

CAPITOL FEDERAL FINANCIAL
Form 10-Q
February 04, 2009

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-25391

Capitol Federal Financial

(Exact name of registrant as specified in its charter)

United States

(State or other jurisdiction of incorporation
or organization)

48-1212142

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

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

As of January 26, 2009, there were 74,074,380 shares of Capitol Federal Financial Common Stock outstanding.

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PART I -- FINANCIAL INFORMATION
Item 1. Financial Statements
CAPITOL FEDERAL FINANCIAL AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except per share data and amounts)

	December 31, 2008	September 30, 2008
	(Unaudited)	
ASSETS:		
Cash and cash equivalents	\$ 143,134	\$ 87,138
Investment securities:		
Available-for-sale ("AFS") at market (amortized cost of \$51,560 and \$51,700)	49,841	49,586
Held-to-maturity ("HTM") at cost (market value of \$57,273 and \$92,211)	56,124	92,773
Mortgage-related securities:		
AFS, at market (amortized cost of \$1,442,111 and \$1,491,536)	1,466,761	1,484,055
HTM, at cost (market value of \$720,442 and \$743,764)	709,541	750,284
Loans receivable held-for-sale, net	244	997
Loans receivable, net	5,456,569	5,320,780
Capital stock of Federal Home Loan Bank ("FHLB"), at cost	131,230	124,406
Accrued interest receivable	32,424	33,704
Premises and equipment, net	31,769	29,874
Real estate owned ("REO"), net	4,477	5,146
Other assets	75,210	76,506
TOTAL ASSETS	\$ 8,157,324	\$ 8,055,249
LIABILITIES:		
Deposits	\$ 3,867,304	\$ 3,923,883
Advances from FHLB	2,596,964	2,447,129
Other borrowings, net	713,595	713,581
Advance payments by borrowers for taxes and insurance	19,330	53,213
Income taxes payable	10,985	6,554
Deferred income tax liabilities, net	16,588	3,223
Accounts payable and accrued expenses	35,123	36,450
Total liabilities	7,259,889	7,184,033
STOCKHOLDERS' EQUITY:		
Preferred stock (\$0.01 par value) 50,000,000 shares authorized; none issued	--	--
Common stock (\$0.01 par value) 450,000,000 shares authorized, 91,512,287 shares issued; 74,109,081 and 74,079,868 shares outstanding as of December 31, 2008 and September 30, 2008, respectively	915	915
Additional paid-in capital	448,066	445,391
Unearned compensation, Employee Stock Ownership Plan ("ESOP")	(9,578)	(10,082)
Unearned compensation, Recognition and Retention Plan ("RRP")	(468)	(553)
Retained earnings	762,490	759,375
Accumulated other comprehensive gain (loss)	14,263	(5,968)
Less shares held in treasury (17,403,206 and 17,432,419 shares as of December 31, 2008 and September 30, 2008, respectively, at cost)	(318,253)	(317,862)
Total stockholders' equity	897,435	871,216

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,157,324	\$ 8,055,249
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See accompanying notes to consolidated interim financial statements.

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CAPITOL FEDERAL FINANCIAL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars and share counts in thousands except per share data and amounts)

	For the Three Months Ended December 31,	
	2008	2007
INTEREST AND DIVIDEND INCOME:		
Loans receivable	\$ 76,716	\$ 76,263
Mortgage-related securities	26,402	17,127
Investment securities	1,326	4,130
Capital stock of FHLB	780	2,080
Cash and cash equivalents	49	1,428
Total interest and dividend income	105,273	101,028
INTEREST EXPENSE:		
Deposits	26,785	38,033
FHLB advances	29,545	34,161
Other borrowings	7,725	2,207
Total interest expense	64,055	74,401
NET INTEREST AND DIVIDEND INCOME		
	41,218	26,627
PROVISION FOR LOAN LOSSES	549	--
NET INTEREST AND DIVIDEND INCOME AFTER PROVISION FOR LOAN LOSSES		
	40,669	26,627
OTHER INCOME:		
Retail fees and charges	4,530	4,489
Loan fees	569	598
Insurance commissions	491	478
Income from BOLI	384	621
Gains on securities and loans receivable, net	24	77
Other, net	644	848
Total other income	6,642	7,111
OTHER EXPENSES:		
Salaries and employee benefits	11,164	10,435
Occupancy of premises	3,722	3,157
Advertising	1,742	831
Deposit and loan transaction fees	1,303	1,355
Regulatory and other services	1,149	1,619
Other, net	3,107	2,054
Total other expenses	22,187	19,451
INCOME BEFORE INCOME TAX EXPENSE		
	25,124	14,287
INCOME TAX EXPENSE	9,272	5,174

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NET INCOME	\$ 15,852	\$ 9,113
Basic earnings per common share	\$ 0.22	\$ 0.12
Diluted earnings per common share	\$ 0.22	\$ 0.12
Dividends declared per public share	\$ 0.61	\$ 0.50
Basic weighted average common shares	73,063	72,956
Diluted weighted average common shares	73,162	73,018

See accompanying notes to consolidated interim financial statements.

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands except per share data and amounts)

	Common Stock	Additional Paid-In Capital	Unearned Compensation (ESOP)	Unearned Compensation (RRP)	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Treasury Stock	Total
Balance at October 1, 2008	\$ 915	\$ 445,391	\$ (10,082)	\$ (553)	\$ 759,375	\$ (5,968)	\$ (317,862)	\$ 871,216
Comprehensive income:								
Net income					15,852			15,852
Changes in unrealized gains(losses) on securities available-for-sale, net of deferred income taxes of \$12,295						20,231		20,231
Total comprehensive income								36,083
ESOP activity, net		1,666	504					2,170
RRP activity, net		8						8
Stock based compensation - stock options and RRP		92		85				177
Acquisition of treasury stock							(859)	(859)
Stock options exercised		909					468	1,377
Dividends on common stock to public stockholders (\$.61 per public share)					(12,737)			(12,737)
Balance at December 31, 2008	\$ 915	\$ 448,066	\$ (9,578)	\$ (468)	\$ 762,490	\$ 14,263	\$ (318,253)	\$ 897,435

See accompanying notes to consolidated interim financial statements.

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CAPITOL FEDERAL FINANCIAL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

For the Three Months Ended
December 31,