

Capitol Federal Financial Inc
Form 10-Q
February 09, 2011

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

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010

or

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

Commission file number: 001-34814

Capitol Federal Financial, Inc.
(Exact name of registrant as specified in its charter)

Maryland
incorporation
organization) 27-2631712
(State or other jurisdiction of
(I.R.S. Employer
or
Identification No.)

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

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

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

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

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

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

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

As of February 4, 2011, there were 167,493,608 shares of Capitol Federal Financial, Inc. Common Stock outstanding.

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

	December 31, 2010	September 30, 2010
ASSETS:		
Cash and cash equivalents (includes interest-earning deposits of \$1,309,961 and \$50,771)	\$1,329,861	\$65,217
Securities:		
Available-for-sale (“AFS”) at estimated fair value (amortized cost of \$878,159 and \$1,009,142)	923,125	1,060,366
Held-to-maturity (“HTM”) at amortized cost (estimated fair value of \$2,133,260 and \$1,913,454)	2,119,826	1,880,154
Loans receivable, net (of allowance for loan losses (“ALLL”) of \$14,723 and \$14,892)	5,121,018	5,168,202
Bank-owned life insurance (“BOLI”)	55,042	54,710
Capital stock of Federal Home Loan Bank (“FHLB”), at cost	121,768	120,866
Accrued interest receivable	28,936	30,220
Premises and equipment, net	41,781	41,260
Real estate owned (“REO”), net	10,979	9,920
Income taxes receivable	--	716
Other assets	45,958	55,499
TOTAL ASSETS	\$9,798,294	\$8,487,130
LIABILITIES:		
Deposits	\$4,682,101	\$4,386,310
Advances from FHLB	2,350,126	2,348,371
Other borrowings, net	668,609	668,609
Advance payments by borrowers for taxes and insurance	20,962	55,036
Income taxes payable	6,258	--
Deferred income tax liabilities, net	17,493	33,244
Accounts payable and accrued expenses	33,772	33,610
Total liabilities	7,779,321	7,525,180
STOCKHOLDERS’ EQUITY:		
Preferred stock (\$0.01 par value) 100,000,000 shares authorized; none issued	--	--
Common stock (\$0.01 par value) 1,400,000,000 shares authorized, 167,493,608		
shares issued; 167,493,608 and 73,992,678 shares outstanding		
as of December 31, 2010 and September 30, 2010, respectively	1,675	915
Additional paid-in capital	1,389,700	457,795
Unearned compensation, Employee Stock Ownership Plan (“ESOP”)	(52,776)	(6,050)
Unearned compensation, Recognition and Retention Plan (“RRP”)	(216)	(255)
Retained earnings	652,620	801,044
Accumulated other comprehensive income (“AOCI”), net of tax	27,970	31,862

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Less shares held in treasury (0 and 17,519,609 shares as of December 31, 2010 and September 30, 2010, respectively, at cost)	--	(323,361)
Total stockholders' equity	2,018,973	961,950
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$9,798,294	\$8,487,130

See accompanying notes to consolidated financial statements.

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

(in thousands, except share and per share data)

	For the Three Months Ended December 31,	
	2010	2009
INTEREST AND DIVIDEND INCOME:		
Loans receivable	\$65,943	\$74,526
Mortgage-backed securities ("MBS")	15,440	20,754
Investment securities	4,775	2,559
Capital stock of FHLB	902	1,001
Cash and cash equivalents	187	47
Total interest and dividend income	87,247	98,887
INTEREST EXPENSE:		
FHLB advances	23,131	24,819
Deposits	17,381	22,105
Other borrowings	6,730	7,109
Total interest expense	47,242	54,033
NET INTEREST INCOME	40,005	44,854
PROVISION FOR LOAN LOSSES	650	3,115
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	39,355	41,739
OTHER INCOME:		
Retail fees and charges	3,943	4,723
Insurance commissions	818	582
Loan fees	655	581
Income from BOLI	332	268
Gain on securities, net	--	6,454
Other income, net	569	523
Total other income	6,317	13,131
OTHER EXPENSES:		
Salaries and employee benefits	9,991	10,532
Communications, information technology, and occupancy	3,876	3,942
Federal insurance premium	1,858	1,814
Deposit and loan transaction costs	1,352	1,380
Regulatory and outside services	1,189	1,448
Advertising and promotional	831	1,644
Contribution to Capitol Federal Foundation	40,000	--
Other expenses, net	4,241	1,989
Total other expenses	63,338	22,749
(LOSS) INCOME BEFORE INCOME TAX EXPENSE	(17,666)	32,121

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INCOME TAX (BENEFIT) EXPENSE	(6,408)	11,141
NET (LOSS) INCOME	\$(11,258)	\$20,980
Basic (loss) earnings per common share	\$(0.07)	\$0.13
Diluted (loss) earnings per common share	\$(0.07)	\$0.13
Dividends declared per public share	\$0.80	\$0.79
Basic weighted average common shares	165,540,789	165,853,773
Diluted weighted average common shares	165,540,789	165,879,191

See accompanying notes to consolidated financial statements.

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

	Common Stock	Additional Paid-In Capital	Unearned Compensation ESOP	RRP	Retained Earnings	AOCI (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at October 1, 2010	\$ 915	\$ 457,795	\$ (6,050)	\$ (255)	\$ 801,044	\$ 31,862	\$ (323,361)	\$ 961,950
Comprehensive income:								
Net (loss) income					(11,258)			(11,258)
Other comprehensive (loss) income:								
Changes in unrealized gain/losses on securities AFS, net of deferred income taxes of \$2,366						(3,892)		(3,892)
Total comprehensive (loss) income								(15,150)
ESOP activity, net		726	534					1,260
RRP activity, net		1						1
Stock based compensation - stock options and RRP								