

Capitol Federal Financial Inc
Form 10-Q
May 10, 2011

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 March 31, 2011

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 (I.R.S. Employer
organization) Identification No.) or

Kansas 66603 700 Kansas Avenue, Topeka,
offices) (Zip Code) (Address of principal executive

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 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 No

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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)

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 May 6, 2011, there were 167,493,608 shares of Capitol Federal Financial, Inc. Common Stock outstanding.

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PART I -- FINANCIAL INFORMATION
Item 1. Financial Statements
CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	March 31, 2011	September 30, 2010
ASSETS:		
Cash and cash equivalents (includes interest-earning deposits of \$104,883 and \$50,771)	\$122,002	\$65,217
Securities:		
Available-for-sale ("AFS") at estimated fair value (amortized cost of \$1,207,245 and \$1,009,142)	1,250,153	1,060,366
Held-to-maturity ("HTM") at amortized cost (estimated fair value of \$2,966,745 and \$1,913,454)	2,953,661	1,880,154
Loans receivable, net of allowance for credit losses ("ACL") of \$13,814 and \$14,892	5,096,615	5,168,202
Bank-owned life insurance ("BOLI")	55,546	54,710
Capital stock of Federal Home Loan Bank ("FHLB"), at cost	122,651	120,866
Accrued interest receivable	30,778	30,220
Premises and equipment, net	43,211	41,260
Real estate owned ("REO"), net	11,337	9,920
Income taxes receivable	--	716
Other assets	47,157	55,499
TOTAL ASSETS	\$9,733,111	\$8,487,130
LIABILITIES:		
Deposits	\$4,711,189	\$4,386,310
Advances from FHLB	2,351,863	2,348,371
Other borrowings, net	643,609	668,609
Advance payments by borrowers for taxes and insurance	48,095	55,036
Income taxes payable	2,411	--
Deferred income tax liabilities, net	19,520	33,244
Accounts payable and accrued expenses	30,015	33,610
Total liabilities	7,806,702	7,525,180
STOCKHOLDERS' EQUITY:		
Preferred stock (\$0.01 par value) 100,000,000 shares authorized; none issued	--	--
Common stock (\$0.01 par value) 1,400,000,000 shares authorized, 167,493,608		
shares issued; 167,493,608 and 73,992,678 shares outstanding		
as of March 31, 2011 and September 30, 2010, respectively	1,675	915
Additional paid-in capital	1,390,949	457,795
Unearned compensation, Employee Stock Ownership Plan ("ESOP")	(52,033)	(6,050)
Unearned compensation, Recognition and Retention Plan ("RRP")	(184)	(255)
Retained earnings	559,313	801,044
Accumulated other comprehensive income ("AOCI"), net of tax	26,689	31,862
Less shares held in treasury (0 and 17,519,609 shares as of March 31, 2011		

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and September 30, 2010, respectively, at cost)	--	(323,361)
Total stockholders' equity	1,926,409	961,950
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$9,733,111	\$8,487,130

See accompanying notes to consolidated financial statements.

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CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Dollars in thousands, except share and per share data)

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2011	2010	2011	2010
INTEREST AND DIVIDEND INCOME:				
Loans receivable	\$61,554	\$70,315	\$127,497	\$144,841
Mortgage-backed securities ("MBS")	17,320	18,627	32,760	39,381
Investment securities	4,743	3,726	9,518	6,285
Capital stock of FHLB	883	985	1,785	1,986
Cash and cash equivalents	441	54	628	101
Total interest and dividend income	84,941	93,707	172,188	192,594
INTEREST EXPENSE:				
FHLB advances	21,968	24,299	45,099	49,118
Deposits	16,069	19,776	33,450	41,881
Other borrowings	6,348	6,949	13,078	14,058
Total interest expense	44,385	51,024	91,627	105,057
NET INTEREST INCOME	40,556	42,683	80,561	87,537
PROVISION FOR CREDIT LOSSES	520	3,200	1,170	6,315
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	40,036	39,483	79,391	81,222
OTHER INCOME:				
Retail fees and charges	3,561	4,213	7,504	8,936
Insurance commissions	888	753	1,706	1,335
Loan fees	621	674	1,276	1,255
Income from BOLI	504	223	836	491
Gain on securities, net	--	--	--	6,454
Other income, net	570	673	1,139	1,196
Total other income	6,144	6,536	12,461	19,667
OTHER EXPENSES:				
Salaries and employee benefits	11,067	10,807	21,058	21,339
Communications, information technology, and occupancy	3,977	3,854	7,853	7,796
Federal insurance premium	1,128	1,845	2,986	3,659
Deposit and loan transaction costs	1,274	1,316	2,626	2,696
Regulatory and outside services	1,139	994	2,328	2,442
Advertising and promotional	693	1,337	1,524	2,981
Contribution to Capitol Federal Foundation ("Foundation")	--	--	40,000	--

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Other expenses, net	3,577	2,947	7,818	4,936
Total other expenses	22,855	23,100	86,193	45,849
INCOME BEFORE INCOME TAX EXPENSE	23,325	22,919	5,659	55,040
INCOME TAX EXPENSE	7,689	8,264	1,281	19,405
NET INCOME	\$15,636	\$14,655	\$4,378	\$35,635

(Continued)

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2011	2010	2011	2010
Basic earnings per common share	\$0.10	\$0.09	\$0.03	\$0.22
Diluted earnings per common share	\$0.10	\$0.09	\$0.03	\$0.22
Dividends declared per public share	\$0.68	\$0.50	\$1.48	\$1.29
Basic weighted average common shares	161,499,795	165,734,124	163,542,495	165,794,605
Diluted weighted average common shares	161,507,374	165,798,989	163,550,750	165,847,257

(Concluded)

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands)

	Additional	Unearned	Total
Common			