,871	276	$ 35,757	293	$ 42,168	282	$ 3
Non-performing assets as a percentage of total assets		0.38 %		0.43 %		0.38 %		0.44 %		0

(1) Represents loans required to be reported as nonaccrual by the OCC regardless of delinquency status. At December 31, 2012, September 30, 2012, June 30, 2012, and March 31, 2012, this amount was comprised of $1.8 million, $1.2 million, $604 thousand, and $635 thousand, respectively, of loans that were 30 to 89 days delinquent, and $7.9 million, $11.2 million, $3.6 million, and $4.5 million, respectively, of loans that were current.

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

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

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Of the $10.4 million of purchased one- to four-family loans 90 or more days delinquent or in foreclosure as of December 31, 2012, $9.6 million, or 92%, were originated in calendar year 2004 or 2005. Of the $8.2 million of originated and correspondent one- to four-family loans 90 or more days delinquent or in foreclosure as of December 31, 2012, $7.1 million, or 87%, were originated in calendar year 2007 or earlier.

The following table presents the top 12 states where the properties securing our one- to four-family loans are located and their corresponding balance of loans 30 to 89 days delinquent, 90 or more days delinquent or in foreclosure, and corresponding weighted average LTV ratios at December 31, 2012. 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 or BPO, if available. At December 31, 2012, losses expected to be realized, after taking into consideration anticipated PMI proceeds and the costs to sell the property, have been charged-off.

	One- to Four-Family		Loans 30 to 89 Days Delinquent		Loans 90 or More Days Delinquent or in Foreclosure		
State	Balance	% of Total	Balance	% of Total	Balance	% of Total	Average LTV
	(Dollars in thousands)						
Kansas	$ 3,716,928	68.5 %	$ 12,070	54.7 %	$ 7,070	38.0 %	77 %
Missouri	853,017	15.7	3,533	16.0	1,140	6.1	79
California	344,269	6.3	--	--	--	--	n/a
Texas	57,594	1.1	1,043	4.7	--	--	n/a
Illinois	41,909	0.8	--	--	1,316	7.1	73
Nebraska	41,148	0.8	481	2.2	283	1.5	69
Oklahoma	33,445	0.6	306	1.4	76	0.4	49
Alabama	29,394	0.5	--	--	--	--	n/a
Florida	26,675	0.5	133	0.6	2,666	14.4	71
Minnesota	23,917	0.4	311	1.4	192	1.0	73
New York	23,397	0.4	459	2.1	940	5.1	85
Colorado	21,414	0.4	177	0.8	319	1.7	62
Other states	216,449	4.0	3,534	16.1	4,586	24.7	72
	$ 5,429,556	100.0 %	$ 22,047	100.0 %	$ 18,588	100.0 %	74 %

Troubled Debt Restructurings

For borrowers experiencing financial difficulties, the Bank may grant a concession to the borrower. Generally, the Bank grants a short-term payment concession to borrowers who are experiencing a temporary cash flow problem. The most frequently used concession is to reduce the monthly payment amount for a period of six to 12 months, often by only requiring payments of interest and escrow during this period. These restructurings result in an extension of the maturity date of the loan. For more severe situations requiring long-term solutions, the Bank also offers interest rate reductions to currently-offered rates and more lengthy extensions of the maturity date. Each such concession is considered a TDR. The Bank does not forgive principal or interest nor does it commit to lend additional funds, except for the capitalization of delinquent interest and/or escrow balances not to exceed the original loan balance, to debtors whose terms have been modified in TDRs.

Additionally, endorsed loans are classified as TDRs when certain guidelines for soft credit scores and/or estimated LTV ratios are not met. These guidelines are intended to identify changes in the borrower's credit condition since origination, signifying the borrower could be experiencing financial difficulties even though the borrower has not been delinquent on his contractual loan payment in the previous 12 months. A TDR is reported as such until it pays off, unless it has been restructured to an interest rate equal to or greater than the rate the Bank was willing to accept at the time of the restructuring for a new loan with comparable risk, and has performed under the new terms of the restructuring agreement for at least 12 consecutive months. During July 2012, the OCC provided guidance to the industry regarding loans that had been discharged under Chapter 7 bankruptcy proceedings where the borrower has not reaffirmed the debt owed to the lender. The OCC requires that these loans be reported as TDRs, regardless of their delinquency status. These loans will be reported as TDRs for at least four years after the Chapter 7 discharge date.

At December 31, 2012 and September 30, 2012, the Bank had TDRs with a recorded investment of $51.7 million and $52.0 million, respectively. Of the $51.7 million of TDRs at December 31, 2012, $40.0 million were originated loans, $3.5 million were correspondent loans, and $8.2 million were bulk purchased loans. Additionally, of the $51.7 million of TDRs at December 31, 2012, $3.7 million were 30 to 89 days delinquent and $3.3 million were 90 or more days delinquent or in foreclosure. For additional information regarding our TDRs, see "Note 4 – Loans Receivable and Allowance for Credit Losses."

The following table presents TDR activity, at recorded investment, during the current quarter. Excluded from the restructuring activity in the table below is $2.9 million of loans that were restructured in the current quarter, as well as in a prior fiscal year, and are therefore already presented in the beginning balance. Of the $2.9 million of loans, $2.8 million related to borrowers that endorsed multiple times in order to obtain a lower interest rate.

	Concession Granted by the Bank	Loan Endorsement Program	Total
	(Dollars in thousands)		
Beginning balance	$ 31,687	$ 20,347	$ 52,034
Restructurings	5,077	4,717	9,794
Chapter 7 bankruptcy(1)	695	--	695
TDRs no longer reported as such(2)	(2,936)	(6,116)	(9,052)
Principal repayments/payoffs	(930)	(351)	(1,281)
Charge-offs	(533)	--	(533)
Ending balance	$ 33,060	$ 18,597	$ 51,657

(1) These loans have been discharged under Chapter 7 bankruptcy proceedings and the borrower has not reaffirmed the debt owed to the Bank.
(2) These loans have met certain criteria and are no longer required to be reported as TDRs.

The following table presents the recorded investment of TDRs as of December 31, 2012 by asset classification.

	Concession Granted by the Bank	Loan Endorsement Program	Total
	(Dollars in thousands)		
Not classified(1)	$ 1,729	$ --	$ 1,729
Special mention	5,404	18,169	23,573
Substandard	25,927	428	26,355
	$ 33,060	$ 18,597	$ 51,657

(1) These loans have been discharged under Chapter 7 bankruptcy proceedings but the borrower has made 12 consecutive monthly payments subsequent to their discharge date and therefore the loans are no longer classified per the Bank's asset classification policies.

Impaired Loans

A loan is reported as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. The following types of loans are reported as impaired loans: all nonaccrual loans, loans classified as substandard, loans partially charged-off, and all TDRs except those that have been restructured to an interest rate equal to or greater than the rate the Bank was willing to accept at the time of the restructuring for a new loan with comparable risk, and have performed under the new terms of the restructuring agreement for at least 12 consecutive months. The balance of loans reported as impaired at December 31, 2012 and September 30, 2012 was $69.7 million and $70.5 million, respectively.

Allowance for credit losses and provision for credit losses

Management maintains an ACL to absorb inherent losses in the loan portfolio based on ongoing quarterly assessments of the loan portfolio. Our ACL methodology considers a number of factors including: the trend and composition of our delinquent and non-performing loans, results of foreclosed property and short sale transactions, charge-off trends, the status and trends of the local and national economies, the trends and current conditions of the residential real estate markets, and loan portfolio growth and concentrations. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 and "Note 1 – Summary of Significant Accounting Policies" for a full discussion of our ACL methodology. For additional information regarding our ACL activity during fiscal year 2013, see "Note 4 – Loans Receivable and Allowance for Credit Losses."

The ACL is maintained through provisions for credit losses which are charged to income. The provision for credit losses is established after considering the results of management's quarterly assessment of the ACL. During the current quarter, the Company recorded a provision for credit losses of $233 thousand in order to maintain the ACL at a level considered appropriate by management. At December 31, 2012, our ACL was $10.5 million, or 0.19% of the total loan portfolio and 36.5% of total non-performing loans. This compares to an ACL of $11.1 million, or 0.20% of the total loan portfolio and 34.9% of total non-performing loans as of September 30, 2012.

The following table presents the Company's allocation of the ACL to each respective loan category at December 31, 2012 and September 30, 2012.

	At December 31, 2012				At September 30, 2012			
	Amount of ACL	% of ACL to Total ACL	Total Loans	% of Loans to Total Loans	Amount of ACL	% of ACL to Total ACL	Total Loans	% of Loans to Total Loans
	(Dollars in thousands)							
One- to four-family:								
Originated	$ 5,627	53.7 %	$ 4,675,035	82.2 %	$ 6,057	54.5 %	$ 4,608,083	81.6 %
Purchased	4,290	41.0	754,521	13.3	4,453	40.1	784,346	13.9
Multi-family and commercial	177	1.7	46,815	0.8	196	1.8	48,623	0.9
Construction	36	0.3	60,975	1.1	40	0.4	52,254	0.9
Consumer:								
Home equity	292	2.8	144,121	2.5	301	2.7	149,321	2.6
Other consumer	55	0.5	6,426	0.1	53	0.5	6,529	0.1
	$ 10,477	100.0 %	$ 5,687,893	100.0 %	$ 11,100	100.0 %	$ 5,649,156	100.0 %

Securities. The following table presents the distribution of our MBS and investment securities portfolios, at amortized cost, at the dates indicated. Overall, fixed-rate securities comprised 76% of these portfolios at December 31, 2012. The WAL is the estimated remaining maturity (in years) after three-month historical prepayment speeds and projected call option assumptions have been applied. The WAL of our entire securities portfolio remained relatively unchanged between September 30, 2012 and December 31, 2012 as an increase in the WAL of our investment securities portfolio between the two periods was offset by a decrease in the WAL of our MBS portfolio. The decrease in the yield between September 30, 2012 and December 31, 2012 was due primarily to the purchase of securities at market rates which resulted in average yields lower than that of the existing portfolios. Yields on tax-exempt securities are not calculated on a taxable equivalent basis.

	December 31, 2012			September 30, 2012			December 31, 2011		
	Balance	Yield	WAL	Balance	Yield	WAL	Balance	Yield	WAL
	(Dollars in thousands)								
Fixed-rate securities:									
MBS	$ 1,559,219	2.60 %	3.0	$ 1,505,480	2.85 %	3.1	$ 1,490,889	3.23 %	3.6
GSE debentures	787,666	1.10	1.6	907,386	1.14	0.8	1,229,098	1.16	0.9
Municipal bonds	44,379	2.89	1.9	47,769	2.94	2.0	59,091	3.01	2.1
Total fixed-rate securities	2,391,264	2.11	2.5	2,460,635	2.22	2.2	2,779,078	2.31	2.4
Adjustable-rate securities:									
MBS	734,655	2.63	5.1	792,325	2.65	5.8	874,983	2.87	7.5
Trust preferred securities	2,900	1.56	24.5	2,912	1.65	24.7	3,547	1.80	25.5
Total adjustable-rate securities	737,555	2.62	5.2	795,237	2.64	5.9	878,530	2.87	7.5
Total securities portfolio, at amortized cost	$ 3,128,819	2.23 %	3.1	$ 3,255,872	2.33 %	3.1	$ 3,657,608	2.44 %	3.6

Mortgage-Backed Securities. The balance of MBS, which primarily consists of securities of U.S. GSEs, decreased $8.8 million from $2.33 billion at September 30, 2012 to $2.32 billion at December 31, 2012. The following table provides a summary of the activity in our portfolio of MBS for the periods presented. The yields and WALs for purchases are presented as recorded at the time of purchase. The yields for the beginning balances are as of the last day of the period previous to the period presented and the yield for the ending balances are as of the last day of the period presented and are generally derived from recent prepayment activity on the securities in the portfolio as of the dates presented. The yield of the MBS portfolio decreased from September 30, 2012 to December 31, 2012 primarily as a result of purchases of securities at market rates which resulted in average yields lower than that of the existing portfolios. The beginning and ending WAL is the estimated remaining maturity (in years) after three-month historical prepayment speeds have been applied. The decrease in the WAL at December 31, 2012 compared to September 30, 2012 was due primarily to an increase in prepayments during the current quarter. The net balance of premiums/(discounts) on our portfolio of MBS was $20.0 million at December 31, 2012.

	For the Three Months Ended									
	December 31, 2012			September 30, 2012			June 30, 2012			Ma
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Am
	(Dollars in thousands)									
Beginning balance - carrying value	$ 2,332,942	2.78 %	4.0	$ 2,510,659	2.86 %	4.6	$ 2,626,544	2.91 %	5.1	$ 2
Maturities and repayments	(194,769)			(175,776)			(152,162)			(
Net amortization of premiums/(discounts)	(2,124)			(1,875)			(1,625)			(
Purchases:										
Fixed	192,962	1.23	3.9	--	--	--	41,510	1.91	4.4	3
Adjustable	--	--	--	--	--	--	--	--	--	5
Change in valuation on AFS securities	(4,824)			(66)			(3,608)			(
Ending balance - carrying value	$ 2,324,187	2.61 %	3.7	$ 2,332,942	2.78 %	4.0	$ 2,510,659	2.86 %	4.6	$ 2

The following table presents our fixed-rate MBS portfolio, at amortized cost, based on the underlying weighted average loan rate, the annualized prepayment speeds for the quarter ended December 31, 2012, and the net premium/discount by interest rate tier. Our fixed-rate MBS portfolio is somewhat less sensitive than our fixed-rate one- to four-family loan portfolio to repricing risk due to external refinancing barriers such as unemployment, income changes, and decreases in property values, which are generally more pronounced outside of our local market areas. However, we are unable to control the interest rates and/or governmental programs that could impact the loans in our fixed-rate MBS portfolio, and are therefore more likely to experience reinvestment risk due to principal prepayments. Additionally, prepayments impact the amortization/accretion of premiums/discounts on our MBS portfolio. As prepayments increase, the related premiums/discounts are amortized/accreted at a faster rate. The amortization of premiums decreases interest income while the accretion of discounts increases interest income. As noted in the table below, the fixed-rate MBS portfolio had a net premium of $16.9 million as of December 31, 2012. Given that the weighted average coupon on the underlying loans in this portfolio are above current market rates, the Bank could experience an increase in the premium amortization should prepayment speeds increase significantly, potentially reducing future interest income.

	Original Term					
	15 years or less		More than 15 years			
Rate Range	Amortized Cost	Prepayment Speed (annualized)	Amortized Cost	Prepayment Speed (annualized)	Total	Net Premium/ (Discount)
	(Dollars in thousands)					
< =3.50%	$ 498,508	13.1 %	$ --	-- %	$ 498,508	$ 10,261
3.51 - 3.99%	532,792	22.8	37,565	30.0	570,357	4,170
4.00 - 4.50%	135,764	27.1	37,811	25.3	173,575	2,599
4.51 - 4.99%	132,559	23.7	4,776	42.5	137,335	(201)
5.00 - 5.50%	71,252	25.3	3,917	35.1	75,169	(44)
5.51 - 5.99%	47,159	26.6	25,460	28.3	72,619	12
>=6.00%	8,751	31.0	22,905	25.5	31,656	130
	$ 1,426,785	20.2 %	$ 132,434	28.1 %	$ 1,559,219	$ 16,927
Average rate	3.83 %		4.89 %		3.92 %	
Average remaining contractual term (years)	11.0		17.5		11.6	

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Investment Securities. Investment securities, which consist of U.S. GSE debentures (primarily issued by FNMA, FHLMC, or FHLB) and municipal investments, decreased $124.4 million, from $961.8 million at September 30, 2012 to $837.4 million at December 31, 2012. The decrease in the portfolio was due primarily to called and matured securities not being replaced in their entirety, including the remaining $60.0 million of securities at the holding company. The cash flow from calls and maturities of this portfolio was used, in part, to pay dividends to stockholders, to fund loan activity, and to repurchase stock. The following tables provide a summary of the activity of investment securities for the periods presented. The yields for the beginning balances are as of the last day of the period previous to the period presented and the yield for the ending balances are as of the last day of the period presented. The decrease in the yield at December 31, 2012 compared to September 30, 2012 was due primarily to the purchase of investment securities during the period, which had yields lower than the overall portfolio yield. The beginning and ending WALs represent the estimated remaining maturity (in years) of the securities after projected call dates have been considered, based upon market rates at each date presented. The increase in the WAL at December 31, 2012 compared to September 30, 2012 was due primarily to the purchase of investment securities during the period with WALs greater than the existing portfolio WAL, as well as to the call and maturity of investment securities during the period. Of the $204.4 million of fixed-rate investment securities purchased during the current quarter, $204.1 million are callable.

	For the Three Months Ended									
	December 31, 2012			September 30, 2012			June 30, 2012			Mar
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Am
	(Dollars in thousands)									
Beginning balance - carrying value	$ 961,849	1.23 %	1.0	$ 1,195,589	1.23 %	0.9	$ 1,253,937	1.22 %	1.5	$ 1
Maturities and calls	(327,323)			(309,012)			(112,150)			(3
Net amortization of premiums/(discounts)	(170)			(331)			(553)			(6
Purchases:										
Fixed	204,371	1.01	1.4	75,190	0.80	2.2	52,141	0.98	3.0	2
Change in valuation of AFS securities	(1,294)			413			2,214			(1
Ending balance - carrying value	$ 837,433	1.20 %	1.7	$ 961,849	1.23 %	1.0	$ 1,195,589	1.23 %	0.9	$ 1

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Liabilities. Total liabilities remained relatively unchanged, decreasing $3.0 million from September 30, 2012 to $7.57 billion at December 31, 2012. A $31.8 million decrease in advance payments by borrowers for taxes and insurance resulting from the payment of real estate taxes and insurance on behalf of our borrowers was almost entirely offset by a $31.5 million increase in deposits. The increase in the deposit portfolio was due primarily to a $49.7 million increase in the checking portfolio and a $32.0 million increase in the money market portfolio, partially offset by a $54.5 million decrease in the certificate of deposit portfolio.

Deposits – Deposits increased $31.5 million between September 30, 2012 and December 31, 2012, due primarily to growth in the checking and money market portfolios. If interest rates were to rise, it is possible that our money market and checking account customers may move those funds to higher-yielding deposit products within the Bank or withdraw their funds to invest in higher yielding investments outside of the Bank.

The following table presents the amount, average rate and percentage of total deposits for checking, savings, money market and certificates (including public units and brokered deposits) at the dates presented.

	December 31, 2012			September 30, 2012			December 31, 2011		
	Amount	Average Rate	% of Total	Amount	Average Rate	% of Total	Amount	Average Rate	% of Total
	(Dollars in thousands)								
Checking	$ 656,239	0.04 %	14.3 %	$ 606,504	0.04 %	13.3 %	$ 574,854	0.08 %	12.8 %
Savings	265,195	0.11	5.8	260,933	0.11	5.8	252,223	0.15	5.6
Money market	1,142,990	0.22	25.0	1,110,962	0.25	24.4	1,090,510	0.35	24.2
Retail certificates of deposit	2,246,908	1.46	49.0	2,295,941	1.49	50.4	2,373,639	1.76	52.7
Public units/brokered deposits	270,831	1.00	5.9	276,303	0.98	6.1	209,918	1.22	4.7
	$ 4,582,163	0.84 %	100.0 %	$ 4,550,643	0.89 %	100.0 %	$ 4,501,144	1.09 %	100.0 %

At December 31, 2012, $83.7 million of certificates were brokered deposits, unchanged from September 30, 2012. The $83.7 million of brokered deposits at December 31, 2012 had a weighted average rate of 2.58% and a remaining term to maturity of 1.6 years. The Bank monitors the cost of brokered deposits and considers them as a potential source of funding, provided that investment opportunities are balanced with the funding cost. As of December 31, 2012, $187.1 million of certificates were public unit deposits, compared to $192.6 million of public unit deposits at September 30, 2012. The $187.1 million of public unit deposits at December 31, 2012 had a weighted average rate of 0.29% and an average remaining term to maturity of eight months. Management will continue to monitor the wholesale deposit market for attractive opportunities relative to the use of proceeds for investments.

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The following tables set forth scheduled maturity information for our certificate of deposit portfolio (including public units and brokered deposits) at December 31, 2012.

	Amount Due					
Rate range	1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total Amount	Rate
	(Dollars in thousands)					
0.00 – 0.99%	$ 808,627	$ 201,474	$ 36,853	$ 28	$ 1,046,982	0.54 %
1.00 – 1.99%	143,225	170,953	165,938	254,086	734,202	1.44
2.00 – 2.99%	178,197	191,153	241,591	31,224	642,165	2.51
3.00 – 3.99%	67,969	15,363	7,248	526	91,106	3.20
4.00 – 4.99%	2,691	274	241	78	3,284	4.51
	$ 1,200,709	$ 579,217	$ 451,871	$ 285,942	$ 2,517,739	1.41 %
Weighted average rate	1.05 %	1.58 %	1.96 %	1.68 %		
Weighted average maturity (in years)	0.4	1.5	2.4	3.8	1.4	
Weighted average maturity for the retail certificate of deposit portfolio (in years)					1.5	

	Maturity				
	3 months or less	Over 3 to 6 months	Over 6 to 12 months	Over 12 months	Total
	(Dollars in thousands)				
Retail certificates of deposit less than $100,000	$ 202,858	$ 202,208	$ 358,157	$ 826,406	$ 1,589,629
Retail certificates of deposit of $100,000 or more	70,252	66,886	146,696	373,445	657,279
Public units/brokered deposits less than $100,000	--	20,058	--	63,652	83,710
Public units of $100,000 or more	110,395	11,504	11,695	53,527	187,121
Total certificates of deposit	$ 383,505	$ 300,656	$ 516,548	$ 1,317,030	$ 2,517,739

Borrowings – The following table presents FHLB advances, at par, and repurchase agreement activity for the periods shown. Line of credit activity is excluded from the following table due to the short-term nature of the borrowings. The weighted average maturity ("WAM") is the remaining weighted average contractual term in years. The beginning and ending WAMs represent the remaining maturity at each date presented. For new borrowings, the WAMs presented are as of the date of issue. The effective rate includes the net impact of the amortization of deferred prepayment penalties resulting from the prepayment of certain FHLB advances and deferred gains related to interest rate swaps previously terminated. Rates on new borrowings are fixed-rate.

	For the Three Months Ended									
	December 31, 2012			September 30, 2012			June 30, 2012			March 31, 2
		Effective			Effective			Effective		
	Amount	Rate	WAM	Amount	Rate	WAM	Amount	Rate	WAM	Amount
	(Dollars in thousands)									
Beginning balance	$ 2,915,000	3.13 %	2.7	$ 2,915,000	3.25 %	2.8	$ 2,915,000	3.24 %	3.1	$ 2,915,000
Maturities and prepayments:										
FHLB advances	(100,000)	4.85		(100,000)	4.27		--	--		(350,000)
New borrowings:										
FHLB advances	100,000	0.78	4.0	100,000	0.83	4.0	--	--		350,000
Ending balance	$ 2,915,000	2.99 %	2.6	$ 2,915,000	3.13 %	2.7	$ 2,915,000	3.25 %	2.8	$ 2,915,000

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The following table presents the maturity of FHLB advances, at par, and repurchase agreements as of December 31, 2012. Management will continue to monitor the Bank's investment opportunities and balance those opportunities with the cost of FHLB advances and other funding sources.

Maturity by Fiscal year	FHLB Advances Amount	Repurchase Agreements Amount	Weighted Average Contractual Rate	Weighted Average Effective Rate[1]
	(Dollars in thousands)			
2013	$ 225,000	$ 145,000	3.84 %	3.84 %
2014	450,000	100,000	3.33	3.95
2015	600,000	20,000	1.73	1.95
2016	575,000	--	2.29	2.91
2017	500,000	--	2.69	2.72
2018	200,000	100,000	2.90	2.90