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, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __ to __

Commission file number: 001-34814

Capitol Federal Financial, Inc.

(Exact name of registrant as specified in its charter)

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

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

____
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CFFN	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 1, 2020, there were 141,511,716 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, except per share amounts)

	March 31, 2020	September 30, 2019
ASSETS:		
Cash and cash equivalents (includes interest-earning deposits of $5,512 and $198,809)	$ 118,374	$ 220,370
Available-for-sale ("AFS") securities, at estimated fair value	1,236,037	1,204,863
Loans receivable, net (allowance for credit losses ("ACL") of $31,196 and $9,226)	7,476,805	7,416,747
Federal Home Loan Bank Topeka ("FHLB") stock, at cost	101,575	98,456
Premises and equipment, net	98,589	96,784
Income taxes receivable, net	4,255	2
Other assets	335,558	302,796
TOTAL ASSETS	$ 9,371,193	$ 9,340,018
LIABILITIES:		
Deposits	$ 5,774,619	$ 5,581,867
Borrowings	2,115,869	2,239,989
Advance payments by borrowers for taxes and insurance	55,306	65,686
Deferred income tax liabilities, net	10,236	14,282
Accounts payable and accrued expenses	127,370	101,868
Total liabilities	8,083,400	8,003,692
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 100,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $.01 par value; 1,400,000,000 shares authorized, 141,512,165 and 141,440,030 shares issued and outstanding as of March 31, 2020 and September 30, 2019, respectively	1,415	1,414
Additional paid-in capital	1,211,466	1,210,226
Unearned compensation, Employee Stock Ownership Plan ("ESOP")	(33,866)	(34,692)
Retained earnings	130,756	174,277
Accumulated other comprehensive (loss) income ("AOCI"), net of tax	(21,978)	(14,899)
Total stockholders' equity	1,287,793	1,336,326
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,371,193	$ 9,340,018

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except per share amounts)

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2020	2019	2020	2019
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$ 69,613	$ 71,657	$ 139,527	$ 142,429
Mortgage-backed securities ("MBS")	5,866	6,301	11,968	12,824
FHLB stock	1,714	1,831	3,540	3,802
Investment securities	1,382	1,505	2,889	2,946
Cash and cash equivalents	380	743	1,067	2,457
Total interest and dividend income	78,955	82,037	158,991	164,458
INTEREST EXPENSE:				
Deposits	17,804	16,096	35,766	31,821
Borrowings	12,483	13,344	25,860	27,739
Total interest expense	30,287	29,440	61,626	59,560
NET INTEREST INCOME	48,668	52,597	97,365	104,898
PROVISION FOR CREDIT LOSSES	22,075	—	22,300	—
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	26,593	52,597	75,065	104,898
NON-INTEREST INCOME:				
Deposit service fees	2,783	3,091	5,845	6,443
Insurance commissions	400	541	1,091	1,167
Other non-interest income	1,488	1,369	3,239	2,815
Total non-interest income	4,671	5,001	10,175	10,425
NON-INTEREST EXPENSE:				
Salaries and employee benefits	13,235	12,789	26,706	25,751
Information technology and related expense	4,268	4,284	8,409	8,883
Occupancy, net	3,449	3,292	6,656	6,544
Advertising and promotional	1,359	1,390	2,769	2,150
Regulatory and outside services	1,297	1,056	2,640	2,822
Deposit and loan transaction costs	678	465	1,389	1,201
Office supplies and related expense	592	736	1,111	1,195
Federal insurance premium	—	659	—	1,187
Other non-interest expense	1,286	1,470	2,984	3,190
Total non-interest expense	26,164	26,141	52,664	52,923
INCOME BEFORE INCOME TAX EXPENSE	5,100	31,457	32,576	62,400
INCOME TAX EXPENSE	824	6,903	5,789	13,463
NET INCOME	$ 4,276	$ 24,554	$ 26,787	$ 48,937
Basic earnings per share ("EPS")	$ 0.03	$ 0.18	$ 0.19	$ 0.36
Diluted EPS	$ 0.03	$ 0.18	$ 0.19	$ 0.36
Basic weighted average common shares	137,968,327	137,634,820	137,932,976	137,592,409
Diluted weighted average common shares	138,000,334	137,690,717	137,988,649	137,641,126

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 March 31,		For the Six Months Ended March 31,	
	2020	2019	2020	2019
Net income	$ 4,276	$ 24,554	$ 26,787	$ 48,937
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on AFS securities arising during the period, net of taxes of $(3,332), $(982), $(3,187) and $(2,115)	10,378	3,061	9,926	6,588
Changes in unrealized gains (losses) on cash flow hedges, net of taxes of $7,200, $2,118, $5,459 and $5,246	(22,429)	(6,600)	(17,005)	(16,344)
Comprehensive (loss) income	$ (7,775)	$ 21,015	$ 19,708	$ 39,181

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

(Dollars in thousands, except per share amounts)

	For the Six Months Ended March 31, 2020					
	Common Stock	Additional Paid-In Capital	Unearned Compensation ESOP	Retained Earnings	AOCI	Total Stockholders' Equity
Balance at September 30, 2019	$ 1,414	$ 1,210,226	$ (34,692)	$ 174,277	$(14,899)	$ 1,336,326
Net income				22,511		22,511
Other comprehensive income, net of tax					4,972	4,972
Cumulative effect of adopting Accounting Standards Update ("ASU") 2016-02				88		88
ESOP activity		169	413			582
Restricted stock activity, net		(1)				(1)
Stock-based compensation		166				166
Stock options exercised	1	612				613
Cash dividends to stockholders ($0.425 per share)				(58,663)		(58,663)
Balance at December 31, 2019	$ 1,415	$ 1,211,172	$ (34,279)	$ 138,213	$ (9,927)	$ 1,306,594
Net income				4,276		4,276
Other comprehensive loss, net of tax					(12,051)	(12,051)
ESOP activity		117	413			530
Stock-based compensation		152				152
Stock options exercised		25				25
Cash dividends to stockholders ($0.085 per share)				(11,733)		(11,733)
Balance at March 31, 2020	1,415	1,211,466	(33,866)	130,756	(21,978)	1,287,793

	For the Six Months Ended March 31, 2019					
	Common Stock	Additional Paid-In Capital	Unearned Compensation ESOP	Retained Earnings	AOCI	Total Stockholders' Equity
Balance at September 30, 2018	$ 1,412	$ 1,207,644	$ (36,343)	$ 214,569	$ 4,340	$ 1,391,622
Net income				24,383		24,383
Other comprehensive loss, net of tax					(6,217)	(6,217)
Cumulative effect of adopting ASU 2014-09				394		394
ESOP activity		118	413			531
Stock-based compensation		95				95
Stock options exercised	1	466				467
Cash dividends to stockholders ($0.475 per share)				(65,362)		(65,362)
Balance at December 31, 2018	$ 1,413	$ 1,208,323	$ (35,930)	$ 173,984	$(1,877)	$ 1,345,913
Net income				24,554		24,554
Other comprehensive loss, net of tax					(3,539)	(3,539)
ESOP activity		134	413			547
Stock-based compensation		90				90
Stock options exercised		118				118
Cash dividends to stockholders ($0.085 per share)				(11,700)		(11,700)
Balance at March 31, 2019	1,413	1,208,665	(35,517)	186,838	(5,416)	1,355,983

See accompanying notes to consolidated financial statements.

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	For the Six Months Ended March 31,	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 26,787	$ 48,937
Adjustments to reconcile net income to net cash provided by operating activities:		
FHLB stock dividends	(3,540)	(3,802)
Provision for credit losses	22,300	—
Amortization and accretion of premiums and discounts on securities	556	737
Depreciation and amortization of premises and equipment	4,564	4,710
Amortization of intangible assets	997	1,189
Amortization of deferred amounts related to FHLB advances, net	95	4
Common stock committed to be released for allocation - ESOP	1,112	1,078
Stock-based compensation	318	185
Changes in:		
Unrestricted cash collateral (provided to)/received from derivative counterparties, net	—	(9,970)
Other assets, net	3,649	1,418
Income taxes payable/receivable, net	(4,249)	2,291
Deferred income tax liabilities, net	(1,800)	(745)
Accounts payable and accrued expenses	(12,413)	(13,894)
Net cash provided by operating activities	38,376	32,138
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of AFS securities	(288,319)	(172,506)
Proceeds from calls, maturities and principal reductions of AFS securities	269,702	149,524
Proceeds from calls, maturities and principal reductions of held-to-maturity ("HTM") securities	—	83,692
Proceeds from the redemption of FHLB stock	421	97,096
Purchase of FHLB stock	—	(96,199)
Net change in loans receivable	(82,595)	(57,073)
Purchase of premises and equipment	(6,497)	(4,583)
Proceeds from sale of other real estate owned ("OREO")	987	1,062
Proceeds from bank-owned life insurance ("BOLI") death benefit	490	—
Net cash (used in) provided by investing activities	(105,811)	1,013

(Continued)

CAPITOL FEDERAL FINANCIAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	For the Six Months Ended March 31, 2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(70,396)	(77,062)
Net change in deposits	192,752	97,757
Proceeds from borrowings	1,186,600	2,680,000
Repayments on borrowings	(1,306,600)	(2,625,052)
Change in advance payments by borrowers for taxes and insurance	(10,380)	(16,963)
Payment of FHLB prepayment penalties	(4,215)	—
Stock options exercised	638	585
Net cash (used in) provided by financing activities	(11,601)	59,265
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS	(79,036)	92,416
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS:		
Beginning of period	253,700	139,055
End of period	$ 174,664	$ 231,471
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Operating lease right-of-use assets obtained	$ 15,658	$ —
Operating lease liabilities obtained	$ 15,543	$ —

See accompanying notes to consolidated financial statements. (Concluded)

Notes to Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements include the accounts of Capitol Federal Financial, Inc.® (the "Company") and its wholly-owned subsidiary, Capitol Federal Savings Bank (the "Bank"). The Bank has two wholly-owned subsidiaries, Capitol Funds, Inc. and Capital City Investments, Inc. Capitol Funds, Inc. has a wholly-owned subsidiary, Capitol Federal Mortgage Reinsurance Company. Capital City Investments, Inc. is a real estate and investment holding company. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 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, 2019, filed with the Securities and Exchange Commission ("SEC"). Interim results are not necessarily indicative of results for a full year.

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - Cash, cash equivalents, restricted cash and restricted cash equivalents reported in the statement of cash flows include cash and cash equivalents of $118.4 million and $220.4 million at March 31, 2020 and September 30, 2019, respectively, and restricted cash and cash equivalents of $56.3 million and $33.3 million at March 31, 2020 at September 30, 2019, respectively, which was included in other assets on the consolidated balance sheet. The restricted cash and cash equivalents relate to the collateral postings to/from the Bank's derivative counterparties associated with the Bank's interest rate swaps. See additional discussion regarding the interest rate swaps in Note 5. Borrowed Funds.

Net Presentation of Cash Flows Related to Borrowings - At times, the Bank enters into certain FHLB advances with contractual maturities of 90 days or less. Cash flows related to these advances are reported on a net basis in the consolidated statements of cash flows. There was no FHLB advance activity reported on a net basis in the consolidated statements of cash flows during the six months ended March 31, 2020 and 2019.

Leases - The Company leases real estate property for branches, ATMs, and certain equipment. All of the leases in which the Company is the lessee are classified as operating leases. The Company determines if an arrangement is a lease at inception and if the lease is an operating lease or a finance lease.

Operating lease right-of-use assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. The right-of-use assets associated with operating leases are recorded in other assets in the Company's consolidated balance sheets. The lease liabilities associated with operating leases are included in accounts payable and accrued expenses on the consolidated balance sheets. The period over which the right-of-use asset is amortized is generally the lesser of the expected remaining term or the remaining useful life of the leased asset. The lease liability is decreased as periodic lease payments are made. The Company performs impairment assessments for right-of-use assets when events or changes in circumstances indicate that their carrying values may not be recoverable.

The calculated amount of the right-of-use assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of the minimum remaining lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If, at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company includes the extended term in the calculation of the right-of-use asset and lease liability. Generally, the Company cannot practically determine the interest rate implicit in the lease so the Company's incremental borrowing rate is used as the discount rate for the lease. The Company uses FHLB advance interest rates, which have been deemed as the Company's incremental borrowing rate, at lease inception based upon the term of the lease. For operating leases existing prior to October 1, 2019, the rate for the remaining lease term as of October 1, 2019 was applied. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lease expense, variable lease expense and short-term lease expense are included in occupancy expense in the Company's consolidated statements of income. For facility-related leases, the Company elected, by lease class, to not separate lease and non-lease components. Lease expense is recognized on a straight-line basis over the lease term. Variable lease expense primarily represents payments such as common area maintenance and utilities and are recognized as expense in the period when those payments are incurred. Short-term lease expense relates to leases with an initial term of 12 months or less. The Company has elected to not record a right-of-use asset or lease liability for short-term leases.

Recent Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*. The ASU, as amended, revises lease accounting guidance by requiring that lessees recognize the assets and liabilities arising from leases on the balance sheet. Additionally, the ASU requires entities to disclose both quantitative and qualitative information regarding their leasing activities. The accounting applied by a lessor is largely unchanged from that applied under the previous guidance. In July 2018, the FASB issued ASU 2018-11, *Leases*, which provides entities with relief from the costs of implementation by allowing the option to not restate comparative periods as part of the transition. The ASU, as amended, became effective for the Company on October 1, 2019. Upon adoption, the Company elected the modified retrospective approach and the optional transition method under which the Company used the effective date as the date of initial application of the amendments. The optional practical expedients the Company elected include: (1) not reassessing whether any expired or existing contracts are or contain leases, (2) not reassessing the classification of any expired or existing contracts, (3) not reassessing initial direct costs for existing leases, and (4) using hindsight for leases existing at adoption date. For leases with an initial term of 12 months or less, the Company elected the short-term lease option, which entails not recognizing right-of-use assets and lease liabilities for these leases. Additionally, the Company elected, for facility-related leases, the practical expedient that allows an entity to elect, by lease class, the ability to not separate lease and non-lease components. Upon adoption, the Company recognized a right-of-use asset of $15.7 million and a lease liability of $15.5 million, related to the Company's non-cancellable operating lease commitments based on the present value of the expected remaining lease payments as of October 1, 2019. The cumulative-effect adjustment to retained earnings at the time of adoption totaled $88 thousand. These ASUs did not have a material impact on the Company's results of operations and cash flows at the time of adoption. The disclosures required by the ASU are included in Note 9. Leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU, as amended, replaces the incurred loss impairment methodology in current GAAP, which requires credit losses to be recognized when it is probable that a loss has been incurred, with a new impairment methodology. The new impairment methodology requires an entity to measure, at each reporting date, the expected credit losses of financial assets not measured at fair value, such as loans and loan commitments, over their contractual lives. Under the new impairment methodology, expected credit losses will be measured at each reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Additionally, the ASU amends the current credit loss measurements for AFS debt securities. Credit losses related to AFS debt securities will be recorded through the ACL rather than as a direct write-down as per current GAAP. The ASU also requires enhanced disclosures related to credit quality and significant estimates and judgments used by management when estimating credit losses. The ASU will become effective for the Company on October 1, 2020. The Company continues to work with a software provider on the application and implementation of the new accounting guidance, which includes assistance with historical data analysis, loan segmentation, model development, and documentation. The integration of the Company's data with the software provider is complete, along with an analysis of the historical data entered into the software. Management is currently working with the software provider on loan portfolio segmentations and model development, including incorporating economic forecasting into the models. While we are currently unable to reasonably estimate the impact of adopting this ASU, we expect the impact of adoption will be influenced by the composition of our loan and securities portfolios as well as the economic conditions and forecasts at the time of adoption.

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

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

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* This ASU makes clarifications and corrections to the application of the guidance contained in each of the amended topics. According to the provisions of the ASU, entities that have not adopted ASU 2017-12 prior to the issuance of ASU 2019-04 shall adopt the provisions of both ASUs at the same time. The effective date of the non-hedging amendments contained in ASU 2019-04 for the Company is October 1, 2020. The Company is currently evaluating the effect of the non-hedging amendments contained in this ASU on the Company's consolidated financial condition, results of operations and disclosures.

2. EARNINGS PER SHARE

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2020	2019	2020	2019
	(Dollars in thousands, except per share amounts)			
Net income	$ 4,276	$ 24,554	$ 26,787	$ 48,937
Income allocated to participating securities	(3)	(10)	(22)	(19)
Net income available to common stockholders	$ 4,273	$ 24,544	$ 26,765	$ 48,918
Average common shares outstanding	137,926,574	137,593,062	137,911,988	137,571,533
Average committed ESOP shares outstanding	41,753	41,758	20,988	20,876
Total basic average common shares outstanding	137,968,327	137,634,820	137,932,976	137,592,409
Effect of dilutive stock options	32,007	55,897	55,673	48,717
Total diluted average common shares outstanding	138,000,334	137,690,717	137,988,649	137,641,126
Net EPS:				
Basic	$ 0.03	$ 0.18	$ 0.19	$ 0.36
Diluted	$ 0.03	$ 0.18	$ 0.19	$ 0.36
Antidilutive stock options, excluded from the diluted average common shares outstanding calculation	382,894	494,395	387,979	529,261

3. SECURITIES

The following tables reflect the amortized cost, estimated fair value, and gross unrealized gains and losses of AFS securities at the dates presented. The majority of the MBS and investment securities portfolios are composed of securities issued by United States government-sponsored enterprises ("GSEs").

	March 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
MBS	$ 947,549	$ 26,223	$ 454	$ 973,318
GSE debentures	250,080	699	—	250,779
Municipal bonds	11,887	53	—	11,940
	$ 1,209,516	$ 26,975	$ 454	$ 1,236,037

	September 30, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
MBS	$ 923,256	$ 15,571	$ 2,340	$ 936,487
GSE debentures	249,828	304	178	249,954
Municipal bonds	18,371	52	1	18,422
	$ 1,191,455	$ 15,927	$ 2,519	$ 1,204,863

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

	March 31, 2020			
	Less Than 12 Months		Equal to or Greater Than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)			
MBS	$ 53,830	$ 451	$ 1,985	$ 3
GSE debentures	—	—	—	—
Municipal bonds	—	—	—	—
	$ 53,830	$ 451	$ 1,985	$ 3

	September 30, 2019			
	Less Than 12 Months		Equal to or Greater Than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)			
MBS	$ 111,368	$ 126	$ 199,442	$ 2,214
GSE debentures	—	—	74,812	178
Municipal bonds	1,755	1	—	—
	$ 113,123	$ 127	$ 274,254	$ 2,392

The unrealized losses at March 31, 2020 and September 30, 2019 were a result of an increase in market yields from the time the securities were purchased. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in market yields as temporary. Therefore, these securities have not been classified as other-than-temporarily impaired. The impairment is also considered temporary because scheduled coupon payments have been made, it is anticipated that the entire principal balance will be collected as scheduled, and management neither intends to sell the securities, nor is it more likely than not that the Company will be required to sell the securities, before the recovery of the remaining amortized cost amount, which could be at maturity. As a result of the analysis, management has concluded that no other-than-temporary impairments existed at March 31, 2020 or September 30, 2019.

The amortized cost and estimated fair value of AFS debt securities as of March 31, 2020, by contractual maturity, are shown below. Actual principal repayments may differ from contractual maturities due to prepayment or early call privileges by the issuer. In the case of MBS, borrowers on the underlying loans generally have the right to prepay their loans without prepayment penalty. For this reason, MBS are not included in the maturity categories.

	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
One year or less	$ 55,179	$ 55,245
One year through five years	206,788	207,474
	261,967	262,719
MBS	947,549	973,318
	$ 1,209,516	$ 1,236,037

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Taxable	$ 1,322	$ 1,419	$ 2,759	$ 2,767
Non-taxable	60	86	130	179
	$ 1,382	$ 1,505	$ 2,889	$ 2,946

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

	March 31, 2020	September 30, 2019
	(Dollars in thousands)	
Federal Reserve Bank of Kansas City ("FRB of Kansas City")	$ 396,458	$ 6,636
Public unit deposits	321,451	381,143
Repurchase agreements	109,425	108,271
	$ 827,334	$ 496,050

4. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Loans receivable, net at the dates presented is summarized as follows:

	March 31, 2020	September 30, 2019
	(Dollars in thousands)	
One- to four-family:		
Originated	$ 3,944,782	$ 3,873,851
Correspondent purchased	2,385,907	2,349,877
Bulk purchased	228,730	252,347
Construction	35,798	36,758
Total	6,595,217	6,512,833
Commercial:		
Commercial real estate	584,236	583,617
Commercial and industrial	62,153	61,094
Construction	126,266	123,159
Total	772,655	767,870
Consumer:		
Home equity	114,571	120,587
Other	10,837	11,183
Total	125,408	131,770
Total loans receivable	7,493,280	7,412,473
Less:		
ACL	31,196	9,226
Discounts/unearned loan fees	29,645	31,058
Premiums/deferred costs	(44,366)	(44,558)
	$ 7,476,805	$ 7,416,747

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

One- to four-family loans - Full documentation to support an applicant's credit and income, and sufficient funds to cover all applicable fees and reserves at closing, are required on all loans. Generally, loans are underwritten according to the "ability to repay" and "qualified mortgage" standards, as issued by the Consumer Financial Protection Bureau ("CFPB"). 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 lenders are generally similar to the Bank's internal underwriting standards. The underwriting of loans purchased from correspondent lenders on a loan-by-loan basis is performed by the Bank's underwriters.

The Bank also originates owner-occupied construction-to-permanent loans secured by one- to four-family residential real estate. Construction draw requests and the supporting documentation are reviewed and approved by designated personnel. The Bank also performs regular documented inspections of the construction project to ensure the funds are being used for the intended purpose and the project is being completed according to the plans and specifications provided.

Commercial loans - The Bank's commercial real estate and commercial construction loans are originated by the Bank or are in participation with a lead bank. When underwriting a commercial real estate or commercial construction loan, several factors are considered, such as the income producing potential of the property, cash equity provided by the borrower, the financial strength of the borrower, managerial expertise of the borrower or tenant, feasibility studies, lending experience with the borrower and the marketability of the property. For commercial real estate and commercial construction participation loans, the Bank performs the same underwriting procedures as if the loan was being originated by the Bank. At the time of origination, loan-to-value ("LTV") ratios on commercial real estate loans generally do not exceed 85% of the appraised value of the property securing the loans and the minimum debt service coverage ratio is generally 1.15. For commercial construction loans, LTV ratios generally do not exceed 80% of the projected appraised value of the property securing the loans and the minimum debt service coverage ratio is generally 1.15, but it applies to the projected cash flows, and the borrower must have successful experience with the construction and operation of properties similar to the subject property. Appraisals on properties securing these loans are performed by independent state certified fee appraisers.

The Bank's commercial and industrial loans are generally made in the Bank's market areas and are underwritten on the basis of the borrower's ability to service the debt from income. Working capital loans are primarily collateralized by short-term assets whereas term loans are primarily collateralized by long-term assets. In general, commercial and industrial loans involve more credit risk than commercial real estate loans due to the type of collateral securing these loans. As a result of these additional complexities, variables and risks, these loans require more thorough underwriting and servicing than other types of loans.

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

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

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

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

The following tables present the recorded investment, by class, in loans 30 to 89 days delinquent, loans 90 or more days delinquent or in foreclosure, total delinquent loans, current loans, and total recorded investment at the dates presented. The recorded investment in loans is defined as the unpaid principal balance of a loan, less charge-offs and inclusive of unearned loan fees and deferred costs. At March 31, 2020 and September 30, 2019, all loans 90 or more days delinquent were on nonaccrual status.

	March 31, 2020				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family:					
Originated	$ 8,333	$ 4,503	$ 12,836	$ 3,953,549	$ 3,966,385
Correspondent purchased	4,602	1,362	5,964	2,411,591	2,417,555
Bulk purchased	2,950	641	3,591	226,167	229,758
Commercial:					
Commercial real estate	1,560	546	2,106	705,058	707,164
Commercial and industrial	—	172	172	61,695	61,867
Consumer:					
Home equity	594	304	898	113,577	114,475
Other	34	22	56	10,741	10,797
	$ 18,073	$ 7,550	$ 25,623	$ 7,482,378	$ 7,508,001

	September 30, 2019				
	30 to 89 Days Delinquent	90 or More Days Delinquent or in Foreclosure	Total Delinquent Loans	Current Loans	Total Recorded Investment
	(Dollars in thousands)				
One- to four-family:					
Originated	$ 7,187	$ 3,261	$ 10,448	$ 3,885,335	$ 3,895,783
Correspondent purchased	2,762	1,023	3,785	2,377,629	2,381,414
Bulk purchased	3,624	1,484	5,108	248,376	253,484
Commercial:					
Commercial real estate	762	—	762	702,377	703,139
Commercial and industrial	70	173	243	60,340	60,583
Consumer:					
Home equity	446	302	748	119,688	120,436
Other	78	21	99	11,035	11,134
	$ 14,929	$ 6,264	$ 21,193	$ 7,404,780	$ 7,425,973

The recorded investment in mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process as of March 31, 2020 and September 30, 2019 was $1.7 million and $1.5 million, respectively, which is included in loans 90 or more days delinquent or in foreclosure in the table above. The carrying value of residential OREO held as a result of obtaining physical possession upon completion of a foreclosure or through completion of a deed in lieu of foreclosure was $187 thousand at March 31, 2020 and $745 thousand at September 30, 2019.

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

	March 31, 2020	September 30, 2019
	(Dollars in thousands)	
One- to four-family:		
Originated	$ 5,313	$ 4,436
Correspondent purchased	1,553	1,023
Bulk purchased	775	1,551
Commercial:		
Commercial real estate	670	—
Commercial and industrial	172	173
Consumer:		
Home equity	347	337
Other	22	21
	$ 8,852	$ 7,541

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

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

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

	March 31, 2020		September 30, 2019	
	Special Mention	Substandard	Special Mention	Substandard
	(Dollars in thousands)			
One- to four-family:				
Originated	$ 10,586	$ 17,308	$ 12,941	$ 15,628
Correspondent purchased	3,092	3,741	2,349	2,785
Bulk purchased	—	4,910	102	5,294
Commercial:				
Commercial real estate	51,416	2,232	52,891	2,472
Commercial and industrial	1,082	2,301	1,215	3,057
Consumer:				
Home equity	471	637	280	696
Other	7	22	2	24
	$ 66,654	$ 31,151	$ 69,780	$ 29,956

The following table shows the weighted average credit score and weighted average LTV for one- to four-family loans and consumer home equity loans at the dates presented. Borrower credit scores are intended to provide an indication as to the likelihood that a borrower will repay their debts. Credit scores are updated at least annually, with the last update in September 2019, from a nationally recognized consumer rating agency. The LTV ratios provide an estimate of the extent to which the Bank may incur a loss on any given loan that may go into foreclosure. The consumer - home equity LTV does not take into account the first lien position, if applicable. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. In most cases, the most recent appraisal was obtained at the time of origination.

	March 31, 2020		September 30, 2019	
	Credit Score	LTV	Credit Score	LTV
One- to four-family - originated	767	62%	768	62%
One- to four-family - correspondent	764	65	765	65
One- to four-family - bulk purchased	763	61	762	61
Consumer - home equity	752	19	754	19
	766	62	766	62

Troubled Debt Restructurings ("TDRs") - The following tables present the recorded investment prior to restructuring and immediately after restructuring in all loans restructured during the periods presented. These tables do not reflect the recorded investment at the end of the periods indicated. Any increase in the recorded investment at the time of the restructuring was generally due to the capitalization of delinquent interest and/or escrow balances.

	For the Three Months Ended March 31, 2020			For the Six Months Ended March 31, 2020		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
			(Dollars in thousands)			
One- to four-family:						
Originated	3	$ 138	$ 140	5	$ 241	$ 242
Correspondent purchased	1	192	191	1	192	191
Bulk purchased	—	—	—	1	75	134
Commercial:						
Commercial real estate	1	837	837	1	837	837
Commercial and industrial	—	—	—	—	—	—
Consumer:						
Home equity	2	45	44	2	45	44
Other	—	—	—	—	—	—
	7	$ 1,212	$ 1,212	10	$ 1,390	$ 1,448

	For the Three Months Ended March 31, 2019			For the Six Months Ended March 31, 2019		
	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding	Number of Contracts	Pre-Restructured Outstanding	Post-Restructured Outstanding
	(Dollars in thousands)					
One- to four-family:						
Originated	—	$ —	$ —	1	$ 117	$ 117
Correspondent purchased	—	—	—	—	—	—
Bulk purchased	1	308	308	1	308	308
Commercial:						
Commercial real estate	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—
Consumer:						
Home equity	—	—	—	—	—	—
Other	—	—	—	—	—	—
	1	$ 308	$ 308	2	$ 425	$ 425

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

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2020		March 31, 2019		March 31, 2020		March 31, 2019	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(Dollars in thousands)							
One- to four-family:								
Originated	—	$ —	1	$ 45	1	$ 38	1	$ 45
Correspondent purchased	—	—	—	—	—	—	—	—
Bulk purchased	—	—	—	—	1	134	—	—
Commercial:								
Commercial real estate	—	—	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—	—	—
Consumer:								
Home equity	1	9	—	—	1	9	—	—
Other	—	—	—	—	—	—	—	—
	1	$ 9	1	$ 45	3	$ 181	1	$ 45

In late March 2020, the Bank announced loan modification programs to support and provide relief for its borrowers during the Coronavirus Disease 2019 ("COVID-19") pandemic. Generally, loan modifications under these programs ("COVID-19 loan modifications") for one- to four-family loans and consumer loans consist of a three-month payment forbearance, with the deferred principal, interest, and escrow added to the loan payoff amount. COVID-19 loan modifications of commercial loans mainly consist of up to a six-month interest-only payment period. The COVID-19 loan modifications are not considered troubled debt restructurings per current GAAP, nor are the loans with payment forbearance reported as past due or placed on non-accrual status during the forbearance time period.

Impaired loans - The following information pertains to impaired loans, by class, as of the dates presented.

	March 31, 2020			September 30, 2019		
	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	$ 14,406	$ 15,013	$ —	$ 14,683	$ 15,241	$ —
Correspondent purchased	1,946	2,049	—	1,763	1,868	—
Bulk purchased	4,909	5,630	—	4,943	5,661	—
Commercial:						
Commercial real estate	512	840	—	—	—	—
Commercial and industrial	—	148	—	60	184	—
Consumer:						
Home equity	336	446	—	345	462	—
Other	—	33	—	—	29	—
	22,109	24,159	—	21,794	23,445	—
With an allowance recorded						
One- to four-family:						
Originated	—	—	—	—	—	—
Correspondent purchased	—	—	—	—	—	—
Bulk purchased	—	—	—	—	—	—
Commercial:						
Commercial real estate	—	—	—	—	—	—
Commercial and industrial	2,076	2,074	240	—	—	—
Consumer:						
Home equity	—	—	—	—	—	—
Other	—	—	—	—	—	—
	2,076	2,074	240	—	—	—
Total						
One- to four-family:						
Originated	14,406	15,013	—	14,683	15,241	—
Correspondent purchased	1,946	2,049	—	1,763	1,868	—
Bulk purchased	4,909	5,630	—	4,943	5,661	—
Commercial:						
Commercial real estate	512	840	—	—	—	—
Commercial and industrial	2,076	2,222	240	60	184	—
Consumer:						
Home equity	336	446	—	345	462	—
Other	—	33	—	—	29	—
	$ 24,185	$ 26,233	$ 240	$ 21,794	$ 23,445	$ —

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

	For the Three Months Ended				For the Six Months Ended			
	March 31, 2020		March 31, 2019		March 31, 2020		March 31, 2019	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)							
With no related allowance recorded								
One- to four-family:								
Originated	$ 14,441	$ 161	$ 15,928	$ 167	$ 14,526	$ 322	$ 16,980	$ 352
Correspondent purchased	1,854	19	2,177	23	1,814	37	2,251	45
Bulk purchased	4,965	50	5,230	43	4,965	102	5,453	86
Commercial:								
Commercial real estate	547	4	—	—	312	4	—	—
Commercial and industrial	—	—	—	—	19	—	—	—
Consumer:								
Home equity	332	5	436	7	335	11	461	16
Other	—	—	—	—	—	—	—	—
	22,139	239	23,771	240	21,971	476	25,145	499
With an allowance recorded								
One- to four-family:								
Originated	—	—	—	—	—	—	—	—
Correspondent purchased	—	—	—	—	—	—	—	—
Bulk purchased	—	—	—	—	—	—	—	—
Commercial:								
Commercial real estate	—	—	—	—	—	—	—	—
Commercial and industrial	2,244	42	—	—	1,282	54	—	—
Consumer:								
Home equity	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
	2,244	42	—	—	1,282	54	—	—
Total								
One- to four-family:								
Originated	14,441	161	15,928	167	14,526	322	16,980	352
Correspondent purchased	1,854	19	2,177	23	1,814	37	2,251	45
Bulk purchased	4,965	50	5,230	43	4,965	102	5,453	86
Commercial:								
Commercial real estate	547	4	—	—	312	4	—	—
Commercial and industrial	2,244	42	—	—	1,301	54	—	—
Consumer:								
Home equity	332	5	436	7	335	11	461	16
Other	—	—	—	—	—	—	—	—
	$ 24,383	$ 281	$ 23,771	$ 240	$ 23,253	$ 530	$ 25,145	$ 499

Allowance for Credit Losses - Management maintains an ACL to absorb inherent losses in the loan portfolio based on quarterly assessments of the loan portfolio. Each quarter a formula analysis model is prepared which segregates the loan portfolio into categories based on certain risk characteristics. Historical loss factors and qualitative factors are applied to each loan category in the formula analysis model. The factors are reviewed by management quarterly to assess whether the factors adequately cover probable and estimable losses inherent in the loan portfolio. Due to the deterioration of economic conditions as a result of the COVID-19 pandemic, management increased some of the historical loss factors and qualitative factors in the formula analysis model to account for the increase in the estimated inherent losses in the loan portfolio at March 31, 2020 which accounts for the majority of the increase in the ACL during the current quarter. If economic conditions continue to worsen and/or the current and future government programs do not provide adequate relief to borrowers, it is possible the Bank's ACL will need to increase in future periods.

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

	For the Three Months Ended March 31, 2020						
	One- to Four-Family						
	Originated	Correspondent Purchased	Bulk Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Beginning balance	$ 2,047	$ 1,200	$ 612	$ 3,859	$ 5,418	$ 158	$ 9,435
Charge-offs	(46)	—	—	(46)	(325)	(4)	(375)
Recoveries	3	—	—	3	54	4	61
Provision for credit losses	4,463	2,155	(55)	6,563	15,181	331	22,075
Ending balance	$ 6,467	$ 3,355	$ 557	$ 10,379	$ 20,328	$ 489	$ 31,196

	For the Six Months Ended March 31, 2020						
	One- to Four-Family						
	Originated	Correspondent Purchased	Bulk Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Beginning balance	$ 2,000	$ 1,203	$ 687	$ 3,890	$ 5,171	$ 165	$ 9,226
Charge-offs	(64)	—	—	(64)	(349)	(10)	(423)
Recoveries	3	—	—	3	81	9	93
Provision for credit losses	4,528	2,152	(130)	6,550	15,425	325	22,300
Ending balance	$ 6,467	$ 3,355	$ 557	$ 10,379	$ 20,328	$ 489	$ 31,196

	For the Three Months Ended March 31, 2019						
	One- to Four-Family						
	Originated	Correspondent Purchased	Bulk Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Beginning balance	$ 2,761	$ 1,748	$ 836	$ 5,345	$ 3,034	$ 179	$ 8,558
Charge-offs	(10)	—	—	(10)	—	(2)	(12)
Recoveries	2	—	17	19	25	29	73
Provision for credit losses	(580)	(356)	(51)	(987)	1,029	(42)	—
Ending balance	$ 2,173	$ 1,392	$ 802	$ 4,367	$ 4,088	$ 164	$ 8,619

For the Six Months Ended March 31, 2019							
	One- to Four-Family						
	Originated	Correspondent Purchased	Bulk Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Beginning balance	$ 2,953	$ 1,861	$ 925	$ 5,739	$ 2,556	$ 168	$ 8,463
Charge-offs	(30)	—	(26)	(56)	—	(12)	(68)
Recoveries	5	—	106	111	27	86	224
Provision for credit losses	(755)	(469)	(203)	(1,427)	1,505	(78)	—
Ending balance	$ 2,173	$ 1,392	$ 802	$ 4,367	$ 4,088	$ 164	$ 8,619

The following is a summary of the loan portfolio and related ACL balances, at the dates presented, by loan portfolio segment disaggregated by the Company's impairment method.

March 31, 2020							
	One- to Four-Family						
	Originated	Correspondent Purchased	Bulk Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Recorded investment in loans:							
Collectively evaluated for impairment	$ 3,951,979	$ 2,415,609	$ 224,849	$ 6,592,437	$ 766,443	$ 124,936	$ 7,483,816
Individually evaluated for impairment	14,406	1,946	4,909	21,261	2,588	336	24,185
	$ 3,966,385	$ 2,417,555	$ 229,758	$ 6,613,698	$ 769,031	$ 125,272	$ 7,508,001
ACL for loans:							
Collectively evaluated for impairment	$ 6,467	$ 3,355	$ 557	$ 10,379	$ 20,088	$ 489	$ 30,956
Individually evaluated for impairment	—	—	—	—	240	—	240
	$ 6,467	$ 3,355	$ 557	$ 10,379	$ 20,328	$ 489	$ 31,196

September 30, 2019							
	One- to Four-Family						
	Originated	Correspondent Purchased	Bulk Purchased	Total	Commercial	Consumer	Total
	(Dollars in thousands)						
Recorded investment in loans:							
Collectively evaluated for impairment	$ 3,881,100	$ 2,379,651	$ 248,541	$ 6,509,292	$ 763,662	$ 131,225	$ 7,404,179
Individually evaluated for impairment	14,683	1,763	4,943	21,389	60	345	21,794
	$ 3,895,783	$ 2,381,414	$ 253,484	$ 6,530,681	$ 763,722	$ 131,570	$ 7,425,973
ACL for loans:							
Collectively evaluated for impairment	$ 2,000	$ 1,203	$ 687	$ 3,890	$ 5,171	$ 165	$ 9,226
Individually evaluated for impairment	—	—	—	—	—	—	—
	$ 2,000	$ 1,203	$ 687	$ 3,890	$ 5,171	$ 165	$ 9,226

5. BORROWED FUNDS

FHLB Borrowings and Interest Rate Swaps - At March 31, 2020 and September 30, 2019, the Bank had entered into interest rate swap agreements with a total notional amount of $640.0 million in order to hedge the variable cash flows associated with $640.0 million of adjustable-rate FHLB advances. At March 31, 2020 and September 30, 2019, the interest rate swap agreements had an average remaining term to maturity of 4.0 years and 4.5 years, respectively. The interest rate swaps were designated as cash flow hedges and involve the receipt of variable amounts from a counterparty in exchange for the Bank making fixed-rate payments over the life of the interest rate swap agreements. At March 31, 2020 and September 30, 2019, the interest rate swaps were in a loss position with a total fair value of $55.6 million and $33.1 million, respectively, which was reported in accounts payable and accrued expenses on the consolidated balance sheet. During the three and six months ended March 31, 2020, $983 thousand and $1.7 million, respectively, was reclassified from AOCI as an increase to interest expense. During the three months ended March 31, 2019, $100 thousand was reclassified from AOCI as a decrease to interest expense. During the six months ended March 31, 2019, $51 thousand was reclassified from AOCI as an increase to interest expense. There was no hedge ineffectiveness recognized in the consolidated statements of income during any of these periods. At March 31, 2020, the Company estimated that $13.0 million of interest expense associated with the interest rate swaps will be reclassified from AOCI as an increase to interest expense on FHLB borrowings during the next 12 months. The Bank has minimum collateral posting thresholds with its derivative counterparties and posts collateral on a daily basis. The Bank posted cash collateral of $56.3 million at March 31, 2020 and $33.3 million at September 30, 2019.

During the current quarter, the Bank prepaid fixed-rate FHLB advances totaling $350.0 million with a weighted average contractual interest rate of 2.42% and a weighted average remaining term of 1.0 years, and replaced these advances with $350.0 million of fixed-rate FHLB advances with a weighted average contractual interest rate of 1.43% and a weighted average term of 4.7 years. The Bank paid penalties totaling $4.2 million to FHLB as a result of prepaying the FHLB advances. The prepayment penalties are being recognized in interest expense over the life of the new FHLB advances.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

AFS Securities - The Company's AFS securities portfolio is carried at estimated fair value. The majority of the securities within the AFS portfolio were issued by GSEs. The Company primarily uses prices obtained from third party pricing services to determine the fair value of its securities. On a quarterly basis, management corroborates a sample of prices obtained from the third party pricing service for Level 2 securities by comparing them to an independent source. If the price provided by the independent source varies by more than a predetermined percentage from the price received from the third party pricing service, then the variance is researched by management. The Company did not have to adjust prices obtained from the third party pricing service when determining the fair value of its securities during the six months ended March 31, 2020 or during fiscal year 2019. The Company's major security types, based on the nature and risks of the securities, are:

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

Interest Rate Swaps - The Company's interest rate swaps are designated as cash flow hedges and are reported at fair value in other assets on the consolidated balance sheet if in a gain position, and in accounts payable and accrued expenses if in a loss position, with any unrealized gains and losses, net of taxes, reported as AOCI in stockholders' equity. See "Note 5. Borrowed Funds" for additional information. The estimated fair values of the interest rates swaps are obtained from the counterparty and are determined by a discounted cash flow analysis using observable market-based inputs. On a quarterly basis, management corroborates the estimated fair values by internally calculating the estimated fair value using a discounted cash flow analysis with independent observable market-based inputs from a third party. No adjustments were made to the estimated fair values during the six months ended March 31, 2020 or during fiscal year 2019. (Level 2)

The following tables provide the level of valuation assumption used to determine the carrying value of the Company's financial instruments measured at fair value on a recurring basis at the dates presented. The Company did not have any Level 3 financial instruments measured at fair value on a recurring basis at March 31, 2020 or September 30, 2019.

	March 31, 2020			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
AFS Securities:				
MBS	$ 973,318	$ —	$ 973,318	$ —
GSE debentures	250,779	—	250,779	—
Municipal bonds	11,940	—	11,940	—
	$ 1,236,037	$ —	$ 1,236,037	$ —
Liabilities:				
Interest rate swaps	$ 55,555	$ —	$ 55,555	$ —

	September 30, 2019			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
AFS Securities:				
MBS	$ 936,487	$ —	$ 936,487	$ —
GSE debentures	249,954	—	249,954	—
Municipal bonds	18,422	—	18,422	—
	$ 1,204,863	$ —	$ 1,204,863	$ —
Liabilities:				
Interest rate swaps	$ 33,090	$ —	$ 33,090	$ —

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

Loans Receivable - The fair value of impaired loans individually evaluated for impairment on a non-recurring basis during the six months ended March 31, 2020 and 2019 that were still held in the portfolio as of March 31, 2020 and 2019 was $4.9 million and $2.8 million, respectively.

The one- to four-family loans included in this amount were individually evaluated to determine if the carrying value of the loan was in excess of the fair value of the collateral, less estimated selling costs of 10%. Fair values were estimated through current appraisals. Management does not adjust or apply a discount to the appraised value of one- to four-family loans, except for the estimated sales cost noted above, and the primary unobservable input for these loans was the appraisal.

For commercial loans, if the most recent appraisal or book value of the collateral does not reflect the current market conditions due to the passage of time and/or other factors, management will make adjustments to the existing appraised or book value based on knowledge of local market conditions, recent transactions, and estimated selling costs, if applicable. Adjustments to appraised or book values are generally based on assumptions not observable in the marketplace. The primary significant unobservable inputs for impaired commercial loans individually evaluated for impairment during the six months ended March 31, 2020 were downward adjustments to the book value of the collateral for lack of marketability. The adjustments ranged from 10% to 50%, with a weighted average of 20%. There were no impaired commercial loans individually evaluated during the six months ended March 31, 2019.

Fair values of impaired loans individually evaluated for impairment cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the loan and, as such, are classified as Level 3.

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. The fair value for OREO is estimated through current appraisals or listing prices, less estimated selling costs of 10%. Management does not adjust or apply a discount to the appraised value or listing price, except for the estimated sales costs noted above. The primary significant unobservable input for OREO was the appraisal or listing price. Fair values of foreclosed property cannot be determined with precision and may not be realized in an actual sale of the property and, as such, are classified as Level 3. The fair value of OREO measured on a non-recurring basis during the six months ended March 31, 2020 and 2019 that was still held in the portfolio as of March 31, 2020 and 2019 was $183 thousand and $582 thousand, respectively. The carrying value of the properties equaled the fair value of the properties at March 31, 2020 and 2019.

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

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

	March 31, 2020				
	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Assets:					
Cash and cash equivalents	$ 118,374	$ 118,374	$ 118,374	$ —	$ —
AFS securities	1,236,037	1,236,037	—	1,236,037	—
Loans receivable	7,476,805	7,934,879	—	—	7,934,879
FHLB stock	101,575	101,575	101,575	—	—
Liabilities:					
Deposits	5,774,619	5,852,187	2,732,263	3,119,924	—
Borrowings	2,115,869	2,165,705	30,000	2,135,705	—
Interest rate swaps	55,555	55,555	—	55,555	—

	September 30, 2019				
	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Assets:					
Cash and cash equivalents	$ 220,370	$ 220,370	$ 220,370	$ —	$ —
AFS securities	1,204,863	1,204,863	—	1,204,863	—
Loans receivable	7,416,747	7,654,586	—	—	7,654,586
FHLB stock	98,456	98,456	98,456	—	—
Liabilities:					
Deposits	5,581,867	5,614,895	2,594,242	3,020,653	—
Borrowings	2,239,989	2,253,353	100,001	2,153,352	—
Interest rate swaps	33,090	33,090	—	33,090	—

7. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables present the changes in the components of AOCI, net of tax, for the periods indicated.

	For the Three Months Ended March 31, 2020		
	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) on Cash Flow Hedges	Total AOCI
		(Dollars in thousands)	
Beginning balance	$ 9,698	$ (19,625)	$ (9,927)
Other comprehensive income (loss), before reclassifications	10,378	(23,412)	(13,034)
Amount reclassified from AOCI	—	983	983
Other comprehensive income (loss)	10,378	(22,429)	(12,051)
Ending balance	$ 20,076	$ (42,054)	$ (21,978)

	For the Six Months Ended March 31, 2020		
	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) on Cash Flow Hedges	Total AOCI
		(Dollars in thousands)	
Beginning balance	$ 10,150	$ (25,049)	$ (14,899)
Other comprehensive income (loss), before reclassifications	9,926	(18,697)	(8,771)
Amount reclassified from AOCI	—	1,692	1,692
Other comprehensive income (loss)	9,926	(17,005)	(7,079)
Ending balance	$ 20,076	$ (42,054)	$ (21,978)

	For the Three Months Ended March 31, 2019		
	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) on Cash Flow Hedges	Total AOCI
		(Dollars in thousands)	
Beginning balance	$ 537	$ (2,414)	$ (1,877)
Other comprehensive income (loss), before reclassifications	3,061	(6,500)	(3,439)
Amount reclassified from AOCI	—	(100)	(100)
Other comprehensive income (loss)	3,061	(6,600)	(3,539)
Ending balance	$ 3,598	$ (9,014)	$ (5,416)

	For the Six Months Ended March 31, 2019		
	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) on Cash Flow Hedges	Total AOCI
		(Dollars in thousands)	
Beginning balance	$ (2,990)	$ 7,330	$ 4,340
Other comprehensive income (loss), before reclassifications	6,588	(16,395)	(9,807)
Amount reclassified from AOCI	—	51	51
Other comprehensive income (loss)	6,588	(16,344)	(9,756)
Ending balance	$ 3,598	$ (9,014)	$ (5,416)

8. REVENUE RECOGNITION

Details of the Company's primary types of non-interest income revenue streams by financial statement line item reported in the consolidated statements of income that are within the scope of ASC Topic 606 are below. During the six months ended March 31, 2020 and 2019, revenue from contracts with customers totaled $7.5 million and $8.1 million, respectively.

Deposit Service Fees

Interchange Transaction Fees - Interchange transaction fee income primarily consists of interchange fees earned on a transactional basis through card payment networks. The performance obligation for these types of transactions is satisfied as services are rendered for each transaction and revenue is recognized daily concurrently with the transaction processing services provided to the cardholder.

In order to participate in the card payment networks, the Company must pay various transaction related costs established by the networks ("interchange network charges"), including membership fees and a per unit charge for each transaction. The Company is acting as an agent for its debit card customers when they are utilizing the card payment networks; therefore, interchange transaction fee income is reported net of interchange network charges. Interchange network charges totaled $1.6 million and $1.7 million for the six months ended March 31, 2020 and 2019, respectively.

Service Charges on Deposit Accounts - Service charges on deposit accounts consist of account maintenance and transaction-based fees such as overdrafts, insufficient funds, wire transfers and the use of out-of-network ATMs. The Company's performance obligation is satisfied over a period of time, generally a month, for account maintenance and at the time of service for transaction-based fees. Revenue is recognized after the performance obligation is satisfied. Payments are typically collected from the customer's deposit account at the time the transaction is processed and/or at the end of the customer's statement cycle (typically monthly).

Insurance Commissions

Commissions are received on insurance product sales. The Company acts in the capacity of an agent between the Company's customer and the insurance carrier. The Company's performance obligation is satisfied when the terms of the policy have been agreed upon and the insurance policy becomes effective. Additionally, the Company earns performance-based incentives ("contingent insurance commissions") based on certain criteria established by the insurance carriers.

Other Non-Interest Income

Trust Asset Management Income - The Company provides trust asset management services to customers. The Company primarily earns fees for these services over time as the monthly services are provided and the Company assesses revenue at each month end. Fees are charged based on a tiered scale of the market value of the individual trust asset accounts at the end of the month.

9. LEASES

The Company leases real estate property for branches, ATMs, and certain equipment. These leases have remaining terms that range from one year to 47 years, some of which include the exercising of renewal options that the Company considers to be reasonably certain. As of March 31, 2020, a right-of-use asset of $15.1 million was included in other assets and a lease liability of $15.1 million was included in accounts payable and accrued expenses on the consolidated balance sheets.

As of March 31, 2020, for the Company's operating leases, the weighted average remaining lease term was 23.3 years and the weighted average discount rate was 2.70%. The Company did not enter into any new lease obligations during the six months ended March 31, 2020.

The following tables presents lease expenses and supplemental cash flow information related to the Company's leases for the periods presented.

	For the Three Months Ended March 31, 2020	For the Six Months Ended March 31, 2020
	(Dollars in thousands)	
Operating lease expense	$ 376	$ 765
Variable lease expense	58	108
Short-term lease expense	7	16
Cash paid for amounts included in the measurement of lease liabilities	339	683

The following table presents future minimum payments, rounded to the nearest thousand, for operating leases with initial or remaining terms in excess of one year as of March 31, 2020:

Remainder of fiscal year 2020	$	573
Fiscal year 2021		1,361
Fiscal year 2022		1,327
Fiscal year 2023		1,234
Fiscal year 2024		1,025
Fiscal year 2025		854
Thereafter		15,391
Total future minimum lease payments		21,765
Amounts representing interest		(6,708)
Present value of net future minimum lease payments	$	15,057

The Company elected the modified retrospective approach for its adoption of ASU 2016-02, and the optional transition method under which the Company used the effective date as the date of initial application of the amendments. These elections require the inclusion of ASC Topic 840 disclosures for periods that continue to be presented in accordance with ASC Topic 840. As of September 30, 2019, future minimum rental commitments, rounded to the nearest thousand, required under operating leases that had initial or remaining non-cancelable lease terms in excess of one year were as follows:

2020	$	1,298
2021		1,187
2022		1,069
2023		930
2024		637
Thereafter		1,115
	$	6,236

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

The Company and the Bank may from time to time make written or oral "forward-looking statements," including statements contained in documents filed or furnished by the Company with the 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, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our future results to differ materially from the beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions expressed in the forward-looking statements:

- our ability to maintain overhead costs at reasonable levels;
- our ability to originate and purchase a sufficient volume of one- to four-family loans in order to maintain the balance of that portfolio at a level desired by management;
- our ability to invest funds in wholesale or secondary markets at favorable yields compared to the related funding source;
- our ability to access cost-effective funding;
- the expected cost savings, synergies and other benefits from our acquisition of Capital City Bancshares, Inc. ("CCB") might not be realized within the anticipated time frames or at all;
- our ability to extend the commercial banking and trust asset management expertise acquired from CCB through our existing branch footprint;
- fluctuations in deposit flows;
- the future earnings and capital levels of the Bank and the continued non-objection by our primary federal banking regulators, to the extent required, to distribute capital from the Bank to the Company, which could affect the ability of the Company to pay dividends in accordance with its dividend policy;
- the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations, including areas where we have purchased large amounts of correspondent loans;
- changes in real estate values, unemployment levels, and the level and direction of loan delinquencies and charge-offs may require changes in the estimates of the adequacy of the ACL, which may adversely affect our business;
- potential adverse impacts of the ongoing COVID-19 pandemic and any governmental or societal responses thereto on the economic conditions in the Company's local market areas and other market areas where the Bank has lending relationships, on other aspects of the Company's business operations and on financial markets;
- increases in classified and/or non-performing assets, which may require the Bank to increase the ACL, charge-off loans and incur elevated collection and carrying costs related to such non-performing assets;
- results of examinations of the Bank and the Company by their respective primary federal banking regulators, including the possibility that the regulators may, among other things, require us to increase our ACL;
- changes in accounting principles, policies, or guidelines;
- the effects of, and changes in, monetary and interest rate policies of the Board of Governors of the Federal Reserve System ("FRB");
- the effects of, and changes in, trade and fiscal policies and laws of the United States government;
- the effects of, and changes in, foreign and military policies of the United States government;
- inflation, interest rate, market, monetary, and currency fluctuations;
- the timely development and acceptance of 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 interpretations of, and changes in, financial services laws and regulations, including laws concerning taxes, banking, securities, consumer protection, trust and insurance and the impact of other governmental initiatives affecting the financial services industry;
- implementing business initiatives may be more difficult or expensive than anticipated;
- significant litigation;
- technological changes;
- our ability to maintain the security of our financial, accounting, technology, and other operating systems and facilities, including the ability to withstand cyber-attacks;
- acquisitions and dispositions;
- changes in consumer spending, borrowing and saving habits; and
- our success at managing the risks involved in our business.

This list of important factors is not all inclusive. For a discussion of risks and uncertainties related to our business that could adversely impact our operations and/or financial results, see "Part I, Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019 and Part II, Item 1A. Risk Factors within this Form 10-Q. 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 or the context indicates otherwise, "the Company," "we," "us," and "our" refer to Capitol Federal Financial, Inc. a Maryland corporation, and its subsidiaries. "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.

The following discussion and analysis is intended to assist in understanding the financial condition, results of operations, liquidity, and capital resources of the Company. The Bank comprises almost all of the consolidated assets and liabilities of the Company and the Company is dependent primarily upon the performance of the Bank for the results of its operations. Because of this relationship, references to management actions, strategies and results of actions apply to both the Bank and the Company. This discussion and analysis should be read in conjunction with Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019, filed with the SEC.

Executive Summary

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

Response to and Impact of the COVID-19 Pandemic

During the current quarter, the COVID-19 pandemic had a significant impact on our customers, employees, business operations and financial results. Management's actions related to COVID-19 and the impact of COVID-19 on certain aspects of the Company's business and financial results are summarized below.

Customer, employee, and community health precautions - In response to the rapidly evolving COVID-19 pandemic, the Company focused first on the well-being of its people, customers and communities. Preventative health measures were put in place including elimination of business-related travel, implementing mandatory work from home for all employees able to do so, social distancing precautions for all employees in the office, adjusting branch banking hours and operational measures to promote social distancing when customers do visit branches, and preventative cleaning at offices and branches. The Company also focused on business continuity measures, including activating its Crisis Management Team to put into action our business continuity plan, monitoring potential business interruptions, making further improvements to our technology allowing employees to work from home, and conducting regular discussions with our technology vendors.

Lobby services have been changed to appointment only while drive-through, mobile, and online banking have become the Bank's primary channels of serving customers. Retail loan closings have been conducted with customers coming to our drive-through facilities and commercial loans are closed in person only when necessary. All employees continue to be paid their regular salary and receive full benefits.

Loan modification programs - In late March 2020, the Bank announced loan modification programs to support and provide relief for its borrowers during the COVID-19 pandemic. Generally, loan modifications under these programs ("COVID-19 loan modifications") for one- to four-family loans and consumer loans consist of a three-month payment forbearance, with the deferred principal, interest, and escrow added to the loan payoff amount. COVID-19 loan modifications of commercial loans mainly consist of a six-month interest-only payment period. The COVID-19 loan modifications are not considered troubled debt restructurings per current GAAP.

As of April 30, 2020, COVID-19 loan modifications had been processed for 494 one- to four-family loans totaling $137.0 million for which the borrowers had a weighted average credit score of 734, and 105 consumer loans totaling $2.7 million for which the borrowers had a weighted average credit score of 707. As of April 30, 2020, 263 additional COVID-19 loan modification agreements had been sent to one- to four-family borrowers but were still pending. The pending COVID-19 loan modifications had a total balance of $51.9 million and a weighted average credit score of 729.

As of April 30, 2020, the Bank had processed 181 COVID-19 loan modifications of commercial loans totaling $200.0 million, and were in the process of modifying an additional 32 commercial loans totaling $165.8 million.

Small Business Administration ("SBA") Payroll Protection Program ("PPP") loans - The first PPP authorized up to $349 billion and the second PPP authorized up to $320 billion in loans to small businesses primarily to pay their employees during the first eight weeks after receiving their loan proceeds with loan payments deferred for six months and the final balance due 24 months after funding, subject to potential debt forgiveness. These loans are fully guaranteed by the SBA. The first PPP application process started April 3, 2020 and the full $349 billion was exhausted on April 16, 2020. The Bank continued to take applications for PPP loans after the first PPP was exhausted in anticipation of a second PPP. The second PPP application process started April 27, 2020. Between the two PPPs, the Bank has processed 575 applications for PPP loans totaling $40.7 million, of which $34.1 million had been funded as of April 30, 2020. The origination fees associated with the PPP loans processed by the Bank are expected to be $1.7 million. Based on discussions with borrowers, we anticipate that more than 75% of the balances of the PPP loans will be forgiven after eight weeks from the funding date.

Provision for credit losses and allowance for credit losses - As a result of the deterioration of economic conditions due to the COVID-19 pandemic, the Bank recorded a provision for credit losses of $22.1 million during the current quarter. The provision for credit losses increased the ACL to $31.2 million at March 31, 2020 resulting in an ACL to loans receivable ratio of 0.42% compared to 0.12% at September 30, 2019. The ACL to loans receivable ratio for one- to four-family loans was 0.16% at March 31, 2020 compared to 0.06% at September 30, 2019 and the ACL to loans receivable ratio for commercial loans was 2.63% at March 31, 2020 compared to 0.67% at September 30, 2019. See additional ACL discussion in the "Financial Condition - Asset Quality - Allowance for credit losses and Provision for credit losses" section below, and additional discussion regarding the composition of the Bank's loan portfolio in the "Financial Condition - Loans Receivable" section below.

Suspension of correspondent loan activity - In an effort to manage the influx of refinance requests from current customers during the initial days of the COVID-19 pandemic, the Bank suspended its purchase of correspondent one- to four-family loans. Correspondent applications and commitments in the pipeline at the time of the suspension continue to progress through the approval and funding process.

Capital, liquidity, and dividends - Management performed stress test scenarios during April 2020. Based on the Company's existing capital levels, conservative loan underwriting policies, loan concentration, and geographical diversification, no liquidity or capital concerns were identified as a result of the stress tests. Management anticipates being able to manage the economic risks and uncertainties associated with the COVID-19 pandemic and remain well capitalized with sufficient liquidity to serve our customers. With earnings of $0.19 per share, year-to-date, and a cash balance at the holding company level of $101.0 million, the Company has the resources to continue to pay its regular quarterly dividend of $0.085 per share for the foreseeable future. Given the current state of economic uncertainty and how that may play out with the credit risk exposure in the Bank's loan portfolio, the Company has elected to defer the annual True Blue dividend in June 2020 and not ask for a regulatory non-objection to move capital from the Bank to the Company to pay that dividend. It is management's intent to ask for a regulatory non-objection at some point in the future and to pay this dividend when economic conditions are more certain. It remains the Company's intent to pay out 100% of its earnings.

Summary of Financial Condition and Results of Operation

For the quarter ended March 31, 2020, the Company recognized net income of $4.3 million, or $0.03 per share, compared to net income of $24.6 million, or $0.18 per share, for the quarter ended March 31, 2019. The decrease was due primarily to the $22.1 million provision for credit losses during the current quarter, partially offset by a reduction in income tax expense. The net interest margin decreased 14 basis points, from 2.33% for the prior year quarter to 2.19% for the current quarter. The decrease in the net interest margin was due mainly to a decrease in the loan portfolio yield, as well as an increase in the cost of deposits.

For the six months ended March 31, 2020, the Company recognized net income of $26.8 million, or $0.19 per share, a decrease of $22.2 million, or 45.3%, from the six-month period ended March 31, 2019. The decrease in net income was due primarily to the $22.3 million provision for credit losses during the current period. The net interest margin decreased eleven basis points, from 2.30% for the prior year period to 2.19% for the current period. The leverage strategy was suspended at certain times during the prior year period and during all of the current year period due to the negative interest rate spreads between the related FHLB borrowings and cash held at the FRB of Kansas City, making the transaction unprofitable. When the leverage strategy is in place, it reduces the net interest margin due to the small amount of earnings from the transaction in comparison to the size of the transaction. Excluding the effects of the leverage strategy, the net interest margin would have decreased 14 basis points, from 2.33% for the prior year period to 2.19% for the current year period. The decrease in the net interest margin, excluding the effects of the leverage strategy, was due mainly to an increase in the cost of retail/business certificates of deposit, as well as a decrease in the loan portfolio yield.

The Federal Reserve, in response to economic risks resulting from COVID-19 responses by businesses, individuals, and government entities, returned to a zero-interest rate policy in March 2020. This was after most broader market rates decreased significantly in response to evolving news about COVID-19. However, while liability costs decreased, mortgage rates did not, primarily due to a rapid and unexpected increase in refinance activity. The Bank was able to restructure the cost of $350.0 million of its FHLB advances by lowering their cost 72 bps, which reduced our interest expense on those advances immediately and primarily led to the stability in our net interest margin. Given current levels of yields on new loans and the amount of one- to four-family refinances and endorsements of terms to lower current market rates, the yield on the total loan portfolio is likely to continue to decrease. Additionally, yields on new securities are lower than the portfolio yield. While the Bank had begun to lower deposit rates in February, by late March and into the month of April, the Bank was able to lower deposit rates further in response to the changes in market rates and competition. Considering the drastic changes in market rates and the continued economic uncertainty, it is likely that with the changes the Bank has made to its cost of funding, if the rates on mortgage loans are reduced as capacity constraints are lessened in the mortgage origination system, our net interest margin should remain stable with some downside risk as a result of prepayments and premium amortization on correspondent loans.

Total assets increased $31.2 million, or 0.3% from September 30, 2019 to March 31, 2020, due mainly to loan portfolio growth which was largely funded with excess operating cash. The operating cash balance at September 30, 2019 was higher than normal due partially to anticipated loan fundings. Total loans increased $60.1 million from September 30, 2019 to March 31, 2020. The increase was primarily in the originated one- to four-family loan portfolio. During the current year-to-date period, the Bank originated and refinanced $450.0 million of one- to four-family and consumer loans with a weighted average rate of 3.49% and purchased $253.1 million of one- to four-family loans from correspondent lenders with a weighted average rate of 3.42%. The Bank also originated $67.6 million of commercial loans with a weighted average rate of 4.65% and entered into commercial real estate loan participations of $28.4 million at a weighted average rate of 4.65%. The commercial loan portfolio totaled $772.7 million at March 31, 2020 and was composed of 76% commercial real estate, 16% commercial construction, and 8% commercial and industrial. Total commercial real estate and commercial construction potential exposure, including undisbursed amounts and outstanding commitments totaling $167.2 million, was $877.7 million at March 31, 2020. Total commercial and industrial potential exposure, including undisbursed amounts and outstanding commitments of $18.8 million, was $80.9 million at March 31, 2020. Given the current level of total assets and the economic and interest rate environment, it is unlikely that the total loan portfolio will increase materially during the remainder of fiscal year 2020.

Total deposits increased $192.8 million, or 3.5%, from September 30, 2019 to March 31, 2020. Non-maturity deposits increased $138.0 million and retail/business certificates of deposit increased $72.4 million, partially offset by a $17.6 million decrease in public unit certificates of deposit. The increase in retail/business certificates of deposit was primarily in intermediate-term certificates, followed by short-term certificates.

Total borrowings at March 31, 2020 were $2.12 billion, a decrease of $124.1 million, or 5.5%, from September 30, 2019. The decrease was due to repaying the FHLB line of credit balance and not renewing a portion of the FHLB advances that matured during the current year period, partially offset by a $30.0 million draw on the FRB of Kansas City line of credit at March 31, 2020. Management is currently using the FRB of Kansas City line of credit rather than the FHLB line of credit for short-term funding needs as the interest rate on the FRB of Kansas City line of credit is lower than the FHLB line of credit.

Stockholders' equity was $1.29 billion at March 31, 2020 compared to $1.34 billion at September 30, 2019. The $48.5 million decrease was due primarily to the payment of $70.4 million in cash dividends, partially offset by net income of $26.8 million during the current year-to-date period. In the long run, management considers a Bank stockholders' equity to total assets ratio of at least 10% an appropriate level of capital. At March 31, 2020, this ratio was 12.2%. The cash dividends paid during the current year-to-date period totaled $0.51 per share and consisted of a $0.34 per share cash true-up dividend related to fiscal year 2019 earnings per the Company's dividend policy, and two regular quarterly cash dividends totaling $0.17 per share. On April 21, 2020, the Company announced a regular quarterly cash dividend of $0.085 per share, or approximately $11.7 million, payable on May 15, 2020 to stockholders of record as of the close of business on May 1, 2020.

At times, the Bank has utilized a leverage strategy to increase earnings. The leverage strategy involves borrowing up to $2.10 billion either on the Bank's FHLB line of credit or by entering into short-term FHLB advances, depending on the rates offered by FHLB. The borrowings are repaid at quarter end, or earlier if the strategy is suspended. The proceeds from the borrowings, net of the required FHLB stock holdings which yield approximately 7.25% from dividends, are deposited at the FRB of Kansas City. Net income attributable to the leverage strategy is largely derived from the dividends received on FHLB stock holdings, plus the net interest rate spread between the yield on the cash at the FRB of Kansas City and the rate paid on the related FHLB borrowings, less applicable federal insurance premiums and estimated taxes. Net income attributable to the leverage strategy was $14 thousand during the prior year period. The leverage strategy was not in place during the current year period, due to the large negative interest rate spread making the strategy unprofitable. Management continues to monitor the net interest rate spread and overall profitability of the strategy. It is expected that the strategy will be reimplemented if it reaches a position that is profitable.

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 affect reported results 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, 2019.

Financial Condition

The following table presents selected balance sheet information as of the dates indicated.

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
			(Dollars in thousands)		
Total assets	$ 9,371,193	$ 9,236,572	$ 9,340,018	$ 9,286,275	$ 9,534,551
Cash and cash equivalents	118,374	70,703	220,370	43,051	218,051
AFS securities	1,236,037	1,229,587	1,204,863	769,393	746,728
HTM securities	—	—	—	483,858	527,460
Loans receivable, net	7,476,805	7,429,207	7,416,747	7,507,468	7,570,806
FHLB stock, at cost	101,575	99,861	98,456	100,109	102,631
Deposits	5,774,619	5,585,851	5,581,867	5,580,871	5,701,111
Borrowings	2,115,869	2,189,991	2,239,989	2,239,987	2,339,985
Stockholders' equity	1,287,793	1,306,594	1,336,326	1,327,099	1,355,983
Equity to total assets at end of period	13.7%	14.1%	14.3%	14.3%	14.2%

Total assets were $9.37 billion at March 31, 2020, an increase of $134.6 million, or 1.5%, from December 31, 2019, due primarily to increases in the loan portfolio and cash and cash equivalents. The increase in cash and cash equivalents was due mainly to increasing the amount of cash on hand in anticipation of customer cash needs during the COVID-19 pandemic. Total loans were $7.48 billion at March 31, 2020, an increase of $47.6 million, or 0.6%, from December 31, 2019. The increase was primarily in the one- to four-family correspondent loan portfolio and commercial construction portfolio, partially offset by an increase in ACL. During the current quarter, the Bank originated and refinanced $193.6 million of one- to four-family and consumer loans with a weighted average rate of 3.45% and purchased $144.6 million of one- to four-family loans from correspondent lenders with a weighted average rate of 3.40%. The Bank also originated $35.2 million of commercial loans with a weighted average rate of 4.42% and processed commercial loan disbursements, excluding lines of credit, of approximately $49 million at a weighted average rate of 4.56%. Given the current level of total assets and the economic and interest rate environment, it is unlikely that the total loan portfolio will increase materially during the remainder of fiscal year 2020.

Total deposits were $5.77 billion at March 31, 2020, an increase of $188.8 million, or 3.4%, from December 31, 2019. Retail/business certificates of deposit increased $108.8 million due primarily to the Presidents' Day certificate of deposit campaign in February 2020, and non-maturity deposits increased $66.7 million. The increase in the retail/business certificates of deposit was primarily in intermediate-term certificates.

Stockholders' equity was $1.29 billion at March 31, 2020 compared to $1.31 billion at December 31, 2019. The $18.8 million decrease was due primarily to other comprehensive loss, net of tax of $12.1 million, which was due to a reduction in the fair value of our interest rate swaps, partially offset by an increase in unrealized gains on our AFS securities, and the payment of $11.7 million in cash dividends. These decreases were partially offset by net income of $4.3 million during the current quarter.

Loans Receivable. The following table presents the balance and weighted average rate of our loan portfolio as of the dates indicated. Approximately 68% of the one- to four-family loan portfolio balance at March 31, 2020 was comprised of loans that had a balance of $510 thousand or less at the time of origination.

	March 31, 2020		December 31, 2019		September 30, 2019	
	Amount	Rate	Amount	Rate	Amount	Rate
			(Dollars in thousands)			
One- to four-family:						
Originated	$ 3,944,782	3.68%	$ 3,927,015	3.71%	$ 3,873,851	3.74%
Correspondent purchased	2,385,907	3.60	2,343,750	3.62	2,349,877	3.64
Bulk purchased	228,730	2.88	237,691	2.93	252,347	2.94
Construction	35,798	3.61	38,771	3.82	36,758	4.00
Total	6,595,217	3.62	6,547,227	3.65	6,512,833	3.68
Commercial:						
Commercial real estate	584,236	4.45	583,848	4.48	583,617	4.48
Commercial and industrial	62,153	4.62	57,019	4.97	61,094	5.14
Construction	126,266	4.40	107,372	4.68	123,159	4.81
Total	772,655	4.45	748,239	4.54	767,870	4.58
Consumer loans:						
Home equity	114,571	5.67	118,491	5.73	120,587	6.15
Other	10,837	4.56	10,877	4.58	11,183	4.57
Total	125,408	5.58	129,368	5.63	131,770	6.02
Total loans receivable	7,493,280	3.74	7,424,834	3.77	7,412,473	3.81
Less:						
ACL	31,196		9,435		9,226	
Discounts/unearned loan fees	29,645		30,323		31,058	
Premiums/deferred costs	(44,366)		(44,131)		(44,558)	
Total loans receivable, net	$ 7,476,805		$ 7,429,207		$ 7,416,747	

Loan Activity - The following tables summarize activity in the loan portfolio, along with weighted average rates where applicable, for the periods indicated, excluding changes in ACL, discounts/unearned loan fees, and premiums/deferred costs. Loans that were paid-off as a result of refinances and loans that were sold 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. During the current year period, the Bank endorsed $170.9 million of one- to four-family loans, reducing the average rate on those loans by 81 basis points. Commercial loan renewals are not included in the activity in the following table unless new funds are disbursed at the time of renewal. As noted earlier, during the initial days of the COVID-19 pandemic, correspondent one- to four-family lending activities were suspended by the Bank but correspondent applications and commitments in the pipeline continue to progress through the approval and funding process.

	For the Three Months Ended							
	March 31, 2020		December 31, 2019		September 30, 2019		June 30, 2019	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)							
Beginning balance	$ 7,424,834	3.77%	$ 7,412,473	3.81%	$ 7,501,741	3.83%	$ 7,564,076	3.82%
Originated and refinanced:								
Fixed	172,891	3.44	233,693	3.52	188,753	3.60	121,871	4.09
Adjustable	55,946	4.11	55,126	4.30	59,550	4.37	63,341	4.87
Purchased and participations:								
Fixed	125,612	3.46	123,118	3.77	49,161	4.12	29,447	4.65
Adjustable	18,985	2.96	13,801	3.06	12,305	3.55	10,018	3.85
Change in undisbursed loan funds	24,049		(9,743)		12,293		34,742	
Repayments	(328,644)		(403,361)		(410,624)		(321,439)	
Principal (charge-offs)/recoveries, net	(314)		(16)		(110)		(33)	
Other	(79)		(257)		(596)		(282)	
Ending balance	$ 7,493,280	3.74	$ 7,424,834	3.77	$ 7,412,473	3.81	$ 7,501,741	3.83

	For the Six Months Ended			
	March 31, 2020		March 31, 2019	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Beginning balance	$ 7,412,473	3.81%	$ 7,507,645	3.74%
Originated and refinanced:				
Fixed	406,584	3.48	194,710	4.58
Adjustable	111,072	4.20	196,717	4.87
Purchased and participations:				
Fixed	248,730	3.61	107,527	4.88
Adjustable	32,786	3.00	53,982	4.70
Change in undisbursed loan funds	14,306		5,185	
Repayments	(732,005)		(501,094)	
Principal (charge-offs)/recoveries, net	(330)		156	
Other	(336)		(752)	
Ending balance	$ 7,493,280	3.74	$ 7,564,076	3.82

The following tables present loan origination, refinance, and purchase activity for the periods indicated, excluding endorsement activity, along with associated weighted average rates and percent of total. Commercial loan renewals are not included in the activity in the following table except to the extent new funds are disbursed at the time of renewal. Loan originations, purchases, and refinances are reported together.

	For the Three Months Ended					
	March 31, 2020			March 31, 2019		
	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)					
Fixed-rate:						
One- to four-family:[1]						
<= 15 years	$ 68,559	2.95%	18.4%	$ 13,873	4.25%	5.5%
> 15 years	198,373	3.54	53.1	66,993	4.45	27.0
One- to four-family construction	13,971	3.44	3.7	11,801	4.56	4.8
Commercial:						
Commercial real estate	3,872	4.71	1.0	15,027	7.23	6.0
Commercial and industrial	9,992	3.82	2.7	3,956	5.29	1.6
Commercial construction	1,522	5.40	0.4	—	—	—
Home equity	1,124	5.85	0.3	1,189	5.83	0.5
Other	1,090	5.51	0.3	1,226	4.67	0.5
Total fixed-rate	298,503	3.45	79.9	114,065	4.85	45.9
Adjustable-rate:						
One- to four-family:[2]						
<= 36 months	1,571	2.86	0.4	2,459	3.83	1.0
> 36 months	35,099	2.98	9.4	30,068	4.03	12.1
One- to four-family construction	4,007	3.00	1.1	3,467	3.87	1.4
Commercial:						
Commercial real estate	17,347	4.53	4.7	72,879	4.69	29.3
Commercial and industrial	1,950	5.00	0.5	11,615	5.35	4.7
Commercial construction	508	5.50	0.1	—	—	—
Home equity	13,686	5.16	3.7	13,450	6.42	5.4
Other	763	3.96	0.2	399	3.50	0.2
Total adjustable-rate	74,931	3.82	20.1	134,337	4.73	54.1
Total originated, refinanced and purchased	$ 373,434	3.52	100.0%	$ 248,402	4.79	100.0%
Purchased and participation loans included above:						
Fixed-rate:						
Correspondent - one- to four-family	$ 125,612	3.46		$ 24,611	4.35	
Participations - commercial	—	—		10,776	8.00	
Total fixed-rate purchased/participations	125,612	3.46		35,387	5.46	
Adjustable-rate:						
Correspondent - one- to four-family	18,985	2.96		11,331	4.01	
Participations - commercial	—	—		—	—	
Total adjustable-rate purchased/participations	18,985	2.96		11,331	4.01	
Total purchased/participation loans	$ 144,597	3.40		$ 46,718	5.11	

	For the Six Months Ended					
	March 31, 2020			March 31, 2019		
	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)					
Fixed-rate:						
One- to four-family:(1)						
<= 15 years	$ 153,063	2.96%	19.1%	$ 36,928	4.21%	6.7%
> 15 years	408,843	3.56	51.2	173,127	4.53	31.3
One- to four-family construction	25,102	3.42	3.1	28,279	4.53	5.1
Commercial:						
Commercial real estate	13,272	5.00	1.7	22,829	6.40	4.1
Commercial and industrial	14,039	3.90	1.8	6,358	5.31	1.2
Commercial construction	36,253	4.72	4.5	29,919	4.78	5.4
Home equity	2,487	5.88	0.3	2,383	6.16	0.4
Other	2,255	5.55	0.3	2,414	4.68	0.5
Total fixed-rate	655,314	3.53	82.0	302,237	4.69	54.7
Adjustable-rate:						
One- to four-family:(2)						
<= 36 months	3,669	2.86	0.5	7,687	3.76	1.4
> 36 months	66,308	3.02	8.3	63,147	4.03	11.4
One- to four-family construction	9,997	3.03	1.2	11,712	4.23	2.1
Commercial:						
Commercial real estate	26,522	4.65	3.3	93,583	4.79	16.9
Commercial and industrial	4,475	5.08	0.6	13,950	5.46	2.5
Commercial construction	1,487	5.53	0.2	28,650	5.35	5.2
Home equity	29,969	5.47	3.7	30,876	6.36	5.6
Other	1,431	4.04	0.2	1,094	3.15	0.2
Total adjustable-rate	143,858	3.93	18.0	250,699	4.83	45.3
Total originated, refinanced and purchased	$ 799,172	3.60	100.0%	$ 552,936	4.75	100.0%
Purchased and participation loans included above:						
Fixed-rate:						
Correspondent - one- to four-family	$ 220,304	3.48		$ 63,550	4.46	
Participations - commercial	28,426	4.65		43,977	5.49	
Total fixed-rate purchased/participations	248,730	3.61		107,527	4.88	
Adjustable-rate:						
Correspondent - one- to four-family	32,786	3.00		25,332	3.97	
Participations - commercial	—	—		28,650	5.35	
Total adjustable-rate purchased/participations	32,786	3.00		53,982	4.70	
Total purchased/participation loans	$ 281,516	3.54		$ 161,509	4.82	

(1) The fixed-rate one- to four-family loans less than or equal to 15 years have an original maturity at origination of less than or equal to 15 years, while fixed-rate one- to four-family loans greater than 15 years have an original maturity at origination of greater than 15 years.

(2) 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.

One- to Four-Family Loans - The following table presents, for our portfolio of one- to four-family loans, the amount, percent of total, weighted average credit score, weighted average LTV ratio, and average balance per loan as of the dates presented. Credit scores are updated at least annually, with the latest update in September 2019, from a nationally recognized consumer rating agency. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. In most cases, the most recent appraisal was obtained at the time of origination.

	March 31, 2020					September 30, 2019				
	Amount	% of Total	Credit Score	LTV	Average Balance	Amount	% of Total	Credit Score	LTV	Average Balance
	(Dollars in thousands)									
Originated	$3,944,782	60.1%	767	62%	$ 143	$3,873,851	59.8%	768	62%	$ 140
Correspondent purchased	2,385,907	36.4	764	65	375	2,349,877	36.3	765	65	371
Bulk purchased	228,730	3.5	763	61	302	252,347	3.9	762	61	304
	$6,559,419	100.0%	766	63	189	$6,476,075	100.0%	767	63	186

The following tables present originated, refinanced, and correspondent purchased activity in our one- to four-family loan portfolio, excluding endorsement activity, along with associated weighted average LTVs and weighted average credit scores for the periods indicated. Included in the "Refinanced by Bank customers" line item are correspondent loans that were refinanced with the Bank. Of the loans originated during the current year period, $127.4 million were refinanced from other lenders. Of the loans originated and refinanced during the current year period, 78% had loan values of $510 thousand or less. Of the correspondent loans purchased during the current year period, 23% had loan values of $510 thousand or less.

	For the Three Months Ended					
	March 31, 2020			March 31, 2019		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originated	$ 133,513	75%	764	$ 83,101	77%	755
Refinanced by Bank customers	43,470	68	758	9,618	67	749
Correspondent purchased	144,597	71	766	35,942	74	761
	$ 321,580	73	764	$ 128,661	76	756

	For the Six Months Ended					
	March 31, 2020			March 31, 2019		
	Amount	LTV	Credit Score	Amount	LTV	Credit Score
	(Dollars in thousands)					
Originated	$ 305,900	75%	766	$ 209,426	77%	755
Refinanced by Bank customers	107,992	68	760	22,572	67	746
Correspondent purchased	253,090	71	767	88,882	74	762
	$ 666,982	72	765	$ 320,880	75	756

The following table presents the amount, percent of total, and weighted average rate, by state, of one- to four-family loan originations and correspondent purchases where originations and purchases in the state exceeded five percent of the total amount originated and purchased during the period ended March 31, 2020.

	For the Three Months Ended March 31, 2020			For the Six Months Ended March 31, 2020		
State	**Amount**	**% of Total**	**Rate**	**Amount**	**% of Total**	**Rate**
			(Dollars in thousands)			
Kansas	$ 153,911	47.8%	3.30%	$ 361,548	54.2%	3.33%
Missouri	59,433	18.5	3.37	119,514	17.9	3.38
Texas	59,371	18.5	3.29	103,439	15.5	3.32
Other states	48,865	15.2	3.47	82,481	12.4	3.48
	$ 321,580	100.0%	3.34	$ 666,982	100.0%	3.35

One- to Four-Family Loan Commitments - The following table summarizes our one- to four-family loan origination and refinance commitments and one- to four-family correspondent loan purchase commitments as of March 31, 2020, along with associated weighted average rates. Loan commitments generally have fixed expiration dates or other termination clauses and may require the payment of a rate lock fee. It is expected that some of the loan commitments will expire unfunded, so the amounts reflected in the table below are not necessarily indicative of our future cash needs. As discussed above, the Bank suspended its purchase of correspondent one- to four-family loans during the initial days of the COVID-19 pandemic, but the Bank continues to progress through the approval and funding of the commitments in the pipeline at the time of the suspension.

	Fixed-Rate			Total	
	15 years or less	**More than 15 years**	**Adjustable-Rate**	**Amount**	**Rate**
			(Dollars in thousands)		
Originate/refinance	$ 27,472	$ 49,544	$ 12,376	$ 89,392	3.27%
Correspondent	28,065	68,986	15,668	112,719	3.25
	$ 55,537	$ 118,530	$ 28,044	$ 202,111	3.26
Rate	2.90%	3.50%	2.96%		

Commercial Loans - During the current year period, the Bank originated $67.6 million of commercial loans, entered into commercial real estate loan participations totaling $28.4 million, and processed commercial loan disbursements, excluding lines of credit, of approximately $89 million at a weighted average rate of 4.72%.

The following table presents the Bank's commercial real estate and commercial construction loans and loan commitments by type of primary collateral, as of March 31, 2020. Included in the gross loan amounts in the table, which does not include outstanding commitments, are fixed-rate loans totaling $482.7 million at a weighted average rate of 4.34% and adjustable-rate loans totaling $340.8 million at a weighted average rate of 4.65%. The weighted average rate of fixed-rate loans is lower than that of adjustable-rate loans due primarily to the majority of the fixed-rate loans in the portfolio at March 31, 2020 having shorter terms to maturity. Because the commitments to pay out undisbursed funds are not cancellable by the Bank, unless the loan is in default, we anticipate fully funding the related projects.

	Unpaid Principal	Undisbursed Amount	Gross Loan Amount	Outstanding Commitments	Total	% of Total
			(Dollars in thousands)			
Senior housing	$ 227,102	$ 45,545	$ 272,647	$ —	$ 272,647	31.1%
Hotel	117,462	19,137	136,599	43,757	180,356	20.5
Retail building	120,333	21,609	141,942	4,999	146,941	16.7
Multi-family	59,294	15,452	74,746	1,720	76,466	8.7
One- to four-family property	57,434	4,882	62,316	1,652	63,968	7.3
Office building	53,469	1,039	54,508	590	55,098	6.3
Single use building	44,539	4,556	49,095	807	49,902	5.7
Other	30,869	787	31,656	675	32,331	3.7
	$ 710,502	$ 113,007	$ 823,509	$ 54,200	$ 877,709	100.0%
Weighted average rate	4.44%	4.65%	4.47%	5.35%	4.52%	

The following table summarizes the Bank's commercial real estate and commercial construction loans and loan commitments by state as of March 31, 2020.

	Unpaid Principal	Undisbursed Amount	Gross Loan Amount	Outstanding Commitments	Total	% of Total
			(Dollars in thousands)			
Kansas	$ 285,283	$ 10,817	$ 296,100	$ 2,919	$ 299,019	34.1%
Missouri	227,267	66,363	293,630	3,401	297,031	33.8
Texas	99,316	27,934	127,250	43,697	170,947	19.5
Nebraska	31,919	1,690	33,609	—	33,609	3.8
Kentucky	25,230	330	25,560	—	25,560	2.9
California	5,941	4,300	10,241	—	10,241	1.2
Other	35,546	1,573	37,119	4,183	41,302	4.7
	$ 710,502	$ 113,007	$ 823,509	$ 54,200	$ 877,709	100.0%

The following table presents the Bank's commercial and industrial loans and loan commitments by business purpose, as of March 31, 2020.

	Unpaid Principal	Undisbursed Amount	Gross Loan Amount	Outstanding Commitments	Total	% of Total
			(Dollars in thousands)			
Working capital	$ 17,789	$ 13,116	$ 30,905	$ 2,910	$ 33,815	41.8%
Equipment	16,943	536	17,479	70	17,549	21.7
Business investment	11,993	80	12,073	125	12,198	15.1
Purchase/lease autos	8,954	95	9,049	—	9,049	11.2
Other	6,474	1,825	8,299	—	8,299	10.2
	$ 62,153	$ 15,652	$ 77,805	$ 3,105	$ 80,910	100.0%

The following table presents the Bank's commercial loan portfolio and outstanding loan commitments, categorized by gross loan amount (unpaid principal plus undisbursed amounts) or outstanding loan commitment amount, as of March 31, 2020.

	Count	Amount
	(Dollars in thousands)	
Greater than $30 million	3	$ 121,748
>$15 to $30 million	12	296,150
>$10 to $15 million	4	50,192
>$5 to $10 million	13	83,795
$1 to $5 million	95	214,002
Less than $1 million	1,223	192,732
	1,350	$ 958,619

The Bank's commercial lending team is working proactively with our commercial customers as the COVID-19 pandemic continues to present challenging operating conditions. As discussed above, through April 30, 2020, we have modified or are in the process of modifying $365.8 million of commercial loans under our COVID-19 loan modification program. We have also processed 575 PPP loans for $40.7 million, for which we expect to receive approximately $1.7 million in fees under the first PPP. Approximately 60% of PPP loans processed are in the following industries: construction, professional/scientific/technical, health care/social assistance, and retail trade.

The following table presents the unpaid principal balance of Bank's commercial real estate loans, by type of primary collateral, and commercial and industrial loans, by business purpose, that either have been modified or are in the process of being modified as of April 30, 2020. The information is split by type of modification and presented as a percentage of total modifications, as well as by a percentage of the related unpaid principal balance of the related property type or business purpose category.

	Modification Type				% of
	Interest Only	Payment Deferral	Total	% of Total	Property Type/ Business Purpose
	(Dollars in thousands)				
Commercial real estate					
Senior housing	$ 101,904	$ 46,220	$ 148,124	40.5%	65.2%
Hotel	76,249	19,266	95,515	26.1	81.3
Single use building	30,450	5,331	35,781	9.8	80.3
Retail building	31,814	3,119	34,933	9.6	29.0
Office building	16,415	7,012	23,427	6.4	43.8
Multi-family	8,233	—	8,233	2.3	13.9
One- to four-family property	7,680	—	7,680	2.1	13.4
Other	3,297	—	3,297	0.9	10.7
	276,042	80,948	356,990	97.7	50.2
Commercial and industrial					
Equipment	4,141	—	4,141	1.1	24.4
Business investment	2,372	—	2,372	0.6	19.8
Working capital	869	—	869	0.2	4.9
Purchase/lease autos	587	—	587	0.2	6.6
Other	807	—	807	0.2	12.5
	8,776	—	8,776	2.3	14.1
Total	$ 284,818	$ 80,948	$ 365,766	100.0%	47.3%

Asset Quality. The Bank's traditional one- to four-family underwriting guidelines have provided the Bank with generally low delinquencies and low levels of non-performing assets within this loan category compared to national levels. Of particular importance is the complete and full documentation required for each loan the Bank originates, participates in or 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. The Bank performs more extensive due diligence when underwriting commercial loans than loans secured by one- to four-family residential properties due to the larger loan amounts, the more complex sources of repayment and the riskier nature of such loans. When participating in a commercial loan, the Bank performs the same underwriting procedures as if the loan was being originated by the Bank. See additional discussion regarding underwriting standards in "Part I, Item 1. Business - Lending Practices and Underwriting Standards" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

Delinquent and non-performing loans and OREO - The following table presents the Company's 30 to 89 day delinquent loans at the dates indicated. The amounts in the table represent the unpaid principal balance of the loans less related charge-offs. Of the loans 30 to 89 days delinquent at March 31, 2020, approximately 78% were 59 days or less delinquent.

	Loans Delinquent for 30 to 89 Days at:									
	March 31, 2020		December 31, 2019		September 30, 2019		June 30, 2019		March 31, 2019	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)									
One- to four-family:										
Originated	92	$ 8,360	96	$ 9,004	90	$ 7,223	94	$ 7,749	79	$ 8,694
Correspondent purchased	13	4,531	13	4,117	9	2,721	14	3,727	13	4,133
Bulk purchased	12	2,914	14	3,307	16	3,581	13	2,249	13	2,722
Commercial	7	1,555	7	1,192	8	826	12	1,699	13	1,361
Consumer	43	628	40	488	42	525	43	630	37	481
	167	$ 17,988	170	$ 18,108	165	$ 14,876	176	$ 16,054	155	$ 17,391
Loans 30 to 89 days delinquent to total loans receivable, net		0.24%		0.24%		0.20%		0.21%		0.23%

The table below presents the Company's non-performing loans and OREO at the dates indicated. The amounts in the table represent the unpaid principal balance of the loans less related charge-offs. Non-performing loans are loans that are 90 or more days delinquent or in foreclosure and other loans required to be reported as nonaccrual pursuant to accounting and/or regulatory reporting requirements and/or internal policies, even if the loans are current. At all dates presented, there were no loans 90 or more days delinquent that were still accruing interest. Non-performing assets include non-performing loans and OREO. OREO primarily includes assets acquired in settlement of loans. Over the past 12 months, OREO properties acquired in settlement of one- to four-family loans were owned by the Bank, on average, for approximately three months before the properties were sold.

	Non-Performing Loans and OREO at:									
	March 31, 2020		December 31, 2019		September 30, 2019		June 30, 2019		March 31, 2019	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
					(Dollars in thousands)					
Loans 90 or More Days Delinquent or in Foreclosure:										
One- to four-family:										
Originated	53	$ 4,517	44	$ 3,552	44	$ 3,268	58	$ 5,069	67	$ 5,172
Correspondent purchased	4	1,342	4	1,376	4	1,008	2	871	3	918
Bulk purchased	1	630	2	689	6	1,465	7	2,194	10	2,782
Commercial	4	716	—	—	4	170	—	—	—	—
Consumer	17	326	20	340	25	362	25	437	27	567
	79	7,531	70	5,957	83	6,273	92	8,571	107	9,439
Loans 90 or more days delinquent or in foreclosure as a percentage of total loans		0.10%		0.08%		0.08%		0.11%		0.12%
Nonaccrual loans less than 90 Days Delinquent:[(1)]										
One- to four-family:										
Originated	13	$ 811	11	$ 634	16	$ 1,183	15	$ 1,057	18	$ 1,761
Correspondent purchased	1	189	—	—	—	—	—	—	—	—
Bulk purchased	1	134	1	134	1	65	2	374	—	—
Commercial	2	129	6	363	1	7	1	7	2	1,712
Consumer	2	43	—	—	2	35	2	4	3	14
	19	1,306	18	1,131	20	1,290	20	1,442	23	3,487
Total non-performing loans	98	8,837	88	7,088	103	7,563	112	10,013	130	12,926
Non-performing loans as a percentage of total loans		0.12%		0.10%		0.10%		0.13%		0.17%
OREO:										
One- to four-family:										
Originated[(2)]	5	$ 187	8	$ 414	8	$ 745	8	$ 546	5	$ 549
Bulk purchased	—	—	—	—	—	—	—	—	1	322
Commercial	—	—	—	—	1	600	1	600	1	600
Consumer	—	—	1	98	—	—	—	—	—	—
	5	187	9	512	9	1,345	9	1,146	7	1,471
Total non-performing assets	103	$ 9,024	97	$ 7,600	112	$ 8,908	121	$ 11,159	137	$ 14,397
Non-performing assets as a percentage of total assets		0.10%		0.08%		0.10%		0.12%		0.15%

(1) Includes loans required to be reported as nonaccrual pursuant to accounting and/or regulatory reporting requirements and/or internal policies, even if the loans are 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.

The following table presents the states where the properties securing five percent or more of the total amount of our one- to four-family loans are located and the corresponding balance of loans 30 to 89 days delinquent, 90 or more days delinquent or in foreclosure, and weighted average LTV ratios for loans 90 or more days delinquent or in foreclosure at March 31, 2020. The LTV ratios were based on the current loan balance and either the lesser of the purchase price or original appraisal, or the most recent Bank appraisal, if available. At March 31, 2020, potential losses, after taking into consideration anticipated private mortgage insurance proceeds and estimated selling costs, have been charged-off.

	One- to Four-Family		Loans 30 to 89 Days Delinquent		Loans 90 or More Days Delinquent or in Foreclosure		
State	Amount	% of Total	Amount	% of Total	Amount	% of Total	LTV
			(Dollars in thousands)				
Kansas	$ 3,592,113	54.7%	$ 6,655	42.1%	$ 4,229	65.2%	63%
Missouri	1,179,941	18.0	2,300	14.5	804	12.4	64
Texas	759,064	11.6	1,591	10.1	441	6.8	44
Other states	1,028,301	15.7	5,259	33.3	1,015	15.6	71
	$ 6,559,419	100.0%	$ 15,805	100.0%	$ 6,489	100.0%	63

Classified loans - The following table presents loans classified as special mention or substandard at the dates presented. The amounts in the table represent the unpaid principal balance of the loans less related charge-offs. The increase in special mention loans at March 31, 2020 compared to March 31, 2019 was due primarily to one $50.0 million commercial participation real estate loan being classified as special mention during the quarter ended June 30, 2019. Management continues to closely monitor the project and surrounding activities. Included in substandard commercial loans at March 31, 2020 and December 31, 2019 were $3.4 million and $3.8 million, respectively, of loans added in the CCB acquisition which have since been renewed and on which the related purchase acquisition adjustments have been accreted; as such, these loans are now included in the Bank's ACL formula analysis model or are individually evaluated for impairment. There were no such loans at March 31, 2019.

	March 31, 2020		December 31, 2019		March 31, 2019	
	Special Mention	Substandard	Special Mention	Substandard	Special Mention	Substandard
			(Dollars in thousands)			
One- to four-family	$ 13,678	$ 26,077	$ 15,778	$ 25,376	$ 11,943	$ 28,774
Commercial	52,515	4,538	52,809	5,356	5,330	1,712
Consumer	479	659	375	683	125	882
	$ 66,672	$ 31,274	$ 68,962	$ 31,415	$ 17,398	$ 31,368

Allowance for credit losses and Provision for credit losses - Management maintains an ACL to absorb inherent losses in the loan portfolio based on quarterly assessments of the loan portfolio. The ACL is maintained through provisions for credit losses which are either charged to or credited to income. Each quarter a formula analysis model is prepared which segregates the loan portfolio into categories based on certain risk characteristics. Historical loss factors and qualitative factors are applied to each loan category in the formula analysis model. The factors are reviewed by management quarterly to assess whether the factors adequately cover probable and estimable losses inherent in the loan portfolio. Due to the deterioration of economic conditions as a result of the COVID-19 pandemic, management increased some of the historical loss factors and qualitative factors to account for the increase in the estimated inherent losses in the loan portfolio at March 31, 2020.

One- to Four- Family and Consumer Loans: Management took into consideration the unprecedented increase in layoffs/furloughs as a result of COVID-19 and the industries and employee groups impacted by the layoffs/furloughs, the Bank's historical ACL to loans receivable ratios compared to the historical unemployment and housing price index trending, and the Bank's historical charge-off percentages when evaluating the Bank's historical loss factors and qualitative loss factors at March 31, 2020. As a result of the analysis, management increased the historical loss factors and qualitative factors for one- to four-family and consumer loans at March 31, 2020. Management selected the worst historical time periods reviewed and used those factors in the ACL formula analysis model at March 31, 2020. Management then evaluated the calculated ACL to the Bank's historical ACL to loan ratios to determine the appropriate amount of ACL at March 31, 2020.

Commercial Loans: As a result of the very limited historical loan loss experience for our commercial loan portfolio, management considered historical peer ACL to loans receivable percentages and peer charge-off percentages and the economic conditions during those time periods when evaluating the level of ACL at March 31, 2020 for commercial loans. Management also considered the layoffs/ furloughs information noted above, along with impacts to certain categories of our commercial loan portfolio related to stay-at-home orders, mandatory closures, social distancing requirements, work-from-home requirements, and populations generally disproportionately impacted by COVID-19 (e.g., senior housing), among others. Additionally, the commercial lending team closely analyzed the Bank's largest commercial relationships in late March 2020. Approximately 83% of all commercial loan balances outstanding at March 31, 2020 were analyzed. There were $162.5 million of commercial loans, or 21% of the unpaid commercial loan balance at March 31, 2020, considered most at risk of short-term operational cash flow issues and/or to have collateral concerns, primarily in the hotel and single use building categories, which were both among the categories with the highest usage of the Bank's COVID-19 loan modification program. The weighted average LTV ratios based on the unpaid principal balance of senior housing, retail building, hotel, office building, and single use building loans were 68%, 76%, 58%, 80%, and 68%, respectively, at March 31, 2020. We also considered the largest credits in these loan categories. The evaluation of most of our commercial and industrial loans concluded that many of these loans are to businesses that are deemed essential, which we believe reduces the risk of loss on these loans at this time. Management was not aware of any construction delays or other issues that would significantly delay or impact funding of the commercial construction loans at March 31, 2020. After reviewing the economic information noted above, management established a COVID-19 qualitative factor at March 31, 2020. The COVID-19 qualitative factor was developed by analyzing historical peer ACL to loans receivable percentages and peer charge-off percentages.

Overall: Programs under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were not sufficiently in effect at March 31, 2020 to provide relief to borrowers and the extent of the relief to borrowers related to the CARES Act programs is not yet known. Management believes the ACL at March 31, 2020 was adequate to absorb inherent losses in the loan portfolio at that point in time based on the known facts and circumstances of the economic environment. Management will continue to closely monitor economic conditions and will work with borrowers as necessary to assist them through this challenging economic climate. If economic conditions continue to worsen and/or the CARES Act programs and future government programs, if any, do not provide adequate relief to borrowers, it is possible the Bank's ACL will need to increase in future periods.

See "Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Allowance for Credit Losses" and "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 1. Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019 for a full discussion of our ACL methodology. See "Note 4. Loans Receivable and Allowance for Credit Losses" for additional information on the ACL.

The distribution of our ACL at the dates indicated is summarized below.

	At							
	March 31, 2020				September 30, 2019			
	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	$ 6,420	20.6%	$ 3,944,782	52.6%	$ 1,982	21.6%	$ 3,873,851	52.2%
Correspondent purchased	3,355	10.7	2,385,907	31.8	1,203	13.0	2,349,877	31.7
Bulk purchased	557	1.8	228,730	3.1	687	7.4	252,347	3.4
Construction	47	0.2	35,798	0.5	18	0.2	36,758	0.5
Total	10,379	33.3	6,595,217	88.0	3,890	42.2	6,512,833	87.8
Commercial:								
Commercial real estate	14,672	47.0	584,236	7.8	3,448	37.4	583,617	7.9
Commercial and industrial	1,489	4.8	62,153	0.8	472	5.1	61,094	0.8
Construction	4,167	13.4	126,266	1.7	1,251	13.5	123,159	1.7
Total	20,328	65.2	772,655	10.3	5,171	56.0	767,870	10.4
Consumer loans:								
Home equity	397	1.3	114,571	1.5	97	1.1	120,587	1.6
Other consumer	92	0.2	10,837	0.2	68	0.7	11,183	0.2
Total consumer loans	489	1.5	125,408	1.7	165	1.8	131,770	1.8
	$ 31,196	100.0%	$ 7,493,280	100.0%	$ 9,226	100.0%	$ 7,412,473	100.0%

The ratio of ACL to loans receivable, by loan type, at the dates indicated is summarized below.

	At				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
One- to four-family:					
Originated	0.16%	0.05%	0.05%	0.05%	0.05%
Correspondent purchased	0.14	0.05	0.05	0.05	0.06
Bulk purchased	0.24	0.26	0.27	0.28	0.29
Construction	0.13	0.05	0.05	0.05	0.05
Total	0.16	0.06	0.06	0.06	0.07
Commercial:					
Commercial real estate	2.51	0.62	0.59	0.55	0.51
Commercial and industrial	2.40	1.25	0.77	0.38	0.30
Construction	3.30	1.02	1.02	1.00	0.99
Total	2.63	0.72	0.67	0.61	0.56
Consumer	0.39	0.12	0.13	0.11	0.12
Total	0.42	0.13	0.12	0.12	0.11

The following tables present ACL activity and related ratios at the dates and for the periods indicated. See "Note 4 - Loans Receivable and Allowance for Credit Losses" for additional information related to ACL activity by specific loan categories.

	For the Three Months Ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
			(Dollars in thousands)		
ACL beginning balance	$ 9,435	$ 9,226	$ 9,036	$ 8,619	$ 8,558
Charge-offs	(375)	(48)	(133)	(61)	(12)
Recoveries	61	32	23	28	73
Provision for credit losses	22,075	225	300	450	—
ACL ending balance	$ 31,196	$ 9,435	$ 9,226	$ 9,036	$ 8,619
ACL to loans receivable at end of period	0.42%	0.13%	0.12%	0.12%	0.11%
ACL to non-performing loans at end of period	353.02	133.11	121.99	90.24	66.68
Ratio of net charge-offs (recoveries) during the period to average loans outstanding	—	—	—	—	—
Ratio of net charge-offs (recoveries) during the period to average non-performing assets	3.78	0.19	1.09	0.26	(0.41)
ACL to net charge-offs (annualized)	24.9x	144.5x	21.1x	68.1x	N/M[1]

	For the Six Months Ended	
	March 31, 2020	March 31, 2019
	(Dollars in thousands)	
ACL beginning balance	$ 9,226	$ 8,463
Charge-offs	(423)	(68)
Recoveries	93	224
Provision for credit losses	22,300	—
ACL ending balance	$ 31,196	$ 8,619
Ratio of net charge-offs during the period to average loans outstanding during the period	—%	—%
Ratio of net charge-offs during the period to average non-performing assets during the period	3.68	(1.14)
ACL to net charge-offs (annualized)	47.3x	N/M[(1)]

(1) This ratio is not presented for the time periods noted due to loan recoveries exceeding loan charge-offs during these periods.

Securities. The following table presents the distribution of our securities portfolio, at amortized cost, at the dates indicated. Overall, fixed-rate securities comprised 79% of our securities portfolio at March 31, 2020. The weighted average life ("WAL") is the estimated remaining maturity (in years) after three-month historical prepayment speeds and projected call option assumptions have been applied. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

	March 31, 2020			December 31, 2019			September 30, 2019		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)								
Fixed-rate securities:									
MBS	$ 690,220	2.33%	3.1	$ 648,663	2.40%	2.8	$ 625,840	2.46%	2.9
GSE debentures	250,080	1.88	0.3	274,994	2.03	0.8	249,828	2.15	0.7
Municipal bonds	11,887	1.66	0.9	17,050	1.60	0.9	18,371	1.63	1.0
Total fixed-rate securities	952,187	2.20	2.3	940,707	2.28	2.2	894,039	2.35	2.3
Adjustable-rate securities:									
MBS	257,329	2.97	4.9	276,069	3.09	4.3	297,416	3.10	4.7
Total securities portfolio	$ 1,209,516	2.36	2.9	$ 1,216,776	2.46	2.7	$ 1,191,455	2.54	2.9

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

	March 31, 2020	December 31, 2019	September 30, 2019
	(Dollars in thousands)		
Federal National Mortgage Association ("FNMA")	$ 735,385	$ 681,383	$ 656,799
Federal Home Loan Mortgage Corporation ("FHLMC")	179,987	192,821	208,745
Government National Mortgage Association	57,946	63,113	70,943
	$ 973,318	$ 937,317	$ 936,487

Mortgage-Backed Securities - The balance of MBS, which primarily consists of securities of U.S. GSEs, increased $36.8 million, from $936.5 million at September 30, 2019, to $973.3 million at March 31, 2020. The following tables summarize the activity in our portfolio of MBS for the periods presented. The weighted average yields and WALs for purchases are presented as recorded at the time of purchase. The weighted average yields for the beginning balances are as of the last day of the period previous to the period presented and the weighted average yields 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 beginning and ending WAL are the estimated remaining principal repayment term (in years) after three-month historical prepayment speeds have been applied.

	For the Three Months Ended											
	March 31, 2020			December 31, 2019			September 30, 2019			June 30, 2019		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)											
Beginning balance - carrying value	$ 937,317	2.61%	3.3	$ 936,487	2.67%	3.5	$ 979,256	2.68%	3.4	$ 985,294	2.67%	3.7
Maturities and repayments	(65,767)			(72,635)			(70,865)			(74,335)		
Net amortization of (premiums)/discounts	(279)			(248)			(270)			(375)		
Purchases:												
Fixed	88,863	1.80	4.5	74,359	2.05	3.8	25,214	1.93	3.2	23,620	2.74	3.8
Adjustable	—	—	—	—	—	—	—	—	—	40,362	2.79	4.5
Valuation transferred from HTM to AFS	—			—			3,039			—		
Change in valuation on AFS securities	13,184			(646)			113			4,690		
Ending balance - carrying value	$ 973,318	2.50	3.6	$ 937,317	2.61	3.3	$ 936,487	2.67	3.5	$ 979,256	2.68	3.4

	For the Six Months Ended					
	March 31, 2020			March 31, 2019		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Beginning balance - carrying value	$ 936,487	2.67%	3.5	$ 1,036,990	2.57%	3.4
Maturities and repayments	(138,402)			(129,916)		
Net amortization of (premiums)/discounts	(527)			(659)		
Purchases:						
Fixed	163,222	1.91	4.2	28,921	2.89	5.1
Adjustable	—	—	—	43,776	2.69	4.3
Change in valuation on AFS securities	12,538			6,182		
Ending balance - carrying value	$ 973,318	2.50	3.6	$ 985,294	2.67	3.7

Investment Securities - Investment securities, which consist of U.S. GSE debentures (primarily issued by FNMA, FHLMC, or Federal Home Loan Banks) and municipal investments, decreased $5.7 million, from $268.4 million at September 30, 2019, to $262.7 million at March 31, 2020. Municipal investments totaled $11.9 million at March 31, 2020. The following tables summarize the activity of investment securities for the periods presented. The weighted average yields and WALs for purchases are presented as recorded at the time of purchase. The weighted average yields for the beginning balances are as of the last day of the period previous to the period presented and the weighted average yields for the ending balances are as of the last day of the period presented. The beginning and ending WALs represent the estimated remaining principal repayment terms (in years) of the securities after projected call dates have been considered, based upon market rates at each date presented.

	For the Three Months Ended											
	March 31, 2020			December 31, 2019			September 30, 2019			June 30, 2019		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)											
Beginning balance - carrying value	$ 292,270	2.00%	0.8	$ 268,376	2.11%	0.8	$ 273,995	2.30%	1.0	$ 288,894	2.38%	1.0
Maturities, calls and sales	(80,125)			(51,175)			(80,690)			(65,781)		
Net amortization of (premiums)/discounts	(49)			20			(13)			153		
Purchases:												
Fixed	50,097	1.42	0.4	75,000	1.90	1.7	75,000	2.02	1.1	50,000	2.60	1.0
Valuation transferred from HTM to AFS	—			—			47			—		
Change in valuation on AFS securities	526			49			37			729		
Ending balance - carrying value	$ 262,719	1.87	0.3	$ 292,270	2.00	0.8	$ 268,376	2.11	0.8	$ 273,995	2.30	1.0

	For the Six Months Ended					
	March 31, 2020			March 31, 2019		
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Beginning balance - carrying value	$ 268,376	2.11%	0.8	$ 289,942	2.05%	2.2
Maturities, calls and sales	(131,300)			(103,300)		
Net amortization of (premiums)/discounts	(29)			(78)		
Purchases:						
Fixed	125,097	1.71	1.2	99,809	2.67	0.7
Change in valuation on AFS securities	575			2,521		
Ending balance - carrying value	$ 262,719	1.87	0.3	$ 288,894	2.38	1.0

Liabilities

Deposits - The following table presents the amount, weighted average rate and percent of total for the components of our deposit portfolio at the dates presented. The increase in retail/business certificates of deposit at March 31, 2020 compared to December 31, 2019 was due primarily to the Presidents' Day certificate of deposit campaign in February 2020. As of April 30, 2020, the Bank has processed $101.2 million of deposits related to some form of Economic Impact Payments from the U.S. government to individuals as authorized by the CARES Act, and deposits from PPP loans.

	March 31, 2020			December 31, 2019			September 30, 2019		
	Amount	Rate	% of Total	Amount	Rate	% of Total	Amount	Rate	% of Total
	(Dollars in thousands)								
Non-interest-bearing checking	$ 385,092	—%	6.7%	$ 368,311	—%	6.6%	$ 357,284	—%	6.4%
Interest-bearing checking	761,589	0.10	13.2	745,436	0.08	13.3	717,121	0.09	12.8
Savings	377,212	0.08	6.5	358,817	0.09	6.4	321,494	0.05	5.8
Money market	1,208,370	0.62	20.9	1,192,972	0.69	21.4	1,198,343	0.70	21.5
Retail/business certificates of deposit	2,765,142	2.11	47.9	2,656,379	2.11	47.6	2,692,770	2.08	48.2
Public unit certificates of deposit	277,214	1.87	4.8	263,936	2.14	4.7	294,855	2.29	5.3
	$5,774,619	1.25	100.0%	$5,585,851	1.27	100.0%	$5,581,867	1.29	100.0%

The following tables set forth scheduled maturity information for our certificates of deposit, including public unit certificates of deposit, along with associated weighted average rates, as of March 31, 2020.

	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	Total Rate
	(Dollars in thousands)					
0.00 – 0.99%	$ 24,636	$ 3,040	$ 9	$ —	$ 27,685	0.62%
1.00 – 1.99%	815,587	390,098	164,390	52,050	1,422,125	1.79
2.00 – 2.99%	641,838	282,295	436,272	231,894	1,592,299	2.38
3.00 – 3.99%	—	—	247	—	247	3.00
	$1,482,061	$ 675,433	$ 600,918	$ 283,944	$ 3,042,356	2.09
Percent of total	48.7%	22.2%	19.8%	9.3%		
Weighted average rate	1.99	2.03	2.28	2.36		
Weighted average maturity (in years)	0.4	1.5	2.5	3.8	1.4	
Weighted average maturity for the retail/business certificate of deposit portfolio (in years)					1.5	

	Amount Due				
	3 months or less	Over 3 to 6 months	Over 6 to 12 months	Over 12 months	Total
	(Dollars in thousands)				
Retail/business certificates of deposit less than $100,000	$ 233,608	$ 145,979	$ 316,771	$ 877,976	$ 1,574,334
Retail/business certificates of deposit of $100,000 or more	195,779	131,187	221,913	641,929	1,190,808
Public unit certificates of deposit of $100,000 or more	139,526	47,228	50,070	40,390	277,214
	$ 568,913	$ 324,394	$ 588,754	$ 1,560,295	$ 3,042,356

Borrowings - The following tables present borrowing activity for the periods shown. The borrowings presented in the table have original contractual terms of one year or longer or are tied to interest rate swaps with original contractual terms of one year or longer. FHLB advances are presented at par. The effective rate is shown as a weighted average and includes the impact of interest rate swaps and the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid. 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. During the current quarter, the Bank prepaid fixed-rate FHLB advances scheduled to mature within the next 12 months totaling $350.0 million with a weighted average rate of 2.42%, and replaced these advances with $350.0 million of fixed-rate FHLB advances with a weighted average term of 4.7 years and a weighted average effective rate of 1.70%, which includes the impact of deferred prepayment penalties being recognized over the life of the new advances. This activity is reflected in the table below.

	For the Three Months Ended											
	March 31, 2020			December 31, 2019			September 30, 2019			June 30, 2019		
	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM
	(Dollars in thousands)											
Beginning balance	$ 2,090,000	2.37%	2.6	$ 2,140,000	2.38%	2.6	$ 2,140,000	2.35%	2.6	$ 2,240,000	2.29%	2.8
Maturities and prepayments:												
FHLB advances	(415,000)	2.45		(350,000)	2.40		(375,000)	2.38		(200,000)	2.11	
New FHLB borrowings:												
Fixed-rate	350,000	1.70	4.7	100,000	1.96	5.0	100,000	2.14	4.0	—	—	—
Interest rate swaps(1)	65,000	2.61	4.0	200,000	2.57	2.5	275,000	2.70	4.5	100,000	3.09	9.0
Ending balance	$ 2,090,000	2.25	3.0	$ 2,090,000	2.37	2.6	$ 2,140,000	2.38	2.6	$ 2,140,000	2.35	2.6

	For the Six Months Ended					
	March 31, 2020			March 31, 2019		
	Amount	Effective Rate	WAM	Amount	Effective Rate	WAM
	(Dollars in thousands)					
Beginning balance	$ 2,140,000	2.38%	2.6	$ 2,185,052	2.17%	2.9
Maturities and prepayments:						
FHLB advances	(765,000)	2.43		(300,000)	1.73	
CCB acquisition - junior subordinated debentures assumed (redeemed)	—	—	—	(10,052)	8.76	12.3
New FHLB borrowings:						
Fixed-rate	450,000	1.76	4.8	100,000	3.39	5.0
Interest rate swaps(1)	265,000	2.58	2.9	265,000	2.49	3.9
Ending balance	$ 2,090,000	2.25	3.0	$ 2,240,000	2.29	2.8

(1) Represents adjustable-rate FHLB advances for which the Bank has entered into interest rate swaps to hedge the variability in cash flows associated with the advances. The effective rate and WAM presented include the effect of the interest rate swaps.

Maturities - The following table presents the maturity of term borrowings (which includes FHLB advances, at par, and repurchase agreements), along with associated weighted average contractual and effective rates as of March 31, 2020.

	Term Borrowings Amount				
Maturity by Fiscal Year	**Fixed-rate**	**Interest rate swaps(1)**	**Total Amount**	**Contractual Rate**	**Effective Rate(2)**
		(Dollars in thousands)			
2020	$ 300,000	$ 440,000	$ 740,000	1.85	2.46
2021	200,000	200,000	400,000	1.91	2.28
2022	200,000	—	200,000	2.23	2.23
2023	300,000	—	300,000	1.70	1.81
2024	100,000	—	100,000	3.39	3.39
2025	250,000	—	250,000	1.82	1.94
2026	100,000	—	100,000	1.28	1.60
	$ 1,450,000	$ 640,000	$ 2,090,000	1.92	2.25

(1) Represents adjustable-rate FHLB advances for which the Bank has entered into interest rate swaps with a notional amount of $640.0 million to hedge the variability in cash flows associated with the advances. These advances are presented based on their contractual maturity dates and will be renewed periodically until the maturity or termination of the interest rate swaps. The expected WAL of the interest rate swaps was 4.0 years at March 31, 2020.

(2) The effective rate includes the impact of interest rate swaps and the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid.

As of March 31, 2020, the Bank did not have a balance outstanding on its FHLB line of credit. The average outstanding balance of FHLB line of credit borrowings during the current year period was $91.7 million at an average rate of 1.85%, and during the current quarter was $82.4 million at an average rate of 1.74%. During the current quarter, the Bank began utilizing the FRB of Kansas City line of credit rather than the FHLB line of credit, as the rate at the FRB of Kansas City was lower. At March 31, 2020, the Bank had an outstanding balance of $30.0 million on its FRB of Kansas City line of credit. The average outstanding balance of the FRB of Kansas City line of credit borrowing during the current quarter was $5.5 million at an average rate of 0.23%.

The following table presents the maturity and weighted average repricing rate, which is also the weighted average effective rate, of certificates of deposit, split between retail/business and public unit amounts, and term borrowings for the next four quarters as of March 31, 2020.

Maturity by Quarter End	**Retail/ Business Certificate Amount**	**Repricing Rate**	**Public Unit Certificate Amount**	**Repricing Rate**	**Term Borrowings Amount**	**Repricing Rate**	**Total**	**Repricing Rate**
				(Dollars in thousands)				
June 30, 2020	$ 429,387	2.07%	$ 139,526	1.76%	$ 200,000	2.35%	$ 768,913	2.08%
September 30, 2020	277,166	2.03	47,228	2.10	540,000	2.50	864,394	2.33
December 31, 2020	275,542	1.94	29,261	1.68	250,000	2.47	554,803	2.17
March 31, 2021	263,142	2.00	20,809	2.04	150,000	1.97	433,951	1.99
	$ 1,245,237	2.02	$ 236,824	1.84	$ 1,140,000	2.40	$ 2,622,061	2.17

Stockholders' Equity. Stockholders' equity was $1.29 billion at March 31, 2020 compared to $1.34 billion at September 30, 2019. The $48.5 million decrease was due primarily to the payment of $70.4 million in cash dividends, partially offset by net income of $26.8 million during the current year period. In the long run, management considers a Bank stockholders' equity to total assets ratio of at least 10% an appropriate level of capital. At March 31, 2020, this ratio was 12.2%. The cash dividends paid during the current period totaled $0.51 per share and consisted of a $0.34 per share cash true-up dividend related to fiscal year 2019 earnings per the Company's dividend policy, and two regular quarterly cash dividends totaling $0.17 per share. On April 21, 2020, the Company announced a regular quarterly cash dividend of $0.085 per share, or approximately $11.7 million, payable on May 15, 2020 to stockholders of record as of the close of business on May 1, 2020.

At March 31, 2020, Capitol Federal Financial, Inc., at the holding company level, had $101.0 million on deposit at the Bank. For fiscal year 2020, it is currently the intent of the Board of Directors to continue the payout of 100% of the Company's earnings to the Company's stockholders. Dividend payments depend upon a number of factors including the Company's financial condition and results of operations, regulatory capital requirements, regulatory limitations on the Bank's ability to make capital distributions to the Company, and the amount of cash at the holding company.

The Company works to find multiple ways to provide stockholder value. This has primarily been through the payment of cash dividends and historically the Company has also utilized stock buybacks. The Company has maintained a policy of paying out 100% of its earnings to stockholders in the form of quarterly cash dividends and an annual cash true-up dividend in December of each year. In order to provide additional stockholder value, the Company has paid a True Blue Capitol cash dividend of $0.25 per share in June of each of the past six years. The Company has paid the True Blue Capitol dividend primarily due to excess capital levels at the Company and Bank. The Company considers various business strategies and their impact on capital and asset measures on both a current and future basis, as well as regulatory capital levels and requirements, in determining the amount, if any, and timing of the True Blue dividend. Given the current state of economic uncertainty and how that may play out with the credit risk exposure in the Bank's loan portfolio, the Company has elected to defer the annual True Blue dividend in June 2020 and not ask for a regulatory non-objection to move capital from the Bank to the Company to pay that dividend. It is management's intent to ask for a regulatory non-objection at some point in the future and to pay this dividend when economic conditions are more certain. It remains the Company's intent to pay out 100% of its earnings.

The following table presents regular quarterly cash dividends and special cash dividends paid in calendar years 2020, 2019, and 2018. The amounts represent cash dividends paid during each period. For the quarter ending June 30, 2020, the amount presented represents the dividend payable on May 15, 2020 to stockholders of record as of the close of business on May 1, 2020.

	Calendar Year					
	2020		2019		2018	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
	(Dollars in thousands, except per share amounts)					
Regular quarterly dividends paid						
Quarter ended March 31	$ 11,733	$ 0.085	$ 11,700	$ 0.085	$ 11,427	$ 0.085
Quarter ended June 30	11,734	0.085	11,708	0.085	11,429	0.085
Quarter ended September 30			11,713	0.085	11,430	0.085
Quarter ended December 31			11,731	0.085	11,696	0.085
True-up dividends paid			46,932	0.340	53,666	0.390
True Blue dividends paid			34,446	0.250	33,614	0.250
Calendar year-to-date dividends paid	$ 23,467	$ 0.170	$ 128,230	$ 0.930	$ 133,262	$ 0.980

The Company has authorized the repurchase of up to $70.0 million of its common stock under its stock repurchase plan. Shares may be repurchased from time to time based upon market conditions, available liquidity and other factors. There is no expiration for this repurchase plan and no shares have been repurchased under this repurchase plan.

Operating Results

The following table presents selected income statement and other information for the quarters indicated.

	For the Three Months Ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	(Dollars in thousands, except per share data)				
Interest and dividend income:					
Loans receivable	$ 69,613	$ 69,914	$ 70,366	$ 71,434	$ 71,657
MBS	5,866	6,102	6,293	6,613	6,301
FHLB stock	1,714	1,826	2,156	1,865	1,831
Investment securities	1,382	1,507	1,585	1,835	1,505
Cash and cash equivalents	380	687	2,885	464	743
Total interest and dividend income	78,955	80,036	83,285	82,211	82,037
Interest expense:					
Deposits	17,804	17,962	17,471	16,909	16,096
Borrowings	12,483	13,377	16,003	13,621	13,344
Total interest expense	30,287	31,339	33,474	30,530	29,440
Net interest income	48,668	48,697	49,811	51,681	52,597
Provision for credit losses	22,075	225	300	450	—
Net interest income (after provision for credit losses)	26,593	48,472	49,511	51,231	52,597
Non-interest income	4,671	5,504	5,859	5,674	5,001
Non-interest expense	26,164	26,500	26,330	27,691	26,141
Income tax expense	824	4,965	6,631	6,317	6,903
Net income	$ 4,276	$ 22,511	$ 22,409	$ 22,897	$ 24,554
Efficiency ratio	49.05%	48.89%	47.30%	48.28%	45.38%
Basic EPS	$ 0.03	$ 0.16	$ 0.16	$ 0.17	$ 0.18
Diluted EPS	0.03	0.16	0.16	0.17	0.18

Comparison of Operating Results for the Six Months Ended March 31, 2020 and 2019

The Company recognized net income of $26.8 million, or $0.19 per share, for the six-month period ended March 31, 2020 compared to net income of $48.9 million, or $0.36 per share, for the six-month period ended March 31, 2019. The decrease in net income was due primarily to a $22.3 million provision for credit losses during the current period.

Net interest income decreased $7.5 million, or 7.2%, from the prior year period to $97.4 million for the current year period. The net interest margin decreased 11 basis points, from 2.30% for the prior year period to 2.19% for the current year period. The leverage strategy was suspended at certain times during the prior year period and during all of the current year period due to the negative interest rate spreads between the related FHLB borrowings and cash held at the FRB of Kansas City, making the transaction unprofitable. See additional discussion regarding the leverage strategy in the Financial Condition section below. When the leverage strategy is in place, it reduces the net interest margin due to the amount of earnings from the transaction in comparison to the size of the transaction. Excluding the effects of the leverage strategy, the net interest margin would have decreased 14 basis points, from 2.33% for the prior year period to 2.19% for the current year period. The decrease in the net interest margin, excluding the effects of the leverage strategy, was due mainly to an increase in the cost of retail/business certificates of deposit, as well as a decrease in the loan portfolio yield.

Interest and Dividend Income

The weighted average yield on total interest-earning assets decreased four basis points, from 3.60% for the prior year period to 3.56% for the current year period, and the average balance of interest-earning assets decreased $221.2 million. Absent the impact of the leverage strategy, the weighted average yield on total interest-earning assets would have decreased six basis points, from 3.62% for the prior year period to 3.56% for the current year period, and the average balance of interest-earning assets would have decreased $105.8 million. The decrease in the weighted average yield between periods was due primarily to a decrease in the loan portfolio yield discussed below. The following table presents the components of interest and dividend income for the time periods presented, along with the change measured in dollars and percent.

	For the Six Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$ 139,527	$ 142,429	$ (2,902)	(2.0)%
MBS	11,968	12,824	(856)	(6.7)
FHLB stock	3,540	3,802	(262)	(6.9)
Investment securities	2,889	2,946	(57)	(1.9)
Cash and cash equivalents	1,067	2,457	(1,390)	(56.6)
Total interest and dividend income	$ 158,991	$ 164,458	$ (5,467)	(3.3)

The decrease in interest income on loans receivable was due mainly to a decrease in yield resulting from an increase in the amortization of premiums related to correspondent loan payoff and endorsement activity. This was partially offset by a shift in the mix of the loan portfolio, as the average balance of lower-yielding one- to four-family loans decreased $201.6 million, or 3.0%, partially offset by a $128.6 million, or 20%, increase in the average balance of higher-yielding commercial loans. The weighted average yield on the loans receivable portfolio decreased four basis points, from 3.77% for the prior year period to 3.73% for the current year period.

The decrease in interest income on the MBS portfolio was due primarily to a $57.1 million, or 5.8%, decrease in the average balance of the portfolio. The decrease in dividend income on FHLB stock and the decrease in interest income on cash and cash equivalents were due primarily to the leverage strategy being in place for a portion of the prior year period and not being in place during the current period. See additional discussion regarding the leverage strategy in the Executive Summary above.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities increased eight basis points, from 1.49% for the prior year period to 1.57% for the current year period, while the average balance of interest-bearing liabilities decreased $155.4 million. Absent the impact of the leverage strategy, the weighted average rate paid on total interest-bearing liabilities would have increased nine basis points, from 1.48% for the prior year period to 1.57% for the current year period, while the average balance of interest-bearing liabilities would have decreased $40.0 million. The increase in the weighted average rate from the prior year period was due primarily to an increase in the cost of deposits, specifically the retail/business certificate of deposit portfolio. The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Six Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
Deposits	$ 35,766	$ 31,821	$ 3,945	12.4%
Borrowings	25,860	27,739	(1,879)	(6.8)
Total interest expense	$ 61,626	$ 59,560	$ 2,066	3.5

The increase in interest expense on deposits was due primarily to an increase in the cost of the retail/business certificate of deposit portfolio. The weighted average rate of the retail/business certificate of deposit portfolio increased 26 basis points, to 2.10% for the current year period, and the average balance increased $190.6 million, or approximately 7%. Late in the third quarter of fiscal year 2019, the Bank increased offered rates on short-term and certain intermediate-term certificates of deposit in an effort to encourage customers to move funds to those terms and during the fourth quarter of fiscal year 2019, the Bank held the unTraditional campaign, resulting in growth in the short-term and certain intermediate-term certificates of deposit.

The "Borrowings" line item in the table above includes interest expense associated and not associated with the leverage strategy. Interest expense on borrowings not related to the leverage strategy decreased $503 thousand from the prior year period due primarily to the redemption of the junior subordinated debentures previously added in the CCB acquisition. Additionally, interest expense on the FHLB line of credit decreased $454 thousand, largely offset by an increase in the weighted average effective rate paid on FHLB advances between periods. Interest expense on FHLB borrowings associated with the leverage strategy decreased $1.4 million from the prior year period due to the leverage strategy being in place for a portion of the prior year period and not being in place at all during the current year period.

Provision for Credit Losses

The Bank recorded a provision for credit losses during the current period of $22.3 million, compared to no provision for credit losses during the prior year period. The $22.3 million provision for credit losses in the current period was primarily related to the deterioration of economic conditions as a result of COVID-19. See additional ACL discussion in the "Financial Condition - Asset Quality - Allowance for credit losses and Provision for credit losses" section above.

Non-Interest Income

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Six Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Deposit service fees	$ 5,845	$ 6,443	$ (598)	(9.3)%
Insurance commissions	1,091	1,167	(76)	(6.5)
Other non-interest income	3,239	2,815	424	15.1
Total non-interest income	$ 10,175	$ 10,425	$ (250)	(2.4)

The decrease in deposit service fees was due mainly to the discontinuation of point-of-sale service charges, which the Bank ceased charging in April 2019. The increase in other non-interest income was due mainly to the receipt of a BOLI death benefit during the current period.

Non-Interest Expense
The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Six Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 26,706	$ 25,751	$ 955	3.7%
Information technology and related expense	8,409	8,883	(474)	(5.3)
Occupancy, net	6,656	6,544	112	1.7
Advertising and promotional	2,769	2,150	619	28.8
Regulatory and outside services	2,640	2,822	(182)	(6.4)
Deposit and loan transaction costs	1,389	1,201	188	15.7
Office supplies and related expense	1,111	1,195	(84)	(7.0)
Federal insurance premium	—	1,187	(1,187)	(100.0)
Other non-interest expense	2,984	3,190	(206)	(6.5)
Total non-interest expense	$ 52,664	$ 52,923	$ (259)	(0.5)

The increase in salaries and employee benefits expense was due primarily to an increase in loan commissions and merit increases. The decrease in information technology and related expense was due mainly to the prior year period including costs related to the integration of CCB operations. The increase in advertising and promotional expense was due to running advertising campaigns in the early part of our fiscal year as we will do less advertising during the various election campaigns in the fall, as well as to the timing of sponsorships. The decrease in the federal insurance premium was due mainly to the Bank receiving an assessment credit from the FDIC. During the prior fiscal year, the Bank began utilizing a credit from the FDIC as a result of the FDIC deposit insurance fund ratio exceeding 1.38%. Pursuant to regulatory guidance, once the insurance fund exceeds 1.38% of insured deposits, deposit insurance assessment credits are allocated to banks with less than $10 billion in assets, to compensate for premiums previously paid that contributed to growth of the fund past 1.15%. These credits fully offset the Bank's premium assessments during the current year period and will continue to offset the Bank's premium assessments as long as the insurance fund ratio remains at or above 1.35% of insured deposits and the Bank still has a remaining assessment credit balance. As of March 31, 2020, the Bank had a remaining assessment credit of approximately $320 thousand. The assessment credit will be fully utilized during the third quarter of fiscal year 2020, so management anticipates recognizing federal insurance premium expense during the next quarter.

Management anticipates that salaries and employee benefits expense in fiscal year 2020 will increase approximately $1.0 million from fiscal year 2019, a decrease from our original estimate of a $4.0 million increase. The reduction in the expense estimate was due primarily to a delay in the implementation of information technology changes pertaining to commercial banking activities and related back office functions, a reduction in commercial lending hiring, along with expense reductions related to the impact of COVID-19, including the postponement of annual merit increases which were to be implemented later this year and the deferral of the True Blue dividend and related compensation expense as discussed above.

The Company's efficiency ratio was 48.97% for the current period compared to 45.89% for the prior year period. The change in the efficiency ratio was due to lower net interest income in the current period compared to the prior year period. The efficiency ratio is a measure of a financial institution's total non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income. A lower value indicates that the financial institution is generating revenue with a proportionally lower level of expense.

Income Tax Expense
Income tax expense was $5.8 million for the current period compared to $13.5 million for the prior year period. The decrease in income tax expense was due primarily to lower pretax income in the current period, as well as a lower effective tax rate. The effective tax rate was 17.8% for the current period compared to 21.6% for the prior year period. The lower effective tax rate in the current period compared to the prior year period was due mainly to the Company's permanent differences having a proportionately larger impact given the lower pretax income in the current year period and a discrete benefit recognized as a result of favorable federal tax guidance that was issued during the current period related to certain BOLI policies added in the CCB acquisition.

Average Balance Sheet

The following table presents the average balances of our assets, liabilities, and stockholders' equity, and the related annualized weighted average yields and rates on our interest-earning assets and interest-bearing liabilities, as well as selected performance ratios and other information, for the periods indicated. Weighted average yields are derived by dividing annualized income by the average balance of the related assets, and weighted average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

	For the Six Months Ended					
	March 31, 2020			March 31, 2019		
	Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate
			(Dollars in thousands)			
Assets:						
Interest-earning assets:						
One- to four-family loans	$ 6,568,525	$117,199	3.57%	$ 6,770,175	$122,309	3.61%
Commercial loans	762,799	18,652	4.81	634,229	15,787	4.92
Consumer loans	128,491	3,676	5.72	138,369	4,333	6.28
Total loans receivable[(1)]	7,459,815	139,527	3.73	7,542,773	142,429	3.77
MBS[(2)]	926,969	11,968	2.58	984,033	12,824	2.61
Investment securities[(2)(3)]	282,759	2,889	2.04	277,292	2,946	2.13
FHLB stock	99,128	3,540	7.14	104,023	3,802	7.33
Cash and cash equivalents[(4)]	133,908	1,067	1.57	215,660	2,457	2.25
Total interest-earning assets[(1)(2)]	8,902,579	158,991	3.56	9,123,781	164,458	3.60
Other non-interest-earning assets	441,199			368,864		
Total assets	$ 9,343,778			$ 9,492,645		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Checking	$ 1,096,466	351	0.06	$ 1,063,346	294	0.06
Savings	361,592	153	0.08	357,243	113	0.06
Money market	1,190,938	4,044	0.68	1,260,999	4,441	0.71
Retail/business certificates	2,686,028	28,215	2.10	2,495,475	22,947	1.84
Wholesale certificates	286,328	3,003	2.10	392,693	4,026	2.06
Total deposits	5,621,352	35,766	1.27	5,569,756	31,821	1.15
Borrowings[(5)]	2,204,903	25,860	2.33	2,411,905	27,739	2.29
Total interest-bearing liabilities	7,826,255	61,626	1.57	7,981,661	59,560	1.49
Other non-interest-bearing liabilities	194,698			142,060		
Stockholders' equity	1,322,825			1,368,924		
Total liabilities and stockholders' equity	$ 9,343,778			$ 9,492,645		
Net interest income[(6)]		$ 97,365			$104,898	
Net interest rate spread[(7)(8)]			1.99			2.11
Net interest-earning assets	$ 1,076,324			$ 1,142,120		
Net interest margin[(8)(9)]			2.19			2.30
Ratio of interest-earning assets to interest-bearing liabilities			1.14x			1.14x
Selected performance ratios:						
Return on average assets (annualized)[(8)]			0.57			1.03
Return on average equity (annualized)[(8)]			4.05			7.15
Average equity to average assets			14.16			14.42
Operating expense ratio[(10)]			1.13			1.12
Efficiency ratio[(8)(11)]			48.97			45.89
Pre-tax yield on leverage strategy[(12)]			—			0.03

(1) Balances are adjusted for unearned loan fees and deferred costs. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent.
(2) MBS and investment securities classified as AFS are stated at amortized cost, adjusted for unamortized purchase premiums or discounts.
(3) The average balance of investment securities includes an average balance of nontaxable securities of $16.1 million and $22.8 million for the six months ended March 31, 2020 and March 31, 2019, respectively.
(4) There were no cash and cash equivalents related to the leverage strategy during the six months ended March 31, 2020. The average balance of cash and cash equivalents includes an average balance of cash related to the leverage strategy of $110.2 million for the six months ended March 31, 2019.
(5) There were no FHLB borrowings related to the leverage strategy during the six months ended March 31, 2020. Included in this line item, for the six months ended March 31, 2019, are FHLB borrowings related to the leverage strategy with an average outstanding balance of $115.4 million and interest paid of $1.4 million, at a weighted average rate of 2.36%, and FHLB borrowings not related to the leverage strategy with an average outstanding balance of $2.30 billion and interest paid of $26.4 million, at a weighted average rate of 2.29%. The FHLB advance amounts and rates included in this line item include the effect of interest rate swaps and are net of deferred prepayment penalties.
(6) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the average balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(7) Net interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(8) The table below provides a reconciliation between certain performance ratios presented in accordance with GAAP and the performance ratios excluding the effects of the leverage strategy, which are not presented in accordance with GAAP. Management believes it is important for comparability purposes to provide the performance ratios without the leverage strategy because of the unique nature of the leverage strategy. The leverage strategy reduces some of our performance ratios due to the small amount of earnings associated with the transaction in comparison to the size of the transaction, while increasing our net income.

	For the Six Months Ended					
	March 31, 2020			March 31, 2019		
	Actual (GAAP)	Leverage Strategy	Adjusted (Non-GAAP)	Actual (GAAP)	Leverage Strategy	Adjusted (Non-GAAP)
Return on average assets (annualized)	0.57%	—%	0.57%	1.03%	(0.01)%	1.04%
Return on average equity (annualized)	4.05	—	4.05	7.15	—	7.15
Net interest margin	2.19	—	2.19	2.30	(0.03)	2.33
Net interest rate spread	1.99	—	1.99	2.11	(0.03)	2.14
Efficiency Ratio	48.97	—	48.97	45.89	—	45.89

(9) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.
(10) The operating expense ratio represents annualized non-interest expense as a percentage of average assets.
(11) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income.
(12) The pre-tax yield on the leverage strategy represents annualized pre-tax income resulting from the transaction as a percentage of the average interest-earning assets associated with the transaction.

Rate/Volume Analysis
The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous period's average rate, and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Six Months Ended March 31, 2020 vs. March 31, 2019		
	Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ (722)	$ (2,180)	$ (2,902)
MBS	(738)	(118)	(856)
Investment securities	58	(115)	(57)
FHLB stock	(164)	(98)	(262)
Cash and cash equivalents	(771)	(619)	(1,390)
Total interest-earning assets	(2,337)	(3,130)	(5,467)
Interest-bearing liabilities:			
Checking	10	47	57
Savings	1	39	40
Money market	(228)	(168)	(396)
Certificates of deposit	838	3,406	4,244
Borrowings	(2,654)	775	(1,879)
Total interest-bearing liabilities	(2,033)	4,099	2,066
Net change in net interest income	$ (304)	$ (7,229)	$ (7,533)

Comparison of Operating Results for the Three Months Ended March 31, 2020 and 2019
For the quarter ended March 31, 2020, the Company recognized net income of $4.3 million, or $0.03 per share, compared to net income of $24.6 million, or $0.18 per share for the quarter ended March 31, 2019. The decrease in net income was due primarily to $22.1 million of provision for credit losses during the current quarter. The net interest margin decreased 14 basis points, from 2.33% for the prior year quarter to 2.19% for the current quarter. The decrease in the net interest margin was due mainly to a decrease in the loan portfolio yield and an increase in the cost of deposits.

Interest and Dividend Income
The weighted average yield on total interest-earning assets decreased nine basis points, from 3.64% for the prior year quarter to 3.55% for the current quarter, and the average balance of interest-earning assets decreased $133.7 million. The following table presents the components of interest and dividend income for the time periods presented along with the change measured in dollars and percent.

	For the Three Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
INTEREST AND DIVIDEND INCOME:				
Loans receivable	$ 69,613	$ 71,657	$ (2,044)	(2.9)%
MBS	5,866	6,301	(435)	(6.9)
FHLB stock	1,714	1,831	(117)	(6.4)
Investment securities	1,382	1,505	(123)	(8.2)
Cash and cash equivalents	380	743	(363)	(48.9)
Total interest and dividend income	$ 78,955	$ 82,037	$ (3,082)	(3.8)

The decrease in interest income on loans receivable was due mainly to a decrease in yield resulting from an increase in the amortization of premiums related to correspondent loan payoff and endorsement activity. The weighted average yield on the loans receivable portfolio decreased seven basis points, from 3.79% for the prior year quarter to 3.72% for the current quarter.

The decrease in interest income on the MBS portfolio was due primarily to a $39.5 million, or 4.1%, decrease in the average balance of the portfolio, along with an eight basis point decrease in the weighted average yield on the portfolio, from 2.63% for the prior year quarter to 2.55% for the current quarter. The decrease in the weighted average yield was due primarily to the purchase of MBS at market rates lower than the existing portfolio.

The decrease in interest income on cash and cash equivalents was due mainly to a decrease in the yield on cash held at the FRB of Kansas City, as well as a decrease in the average balance of operating cash.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities increased four basis points, from 1.51% for the prior year quarter to 1.55% for the current quarter, while the average balance of interest-bearing liabilities decreased $67.2 million. The following table presents the components of interest expense for the periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
INTEREST EXPENSE:				
Deposits	$ 17,804	$ 16,096	$ 1,708	10.6%
Borrowings	12,483	13,344	(861)	(6.5)
Total interest expense	$ 30,287	$ 29,440	$ 847	2.9

The increase in interest expense on deposits was due primarily to an increase in the cost of the retail/business certificate of deposit portfolio. The weighted average rate of the retail/business certificate of deposit portfolio increased 24 basis points, to 2.11% for the current quarter, and the average balance increased $199.2 million, or approximately 8%. Late in the third quarter of fiscal year 2019, the Bank increased offered rates on short-term and certain intermediate-term certificates of deposit in an effort to encourage customers to move funds to those terms and during the fourth quarter of fiscal year 2019, the Bank held the unTraditional campaign, resulting in growth in the short-term and certain intermediate-term certificates of deposit.

The decrease in interest expense on borrowings was due primarily to a decrease in the average balance of FHLB advances, as not all of the advances maturing between periods were renewed, as well as a decrease in the average rate paid on the FHLB line of credit.

Provision for Credit Losses

The Bank recorded a provision for credit losses during the current quarter of $22.1 million, compared to no provision for credit losses during the prior year quarter. The $22.1 million provision for credit losses in the current quarter was in recognition of the deterioration of economic conditions as a result of the COVID-19 pandemic. See additional ACL discussion in the "Financial Condition - Asset Quality - Allowance for credit losses and Provision for credit losses" section above.

Non-Interest Income

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Deposit service fees	$ 2,783	$ 3,091	$ (308)	(10.0)%
Insurance commissions	400	541	(141)	(26.1)
Other non-interest income	1,488	1,369	119	8.7
Total non-interest income	$ 4,671	$ 5,001	$ (330)	(6.6)

The decrease in deposit service fees was due mainly to the discontinuation of point-of-sale service charges, which the Bank ceased charging in April 2019. The decrease in insurance commissions was due primarily to the receipt of annual contingent insurance commissions and adjustments to the related accruals.

Non-Interest Expense

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended March 31,		Change Expressed in:	
	2020	2019	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 13,235	$ 12,789	$ 446	3.5%
Information technology and related expense	4,268	4,284	(16)	(0.4)
Occupancy, net	3,449	3,292	157	4.8
Advertising and promotional	1,359	1,390	(31)	(2.2)
Regulatory and outside services	1,297	1,056	241	22.8
Deposit and loan transaction costs	678	465	213	45.8
Office supplies and related expense	592	736	(144)	(19.6)
Federal insurance premium	—	659	(659)	(100.0)
Other non-interest expense	1,286	1,470	(184)	(12.5)
Total non-interest expense	$ 26,164	$ 26,141	$ 23	0.1

The increase in salaries and employee benefits expense was due mainly to an increase in loan commissions and merit increases between periods. The increase in regulatory and outside services was due primarily to cash delivery services related to increasing the amount of cash on hand in anticipation of customer cash needs during the COVID-19 pandemic, as well as an increase in consulting expenses. The increase in deposit and loan transaction costs was due primarily to an increase in loan activities in the current quarter as compared to the prior year quarter. The decrease in federal insurance premium was due mainly to the Bank receiving an assessment credit from the FDIC as discussed above.

The Company's efficiency ratio was 49.05% for the current quarter compared to 45.38% for the prior year quarter. The change in the efficiency ratio was due mainly to a decrease in net interest income.

Income Tax Expense

Income tax expense was $824 thousand for the current quarter compared to $6.9 million for the prior year quarter. The decrease in income tax expense was due primarily to lower pretax income in the current quarter, as well as a lower effective tax rate. The effective tax rate for the current quarter was 16.2% compared to 21.9% for the prior year quarter. The lower effective tax rate in the current quarter compared to the prior year quarter was due mainly to the Company's permanent differences having a proportionately larger impact given the lower pretax income in the current quarter.

Average Balance Sheet

Weighted average yields are derived by dividing annualized income by the average balance of the related assets, and weighted average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

	For the Three Months Ended					
	March 31, 2020			March 31, 2019		
	Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
One- to four-family loans	$ 6,594,029	$ 58,838	3.57%	$ 6,746,611	$ 61,325	3.64%
Commercial loans	759,328	8,994	4.69	680,110	8,186	4.80
Consumer loans	126,710	1,781	5.65	137,342	2,146	6.33
Total loans receivable[(1)]	7,480,067	69,613	3.72	7,564,063	71,657	3.79
MBS[(2)]	920,419	5,866	2.55	959,897	6,301	2.63
Investment securities[(2)(3)]	280,911	1,382	1.97	272,218	1,505	2.21
FHLB stock	99,879	1,714	6.90	99,725	1,831	7.45
Cash and cash equivalents[(4)]	105,381	380	1.43	124,444	743	2.39
Total interest-earning assets[(1)(2)]	8,886,657	78,955	3.55	9,020,347	82,037	3.64
Other non-interest-earning assets	454,687			370,396		
Total assets	$ 9,341,344			$ 9,390,743		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Checking	$ 1,107,232	181	0.07	$ 1,076,504	149	0.06
Savings	365,554	74	0.08	358,733	56	0.06
Money market	1,208,521	1,981	0.66	1,275,504	2,269	0.72
Retail/business certificates	2,691,029	14,103	2.11	2,491,814	11,492	1.87
Wholesale certificates	296,828	1,465	1.98	401,722	2,130	2.15
Total deposits	5,669,164	17,804	1.26	5,604,277	16,096	1.16
Borrowings[(5)]	2,176,166	12,483	2.29	2,308,271	13,344	2.33
Total interest-bearing liabilities	7,845,330	30,287	1.55	7,912,548	29,440	1.51
Other non-interest-bearing liabilities	183,018			123,280		
Stockholders' equity	1,312,996			1,354,915		
Total liabilities and stockholders' equity	$ 9,341,344			$ 9,390,743		
Net interest income[(6)]		$ 48,668			$ 52,597	
Net interest rate spread[(7)(8)]			2.00			2.13
Net interest-earning assets	$ 1,041,327			$ 1,107,799		
Net interest margin[(8)(9)]			2.19			2.33
Ratio of interest-earning assets to interest-bearing liabilities			1.13x			1.14x
Selected performance ratios:						
Return on average assets (annualized)[(8)]			0.18%			1.05%
Return on average equity (annualized)[(8)]			1.30			7.25
Average equity to average assets			14.06			14.43
Operating expense ratio[(10)]			1.12			1.11
Efficiency ratio[(8)(11)]			49.05			45.38

(1) Balances are adjusted for unearned loan fees and deferred costs. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent.
(2) AFS securities are adjusted for unamortized purchase premiums or discounts.
(3) The average balance of investment securities includes an average balance of nontaxable securities of $15.0 million and $22.0 million for the three months ended March 31, 2020 and March 31, 2019, respectively.
(4) There were no cash and cash equivalents related to the leverage strategy during the quarters ended March 31, 2020 and March 31, 2019.
(5) There were no borrowings related to the leverage strategy during the quarters ended March 31, 2020 and March 31, 2019. The FHLB advance amounts and rates included in this line include the effect of interest rate swaps and are net of deferred prepayment penalties.
(6) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the average balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(7) Net interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(8) The leverage strategy was not in place during the quarters ended March 31, 2020 and March 31, 2019.
(9) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.
(10) The operating expense ratio represents annualized non-interest expense as a percentage of average assets.
(11) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income.

Rate/Volume Analysis

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the three months ended March 31, 2020 to the three months ended March 31, 2019. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Three Months Ended March 31, 2020 vs. 2019		
	Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ (564)	$ (1,480)	$ (2,044)
MBS	(255)	(180)	(435)
Investment securities	47	(170)	(123)
FHLB stock	3	(120)	(117)
Cash and cash equivalents	(100)	(263)	(363)
Total interest-earning assets	(869)	(2,213)	(3,082)
Interest-bearing liabilities:			
Checking	5	27	32
Savings	1	17	18
Money market	(107)	(181)	(288)
Certificates of deposit	498	1,448	1,946
Borrowings	(775)	(86)	(861)
Total interest-bearing liabilities	(378)	1,225	847
Net change in net interest income	$ (491)	$ (3,438)	$ (3,929)

Comparison of Operating Results for the Three Months Ended March 31, 2020 and December 31, 2019

For the quarter ended March 31, 2020, the Company recognized net income of $4.3 million, or $0.03 per share, compared to net income of $22.5 million, or $0.16 per share, for the quarter ended December 31, 2019. The decrease was due primarily to recording a $22.1 million provision for credit losses during the current quarter. The net interest margin increased one basis point, from 2.18% for the prior quarter to 2.19% for the current quarter. The increase in the net interest margin was due mainly to a decrease in the cost of borrowings compared to the prior quarter.

Interest and Dividend Income

The weighted average yield on total interest-earning assets decreased three basis points, from 3.58% for the prior quarter to 3.55% for the current quarter, and the average balance of interest-earning assets decreased $31.7 million between the two periods. The following table presents the components of interest and dividend income for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended						
	March 31, 2020		December 31, 2019		Change Expressed in: Dollars		Percent
	(Dollars in thousands)						
INTEREST AND DIVIDEND INCOME:							
Loans receivable	$	69,613	$	69,914	$	(301)	(0.4)%
MBS		5,866		6,102		(236)	(3.9)
FHLB stock		1,714		1,826		(112)	(6.1)
Investment securities		1,382		1,507		(125)	(8.3)
Cash and cash equivalents		380		687		(307)	(44.7)
Total interest and dividend income	$	78,955	$	80,036	$	(1,081)	(1.4)

The weighted average yield on the loans receivable portfolio decreased three basis points, from 3.75% for the prior quarter to 3.72% for the current quarter, due mainly to a reduction in deferred fee recognition related to commercial loan payoff activity, as well as the origination and purchase of new loans at market rates lower than the existing portfolio. The decrease in interest income on the MBS portfolio was due primarily to a six basis point decrease in the weighted average yield on the portfolio to 2.55% for the current quarter. The decrease in the weighted average yield was due primarily to the purchase of MBS at market rates lower than the existing portfolio. The decrease in interest income on cash and cash equivalents was due mainly to a decrease in the average balance of operating cash.

Interest Expense

The weighted average rate paid on total interest-bearing liabilities decreased four basis points, from 1.59% for the prior quarter to 1.55% for the current quarter, while the average balance of interest-bearing liabilities increased $37.9 million between the two periods. The following table presents the components of interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended						
	March 31, 2020		December 31, 2019		Change Expressed in: Dollars		Percent
	(Dollars in thousands)						
INTEREST EXPENSE:							
Deposits	$	17,804	$	17,962	$	(158)	(0.9)%
Borrowings		12,483		13,377		(894)	(6.7)
Total interest expense	$	30,287	$	31,339	$	(1,052)	(3.4)

The decrease in interest expense on borrowings was due primarily to the replacement of certain FHLB advances to take advantage of lower market rates late in the December 31, 2019 quarter and during the current quarter. During the current quarter, the Bank prepaid fixed-rate FHLB advances scheduled to mature in the next year totaling $350.0 million with a weighted average rate of 2.42%, and replaced these advances with $350.0 million of fixed-rate FHLB advances with a weighted average term of 4.7 years and a weighted average effective rate of 1.70%, which includes the impact of deferred prepayment penalties being recognized over the life of the new advances.

Provision for Credit Losses

The Bank recorded a provision for credit losses during the current quarter of $22.1 million, compared to a provision for credit losses during the prior quarter of $225 thousand. The $22.1 million provision for credit losses in the current quarter was in recognition of the deterioration of economic conditions as a result of the COVID-19 pandemic. See additional ACL discussion in the "Financial Condition - Asset Quality - Allowance for credit losses and Provision for credit losses" section above.

Non-Interest Income

The following table presents the components of non-interest income for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended		Change Expressed in:	
	March 31, 2020	December 31, 2019	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST INCOME:				
Deposit service fees	$ 2,783	$ 3,062	$ (279)	(9.1)%
Insurance commissions	400	691	(291)	(42.1)
Other non-interest income	1,488	1,751	(263)	(15.0)
Total non-interest income	$ 4,671	$ 5,504	$ (833)	(15.1)

The decrease in deposit service fees was due mainly to a decrease in debit card income resulting from a reduction in transaction volume related to the seasonality of such activity, as well as a decrease in service charge income. The decrease in insurance commissions was due primarily to the receipt of annual contingent insurance commissions and adjustments to the related accruals. Contingent insurance commissions are performance-based incentives based on certain criteria established by the insurance carriers. Contingent insurance commissions are accrued based on management's expectations and are adjusted when the funds are received. The decrease in other non-interest income was due mainly to the receipt of a BOLI death benefit during the prior quarter, and no such benefit during the current quarter.

Non-Interest Expense

The following table presents the components of non-interest expense for the time periods presented, along with the change measured in dollars and percent.

	For the Three Months Ended		Change Expressed in:	
	March 31, 2020	December 31, 2019	Dollars	Percent
	(Dollars in thousands)			
NON-INTEREST EXPENSE:				
Salaries and employee benefits	$ 13,235	$ 13,471	$ (236)	(1.8)%
Information technology and related expense	4,268	4,141	127	3.1
Occupancy, net	3,449	3,207	242	7.5
Advertising and promotional	1,359	1,410	(51)	(3.6)
Regulatory and outside services	1,297	1,343	(46)	(3.4)
Deposit and loan transaction costs	678	711	(33)	(4.6)
Office supplies and related expense	592	519	73	14.1
Other non-interest expense	1,286	1,698	(412)	(24.3)
Total non-interest expense	$ 26,164	$ 26,500	$ (336)	(1.3)

The decrease in salaries and employee benefits expense was due mainly to a decrease in loan commissions. The decrease in other non-interest expense was due primarily to the prior quarter including a write-down of an OREO property. This property was sold during the prior quarter.

The Company's efficiency ratio was 49.05% for the current quarter compared to 48.89% for the prior quarter. The change in the efficiency ratio was due primarily to lower non-interest income in the current quarter compared to the prior quarter.

Income Tax Expense

Income tax expense was $824 thousand for the current quarter, compared to $5.0 million for the prior quarter. The effective tax rate was 16.2% for the current quarter compared to 18.1% for the prior quarter. The effective tax rate was lower in the current quarter due primarily to lower pretax income due mainly to the provision for credit losses in the current quarter. The decrease in pretax income resulted in the Company's permanent differences having a proportionately larger impact on the effective tax rate. Management anticipates the effective income tax rate for the remainder of fiscal year 2020 will be approximately 21% each quarter, resulting in an effective tax rate of approximately 20% for fiscal year 2020.

Average Balance Sheet

Weighted average yields are derived by dividing annualized income by the average balance of the related assets, and weighted average rates are derived by dividing annualized expense by the average balance of the related liabilities, for the periods shown. Average outstanding balances are derived from average daily balances. The weighted average yields and rates include amortization of fees, costs, premiums and discounts, which are considered adjustments to yields/rates. Weighted average yields on tax-exempt securities are not calculated on a fully taxable equivalent basis.

	For the Three Months Ended					
	March 31, 2020			December 31, 2019		
	Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Amount	Interest Earned/ Paid	Yield/ Rate
			(Dollars in thousands)			
Assets:						
Interest-earning assets:						
One- to four-family loans	$ 6,594,029	$ 58,838	3.57%	$ 6,543,298	$ 58,361	3.57%
Commercial loans	759,328	8,994	4.69	766,232	9,657	4.94
Consumer loans	126,710	1,781	5.65	130,253	1,896	5.77
Total loans receivable(1)	7,480,067	69,613	3.72	7,439,783	69,914	3.75
MBS(2)	920,419	5,866	2.55	933,448	6,102	2.61
Investment securities(2)(3)	280,911	1,382	1.97	284,587	1,507	2.12
FHLB stock	99,879	1,714	6.90	98,384	1,826	7.36
Cash and cash equivalents(4)	105,381	380	1.43	162,126	687	1.66
Total interest-earning assets(1)(2)	8,886,657	78,955	3.55	8,918,328	80,036	3.58
Other non-interest-earning assets	454,687			427,858		
Total assets	$ 9,341,344			$ 9,346,186		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Checking	$ 1,107,232	181	0.07	$ 1,085,818	170	0.06
Savings	365,554	74	0.08	357,674	79	0.09
Money market	1,208,521	1,981	0.66	1,173,545	2,063	0.70
Retail/business certificates	2,691,029	14,103	2.11	2,681,081	14,111	2.09
Wholesale certificates	296,828	1,465	1.98	275,941	1,539	2.21
Total deposits	5,669,164	17,804	1.26	5,574,059	17,962	1.28
Borrowings(5)	2,176,166	12,483	2.29	2,233,327	13,377	2.36
Total interest-bearing liabilities	7,845,330	30,287	1.55	7,807,386	31,339	1.59
Other non-interest-bearing liabilities	183,018			206,253		
Stockholders' equity	1,312,996			1,332,547		
Total liabilities and stockholders' equity	$ 9,341,344			$ 9,346,186		
Net interest income(6)		$ 48,668			$ 48,697	
Net interest rate spread(7)(8)			2.00			1.99
Net interest-earning assets	$ 1,041,327			$ 1,110,942		
Net interest margin(8)(9)			2.19			2.18
Ratio of interest-earning assets to interest-bearing liabilities			1.13x			1.14x
Selected performance ratios:						
Return on average assets (annualized)(8)			0.18%			0.96%
Return on average equity (annualized)(8)			1.30			6.76
Average equity to average assets			14.06			14.26
Operating expense ratio(10)			1.12			1.13
Efficiency ratio(8)(11)			49.05			48.89

(1) Balances are adjusted for unearned loan fees and deferred costs. Loans that are 90 or more days delinquent are included in the loans receivable average balance with a yield of zero percent.
(2) AFS securities are adjusted for unamortized purchase premiums or discounts.
(3) The average balance of investment securities includes an average balance of nontaxable securities of $15.0 million and $17.3 million for the quarters ended March 31, 2020 and December 31, 2019, respectively.
(4) There were no cash and cash equivalents related to the leverage strategy during the quarters ended March 31, 2020 and December 31, 2019.
(5) There were no FHLB borrowings related to the leverage strategy during the quarters ended March 31, 2020 and December 31, 2019. The FHLB advance amounts and rates included in this line include the effect of interest rate swaps and are net of deferred prepayment penalties.
(6) Net interest income represents the difference between interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the average balance of interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them.
(7) Net interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(8) The leverage strategy was not in place during the quarters ended March 31, 2020 and December 31, 2019.
(9) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.
(10) The operating expense ratio represents annualized non-interest expense as a percentage of average assets.
(11) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income (pre-provision for credit losses) and non-interest income.

Rate/Volume Analysis

The table below presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities, comparing the three months ended March 31, 2020 to the three months ended December 31, 2019. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume, which are changes in the average balance multiplied by the previous year's average rate and (2) changes in rate, which are changes in the average rate multiplied by the average balance from the previous year period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	For the Three Months Ended March 31, 2020 vs. December 31, 2019		
	Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ 267	$ (568)	$ (301)
MBS	(84)	(152)	(236)
Investment securities	(19)	(106)	(125)
FHLB stock	23	(135)	(112)
Cash and cash equivalents	(220)	(87)	(307)
Total interest-earning assets	(33)	(1,048)	(1,081)
Interest-bearing liabilities:			
Checking	3	9	12
Savings	1	(6)	(5)
Money market	52	(135)	(83)
Certificates of deposit	44	(126)	(82)
Borrowings	(376)	(518)	(894)
Total interest-bearing liabilities	(276)	(776)	(1,052)
Net change in net interest income	$ 243	$ (272)	$ (29)

Liquidity and Capital Resources

Liquidity refers to our ability to generate sufficient cash to fund ongoing operations, to repay maturing certificates of deposit and other deposit withdrawals, to repay maturing borrowings, and to fund loan commitments. Liquidity management is both a daily and long-term function of our business management. The Company's most available liquid assets are represented by cash and cash equivalents, AFS securities, and short-term investment securities. The Bank's primary sources of funds are deposits, FHLB borrowings, repurchase agreements, repayments and maturities of outstanding loans and MBS and other short-term investments, and funds provided by operations. The Bank's long-term borrowings primarily have been used to manage the Bank's interest rate risk with the intent to improve the earnings of the Bank while maintaining capital ratios in excess of regulatory standards for well-capitalized financial institutions. In addition, the Bank's focus on managing risk has provided additional liquidity capacity by maintaining a balance of MBS and investment securities available as collateral for borrowings.

We generally intend to manage cash reserves sufficient to meet short-term liquidity needs, which are routinely forecasted for 10, 30, and 365 days. Additionally, on a monthly basis, we perform a liquidity stress test in accordance with the Interagency Policy Statement on Funding and Liquidity Risk Management. The liquidity stress test incorporates both short-term and long-term liquidity scenarios in order to identify and to quantify liquidity risk. Management also monitors key liquidity statistics related to items such as wholesale funding gaps, borrowings capacity, and available unpledged collateral, as well as various liquidity ratios.

In the event short-term liquidity needs exceed available cash, the Bank has access to a line of credit at FHLB and the FRB of Kansas City's discount window. Per FHLB's lending guidelines, total FHLB borrowings cannot exceed 40% of regulatory total assets without the pre-approval of FHLB senior management. The president of FHLB has approved an increase, through July 2020, in the Bank's borrowing limit to 55% of Bank Call Report total assets. When the leverage strategy is in place, the Bank maintains the resulting excess cash reserves from the FHLB borrowings at the FRB of Kansas City, which can be used to meet any short-term liquidity needs. The amount that can be borrowed from the FRB of Kansas City's discount window is based upon the fair value of securities pledged as collateral and certain other characteristics of those securities. Management had tested the Bank's access to the FRB of Kansas City's discount window annually with a nominal, overnight borrowing. At March 31, 2020, the Bank had pledged securities with an estimated value of $396.5 million as collateral at the FRB of Kansas City and had drawn down $30.0 million on the related line-of-credit. Management is currently using the FRB line of credit rather than the FHLB line of credit for short-term funding needs as the interest rate on the FRB line of credit is lower than the FHLB line of credit.

If management observes a trend in the amount and frequency of line of credit utilization and/or short-term borrowings that is not in conjunction with a planned strategy, such as the leverage strategy, the Bank will likely utilize long-term wholesale borrowing sources such as FHLB advances and/or repurchase agreements to provide long-term, fixed-rate funding. The maturities of these long-term borrowings are generally staggered in order to mitigate the risk of a highly negative cash flow position at maturity. The Bank's internal policy limits total borrowings to 55% of total assets. At March 31, 2020, the Bank had total borrowings, at par, of $2.12 billion, or approximately 23% of total assets.

The amount of FHLB borrowings outstanding at March 31, 2020 was $1.99 billion, of which $1.04 billion were advances scheduled to mature in the next 12 months, including $640.0 million of one-year floating-rate FHLB advances tied to interest rate swaps. All FHLB borrowings are secured by certain qualifying loans pursuant to a blanket collateral agreement with FHLB. At March 31, 2020, the ratio of the par value of the Bank's FHLB borrowings to Call Report total assets was 21%. When the full leverage strategy is in place, FHLB borrowings may be in excess of 40% of the Bank's Call Report total assets, and may be in excess of 40% as long as the Bank continues its leverage strategy and FHLB senior management continues to approve the Bank's borrowing limit being in excess of 40% of Call Report total assets. All or a portion of the FHLB borrowings in conjunction with the leverage strategy can be repaid at any point in time while the strategy is in effect, if necessary or desired.

At March 31, 2020, the Bank had repurchase agreements of $100.0 million, or approximately 1% of total assets, all of which were scheduled to mature in the next 12 months. The Bank may enter into additional repurchase agreements as management deems appropriate, not to exceed 15% of total assets, and subject to the total borrowings internal policy limit of 55% as discussed above. The Bank has pledged securities with an estimated fair value of $109.4 million as collateral for repurchase agreements as of March 31, 2020. The securities pledged for the repurchase agreements will be delivered back to the Bank when the repurchase agreements mature.

The Bank could utilize the repayment and maturity of outstanding loans, MBS, and other investments for liquidity needs rather than reinvesting such funds into the related portfolios. At March 31, 2020, the Bank had $759.3 million of securities that were eligible but unused as collateral for borrowing or other liquidity needs.

The Bank has access to other sources of funds for liquidity purposes, such as brokered and public unit certificates of deposit. As of March 31, 2020, the Bank's policy allowed for combined brokered and public unit certificates of deposit up to 15% of total deposits. At March 31, 2020, the Bank did not have any brokered certificates of deposit, and public unit certificates of deposit were approximately 5% of total deposits. The Bank had pledged securities with an estimated fair value of $321.5 million as collateral for public unit certificates of deposit at March 31, 2020. The securities pledged as collateral for public unit certificates of deposit are held under joint custody with FHLB and generally will be released upon deposit maturity.

At March 31, 2020, $1.48 billion of the Bank's certificate of deposit portfolio was scheduled to mature within the next 12 months, including $236.8 million of public unit certificates of deposit. Based on our deposit retention experience and our current pricing strategy, we anticipate the majority of the maturing retail certificates of deposit will renew or transfer to other deposit products of the Bank at the prevailing rate, although no assurance can be given in this regard. We also anticipate the majority of the maturing public unit certificates of deposit will be replaced with similar wholesale funding products.

While scheduled payments from the amortization of loans and MBS and payments on short-term investments are relatively predictable sources of funds, deposit flows, prepayments on loans and MBS, and calls of investment securities are greatly influenced by general interest rates, economic conditions, and competition, and are less predictable sources of funds. To the extent possible, the Bank manages the cash flows of its loan and deposit portfolios by the rates it offers customers.

The following table presents the contractual maturities of our loan, MBS, and investment securities portfolios at March 31, 2020, along with associated weighted average yields. Loans and securities which have adjustable interest rates are shown as maturing in the period during which the contract is due. The table does not reflect the effects of possible prepayments or enforcement of due on sale clauses. As of March 31, 2020, the amortized cost of investment securities in our portfolio which are callable or have pre-refunding dates within one year was $202.9 million.

	Loans[1]		MBS		Investment Securities		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)							
Amounts due:								
Within one year	$ 313,736	4.31%	$ 5,196	2.59%	$ 55,245	1.52%	$ 374,177	3.88%
After one year:								
Over one to two years	40,947	4.52	5,544	2.64	4,270	1.75	50,761	4.08
Over two to three years	60,480	4.42	27,140	1.53	27,490	1.98	115,110	3.16
Over three to five years	113,991	4.68	35,098	1.83	175,714	1.96	324,803	2.90
Over five to ten years	689,582	3.70	309,180	2.38	—	—	998,762	3.29
Over ten to fifteen years	1,280,491	3.54	339,352	2.50	—	—	1,619,843	3.33
After fifteen years	4,994,053	3.72	251,808	2.84	—	—	5,245,861	3.67
Total due after one year	7,179,544	3.71	968,122	2.50	207,474	1.96	8,355,140	3.53
	$ 7,493,280	3.74	$ 973,318	2.50	$ 262,719	1.87	$ 8,729,317	3.54

(1) Demand loans, loans having no stated maturity, and overdraft loans are included in the amounts due within one year. Construction loans are presented based on the estimated term to complete construction. The maturity date for home equity loans assumes the customer always makes the required minimum payment.

Limitations on Dividends and Other Capital Distributions

Office of the Comptroller of the Currency ("OCC") regulations impose restrictions on savings institutions with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. Under FRB and OCC safe harbor regulations, savings institutions generally may make capital distributions during any calendar year equal to earnings of the previous two calendar years and current year-to-date earnings. A savings institution that is a subsidiary of a savings and loan holding company, such as the Company, that proposes to make a capital distribution must submit written notice to the OCC and FRB 30 days prior to such distribution. The OCC and FRB may object to the distribution during that 30-day period based on safety and soundness or other concerns. Savings institutions that desire to make a larger capital distribution, are under special restrictions, or are not, or would not be, sufficiently capitalized following a proposed capital distribution must obtain regulatory non-objection prior to making such a distribution.

The long-term ability of the Company to pay dividends to its stockholders is based primarily upon the ability of the Bank to make capital distributions to the Company. So long as the Bank remains well capitalized after each capital distribution (as evidenced by maintaining a Community Bank Leverage Ratio ("CBLR") greater than the required percentage), and operates in a safe and sound manner, it is management's belief that the OCC and FRB will continue to allow the Bank to distribute its earnings to the Company, although no assurance can be given in this regard. The Company has elected to not submit a regulatory non-objection notice of distribution of the Bank's current quarter earnings at this time due to the economic uncertainties associated with the COVID-19 pandemic. Management may submit a regulatory non-objection notice of distribution of the Bank's current quarter earnings in the future.

Off-Balance Sheet Arrangements, Commitments and Contractual Obligations

The Company, in the normal course of business, makes commitments to buy or sell assets, to extend credit, or to incur or fund liabilities. There have been no material changes in commitments, contractual obligations or off-balance sheet arrangements from September 30, 2019. For additional information, see "Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Off-Balance Sheet Arrangements, Commitments and Contractual Obligations" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019. We anticipate we will continue to have sufficient funds, through repayments and maturities of loans and securities, deposits and borrowings, to meet our current commitments.

The maximum balance of short-term FHLB borrowings outstanding at any month-end during the six months ended March 31, 2020 was $1.24 billion, and the average balance of short-term FHLB borrowings outstanding during this period was $1.14 billion at a weighted average contractual rate of 1.97%. The balance of short-term FHLB borrowings outstanding at March 31, 2020 was $1.04 billion, at a weighted average contractual rate of 1.81%. Short-term FHLB borrowings for this purpose are defined as those with maturity dates within the next 12 months.

Contingencies

In the normal course of business, the Company and its subsidiary are named defendants in various lawsuits and counter claims. In the opinion of management, after consultation with legal counsel, none of the currently pending suits had or are expected to have a materially adverse effect on the Company's consolidated financial statements for the quarter ended March 31, 2020, or future periods.

Capital

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a well-capitalized status for the Bank per the regulatory framework for prompt corrective action ("PCA"). In September 2019, the regulatory agencies, including the OCC and FRB, adopted a final rule, effective January 1, 2020, creating the CBLR for institutions with total consolidated assets of less than $10 billion and that meet other qualifying criteria. The CBLR provides for a simple measure of capital adequacy for qualifying institutions. According to the final rule, qualifying institutions that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the regulatory agencies' capital rules and to have met the well-capitalized ratio requirements. In April 2020, the federal bank regulatory agencies announced the issuance of two interim final rules, effective immediately, to provide temporary relief to community banking organizations. Under the interim final rules, the CBLR requirement is a minimum of 8% for the remainder of calendar year 2020, 8.5% for calendar year 2021, and 9% thereafter. The Bank elected the CBLR framework during the current quarter. As of March 31, 2020, the Bank's CBLR was 12.4% and the Company's CBLR was 13.9%, which exceeded the minimum requirements.

The following table presents a reconciliation of equity under GAAP to regulatory capital amounts, as of March 31, 2020, for the Bank and the Company (dollars in thousands):

	Bank	Company
Total equity as reported under GAAP	$ 1,145,134	$ 1,287,793
AOCI	21,978	21,978
Goodwill and other intangibles, net of associated deferred taxes	(14,478)	(14,478)
Total tier 1 capital	$ 1,152,634	$ 1,295,293

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Asset and Liability Management and Market Risk
For a complete discussion of the Bank's asset and liability management policies, as well as the potential impact of interest rate changes upon the market value of the Bank's portfolios, see "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in the Company's Annual Report on Form 10-K for the year ended September 30, 2019. The analysis presented in the tables below reflects the level of market risk at the Bank, including the cash the holding company has on deposit at the Bank.

The rates of interest the Bank earns on its assets and pays on its liabilities are generally established contractually for a period of time. Fluctuations in interest rates have a significant impact not only upon our net income, but also upon the cash flows and market values of our assets and liabilities. Our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities. Risk associated with changes in interest rates on the earnings of the Bank and the market value of its financial assets and liabilities is known as interest rate risk. Interest rate risk is our most significant market risk, and our ability to adapt to changes in interest rates is known as interest rate risk management.

On a weekly basis, management reviews deposit flows, loan demand, cash levels, and changes in several market rates to assess all pricing strategies. The Bank's pricing strategy for first mortgage loan products includes setting interest rates based on secondary market prices and competitor pricing for our local and correspondent lending markets. Pricing for commercial loans is generally based on competitor pricing and the credit risk of the borrower with consideration given to the overall relationship of the borrower. Generally, deposit pricing is based upon a survey of competitors in the Bank's market areas, and the need to attract funding and retain maturing deposits. The majority of our loans are fixed-rate products with maturities up to 30 years, while the majority of our retail deposits have stated maturities or repricing dates of less than two years.

The general objective of our interest rate risk management program is to determine and manage an appropriate level of interest rate risk while maximizing net interest income in a manner consistent with our policy to manage, to the extent practicable, the exposure of net interest income to changes in market interest rates. The Board of Directors and Asset and Liability Management Committee ("ALCO") regularly review the Bank's interest rate risk exposure by forecasting the impact of hypothetical, alternative interest rate environments on net interest income and the market value of portfolio equity ("MVPE") at various dates. The MVPE is defined as the net of the present value of cash flows from existing assets, liabilities, and off-balance sheet instruments. The present values are determined based upon market conditions as of the date of the analysis, as well as in alternative interest rate environments providing potential changes in the MVPE under those alternative interest rate environments. Net interest income is projected in the same alternative interest rate environments with both a static balance sheet and management strategies considered. The MVPE and net interest income analyses are also conducted to estimate our sensitivity to rates for future time horizons based upon market conditions as of the date of the analysis. In addition to the interest rate environments presented below, management also reviews the impact of non-parallel rate shock scenarios on a quarterly basis. These scenarios consist of flattening and steepening the yield curve by changing short-term and long-term interest rates independent of each other, and simulating cash flows and determining valuations as a result of these hypothetical changes in interest rates to identify rate environments that pose the greatest risk to the Bank. This analysis helps management quantify the Bank's exposure to changes in the shape of the yield curve.

Qualitative Disclosure about Market Risk
At March 31, 2020, the Bank's gap between the amount of interest-earning assets and interest-bearing liabilities projected to reprice within one year was $508.6 million, or 5.43% of total assets, compared to $251.9 million, or 2.73% of total assets, at December 31, 2019. The increase in the one-year gap amount was due primarily to lower interest rates as of March 31, 2020, compared to December 31, 2019. As interest rates decrease, borrowers have more economic incentive to refinance their mortgages and agency debt issuers have more economic incentive or opportunity to exercise their call options in order to issue new debt at lower interest rates, resulting in lower projected cash flows on these assets.

The majority of interest-earning assets anticipated to reprice in the coming year are repayments and prepayments on one- to four-family loans and MBS, both of which include the option to prepay without a fee being paid by the contract holder. The amount of interest-bearing liabilities expected to reprice in a given period is not typically impacted significantly by changes in interest rates, because the Bank's borrowings and certificate of deposit portfolios have contractual maturities and generally cannot be terminated early without a prepayment penalty, but did increase this quarter, as previously discussed. If interest rates were to increase 200 basis points, as of March 31, 2020, the Bank's one-year gap is projected to be $(312.8) million, or (3.34)% of total assets. The decrease in the gap compared to when there is no change in rates is due to lower anticipated cash flows in the higher rate environment. This compares to a one-year gap of $(523.0) million, or (5.66)% of total assets, if interest rates were to have increased 200 basis points as of December 31, 2019.

During the current quarter, loan repayments totaled $328.6 million and cash flows from the securities portfolio totaled $145.9 million. The majority of these cash flows were reinvested into new loans and securities at current market interest rates. Total cash flows from term liabilities that matured and repriced into current market interest rates during the current quarter were $439.7 million, including $65.0 million in FHLB borrowings. These offsetting cash flows allow the Bank to manage its interest rate risk and gap position more precisely than if the Bank did not have offsetting cash flows due to its mix of assets or maturity structure of liabilities.

The Bank primarily uses long-term fixed-rate borrowings with no embedded options to lengthen the average life of the Bank's liabilities. The fixed-rate characteristics of these borrowings lock-in the cost until maturity and thus decrease the amount of liabilities repricing as interest rates move higher compared to funding with lower-cost short-term borrowings. These borrowings are laddered in order to prevent large amounts of liabilities repricing in any one period. The WAL of the Bank's term borrowings as of March 31, 2020 was 1.9 years. However, including the impact of interest rate swaps related to $640.0 million of adjustable-rate FHLB advances, the WAL of the Bank's term borrowings as of March 31, 2020 was 3.0 years. The interest rate swaps effectively convert the adjustable-rate borrowings into long-term, fixed-rate liabilities. It is anticipated that the Bank will renew the upcoming advances to lower costing term advances, or not renew them based upon our assessment of lending opportunities and our liquidity position at that time.

The Bank uses the securities portfolio to shorten the average life of the Bank's assets. Security purchases over the past few years have primarily been focused on callable agency debentures with maturities no longer than five years, shorter duration MBS, and adjustable-rate MBS. These securities have a shorter average life and provide a steady source of cash flow that can be reinvested in higher-yielding assets as interest rates rise.

In addition to these wholesale strategies, the Bank has sought to increase non-maturity deposits. Non-maturity deposits are expected to reduce the risk of higher interest rates because their interest rates are not expected to increase significantly as market interest rates rise. Specifically, checking accounts and savings accounts have had minimal interest rate fluctuations throughout historical interest rate cycles, though no assurance can be given that this will be the case in future interest rate cycles. The balances and rates of these accounts have historically tended to remain very stable over time, giving them the characteristic of long-term liabilities. The Bank uses historical data pertaining to these accounts to estimate their future balances. Additionally, to the extent we expand the commercial banking business, we expect to have the ability to obtain lower-costing commercial deposits, which could be used to reduce the cost of funds by replacing FHLB borrowings and wholesale deposits.

With the significant decrease in interest rates during the current quarter, the Bank has decreased the rates on certificates of deposit and money market accounts at a pace with competitors in its market areas. The Bank currently expects it will continue to lower rates as market conditions allow.

Gap Table. The following gap table summarizes the anticipated maturities or repricing periods of the Bank's interest-earning assets and interest-bearing liabilities based on the information and assumptions set forth in the notes below. Cash flow projections for mortgage-related assets are calculated based in part on prepayment assumptions at current and projected interest rates. Prepayment projections are subjective in nature, involve uncertainties and assumptions and, therefore, cannot be determined with a high degree of accuracy. Although certain assets and liabilities may have similar maturities or periods to repricing, they may react differently to changes in market interest rates. Assumptions may not reflect how actual yields and costs respond to market interest rate changes. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. Certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the gap table below. A positive gap indicates more cash flows from assets are expected to reprice than cash flows from liabilities and would indicate, in a rising rate environment, that earnings should increase. A negative gap indicates more cash flows from liabilities are expected to reprice than cash flows from assets and would indicate, in a rising rate environment, that earnings should decrease. For additional information regarding the impact of changes in interest rates, see the following Change in Net Interest Income and Change in MVPE discussions and tables.

	Within One Year	More Than One Year to Three Years	More Than Three Years to Five Years	Over Five Years	Total
			(Dollars in thousands)		
Interest-earning assets:					
Loans receivable[(1)]	$ 2,075,424	$ 2,221,032	$ 1,295,807	$ 1,893,486	$ 7,485,749
Securities[(2)]	620,926	320,938	139,868	127,784	1,209,516
Other interest-earning assets	5,336	—	—	—	5,336
Total interest-earning assets	2,701,686	2,541,970	1,435,675	2,021,270	8,700,601
Interest-bearing liabilities:					
Non-maturity deposits[(3)]	180,978	313,620	251,303	2,087,371	2,833,272
Certificates of deposit	1,482,061	1,276,351	283,507	437	3,042,356
Borrowings[(4)]	530,000	575,000	715,000	339,971	2,159,971
Total interest-bearing liabilities	2,193,039	2,164,971	1,249,810	2,427,779	8,035,599
Excess (deficiency) of interest-earning assets over interest-bearing liabilities	$ 508,647	$ 376,999	$ 185,865	$ (406,509)	$ 665,002
Cumulative excess of interest-earning assets over interest-bearing liabilities	$ 508,647	$ 885,646	$ 1,071,511	$ 665,002	
Cumulative excess of interest-earning assets over interest-bearing liabilities as a percent of total Bank assets at:					
March 31, 2020	5.43%	9.45%	11.44%	7.10%	
September 30, 2019	5.21				
Cumulative one-year gap - interest rates +200 bps at:					
March 31, 2020	(3.34)				
September 30, 2019	(3.88)				

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

(2) MBS reflect projected prepayments at amortized cost. Investment securities are presented based on contractual maturities, term to call dates or pre-refunding dates as of March 31, 2020, at amortized cost.

(3) Although the Bank's checking, savings, and money market accounts are subject to immediate withdrawal, management considers a substantial amount of these accounts to be core deposits having significantly longer effective maturities. The decay rates (the assumed rates at which the balances of existing accounts decline) used on these accounts is based on assumptions developed from our actual experiences with these accounts. If all of the Bank's checking, savings, and money market accounts had been assumed to be subject to repricing within one year, interest-bearing liabilities which were estimated to mature or reprice within one year would have exceeded interest-earning assets with comparable characteristics by $2.14 billion, for a cumulative one-year gap of (22.9)% of total assets.

(4) Borrowings exclude deferred prepayment penalty costs. Included in this line item are $640.0 million of FHLB adjustable-rate advances with interest rate swaps. The repricing for these liabilities is projected to occur at the maturity date of each interest rate swap.

Change in Net Interest Income. For each date presented in the following table, the estimated change in the Bank's net interest income is based on the indicated instantaneous, parallel and permanent change in interest rates. The change in each interest rate environment represents the difference between estimated net interest income in the 0 basis point interest rate environment ("base case," assumes the forward market and product interest rates implied by the yield curve are realized) and the estimated net interest income in each alternative interest rate environment (assumes market and product interest rates have a parallel shift in rates across all maturities by the indicated change in rates). Projected cash flows for each scenario are based upon varying prepayment assumptions to model likely customer behavior changes as market rates change. For the current quarter, multiple yields along the yield curve were less than one percent, so the -100 basis points scenario was not applicable. Estimations of net interest income used in preparing the table below were based upon the assumptions that the total composition of interest-earning assets and interest-bearing liabilities does not change materially and that any repricing of assets or liabilities occurs at anticipated product and market rates for the alternative rate environments as of the dates presented. The estimation of net interest income does not include any projected gains or losses related to the sale of loans or securities, or income derived from non-interest income sources, but does include the use of different prepayment assumptions in the alternative interest rate environments. It is important to consider that estimated changes in net interest income are for a cumulative four-quarter period. These do not reflect the earnings expectations of management.

Change	Net Interest Income At					
(in Basis Points)	March 31, 2020			September 30, 2019		
in Interest Rates[(1)]	Amount ($)	Change ($)	Change (%)	Amount ($)	Change ($)	Change (%)
	(Dollars in thousands)					
000 bp	$ 202,863	$ —	— %	$ 193,329	$ —	— %
+100 bp	207,807	4,944	2.44	194,093	764	0.40
+200 bp	206,017	3,154	1.55	192,111	(1,218)	(0.63)
+300 bp	202,361	(502)	(0.25)	188,752	(4,577)	(2.37)

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

The net interest income projection was higher in the base case scenario at March 31, 2020 compared to September 30, 2019 due primarily to a larger projected decrease in interest expense than interest income. The decrease in interest expense was driven primarily by a decrease in the actual cost of deposits and borrowings. During the current quarter, the Bank modified $350.0 million of term borrowings into new long-term borrowings with a lower cost. As a result, the cost on the Bank's term borrowings portfolio decreased by 12 basis points. The Bank was also able to lower the cost of its deposit portfolio by two basis points due to lower money market rates and a decrease in the interest rates offered on certificates of deposit. In addition, during the current quarter management changed the way that future certificate of deposit rates are forecasted in the Bank's interest rate risk model. This change was made to more closely align the forecasted rates with the current rates offered, thus lowering the projected interest expense.

The net interest income projections increase from the base case in the +100 and +200 basis point scenarios at March 31, 2020. The net interest income projection was more adversely impacted in the rising interest rate scenarios at September 30, 2019 compared to March 31, 2020, due primarily to higher interest rates at September 30, 2019. In addition, the modification of $350.0 million of borrowings during the current quarter lengthened the Bank's liabilities, thus reducing the risk to higher interest rates. The positive impact of rising interest rates diminished as interest rates increase until turning negative in the +300 basis point scenario. Higher interest rates decreased the projected cash flows from the Bank's mortgage-related assets, thus increasing the negative impact of rising interest rates.

Change in MVPE. The following table sets forth the estimated change in the MVPE for each date presented based on the indicated instantaneous, parallel, and permanent change in interest rates. The change in each interest rate environment represents the difference between the MVPE in the base case (assumes the forward market interest rates implied by the yield curve are realized) and the MVPE in each alternative interest rate environment (assumes market interest rates have a parallel shift in rates). Projected cash flows for each scenario are based upon varying prepayment assumptions to model likely customer behavior as market rates change. For the current quarter, multiple yields along the yield curve were less than one percent, so the -100 basis points scenario was not applicable. The estimations of the MVPE used in preparing the table below were based upon the assumptions that the total composition of interest-earning assets and interest-bearing liabilities does not change, that any repricing of assets or liabilities occurs at current product or market rates for the alternative rate environments as of the dates presented, and that different prepayment rates were used in each alternative interest rate environment. The estimated MVPE results from the valuation of cash flows from financial assets and liabilities over the anticipated lives of each for each interest rate environment. The table below presents the effects of the changes in interest rates on our assets and liabilities as they mature, repay, or reprice, as shown by the change in the MVPE for alternative interest rates.

Change	Market Value of Portfolio Equity At					
(in Basis Points)	March 31, 2020			September 30, 2019		
in Interest Rates[1]	Amount ($)	Change ($)	Change (%)	Amount ($)	Change ($)	Change (%)
	(Dollars in thousands)					
000 bp	$ 1,087,074	$ —	— %	$ 1,283,429	$ —	— %
+100 bp	1,185,836	98,762	9.09	1,286,446	3,017	0.24
+200 bp	1,116,523	29,449	2.71	1,162,151	(121,278)	(9.45)
+300 bp	980,783	(106,291)	(9.78)	992,060	(291,369)	(22.70)

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

The percentage change in the Bank's MVPE at March 31, 2020 was positive in the +100 and +200 basis point scenarios and negative in the +300 basis point scenario. At September 30, 2019 the percentage change in the Bank's MVPE was negative in the +200 and +300 basis point scenarios. This change was due primarily to lower interest rates at March 31, 2020 and the modification of $350.0 million of borrowings during the current quarter into long-term liabilities which reduced the Bank's risk to higher interest rates. As interest rates increase, borrowers have less economic incentive to refinance their mortgages and agency debt issuers have less economic incentive or opportunity to exercise their call options in order to issue new debt at lower interest rates, resulting in lower projected cash flows on these assets. As interest rates increase in the rising rate scenarios, repayments on mortgage-related assets are more likely to decrease and only be realized through significant changes in borrowers' lives such as divorce, death, job-related relocations, or other events as there is less economic incentive for borrowers to prepay their debt, resulting in an increase in the average life of mortgage-related assets. Similarly, call projections for the Bank's callable agency debentures decrease as interest rates rise, which results in cash flows related to these assets moving closer to the contractual maturity dates. The higher expected average lives of these assets, relative to the assumptions in the base case interest rate environment, increases the sensitivity of their market value to changes in interest rates.

In the +100 and +200 basis point scenarios, the market value of liabilities decrease at a faster pace than the market value of assets due to having a longer duration in these scenarios. The longer duration makes the market value of these liabilities more sensitive to changes in interest rates. In the +300 basis point scenario, prepayment speeds on mortgage-related assets and call projections on investment securities decrease to a point where the durations of assets are longer, and thus more sensitive to rising interest rates. This results in a larger decrease in the market value of assets than liabilities in this scenario.

The following table presents the weighted average yields/rates and WALs (in years), after applying prepayment, call assumptions, and decay rates for our interest-earning assets and interest-bearing liabilities as of March 31, 2020. Yields presented for interest-earning assets include the amortization of fees, costs, premiums and discounts, which are considered adjustments to the yield. The interest rate presented for term borrowings is the effective rate, which includes the impact of interest rate swaps and the amortization of deferred prepayment penalties resulting from FHLB advances previously prepaid. The WAL presented for term borrowings includes the effect of interest rate swaps. The maturity and repricing terms presented for one- to four-family loans represent the contractual terms of the loan.

	Amount	Yield/Rate	WAL	% of Category	% of Total
		(Dollars in thousands)			
Investment securities	$ 262,719	1.87%	0.3	21.3%	2.9%
MBS - fixed	713,154	2.33	3.1	57.7	8.0
MBS - adjustable	260,164	2.97	2.4	21.0	2.9
Total securities	1,236,037	2.36	2.3	100.0%	13.8
Loans receivable:					
Fixed-rate one- to four-family:					
<= 15 years	1,061,681	3.09	3.4	14.2%	11.9
> 15 years	4,515,742	3.82	4.8	60.3	50.5
Fixed-rate commercial	441,343	4.45	3.1	5.9	4.9
All other fixed-rate loans	49,676	4.81	3.3	0.7	0.6
Total fixed-rate loans	6,068,442	3.75	4.4	81.1	67.9
Adjustable-rate one- to four-family:					
<= 36 months	205,019	2.55	2.8	2.7	2.3
> 36 months	776,977	3.27	2.1	10.4	8.7
Adjustable-rate commercial	331,312	4.84	7.1	4.4	3.7
All other adjustable-rate loans	111,530	5.30	1.6	1.4	1.2
Total adjustable-rate loans	1,424,838	3.69	3.3	18.9	15.9
Total loans receivable	7,493,280	3.74	4.2	100.0%	83.8
FHLB stock	101,575	6.72	2.0		1.1
Cash and cash equivalents	118,374	—	—		1.3
Total interest-earning assets	$ 8,949,266	3.53	3.9		100.0%
Non-maturity deposits	$ 2,732,263	0.31	15.3	47.3%	34.6%
Retail/business certificates of deposit	2,765,142	2.11	1.5	47.9	35.0
Public unit certificates of deposit	277,214	1.87	0.5	4.8	3.5
Total deposits	5,774,619	1.25	7.9	100.0%	73.1
Term borrowings	2,090,000	2.25	3.0	98.6%	26.5
Line of credit borrowings	30,000	0.25	—	1.4	0.4
Total borrowings	2,120,000	2.22	3.0	100.0%	26.9
Total interest-bearing liabilities	$ 7,894,619	1.51	6.6		100.0%

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the "Act") as of March 31, 2020. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of March 31, 2020, such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Act is accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control Over Financial Reporting
Management reviewed the Company’s internal control over financial reporting in consideration of operational changes as a result of COVID-19. There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) that occurred during the Company's quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company and the Bank are involved as plaintiff or defendant in various legal actions arising in the normal course of business. In our opinion, after consultation with legal counsel, we believe it unlikely that such pending legal actions will have a material adverse effect on our financial condition, results of operations or liquidity.

Item 1A. Risk Factors

There have been no material changes to our risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019; however, in light of recent developments relating to the COVID-19 pandemic, the Company is supplementing its risk factors in this Form 10-Q.

The Impact of the COVID-19 Pandemic on Our Customers, Employees and Business Operations Has Had, and Will Likely Continue to Have, a Significant Adverse Effect on Our Business, Results of Operations and Financial Condition

The COVID-19 pandemic has created a global public-health crisis that has resulted in widespread market volatility and deteriorating economic conditions for households and businesses. The deteriorating economic conditions, most of which are unprecedented, include more than 20 million people becoming unemployed in the United States in one month's time, cuts in consumer spending on almost all categories of purchases except groceries and staples, and closure or significantly reduced operations of restaurants, bars, airlines, hotels, and entertainment and hospitality venues, among others. In the Bank's local markets, governments put stay-at-home orders into effect which only allow for essential businesses to remain open.

In response to the COVID-19 pandemic, an essential business, the Company implemented business continuity measures, including activating its Crisis Management Team to put into action our business continuity plan, monitoring potential business interruptions, making further improvements to our information technology allowing nearly half of our employees to work from home, and conducting regular discussions with our third-party service providers providing services to facilities that are open. Heightened cybersecurity, information security and operational risks may result from these remote work-from-home arrangements. Preventative health measures were put in place including elimination of business-related travel, implementing mandatory work from home for all employees able to do so, social distancing precautions for all employees in the office, adjusting branch banking hours and operational measures to promote social distancing when customers do visit branches, and preventative cleaning at offices and branches. These actions have resulted in changes to our business operations, but have not yet significantly impacted most business operations. Depending on the severity and length of the COVID-19 pandemic, which is impossible to predict, we could experience significant disruptions in our business operations if key personnel or a significant number of employees were to become unavailable due to the effects of, and restrictions resulting from, the COVID-19 pandemic, as well as decreased demand for our products and services.

There is pervasive uncertainty surrounding the future economic conditions that will emerge in the months and years following the start of the COVID-19 pandemic. As a result, management is confronted with a significant and unfamiliar degree of uncertainty in estimating the impact of the pandemic on credit quality, revenues and asset values. The unknown economic recovery time resulting from the COVID-19 pandemic creates risks that loan modification programs made available to our customers will be insufficient to prevent or reduce delinquencies or help our customers stay in business. Businesses that do not take advantage of loan modification programs provided by the Bank could also be at risk of becoming delinquent or going out of business. The PPP loans made by the Bank are guaranteed by the SBA and, if used by the borrower for authorized purposes, may be fully forgiven. However, in the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded or serviced by the Bank, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty or, if it has already made payment under the guaranty, seek recovery of any loss related to the deficiency from the Bank.

Since the commencement of the PPP, several larger banks have been subject to litigation regarding their processing of PPP loan applications. The Bank may be exposed to the risk of similar litigation, from both customers and non-customers that approached the Bank seeking PPP loans. PPP lenders, including the Bank, may also be subject to the risk of litigation in connection with other aspects of the PPP, including but not limited to borrowers seeking forgiveness of their loans. If any such litigation is filed against the Bank, it may result in significant financial or reputational harm to us.

It is likely that many of our individual borrowers have become unemployed and may not be able to continue making mortgage payments under the terms of their loans. Also included in the CARES Act were Economic Impact Payments to individuals meeting certain income requirements. Individuals began receiving those payments in mid-April 2020. This may help mitigate the risk that some borrowers become delinquent or delay the potential for default until they can return to work. However, it is uncertain how long borrowers may need some form of assistance or forbearance.

In order to help our customers, it is likely that utilization of our COVID-19 loan modification programs may increase in the future. Asset quality may deteriorate further and the amount of our ACL may not be sufficient for future loan losses we may experience. This could require us to increase our reserves and recognize more expense in future periods. The changes in market rates of interest and the impact that has on our ability to price our products may reduce our net interest income in the future or negatively impact the demand for our products. There is some risk that operational costs could increase as we maintain existing facilities in accordance with health guidelines as well as potentially continuing to have staff work remotely.

The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

See "Liquidity and Capital Resources - Capital" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding OCC restrictions on dividends from the Bank to the Company.

The following table summarizes our stock repurchase activity during the three months ended March 31, 2020 and additional information regarding our stock repurchase program. The Company has $70.0 million of common stock authorized under its stock repurchase plan. There is no expiration for this repurchase plan. Shares may be repurchased from time to time in the open-market based upon market conditions and available liquidity.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2020 through January 31, 2020	—	$ —	—	$ 70,000,000
February 1, 2020 through February 29, 2020	—	—	—	70,000,000
March 1, 2020 through March 31, 2020	—	—	—	70,000,000
Total	—	—	—	70,000,000

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

See Index to Exhibits.

INDEX TO EXHIBITS

Exhibit Number	Document
3(i)	Charter of Capitol Federal Financial, Inc., as filed on May 6, 2010, as Exhibit 3(i) to Capitol Federal Financial, Inc.'s Registration Statement on Form S-1 (File No. 333-166578) and incorporated herein by reference
3(ii)	Bylaws of Capitol Federal Financial, Inc., as amended, filed on March 30, 2020, as Exhibit 3.2 to Form 8-K for Capitol Federal Financial Inc. and incorporated herein by reference
4	Description of the Registrant's Securities, as filed on November 27, 2019, as Exhibit 4 to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(i)	Form of Change of Control Agreement with each of John B. Dicus, Kent G. Townsend, and Rick C. Jackson filed on January 20, 2011 as Exhibit 10.1 to the Registrant's Current Report on Form 8-K and incorporated herein by reference
10.1(ii)	Form of Change of Control Agreement with Natalie G. Haag filed on November 29, 2012 as Exhibit 10.1(iv) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(iii)	Form of Change of Control Agreement with Daniel L. Lehman filed on November 29, 2016 as Exhibit 10.1(v) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(iv)	Form of Change of Control Agreement with Robert D. Kobbeman filed on November 29, 2018 as Exhibit 10.1(iv) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(v)	Employment Agreement with Robert D. Kobbeman, as amended, filed on November 29, 2018 as Exhibit 10.1(v) to the Registrant's Annual Report on Form 10-K and incorporated herein by reference
10.1(vi)	Form of Change of Control Agreement with Anthony S. Barry filed on May 10, 2019 as Exhibit 10.1(vi) to the Registrant's March 31, 2019 Form 10-Q and incorporated herein by reference
10.2	Capitol Federal Financial's 2000 Stock Option and Incentive Plan (the "Stock Option Plan") filed on April 13, 2000 as Appendix A to Capitol Federal Financial's Revised Proxy Statement (File No. 000-25391) and incorporated herein by reference
10.3	Capitol Federal Financial Deferred Incentive Bonus Plan, as amended
10.4	Form of Incentive Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.5 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.5	Form of Non-Qualified Stock Option Agreement under the Stock Option Plan filed on February 4, 2005 as Exhibit 10.6 to the December 31, 2004 Form 10-Q for Capitol Federal Financial and incorporated herein by reference
10.6	Description of Director Fee Arrangements filed on November 29, 2018 as Exhibit 10.6 to the Registrant's September 30, 2018 Form 10-K and incorporated herein by reference
10.7	Short-term Performance Plan, as amended
10.8	Capitol Federal Financial, Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan") filed on December 22, 2011 as Appendix A to Capitol Federal Financial, Inc.'s Proxy Statement (File No. 001-34814) and incorporated herein by reference
10.9	Form of Incentive Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.12 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
10.10	Form of Non-Qualified Stock Option Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.13 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
10.11	Form of Stock Appreciation Right Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.14 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
10.12	Form of Restricted Stock Agreement under the Equity Incentive Plan filed on February 6, 2012 as Exhibit 10.15 to the Registrant's December 31, 2011 Form 10-Q and incorporated herein by reference
31.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer
31.2	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 made by Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by John B. Dicus, Chairman, President and Chief Executive Officer, and Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer

101	The following information from the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, filed with the Securities and Exchange Commission on May 8, 2020, has been formatted in Inline eXtensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets at March 31, 2020 and September 30, 2019, (ii) Consolidated Statements of Income for the three and six months ended March 31, 2020 and 2019, (iii) Consolidated Statements of Comprehensive Income for the three and six months ended March 31, 2020 and 2019, (iv) Consolidated Statements of Stockholders' Equity for the three and six months ended March 31, 2020 and 2019, (v) Consolidated Statements of Cash Flows for the six months ended March 31, 2020 and 2019, and (vi) Notes to the Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File, formatted in Inline XBRL and included in Exhibit 101

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITOL FEDERAL FINANCIAL, INC.

Date: May 8, 2020	By: /s/ John B. Dicus
	John B. Dicus, Chairman, President and Chief Executive Officer
Date: May 8, 2020	By: /s/ Kent G. Townsend
	Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer

CAPITOL FEDERAL® FINANCIAL, INC.
Deferred Incentive Bonus Plan

CAPITOL FEDERAL FINANCIAL
Deferred Incentive Bonus Plan
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ARTICLE I -- PURPOSE

Section 1.01. Purpose. The purpose of this Plan is to provide specified benefits to Senior Managers of Capitol Federal® Financial, Inc. ("CFF") and Capitol Federal® Savings Bank (collectively the "Company") who contribute to the continued growth, development, and future business success of the Company. This program shall be administered as an unfunded plan of deferred compensation for income tax purposes and shall be applicable solely to those Employees serving in the job classification of Senior Managers, as defined herein. This Plan is intended to operate in conjunction with that certain Short Term Performance Plan adopted by the Company effective October 1, 2005, and amendments thereto.

ARTICLE II -- DEFINITIONS

For purposes of this Plan, the following phrases or terms shall have the indicated meanings unless otherwise clearly apparent from the context. Capitalized terms not specifically defined herein shall have the meanings set forth in the Short Term Performance Plan.

"Affiliated Company(ies)" means each entity that has a relationship to the Company as described by Section 414(b) or (c) of the Code.

"Approved Reason" means a reason for a ***Separation from Service*** with the Company which, in the opinion of the Committee, is in the best interest of the Company.

"Award" or "Performance Award" means a lump sum cash payment granted under the STPP to a Participant by the Committee pursuant to such terms, conditions, restrictions and/or limitations, if any, as the Committee may establish.

"Bank" means Capitol Federal® Savings Bank, the wholly-owned subsidiary of CFF.

"Beneficiary or Beneficiaries" means the person, persons, entity or entities entitled to receive any benefits under this Plan pursuant to the designation of the Participant (or in default of such designation) as provided in Section 5.03 hereof.

"Board of Directors" or "Board" means the Board of Directors of CFF.

"Cause" means:

(a) the willful and continued failure by an Employee to substantially perform his or her duties with his or her employer after written warnings identifying the lack of substantial performance are delivered to the Employee by his or her employer to specifically identify the manner in which the employer believes that the Employee has not substantially performed his or her duties, or

(b) the willful engaging by an Employee in illegal conduct which is materially and demonstrably injurious to CFF or a Subsidiary.

"Change in Control" means the occurrence of any of the following three events: (i) any person or persons acting as a group (within the meaning of Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of CFF possessing 30% or more of the total voting power of the outstanding stock of CFF; (ii) a majority of members of the Company's Board is replaced during any 12–month period by directors whose appointment or election is not endorsed by a majority of the members of the Board, or the Board's nominating committee, before the date of the appointment or election; or (iii) any person or persons acting as a group (within the meaning of Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets of CFF that have a gross fair market value of 40% or more of the total gross fair market value of all of the assets of CFF immediately before such acquisition or acquisitions; provided that with respect to each of the events covered by clauses (i) through (iii) above, the event must also be deemed to be either a change in the ownership of CFF, a change in the effective control of CFF or a change in the ownership of a substantial portion of the assets of CFF within the meaning of Code Section 409A.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan; provided, however, that the Committee shall consist of an odd number of three or more Directors, each of whom is a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act, or any successor definition adopted.

"Company" means Capitol Federal® Financial, Inc. and its wholly owned subsidiary, Capitol Federal® Savings Bank.

"Deferred Amount" means that portion of a Participant's Performance Award, , which the Participant elects to defer under the terms of this Plan. Each Participant may defer no less than $2,000 nor more than $100,000. The Chairman, Chief Executive Officer, President, Executive Vice-President or Senior Vice President may defer an amount up to 50% of the Participant's Performance Award. First Vice President's may defer an amount up to 35% of the Participant's Performance Award.

"Deferred Account" or "Account" means the ledger entry established in accordance with ARTICLE IV, which entry shall represent the Company's unsecured and unfunded promise to pay the amount of benefits set forth by such entry.

"Disability" means the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. A Participant will be deemed Disabled if the Participant has been determined to be totally disabled by the Social Security Administration or under any long-term disability plan maintained by the Company.

"Distribution Date" means by the fifth business day following the regularly scheduled January board meeting following the last day of each Mandatory Deferral Period.

"Employee" means a common law Employee of the Company paid from the Company payroll account.

"Mandatory Deferral Period" means the consecutive thirty-six month period beginning on the applicable Award Payment Date and ending at midnight on the applicable December 31st. ***For purposes of this definition, the Award Payment Date shall be deemed to be the December 31 following the Performance***

Year (as defined in the STPP) to which the deferred Award under the Short Term Performance Plan relates.

"Officer" means only those certain salaried Employees of the Company who are administrative executives in continuous service with the Company employed by the Company in one of the following job classifications: Chairman, Chief Executive Officer, President, Executive Vice-President, Senior Vice-President, First Vice-President, Vice-President, and Assistant Vice-President of the Company.

"Participant" means a common law Employee paid from the Company payroll account who (i) is a Senior Manager and (ii) has been designated by the Committee as eligible to participate in this Plan and who has satisfied all of the threshold eligibility criteria applicable to this Plan.

"Plan" means the Capitol Federal® Financial, Inc. Deferred Incentive Bonus Plan.

"Plan Year" means the Company fiscal year ending each September 30th.

"Retirement" means, for all Plan purposes other than the Plan's change in control provision, a termination of employment from the Company on or after attainment of age 65.

"Section 409A" means Section 409A of the Code and the regulations and guidance of general applicability issued thereunder.

"Senior Manager" means a Company Officer classified as Chairman, Chief Executive Officer, President, Executive Vice-President, Senior Vice-President or First Vice-President of the Company. Senior Manager shall not include Vice-Presidents or Assistant Vice Presidents.

"Separation from Service" means a termination of the Employee's services for the Company and the Bank (and any other affiliated entities that are deemed to constitute a "service recipient" as defined in Treasury Regulation §1.409A-1(h)(3)), which shall be interpreted consistent with "Separation from Service" as determined under Section 409A of the Code, taking into account all of the facts, circumstances, rules, and presumptions set forth in Treasury Regulation §1.409A-1(h). The term includes, but is not limited to, termination of employment due to a Participant's death, Disability, Retirement, discharge (with or without cause), or voluntary termination. The term shall not include any temporary absences due to vacation, sickness, or other leaves of absence granted to Participant by the Company. A Separation from Service shall not be deemed to occur, however, upon a transfer involving any combination of the Company and any Affiliated Company.

"Short Term Performance Plan" or "STPP" means the incentive bonus arrangement sponsored and maintained by the Company for the benefit of eligible Officers. The Short Term Performance Plan is incorporated herein by reference.

"Sole Discretion" means the right and power to decide a matter, which may be exercised arbitrarily at any time and from time to time.

"Subsidiary" means a corporation or other business entity in which CFF directly or indirectly has an ownership interest of 80 percent or more.

"Taxable Year" means the 12-month period beginning January 1.

ARTICLE III -- PARTICIPATION

Section 3.01. Eligibility. In order to become a Participant in this Plan and defer Performance Awards granted under the STPP under this Plan, a Senior Manager must satisfy each of the following conditions:

A. Participation in the STPP. In order to be eligible for participation in this Plan, a Senior Manager must be eligible for, and an Active Participant in, the STPP.

B. Committee Designation. In addition to eligibility and participation in the STPP, a Senior Manager must be specifically designated as eligible to defer under this Plan. The Committee shall have the unrestricted right and power, which may be exercised in its Sole Discretion and at any time and from time to time, to designate Senior Managers who are eligible to participate in this Plan. The Committee also shall have the right, in its Sole Discretion, to terminate an individual's future participation in this Plan, but only to the extent permitted by Section 409A. If an individual's participation in this Plan is terminated, the Participant (or Participant's Beneficiary) shall be entitled to receive the Participant's Account at the time and in the manner determined under Article V.

C. Timely Deferral Election. In addition to the criteria set forth above, participation in this Plan shall only be possible if the Senior Manager has timely executed and filed with the Committee, or its designee, the appropriate deferral election forms. Deferral election forms shall be considered timely filed only if they are properly completed, executed, and filed with the Committee in accordance with Committee rules and the provisions of Section 3.02.

Section 3.02. Incentive Bonus Deferral Agreements. For each Taxable Year (or portion of the Taxable Year after entry into the Plan), each Participant may elect to execute a deferral election agreement with respect to an Award at such time and in such form and manner as the Committee may from time to time prescribe for such purpose; provided, however, that in the case of a Senior Manager newly eligible to participate in the Plan, the Committee shall not prescribe a time later than 30 days after the date the Senior Manager is first eligible to participate in this Plan for such Senior Manager to make a deferral election for that taxable year. Any such election by a Participant to reduce the Participant's compensation shall only apply to compensation attributable to services to be performed by the Participant in a Plan Year that commences after the date of the Participant's deferral election. All calculations of the dollar amount of an Award shall be determined under the terms of the STPP.

The terms of any such deferral election agreement shall provide that the Participant agrees to accept a reduction in compensation from the Company with respect to an Award. The agreement shall be irrevocable by the Participant during the Plan Year in which the services are performed and each subsequent Plan Year, unless the Participant enters into a new agreement prior to the beginning of the Plan Year for which the change is to be effective. All elections, including modifications and revocation, shall be made upon such terms and conditions and at such time and in such manner as the Committee may from time to time determine in its Sole Discretion. The agreement shall automatically terminate upon the termination of this Plan or upon a Participant's Separation from Service.

Section 3.03. Limitations on Deferrals. The Chairman, Chief Executive Officer, President, Executive Vice-Presidents, or Senior Vice-Presidents who are Participants may elect to defer amounts of not less than two thousand dollars ($2,000.00), up to an amount equal to fifty percent (50%) of the Participant's

Performance Award for the upcoming performance year; provided, however, that the amount of a single deferral may not exceed one hundred thousand dollars ($100,000.00). First Vice-Presidents who are Participants may elect to defer amounts of not less than two thousand dollars ($2,000.00), up to an amount equal to thirty five percent (35%) of the Participant's Performance Award for the upcoming performance year; provided, however, that the amount of a single deferral may not exceed one hundred thousand dollars ($100,000.00). No Deferred Amount may be distributed or withdrawn except as provided in Article V, and no deferral under the Plan shall continue past the applicable Distribution Date.

ARTICLE IV -- DEFERRED ACCOUNTS

Section 4.01. Deferred Account. The Deferred Amount described in Section 3.03 above shall be credited to the Participant's Deferred Account.

A. To the extent the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any federal, state, or local law, such amounts shall be taken out of the portion of the Participant's Award or other compensation not deferred under this Plan.

B. The Company shall match each Deferred Amount by an amount equal to 50% of such Deferred Amount for the Chairman, Chief Executive Officer, President, Executive Vice-Presidents, or Senior Vice-Presidents and 35% of such Deferred Amount for First-Vice-Presidents; provided, however, that such match shall be subject to forfeiture and shall be forfeited if the Participant terminates service with the Company at any time for any reason, including death, Disability, Retirement, or an Approved Reason, during the applicable Mandatory Deferral Period.

Section 4.02. Vesting. Each Participant shall be fully vested in the Participant's Deferred Amount. However, Participants shall only become vested in the forfeitable Company matching amount (credited to the Deferred Amount at the commencement of the Mandatory Deferral Period) if the Participant remains continuously employed with the Company during the Mandatory Deferral Period and is so employed on the last day of the Mandatory Deferral Period.

Section 4.03. Increases to the Account. The Participant's Deferred Account shall be increased by an earnings factor. The earnings factor shall equal the amount that the Participant's Deferred Account would have increased if, immediately following addition to the Account of the deemed Company match, the Account had been invested in CFF's common stock ("CFFN") and that position had been held through the last December 31st of the Mandatory Deferral Period.

A. In order to establish an initial value for the Account at the commencement of the Mandatory Deferral Period, the Committee shall utilize the closing price of CFFN as of the applicable Award Payment Date and shall deem the entire Account (including the forfeitable Company match) to be 100% invested in CFFN at such price. If, as of the end of the Mandatory Deferral Period, the closing market price for CFFN is greater than the initial value on the applicable Award Payment Date, the difference in value shall be converted to cash, added to the Account and paid on the Distribution Date along with the Deferred Amount, the Company match, and the Dividend Equivalents.

B. The Committee shall credit the Account with an amount appropriate to reflect dividends actually paid on CFFN stock during the Mandatory Deferral Period ("Dividend Equivalents"). Dividend Equivalents shall be credited to the Account as of the time dividends are actually paid on CFFN stock and shall held in the Account through the remaining portion of the Mandatory Deferral Period.

C. Notwithstanding anything to the contrary, the Company shall not be obligated to acquire any interest in any fund or investment option and any asset that may be acquired in order to provide a means for payment of any liability shall remain the property of the Company.

Section 4.04. Statement of Account. The Committee shall submit to each Participant, within 120 days after the close of each Plan Year, a statement setting forth the balance to the credit of each Participant of his or her Deferred Account.

ARTICLE V -- BENEFITS

Section 5.01. General. With respect to each Deferred Amount contributed to a Participant's Deferred Account hereunder, if the Participant remains continuously employed by the Company during the applicable Mandatory Deferral Period and is so employed on the applicable Distribution Date, the portion of the Participant's Deferred Account attributable to such Deferred Amount that the Participant is entitled to receive as of such Distribution Date (including any earnings and/or Company match credited to the Participant's Deferred Account with respect to such Deferred Amount in accordance with Article IV hereof) will be paid to the Participant in a single lump sum payment on the applicable Distribution Date.

Section 5.02. Separation from Service. With respect to each Deferred Amount contributed to a Participant's Deferred Account hereunder, if the Participant incurs a Separation from Service due to death, Disability, or any other reason at any time before the applicable Distribution Date, the portion of the Participant's Deferred Account attributable to such Deferred Amount that the Participant is entitled to receive as of the date of such Separation from Service shall be paid to the Participant in a single lump sum payment as soon as administratively practicable on or after the earlier of (i) the first day of the Taxable Year after the Taxable Year in which the Participant incurs such Separation from Service, or (ii) the date that would have been the applicable Distribution Date with respect to such Deferred Amount had the Participant remained continuously employed by the Company during and until the end of the applicable Mandatory Deferral Period (the "Payment Date"); provided, however, that payment hereunder shall not occur later than the later of (i) the end of the calendar year in which the Payment Date occurs, or (ii) the 15th day of the third calendar month after the Payment Date occurs; and provided further that if the Participant is at the time of his Separation from Service a "Specified Employee" (as that phrase is defined in Section 409A), then no payment shall be made before the 185th day following the date of the Participant's Separation from Service, except upon his earlier death. Notwithstanding the foregoing, in the event of a distribution described in this Section 5.02, no match or earnings described in Article IV hereof shall be payable to the Participant, and the Participant shall not be entitled to receive an amount greater than the Participant's Deferred Amount. In the event a Participant entitled to receive payment in accordance with Section 5.02 dies before receipt of such payment, such payment shall be paid to the Participant's Beneficiary.

Section 5.03. Beneficiary Designation. The Beneficiary of a Participant shall be the person, persons, entity, or entities designated by the Participant on a beneficiary designation form provided by the Committee. A Participant shall have the right to change his or her Beneficiary designation at any time; provided, however, that no change of a Beneficiary shall be effective until received by the Committee. All Beneficiary designations, and any amendments and revocations thereto, shall be made upon such form or forms and in such manner as the Committee may from time to time direct. In the event a Participant dies without having a Beneficiary designation in force, or in the event no named Beneficiary is alive or is in being at the time, all payments due hereunder shall be paid to the Participant's surviving spouse, if any. If the Participant leaves no surviving spouse, then such payment shall be made to the Participant's estate.

ARTICLE VI -- RESERVED

ARTICLE VII -- SOURCE OF BENEFITS

Section 7.01. Source of Benefits. Amounts payable hereunder shall be paid exclusively from the general assets of the Company. The Company's obligation under this Plan shall constitute a mere promise to pay benefits in the future, and no person entitled to payment hereunder shall have any claim, right, security interest, or other interest in any fund, trust, account, insurance contract, or other asset of the Company. The Company is not obligated to invest in any specific assets or fund, but it may invest in any asset or assets it deems advisable in order to provide a means for the payment of any liabilities under this Plan. Each Participant shall be an unsecured general creditor of the Company and shall have no interest whatsoever in any such assets or fund. The Company's liability for the payment of benefits hereunder shall be evidenced only by this Plan.

ARTICLE VIII -- ADMINISTRATION OF THIS PLAN

Section 8.01. Appointment of Committee. This Plan shall be administered under the supervision of the Committee. It shall be a principal duty of the Committee to see that this Plan is carried out in accordance with its terms. The Committee shall have full power to administer this Plan in all of its details, subject, however, to the requirements of the Code and other applicable laws. For this purpose, the Committee's powers shall include, but are not limited to, the authority, in addition to all other powers provided by this Plan, to:

A. Determine in its discretion the eligibility of any Officer to participate in this Plan and of any individual to receive benefits under this Plan;

B. Exercise its discretion in making interpretations regarding the terms of this Plan with its interpretations to be final and conclusive on all persons claiming benefits under this Plan;

C. Compute and implement the proper deferral limitations and compute amounts payable for any Participant in accordance with the provisions of this Plan, the manner and time of payment and to determine and authorize the person or persons to whom such payments will be paid;

D. Receive claims for benefits and render decisions respecting such claims under this Plan;

E. Make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of this Plan;

F. Appoint such agents, specialists, legal counsel, accountants, actuaries, consultants, or other persons as the Committee deems advisable to assist in administering this Plan;

G. Allocate and delegate its responsibilities under this Plan and to designate other persons to carry out any of its responsibilities under this Plan, with any such allocation, delegation, or designation to be in writing;

H. Be responsible for all reporting and disclosure requirements for this Plan under the law;

I. Receive from the Company, Participants and other persons such information as shall be necessary for the proper administration of this Plan;

J. Furnish to the Company upon request, such reports with respect to the administration of this Plan as are reasonable and appropriate; and

K. Maintain all records of this Plan.

Section 8.02. Examination of Records. The Committee shall make available to each Participant and his duly authorized representative, such of the records under this Plan as pertain to him, for examination at reasonable times during normal business hours.

Section 8.03. Committee. The Committee shall act by a decision of a majority. Any such action by the Committee may be taken either at a meeting or in writing signed by all Committee members without a meeting. Notwithstanding the foregoing, the Committee may, by written authorization, empower any member of the Committee to individually execute any document or documents on behalf of the Committee, such authorization to remain in effect until revoked by the Committee. The Committee shall elect one of its members as chairman, appoint a secretary, who may or may not be a Committee member and advise the Company of such actions in writing. The secretary shall keep a record of all meetings, actions, and data necessary for the proper administration of this Plan and shall forward all necessary communications to the Company, the Participants or other necessary person. A dissenting Committee member who, within a reasonable time after he has knowledge of any action or failure to act by majority, registers his dissent in writing delivered to the other Committee members and the Company shall not be responsible for any such action or failure to act.

Section 8.04. Reliance on Certificates, etc. The members of the Committee and the officers and directors of the Company shall be entitled to rely on all certificates and reports made by any duly appointed accountants and on all opinions given by any duly appointed legal counsel. Such legal counsel may be counsel for the Company.

ARTICLE IX -- AMENDMENT

Section 9.01. Right to Amend. The Board of Directors reserves the right, at will, at any time and from time to time, to modify, alter or amend this Plan (including without limitation a retroactive modification, alteration, or amendment), in whole or in part, and any such modification, alteration, or amendment shall be binding upon the Company, Participants, and all other persons; provided, however, that no amendment will reduce the amount then credited to the Participant's Deferred Account without the Participant's written consent; provided, further, however, that no consent shall be required and the Board of Directors shall have the right to modify, alter, or amend this Plan (including a retroactive modification, alteration, amendment, or reduction in a Participant's Deferred Account), if it determines in its Sole Discretion that such amendment is necessary to comply with applicable law, which shall include, but shall not be limited to, the right to apply any prospective or retroactive amendment necessary to keep this Plan an unfunded employee benefit plan described in Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA or to comply with Section 409A or any other applicable provision of the Code or ERISA or any judicial or administrative guidance interpreting such provisions.

ARTICLE X -- TERMINATION

Section 10.01. Termination of Plan. The Company has established this Plan with the bona fide intention and expectation that it will be continued indefinitely, but the Company will have no obligation whatsoever to maintain this Plan for any given length of time and may at will, and at any time, discontinue or terminate this Plan in whole or in part.

Section 10.02. Termination Procedures. Upon termination of this Plan, the Company shall give notice of the same to all Participants, the Committee, and any other affected person. Further, upon termination of this Plan, all elections related to this Plan shall terminate, and payment of a Participant's Deferred Account shall be made at the time and in the manner provided in Article V. Notwithstanding anything in this Plan to the contrary, the Plan shall not be permitted to terminate unless all of the conditions set forth in Section 409A pertaining to voluntary plan terminations are satisfied.

Section 10.03. Effect of Complete Liquidation, Reorganization, or Change in Control.

A. Complete Liquidation. If the stockholders of the Company adopt a plan of complete liquidation (other than a plan which is part of a plan of reorganization described in Subsection B. hereof), the Plan shall be deemed to have been terminated as of the date the plan of liquidation is adopted. The rights of affected Participants upon such a liquidation shall be determined under the provisions of Sections 10.01 and 10.02 relative to a complete termination.

B. Reorganization. If the Company effectuates a merger, consolidation, or other transaction constituting a reorganization with another corporation or corporations, pursuant to which the shares of common stock of Company will be surrendered in exchange for the stock of another corporation (the "Surviving Corporation"), then this Plan shall be deemed to have been terminated as of the date the reorganization is completed. No termination shall occur, however, if express provisions are made for the continuance of this Plan in accordance with the terms hereof except the word "Company" shall mean and refer to the Surviving Corporation from and after the effective date of such reorganization.

Notwithstanding the foregoing, the Plan shall not be terminated pursuant to this Section 10.03 unless the termination would be permitted under Section 409A.

Section 10.04. Change in Control. Notwithstanding any provision contained in the Plan to the contrary, the provisions of this Section 10.04 shall control over any contrary provision. All Participants shall be eligible for the treatment afforded by this Section if they incur a Separation from Service within two years following a Change in Control, unless the Separation from Service is due to (a) Death; (b) Disability; (c) Cause; (d) resignation other than (1) resignation from a declined reassignment to a job that is not reasonably equivalent in responsibility or compensation, or that is not in the same geographic area, or (2) resignation within thirty days of a reduction in base pay; or (e) retirement.

A. If a Participant qualifies for treatment under this Section, he or she shall immediately become fully vested in his or her Deferred Account. Such Account shall be paid, as soon as practicable but in no event later than 90 days after the date the Participant incurs a Separation from

Service, provided that if the Participant is at the time of his Separation from Service a "Specified Employee" (as that phrase is defined in Code Section 409A), then no payment shall be made before the 185th day following the date of the Participant's Separation from Service, except upon his earlier death.

B. Upon a Change In Control, no action, including, but not by way of limitation, the amendment, suspension or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of the Plan with respect to any Account to which the Participant may have become entitled hereunder prior to the date of the Change in Control or to which he or she may become entitled as a result of such Change in Control.

ARTICLE XI -- RESTRICTIONS ON ALIENATION OF BENEFITS

Section 11.01. Restrictions on Alienation. Until the actual receipt of any benefit under this Plan by a Participant or Beneficiary, no right or benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, assignment, transfer, pledge, encumbrance, garnishment, execution, levy, or charge of any kind, whether voluntary or involuntary, including assignment or transfer to satisfy any liability for alimony or other payments for property settlement or support of a spouse or former spouse or other relative of a Participant or Beneficiary, whether upon divorce, legal separation, or otherwise. Any attempt to anticipate, alienate, sell, assign, transfer, pledge, encumber, garnish, execute upon, levy upon, or charge any right or benefit under the Plan shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled to such benefit, and no right or benefit hereunder shall be considered an asset of such person in the event of his or her divorce, insolvency, or bankruptcy. To the extent permitted by law, the rights of a Participant or Beneficiary hereunder shall not be subject in any manner to attachment or other legal process for the debts of such Participant or Beneficiary.

ARTICLE XII -- CLAIMS PROCEDURE

Section 12.01. Claims. Benefit claim determinations arising under this Plan shall be made in accordance with the provisions of this Article and procedures established by the Committee. These claim procedures are designed to establish reasonable processes and safeguards to ensure that benefit claim determinations are made in accordance with the provisions thereof and, where appropriate, Plan provisions have been applied consistently with respect to similarly situated claimants. All claims for or relating to benefits whether made by a Participant or other person shall be in writing addressed and delivered to the Committee, at the Committee's main office, and such claim shall contain the claimant's name, mailing address, and telephone number, if any, and shall identify the claim in a manner reasonably calculated to make the claim understandable to the Committee.

Section 12.02. Claims Review. If a claim is wholly or partially denied, the Committee shall within a reasonable period of time, not to exceed 90 days (45 days in the case of a claim involving disability benefits), notify the claimant in writing of any adverse benefit determination, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing the claim is necessary, written notice of the same shall be provided to the claimant prior to the expiration of the 90-day period (45-day period in the case of a claim involving disability benefits), and shall indicate the special circumstances which require the extension of time and the date by which the Committee expects to render the determination. The extension of time shall not exceed a

90-day period of time (30-day period in the case of a claim involving disability benefits), beginning at the end of the initial 90-day period (45-day period in the case of a claim involving disability benefits). In case of a disability claim, the Committee may determine that, due to matters beyond the control of the Plan, a second 30-day extension is necessary. In such case, the Committee shall notify the claimant before the expiration of the first 30-day extension period of the circumstances requiring the extension and the date by which the Plan expects to render a decision. In the case of a disability notice of extension, the notice must explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision, the additional information needed to resolve the issue, and that the claimant has at least 45 days to provide the specified information. The Committee's notice shall be written in a manner calculated to be understood by the claimant and shall set forth:

A. The specific reason or reasons for the denial;

B. Specific reference to pertinent Plan provisions on which the denial is based;

C. A description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

D. An explanation of the claim review procedure set forth in Sections 12.03 and 12.04 below (including a statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination).

Section 12.03. Appeal of Claim Denial. A claimant or the claimant's duly authorized representative shall have 60 days within which to appeal an adverse benefit determination to the Committee. During the pendency of the review, the following provisions shall apply:

A. The claimant shall have the opportunity to submit written comments, documents, records and other information relating to the claim to the Committee; and

B. The claimant shall be provided, upon request and free of charge, reasonable access to and copies of, all documents, records and other relevant information relating to the claim for benefits.

Section 12.04. Review on Appeal. A decision on review shall be rendered within a reasonable period of time, not to exceed 60 days after the claimant's request for review, unless the Committee determines that special circumstances require an extension of time for processing the appeal. If the Committee determines that an extension of time for processing the appeal is necessary, written notice of the extension shall be furnished to the claimant prior to the expiration of the 60-day period, and shall indicate the special circumstances requiring the extension and the date by which the Committee expects to render the determination. The extension of time shall not exceed a 60-day period of time beginning at the end of the initial 60-day period. For purposes of this Section 12.04, in the case of a claim involving disability benefits, 45 days shall apply instead of 60 days. The Committee's decision on review shall be communicated in writing to the claimant and, if adverse, shall take into account all comments, documents, records and other information submitted by the claimant (without regard to whether such information was submitted or considered in the initial benefit determination). The decision on review shall be in a written manner calculated to be understood by the claimant and shall set forth the following:

A. The specific reason or reasons for the adverse determination;

B. Specific reference to pertinent plan provisions on which the benefit determination is based;

C. A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

D. A statement of the claimant's right to bring an action under ERISA Section 502(a).

Section 12.05. Disability Claim Procedures. This Section 12.05 shall apply to all claims for disability benefits under the Plan. A disability benefit is any benefit, the availability of which is conditioned upon a showing of a disability. Unless a change to the normal claims procedures set forth above is indicated, the normal procedures will also apply to claims for disability benefits.

A. Disability Claim. The Committee shall ensure that all written claims for disability benefits under the Plan and all appeals related to disability benefits are adjudicated in a manner designed to ensure the independence and impartiality of the persons involved in making the decision. The claims procedures set forth in this Section 12.05 supersede all claims procedures language set forth in Sections 12.01 through 12.04 of the Plan with respect to claims for disability benefits.

B. Timing of Committee Response. If the claim relates to a determination of a Participant's Disability, and the claim requires an independent determination by the Committee of a Participant's disability status, the Committee shall notify the claimant of the Plan's benefit determination within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim. If, due to matters beyond the control of the Plan, the Committee needs additional time to process a claim, the claimant will be notified, within forty-five (45) days after the Committee receives the claim, of the circumstances requiring the extension of time and the date by which the Committee expects to make its decision, but not beyond seventy-five (75) days from the date the claim was received. If, prior to the end of the extension period, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Committee notifies the claimant, prior to the expiration of the first extension period, of the circumstances requiring the extension and the date by which the Plan expects to render a decision. The extension notice shall specifically explain the standards on which entitlement to a disability benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed from the claimant to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information.

C. Calculating Time Periods. For purposes of calculating the time periods in the preceding paragraph, the period of time within which a benefit determination is required to be made shall begin at the time a claim is filed in accordance with the reasonable procedures of the Plan, without regard to whether all the information necessary to make a benefit determination accompanies the filing. In the event that a period of time is extended as permitted pursuant to the preceding paragraph due to a claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination shall be tolled from the date on which the notification of the extension is sent to the claimant until the date on which the claimant responds to the request for additional information.

D. Notice of Decision. In the case of an adverse benefit determination with respect to disability benefits, the Committee will provide a notification in a culturally and linguistically appropriate manner (as described in Department of Labor Regulation Section 2560.503-l (o)) that shall set forth the following in a manner calculated to be understood by the claimant:

(i) the specific reasons for the adverse determination;

(ii) a reference to the specific provisions of the Plan or insurance contract on which the determination is based;

(iii) notice that the claimant has a right to request a review of the claim denial and an explanation of the Plan's review procedures and the time limits applicable to such procedures;

(iv) a statement of the claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") following an adverse benefit determination on review, and a description of any time limit that applies under the Plan for bringing such an action;

(v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following:

(1) the views presented by the claimant of health care professionals treating the claimant and vocational professionals who evaluated the claimant;

(2) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and

(3) a disability determination regarding the claimant presented by the claimant made by the Social Security Administration;

(vi) if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;

(vii) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and

(viii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits. Whether a document, record or other information is relevant to a claim for benefits shall be determined in accordance with Department of Labor Regulation Section 2560.503-1 (m)(8).

E. Appeal of Adverse Benefit Determinations. If the initial claim for disability benefits requires an independent determination by the Committee of a Participant's disability status, and the Committee denies the claim, in whole or in part, the claimant shall have a reasonable opportunity to appeal the adverse benefit determination to an appropriate named fiduciary of the Plan for a full and fair review of the claim and the adverse benefit determination, as follows:

(i) The claimant shall have at least 180 days following receipt of a notification of an adverse benefit determination within which to appeal the determination;

(ii) The claimant shall have the opportunity to submit written comments, documents, records and other information relating to the claim for benefits;

(iii) Prior to such review of the denied claim, the claimant shall be given, free of charge, any new or additional evidence considered, relied upon, or generated by the Plan, insurer or other person making the benefit determination in connection with the claim, or any new or additional rationale, as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give the claimant a reasonable opportunity to respond prior to that date.

(iv) The Committee shall respond in writing to such claimant within forty- five (45) days after receiving the request for review. If the Committee determines that special circumstances require additional time for processing the claim, the Committee can extend the response period by an additional forty-five (45) days by notifying the claimant in writing, prior to the end of the initial 45-day period, that an additional period is required. The notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Committee expects to render its decision. For purposes of this paragraph, the period of time within which a benefit determination on review is required to be made shall begin at the time an appeal is filed in accordance with the reasonable procedures of the Plan, without regard to whether all the information necessary to make a benefit determination on review accompanies the filing. In the event that a period of time is extended as permitted pursuant to this section due to the claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination on review shall be tolled from the date on which the notification of the extension is sent to the claimant until the date on which the claimant responds to the request for additional information.

(v) In considering the review, the Committee shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed by an individual or committee who did not make the initial determination that is subject of the appeal, nor by a subordinate of the individual who made the determination, and the review shall be made without deference to the initial adverse benefit determination. If the initial adverse benefit determination was based in whole or in part on a medical judgment, the appropriate named fiduciary of the Plan shall consult with a health care professional who has appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or a subordinate of such individual. If the Committee obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Committee will identify such experts.

F. <u>Notice of Decision after Review</u>. In the case of an adverse benefit determination with respect to disability benefits, the Committee will provide a notification in a culturally and linguistically appropriate manner (as described in Department of Labor Regulation Section 2560.503-l(o)) that shall set forth the following in a manner calculated to be understood by the claimant:

(i) the Committee's decision;

(ii) the specific reasons for the adverse determination;

(iii) a reference to the specific provisions of the Plan or insurance contract on which the decision is based;

(iv) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits;

(v) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain information about such procedures;

(vi) a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA which shall describe any applicable contractual limitations period that applies to the claimant's right to bring such an action, including the calendar date on which the contractual limitations period expires for the claim;

(vii) a discussion of the decision, including an explanation of the basis for disagreeing with or not following:

(1) the views presented by the claimant of health care professionals treating the claimant and vocational professionals who evaluated the claimant;

(2) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and

(3) a disability determination regarding the claimant presented by the claimant made by the Social Security Administration.

(viii) if the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and

(ix) either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

G. Exhaustion of Remedies. A claimant must follow the claims review procedures under this Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

H. Failure of the Plan to Follow Procedures. In the case of a claim for disability benefits, if the Plan fails to strictly adhere to all the requirements of this claims procedure with respect to a disability claim, the claimant is deemed to have exhausted the administrative remedies available under the Plan, and shall be entitled to pursue any available remedies under Section 502(a) of ERISA on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim, except where the violation was: (a) de minimis; (b) non-prejudicial; (c) attributable to good cause or matters beyond the Plan's control; (d) in the context of an ongoing good-faith exchange of information between the Plan and the claimant; and (e) not reflective of a pattern or practice of noncompliance. The claimant may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its bases, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan’s receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the claimant with notice of the resubmission.

Section 12.06. Litigation of Claim. Prior to initiating legal action concerning a claim in any court, state or federal, against this Plan, any trust used in conjunction with this Plan, the Company, or the Committee, a claimant must first exhaust the administrative remedies provided in this Article XII. Failure to exhaust the administrative remedies provided for in this Article XII shall be a bar to any civil action concerning a claim for benefits under the Plan.

ARTICLE XIII -- MISCELLANEOUS

Section 13.01. Payments Net of Withholding and Other Amounts. All payments under this Plan shall be net of any amount sufficient to satisfy all federal, state, and local withholding tax requirements, and shall also be net of all amounts owed by Participant, or Beneficiary or other recipient, to the Company.

Section 13.02. No Guarantee of Interests. Neither the Company nor any affiliated entity (as defined in the Code), nor the Committee (nor any of its members) may guarantee the payment of any amounts which may be or become due to any person or entity under this Plan. The liability of the Company to make any payment under this Plan is limited to the then existing assets of the Company.

Section 13.03. Company Records. Records of the Company as to any Employee or Participant shall be conclusive on all persons.

Section 13.04. Evidence. Evidence required of anyone under this Plan may be by certificate, affidavit, document, or other information which the person or entity acting on such evidence considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

Section 13.05. Notice. Except as otherwise provided in this Plan, any notice or communication required to be given herein by any Participant, the Company, or Committee shall be deemed given when delivered electronically for current employees or for former employees, when placed in the United States mail, postage prepaid, in an envelope addressed to the last address of the person to whom the notice is being given which was communicated in writing to the person giving such notice.

Section 13.06. Change of Address. Any party may, from time to time, change the address to which notices shall be mailed or sent electronically by giving written notice of such new address.

Section 13.07. Effect of Provisions. The provisions of this Plan shall be binding upon the Company and its successors and assigns, and upon Participant, his/her Beneficiary, assigns, heirs, executors, and administrators.

Section 13.08. Other Benefits and Plans. The benefits provided for Participant and his/her Beneficiary hereunder are in addition to any other benefits available to Participant under any other program or plan of the Company, and, except as may otherwise be expressly provided for, this Plan shall supplement and shall not supersede, modify, or amend any other program or plan of the Company or Participant.

Section 13.09. Severability Clause. If any provision of this Plan is held to be invalid or unenforceable, such determination shall not affect the validity of this Plan or the other provisions of this Plan. In such event, this Plan shall be construed and enforced as if such provision had not been included therein; provided, that, nothing shall increase the Company’s liability for payment of benefits in any amount beyond the amounts specified in this Plan.

Section 13.10. Minors and Incompetents. If any person to whom a benefit is payable by the Company is legally incompetent, either by reason of age or by reason of mental or physical disability, the Company is authorized to cause the payments becoming due to such person to be made to another for his benefit without responsibility of the Company, Committee or the Board of Directors to see to the application of such payments. Payments made pursuant to this authority shall constitute a complete discharge of any duty hereunder of the Company, Committee, and the Board of Directors.

Section 13.11. Limitation of Rights. Neither the establishment of this Plan nor any amendment thereof will be construed as giving any Employee or other person any legal or equitable right against the Committee, Company, its Officers, directors, or stockholders, except as expressly provided herein, and in no event will the terms of employment or service of any Employee be modified or in any way be affected hereby.

Section 13.12. Information to be Furnished. Each Participant shall provide the Company and Committee with such information and evidence, and shall sign such documents, as may reasonably be requested from time to time for the purpose of administration of this Plan.

Section 13.13. Word Usage. Wherever any words are used herein in the masculine or neuter gender, they shall be construed as though they were used in the feminine, masculine or neuter gender, as the context may require, and vice versa, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form, as the context may require, and vice versa.

Section 13.14. Erroneous Payments. If any Participant receives any amount of benefits that the Committee in its sole discretion later determines the Participant was not entitled to receive under the terms of the Plan, such Participant shall be required to make reimbursement to the Plan. In addition, the Committee shall have the right to offset any future claims for benefits under the Plan against amounts that the Participant was not otherwise entitled to receive.

Section 13.15. Indemnification by Company. The Company shall indemnify and save harmless each member of its Board of Directors, each Committee member, and any employee of the Company, from and against expenses and losses resulting from liability which they may be subjected by reason of any act or conduct (except willful or wanton misconduct) in their official capacities in the administration of this Plan. Expenses shall include the amount of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought in settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such person may be entitled as a matter of law.

Section 13.16. Headings. The titles and heading of Articles and Sections are included for convenience of reference only and are not to be considered in the construction of the provisions of this Plan.

Section 13.17. No Contract of Employment. Nothing contained herein shall be construed to constitute a contract of employment between any employee and any employer. Nothing herein contained shall be deemed to give any employee the right to be retained in the employ of an employer or to interfere with the right of the employer to discharge any employee at any time without regard to the effect such discharge might have on the employee as a Participant under this Plan.

Section 13.18. Governing Law. It is the Company's intention that the Plan comply with and satisfy the applicable provisions of the Code and ERISA, including, but not limited to, Section 409A, and, consistent with such provisions of the laws of the United States of America and in all other respects, the Plan and all agreements entered into under the Plan shall be governed, construed, administered, and regulated in accordance with the laws of the State of Kansas, without regard to the principles of conflicts of law, to the extent such laws are not preempted by the laws of the United States of America. Any action concerning the Plan or any agreement entered into under the Plan shall be maintained exclusively in the state or federal courts in Topeka, Kansas.

Section 13.19. Code Section 409A. The Company intends that payments and benefits under this Plan comply with Code Section 409A, to the extent subject thereto, and accordingly, to the maximum extent permitted, this Plan shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained in this Plan to the contrary, no Participant will be considered to have incurred a Separation from Service for purposes of any payments under this Plan which are subject to Section 409A until the Participant would be considered to have incurred a "separation from service" within the meaning of Section 409A. Although this Plan and the payments and benefits under this Plan are intended to comply with Section 409A, the Company makes no representation to any Participant that any or all of the payments described in this Plan will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

[*signature page follows*]

IN WITNESS WHEREOF, this amended and restated Plan is executed effective as of January 1, 2020 and will be applicable with respect to all deferrals and payments occurring on or after such date.

CAPITOL FEDERAL® FINANCIAL, INC.

/s/ John B. Dicus

____

John B. Dicus
Chairman

CAPITOL FEDERAL® FINANCIAL, INC.

SHORT TERM PERFORMANCE PLAN

OCTOBER 1, 2020

CAPITOL FEDERAL® FINANCIAL, INC.

SHORT TERM PERFORMANCE PLAN

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CAPITOL FEDERAL® FINANCIAL, INC.

Short Term Performance Plan

WHEREAS, the Company desires to provide motivation to Officers of the Company to put forth maximum efforts toward the continued growth, profitability, and success of the Company by offering cash bonus incentives to such individuals on the terms and conditions set forth herein; and

WHEREAS, the Committee has reviewed the terms and provisions hereof and found approved the amended and restated Plan, and such action by the Committee has been ratified by the Board.

NOW, THEREFORE, the Company hereby adopts the amended and restated Plan on the terms and conditions set forth herein, which Plan shall be known as the "Capitol Federal® Financial, Inc. Short Term Performance Plan."

ARTICLE 1 – PURPOSE

1.1 Purpose. The purpose of the Plan is to provide motivation to selected Officers of Capitol Federal® Financial, Inc. (including any successor thereto, "CFF") and Capitol Federal® Savings Bank including any success thereto, the "Bank" and collectively with CFF, the "Company") to put forth maximum effort toward the continued growth, profitability, and success of the Company by providing cash bonus incentives to such employees. Toward this objective, the Committee may grant Performance Awards, in the form of cash bonus payments, to Company Employees classified as Officers on the terms and subject to the conditions set forth in the Plan.

ARTICLE 2 – DEFINITIONS

2.1 "Approved Reason" means a reason for terminating employment with the Company which, in the opinion of the Committee, is in the best interest of the Company.

2.2 "Award" or "Performance Award" means a lump sum cash payment granted under the Plan to a Participant by the Committee pursuant to such terms, conditions, restrictions, and/or limitations, if any, as the Committee may establish.

2.3 "Award Payment Date" means, for a Performance Year, the date the Awards for such Performance Year shall be paid to Participants. The Award Payment Date for each Performance Year shall occur as soon as administratively possible following the completion of the Committee's determinations pursuant to Section 6.3, but in no event later than January 15th following the end of such Performance Year.

2.4 "Average Basic Shares Outstanding" means the average basic shares of CFF common stock outstanding during a Performance Year.

2.5 "Average Equity" means the sum of CFF's total stockholders' equity at the beginning of a Performance Year and at each month end during such year, divided by 13.

2.6 "Board" means the Board of Directors of CFF.

2.7 "Cause" means:

(a) the willful and continued failure by an Employee to substantially perform his or her duties with his or her employer after written warnings identifying the lack of substantial performance are delivered to the Employee by his or her employer to specifically identify the manner in which the employer believes that the Employee has not substantially performed his or her duties, or

(b) the willful engaging by an Employee in illegal conduct which is materially and demonstrably injurious to CFF or a Subsidiary.

2.8 "Change In Control" means the occurrence of any of the following three events: (i) any person or persons acting as a group (within the meaning of Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of CFF possessing 30% or more of the total voting power of the outstanding stock of CFF; (ii) a majority of members of the Company's Board is replaced during any 12–month period by directors whose appointment or election is not endorsed by a majority of the members of the Board, or the Board's nominating committee, before the date of the appointment or election; or (iii) any person or persons acting as a group (within the meaning of Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets of CFF that have a gross fair market value of 40% or more of the total gross fair market value of all of the assets of CFF immediately before such acquisition or acquisitions; provided that with respect to each of the events covered by clauses (i) through (iii) above, the event must also be deemed to be either a change in the ownership of CFF, a change in the effective control of CFF or a change in the ownership of a substantial portion of the assets of CFF within the meaning of Code Section 409A.

2.9 "Committee" means the Compensation Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan; provided, however, that the Committee shall consist of three or more Directors, each of whom is a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act, or any successor definition adopted.

2.10 "Compensation" means all wages for federal income tax withholding purposes as defined under Code § 3401(a) (for purposes of income tax withholding at the source), disregarding any rules limiting the remuneration included as wages based on the nature or location of the employment or the services performed; provided, however, that the term Compensation shall not include (i) any ordinary or extra ordinary bonus or bonuses paid by the Company, or (ii) wages attributable to property transferred to an individual in exchange for the performance of services (including, but not necessarily limited to, restricted stock and stock options) where such transfer was in the nature of a bonus or supplemental compensation, or (iii) dividends on unvested shares of restricted stocks. The amount of an individual's Compensation shall be determined by the Committee, in its Sole Discretion.

2.11 "Director" means a member of the Board.

2.12 "Disability" means the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. A Participant will be deemed Disabled if the Participant has been determined to be totally disabled by the Social Security Administration or under any long-term disability plan maintained by the Company.

2.13 "Earnings Per Share - Basic" ("EPS-B") means Net Income for the Performance Year divided by Average Basic Shares Outstanding for the Performance Year.

2.14 "Efficiency Ratio" ("ER") means, in the context of determining an IPC, CFF's consolidated noninterest expense for the Performance Year divided by CFF's consolidated net interest and dividend income before provision expense and noninterest income for the Performance Year.

2.15 "Employee" means a common law employee of the Company paid from the Company payroll account.

2.16 "Exchange Act" means the Securities and Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

2.17 "Negative Discretion" means the discretion authorized by the Plan to be applied by the Committee in determining the size of an Award if, in the Committee's sole judgment, such application is appropriate. Negative Discretion may only be used by the Committee to eliminate or reduce the size of an Award. By way of example and not by way of limitation, in no event shall any discretionary authority granted to the Committee by the Plan, including, but not limited to Negative Discretion, be used to: (a) grant Awards if the Performance Goals for such year have not been attained, or (b) increase an Award above the maximum amount payable under the Plan.

2.18 "Net Income" means CFF's consolidated net income for a Performance Year as determined in accordance with accounting principles generally accepted in the United States.

2.19 "Officer" means only those certain salaried Employees of the Company who are administrative executives in continuous service with the Company employed by the Company in one of the following job classifications: Chairman, Chief Executive Officer, President, Executive Vice-President, Senior Vice-President, First Vice-President, Vice-President, and Assistant Vice-President.

2.20 **"Participant"** means a common law Employee paid from the Company payroll account who the Company has designated in writing as an Officer to whom an Award has been granted by the Committee under the Plan.

2.21 **"Performance Criteria"** means the Institutional Performance Criteria and Personal Performance Criteria which the Committee shall use to establish Performance Targets for each Officer for each Performance Year as more fully described in section 5.3. Institutional Performance Criteria ("IPCs") shall be established for each Performance Year by equally weighting the Bank's target Return On Average Equity (ROAE), Earnings Per Share - Basic (EPS-B), and Efficiency Ratio (ER). Personal Performance Criteria ("PPCs") shall be established within the first 90 days of a Performance Year and PPC points may be divided between one or more criteria. Such criteria shall be established by the Participant's supervisor or the Committee as appropriate. PPC criteria must be in writing for any Officer with PPC points greater than 10 points (See section 5.4 Performance Points).

2.22 **"Performance Year"** means the fiscal year of the Company ending each September 30th over which the attainment of one or more Performance Targets will be measured for the purpose of determining a Participant's right to and the payment of an Award.

2.23 **"Performance Targets"** means, for a Performance Year, the goals established by the Committee for the Performance Year based upon the Performance Criteria. The Committee is authorized at any time during the first 90 days of a Performance Year, or at any time thereafter, in its Sole Discretion, to adjust or modify the Performance Target for such Performance Year in order to prevent the dilution or enlargement of the rights of Participants:

(a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development;

(b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; and

(c) in view of the Committee's assessment of the business strategy of the Company, performance of comparable organizations, economic and business conditions, and any other circumstances deemed relevant.

2.24 **"Plan"** means this Capitol Federal® Financial Short Term Performance Plan.

2.25 **"Retirement"** means, for all Plan purposes other than the Plan's change of control provision, a termination of employment, other than for Cause, from the Company on or after attainment of age 65.

2.26 **"Return On Average Equity"** ("ROAE") means Net Income for the Performance Year divided by Average Equity for the Performance Year.

2.27 "Sole Discretion" means the right and power to decide a matter, which may be exercised arbitrarily at any time and from time to time.

2.28 "Subsidiary" means a corporation or other business entity in which CFF directly or indirectly has an ownership interest of 80 percent or more.

ARTICLE 3 – ELIGIBILITY

3.1 Eligibility. All Company Officers are eligible to participate in the Plan. Subject to Section 6.6, the Committee shall, in its Sole Discretion, designate within the first 90 days of a Performance Year which Officers will be Participants for such Performance Year. However, the fact that an Officer is a Participant for a Performance Year shall not in any manner entitle such Participant to receive an Award for the period. The determination as to whether or not such Participant shall be paid an Award for such Performance Year shall be decided solely in accordance with the provisions of Articles 5 and 6 hereof.

ARTICLE 4 – PLAN ADMINISTRATOR

4.1 Responsibility. The Committee shall have total and exclusive responsibility to control, operate, manage, and administer the Plan in accordance with its terms.

4.2 Authority of the Committee. The Committee shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan. Without limiting the generality of the preceding sentence, the Committee shall have the exclusive right to:

(a) make discretionary interpretations regarding the terms of the Plan;

(b) determine eligibility for participation in the Plan;

(c) decide all questions concerning eligibility for and the amount of Awards payable under the Plan;

(d) construe any ambiguous provision of the Plan;

(e) correct any default;

(f) supply any omission;

(g) reconcile any inconsistency;

(h) issue administrative guidelines as an aid to administer the Plan and make changes in such guidelines as it from time to time deems proper;

(i) make regulations for carrying out the Plan and make changes in such regulations as it from time to time deems proper;

(j) to the extent permitted under the Plan, grant waivers of Plan terms, conditions, restrictions, and limitations;

(k) accelerate the payment of an Award when such action or actions would be in the best interest of the Company;

(l) establish and administer the Performance Targets and certify whether, and to what extent, they have been attained; and

(m) take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

4.3 Discretionary Authority. The Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the Plan including, without limitation, its construction of the terms of the Plan and its determination of eligibility for participation and Awards under the Plan. It is the intent of the Plan that the decisions of the Committee and its action with respect to the Plan shall be final, binding, and conclusive upon all persons having or claiming to have any right or interest in or under the Plan.

4.4 Action by the Committee. The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of its number to execute and deliver documents on behalf of the Committee.

4.5 Delegation of Authority. The Committee may delegate some or all of its authority under the Plan to any person or persons provided that any such delegation be in writing; provided, however, that only the Committee may select and grant Awards to Participants who are subject to Section 16 of the Exchange Act.

ARTICLE 5 – FORM AND DETERMINATION OF AWARDS

5.1 Form. All Performance Awards paid pursuant to the terms of this Plan shall be cash lump sums paid as bonus compensation.

5.2. Procedure for Determining Awards. The procedure for establishing IPCs and PPCs and the procedure for determining Performance Targets and actual Awards for a Performance Year shall be as follows:

(a) Within the first ninety (90) days of a Performance Year the Committee shall:

(1) Establish Performance Targets for each of the three IPCs, pursuant to Section 5.3.

(2) Establish a minimum performance measure ("Minimum Performance Measure") for each IPC pursuant to Section 5.3.

(3) Further establish a maximum performance measure ("Maximum Performance Measure") for each IPC pursuant to Section 5.3.

(4) Create a Target Scale and an Award Scale, pursuant to Section 5.3.

(5) Establish individual PPC goals.

(b) Within ninety (90) days following the end of a Performance Year, the Committee shall:

(1) Review overall Company profitability for the Performance Year and consider possible exercise of Negative Discretion.

(2) Determine percentage of Target Level actually achieved for each IPC.

(3) Determine PPCs achieved.

(4) Calculate individual Officer Awards pursuant to Section 5.5.

Upon completion of this process, any Awards earned for the Performance Year shall be paid in accordance with Article 6.

5.3 Determination of IPC Performance Targets and Restrictions on Payments of IPC and PPC Awards

(a) **Determination of IPC Performance Targets.** During the first ninety (90) days of a Performance Year, the Committee shall establish Performance Targets for all three IPCs based upon information provided by Company senior management, which may include internal forecasts for the Company and the forecasts of outside analysts. The Committee shall then establish two scales for each Performance Target. The Target Scale shall include increments between the Target and the Maximum Performance Measure and decrements between the Target and Minimum Performance Measure for each IPC. The Award Scale shall co-relate to the Target Scale and shall proceed at one percent (1%) increments beginning at twenty percent (20%) in correspondence to Minimum Performance Measure on the Target Scale through sixty percent (60%), which shall correspond to one hundred percent (100%) on the Target Scale, up to one hundred percent (100%) on the Award Scale, which shall correspond to the Maximum Performance Measure on the Target Scale.

(b) **Restriction on Payment of IPC Performance Awards**. No IPC awards will be paid in the event of the Company incurs a net loss for the fiscal year. Additionally, in order to pay any IPC award achieved above the Target IPC, the Committee must compare the

Company's Actual Net Income less Target Net Income to the Calculated IPC Award less the Target IPC Award amount.

(i) If the Company's Actual Net Loss less Target Net Income is **at least five (5) times greater** than the difference between the Calculated IPC Award less the Target IPC award, the payout will be the Calculated IPC Award amount.

(ii) If the Company's Actual net Income less Target Net Income is **negative**, the Committee shall exercise its Negative Discretion and calculate Awards only up to the Target IPC award level.

(iii) If the Company's Actual Net Income less Target Net Income is **less than five (5) times greater** than the difference between the Calculated IPC Award less the Target IPC award **but greater than zero**, the Committee shall exercise its negative Discretion and calculate the IPC Award as follows:

(Target IPC award amount) + ((Actual Net Income less Target Net Income)/ divided by 5).

(c) **Restriction on Payment of PPC Performance Awards**. PPC awards shall be awarded based on the performance achieved except that no PPC will be paid in the event the Company incurs a net loss for the fiscal year.

5.4 Performance Points. For the purpose of calculating overall achievement with regard to the various Performance Targets, the Committee shall assign one hundred (100) points to each Participant. IPCs and PPCs shall be given the relative number of points for each Officer level as follows:

Officer Level	**Institutional Performance Criteria**	**Personal Performance Criteria**
Chairman	90 points	10 points
Chief Executive Officer	90 points	10 points
President	90 points	10 points
Executive Vice-President	90 points	10 points
Senior Vice-President	90 points	10 points
First Vice-President	90 points	10 points

For Officer titles of Vice President and Assistant Vice President, their point total will be composed of either IPC of 90 and PPC of 10 or IPC of 50 and PPC of 50, set at the discretion of the Executive Vice President for their division. If the point total is split IPC of 50 and PPC of 50, the PPC criteria must be established in writing within the first 90 days of the Performance Year (see section 2.21 Performance Criteria). This determination will be set by September 30 of the Company fiscal year immediately preceding the Performance Year. If no determination is submitted to the Human Resources Director, it will remain the same as the prior year's determination.

5.5 Maximum Amount of Awards. No Officer may receive an Award in an amount exceeding the maximum amount for his or her Officer classification as calculated under this Section.

(a) Calculation of the maximum amount for each classification shall be based upon the stated Compensation payable to the Officer as of the September 30th of the Company fiscal year immediately preceding the Performance Year multiplied by the following percentages as applicable:

Officer Level	**Percentage of Compensation Taken into Account**
Chairman	60%
Chief Executive Officer	60%
President	50%
Executive Vice-President	40%
Senior Vice-President	35%
First Vice-President	30%
Vice-President	25%
Assistant Vice-President	25%

In the case of a newly elected or appointed Officer, Compensation shall be determined based upon stated Compensation for such Officer at the date of election or appointment as provided in Section 6.6. For individuals holding multiple officer levels, the officer level with the highest percentage will be used in the calculation.

(b) For participants who receive a promotion or demotion during a Performance Year, which results in a change in Officer title, the Participant's Award shall be calculated based upon the number of months in each Officer level, on a pro rata basis of the Performance Year, based upon the corresponding Percentage of Compensation of the Officer's Compensation at the beginning of the period in each Officer level. The change in Officer level will be effective, for purposes of this calculation, beginning the first day of the month following the change in Officer level. These pro rata Awards will be combined to determine the maximum Award eligibility. The Award total will then be calculated in accordance with section 5.6. Adjustments to the maximum Award eligibility will not be made upon any other salary changes.

5.6 Calculation of Awards. Actual Awards shall be calculated by first converting the Performance Points described in Section 5.4 into percentages and allocating the maximum Award between the IPC percentage and the PPC percentage. The amount allocable to the IPC percentage shall be divided by the number of IPCs (3). In the event an IPC is within the Minimum and Maximum Performance Measure on the Target Scale, the applicable percentage from the Award Scale shall be applied to the dollar amount assigned to such IPC. If a Performance for an IPC does not reach the Target Scale, the dollar amount allocated to such IPC shall be zero. A similar process shall be followed to determine whether PPCs have been achieved; provided, however, that determinations of PPC goal achievement may or may not be based upon the Target Scale. Notwithstanding anything set forth herein to the contrary, no Award may be calculated for Performance above the Maximum Performance level on the Target Scale.

ARTICLE 6 – PAYMENT OF AWARDS

6.1 Condition of Receipt of Awards. Except as provided in Section 6.9, a Participant must be employed by the Company on the last day of a Performance Year to be eligible for an Award for such Performance Year.

6.2 Limitation. A Participant shall be eligible to receive an Award for a Performance Year only if at least some of the Performance Targets for such Year are achieved.

6.3 Certification. Following the completion of a Performance Year, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Targets for the Performance Year have been achieved. If the Committee certifies that the Performance Targets have been achieved, it shall, based upon application of the provisions of Article 5 of this Plan, determine the maximum amount of each Participant's Award for the Performance Year. The Committee shall then determine the actual size of each Participant's Award for the Performance Year.

6.4 Negative Discretion. In determining the actual size of an individual Award to be paid for the Performance Year, the Committee may, through the use of Negative Discretion, reduce or eliminate the amount of the Award for the Performance Year, if in its Sole Discretion, such reduction or elimination is appropriate.

6.5 Timing of Award Payments. The Awards granted by the Committee for a Performance Year shall be paid to Participants on the Award Payment Date for such Performance Year.

6.6 New Participants. Qualified Officers who are employed by the Company after the Committee's selection of Participants for the Performance Year, shall, in the event Awards are paid for the Performance Year, only be entitled to a pro rata Award. The amount of the pro rata Award shall be determined by multiplying the Award the Participant would have otherwise been paid if he or she had been a Participant for the entire Performance Year by a fraction the numerator of which is the number of full months he or she was eligible to participate in the Plan during the Performance Year and the denominator of which is twelve (12). For purposes of this calculation, only full months of service shall be considered.

6.7 Termination of Employment. If a Participant's employment with the Company terminates for a reason other than death, Disability, Retirement, or any Approved Reason, all unpaid Awards, including, but not by way of limitation, Awards earned but not yet paid, shall be canceled or forfeited. The Committee shall have the authority to promulgate rules and regulations to determine the treatment of an Award under the Plan in the event of the Participant's death, Disability, Retirement, or termination for an Approved Reason.

6.8 Noncompetition. A Participant shall forfeit all unpaid Awards, including, but not by way of limitation, Awards earned but not yet paid if, (i) in the opinion of the Committee, the Participant, without the prior written consent of the Company, engages directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, stockholder, employee, or otherwise, in any business or activity competitive with the business conducted by the Company; (ii) at any time divulges to any person or any entity other than the Company any trade secrets, methods, processes, or the proprietary or confidential information of the Company; or (iii) the Participant performs any act or engages in any activity which in the opinion of the Committee is inimical to the best interests of the Company.

6.9 Termination of Employment During Performance Cycle. In the event a Participant terminates employment due to death, Disability, Retirement or termination of employment for an Approved Reason prior to the Award Payment Date for a Performance Year, the Participant shall receive, if Awards are paid for such Performance Year and if he or she complies with the requirements of Subsection 6.8 through the Award Payment Date, a pro rata Award. The amount of the pro rata Award shall be determined by multiplying the Award the Participant would have otherwise been paid if he or she had been a Participant through the last day of the Performance Year by a fraction, the numerator of which is the number of full months he or she was a Participant during such Performance Year and the denominator of which is twelve (12). For purposes of this calculation, only full months of service shall be considered.

6.10 Claw back Provision. In the event that any payment under the Plan was based on materially inaccurate financial statements requiring a restatement or fraud in determining an individual or company performance metric, recipients shall pay back such payment and related deferral into the Company's Deferred Incentive Bonus Plan, if any, to the Company. If the required restatements relate to financial statements filed more than 24 months prior to the date of discovery, no repayment of the cash award is required. The requirement of repayment, in whole or in part, is at the sole discretion of the Committee.

ARTICLE 7 – CHANGE IN CONTROL

7.1 Background. Notwithstanding any provision contained in the Plan to the contrary, the provisions of this Article 7 shall control over any contrary provision. All Participants shall be eligible for the treatment afforded by this article if their employment with the Company terminates within two years following a Change In Control, unless the termination is due to (a) Death; (b) Disability; (c) Cause; (d) resignation other than (1) resignation from a declined reassignment to a job that is not reasonably equivalent in responsibility or compensation, or that is not in the same geographic area, or (2) resignation within thirty days of a reduction in base pay; or (e) Retirement.

7.2 Payment of Awards. If a Participant qualifies for treatment under Section 7.1, he or she shall be paid, as soon as practicable, but in no event later than 90 days after his or her termination of employment, the Awards set forth in (a) and (b) below:

(a) All of the Participant's unpaid Awards; and

(b) A pro rata Award for the Performance Year in which his or her termination of employment occurs. The amount of the pro rata Award shall be determined by assuming all Participant Performance Targets on IPC's and PPC have been reached. The pro rata Award shall be calculated using a fraction, the numerator of which shall be the number of full months in the Performance Year prior to the date of the Participant's termination of employment and the denominator of which shall be twelve (12). For purposes of this calculation, a partial month shall be treated as a full month to the extent 15 or more days in such month have elapsed. To the extent Performance Targets have not yet been established for the Performance Year, the Performance Targets for the immediately preceding Performance Year shall be used. The pro rata Awards shall be paid to the Participant in the form of a lump-sum cash payment.

7.3 Miscellaneous. Upon a Change In Control, no action, including, but not by way of limitation, the amendment, suspension, or termination of the Plan, shall be taken which would affect the rights of any Participant or the operation of the Plan with respect to any Award to which the Participant may have become entitled hereunder prior to the date of the Change In Control or to which he or she may become entitled as a result of such Change In Control.

ARTICLE 8 – MISCELLANEOUS

8.1 Nonassignability. No Awards or any other payment under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution), assignment, pledge, or encumbrance, nor shall any Award be payable to or exercisable by anyone other than the Participant to whom it was granted.

8.2 Withholding Taxes. The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment.

8.3. Amendments to Awards. The Committee may at any time unilaterally amend any unpaid Award, including, but not by way of limitation, Awards earned but not yet paid, to the extent it deems appropriate; provided, however, that any such amendment which, in the opinion of the Committee, is adverse to the Participant shall require the Participant's consent.

8.4. No Right to Continued Employment or Grants. Participation in the Plan shall not give any Employee any right to remain in the employ of CFF or any subsidiary. CFF or, in the case of employment with a Subsidiary, the Subsidiary (either an "Employer"), reserves the right to terminate any Employee at any time, and nothing herein shall interfere with the right of an Employer to discharge an Employee at any time without regard to the effect such discharge might have on the Employee as a Participant under the Plan. Further, the adoption of this Plan shall not be deemed to give any Employee or any other individual any right to be selected as a Participant or to be granted an Award.

8.5. Amendment/Termination. The Committee may suspend or terminate the Plan at any time with or without prior notice. In addition, the Committee may, from time to time and with or without prior notice, amend the Plan in any manner, but may not, without stockholder approval, adopt any amendment which would require the vote of the stockholders of CFF pursuant to any applicable law, rule or regulation.

8.6. Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Kansas, except as superseded by applicable Federal Law. Any action concerning the Plan shall be maintained exclusively in the state or federal courts in Topeka, Kansas.

8.7. No Right, Title, or Interest in Company Asset. No Participant shall have any rights as a stockholder as a result of participation in the Plan until the date of issuance of a stock certificate in his or her name, and, in the case of restricted shares of Common Stock, such rights are granted to the Participant under the Plan. To the extent any person acquires a right to receive payments from the Company under the Plan, such rights shall be no greater than the rights in or against any specific assets of the Company. All of the Awards granted under the Plan shall be unfunded.

8.8. No Right to Continued Employment. Participation in this Plan shall not give any Officer any right to remain in the employ of the Company. The Company reserves the right to terminate an Employee (including Officers) at any time. Further, adoption of this Plan shall not be deemed to give any Employee or any other individual any right to be selected as a Participant or to be granted an Award.

8.9. No Guarantee of Tax Consequences. No person connected with the Plan in any capacity, including but not limited to, CFF and its Subsidiaries and their directors, officers, agents and employees makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, Federal, state, and local income, estate and gift tax treatment, will be applicable with respect to amounts paid to or for the benefit of a Participant under the Plan, or that such tax treatment will apply to or be available to a Participant on account of participation in the Plan.

8.10. Other Benefits. No Award granted under the Plan shall be considered compensation for purposes of computing benefits under any retirement plan of the Company nor affect any benefits or compensation under any other benefit or compensation plan of the Company now or subsequently in effect.

[Signature page follows.]

IN WITNESS WHEREOF, this Capitol Federal Financial, Inc. Short Term Performance Plan is executed this ___ day of _______________, 2020, to be first effective as of October 1, 2020.

CAPITOL FEDERAL FINANCIAL, Inc.

By____________________________
Chairman

CAPITOL FEDERAL SAVINGS BANK

By____________________________
President

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John B. Dicus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Capitol Federal Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2020	By: /s/ John B. Dicus
	John B. Dicus
	Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kent G. Townsend, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Capitol Federal Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2020	By: /s/ Kent G. Townsend
	Kent G. Townsend
	Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT 32

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Capitol Federal Financial, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Dicus, Chairman, President and Chief Executive Officer of the Company, and I, Kent G. Townsend, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, in my capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such Report.

Date: May 8, 2020	By: /s/ John B. Dicus
	John B. Dicus
	Chairman, President and Chief Executive Officer
Date: May 8, 2020	By: /s/ Kent G. Townsend
	Kent G. Townsend
	Executive Vice President, Chief Financial Officer and Treasurer