

Capitol Federal Financial Inc  
Form POS AM  
November 09, 2010

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As filed with the Securities and Exchange Commission on November 9, 2010  
Registration No. 333-166578

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

POST-EFFECTIVE AMENDMENT NO. 3  
to  
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
CAPITOL FEDERAL FINANCIAL, INC.  
(Exact name of registrant as specified in its charter)

Maryland	6035	27-2631712
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

700 S. Kansas Avenue, Topeka, Kansas 66603  
(785) 235-1341

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John B. Dicus, President and Chief Executive Officer

700 S. Kansas Avenue, Topeka, Kansas 66603  
(785) 235-1341

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

James S. Fleischer, P.C.  
Martin L. Meyrowitz, P.C.  
SILVER, FREEDMAN & TAFF, L.L.P.  
(a limited liability partnership including professional corporations)  
3299 K Street, NW, Suite 100  
Washington, DC 20007  
(202) 295-4500

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective

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registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$.01 per share	301,737,230	\$10.00	\$3,017,372,300 (1)	\$215,138(2)

(1) Estimated solely for the purpose of calculating the registration fee.

(2) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

RESOLICITATION AND COMMUNITY OFFERING PROSPECTUS

Capitol Federal Financial, Inc.  
(Proposed New Holding Company for Capitol Federal Savings Bank)

Up to 159,850,000 Shares of Common Stock  
\$10.00 per Share

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Capitol Federal Financial, Inc., a newly formed Maryland corporation, is offering up to 159,850,000 shares of common stock for sale at \$10.00 per share in connection with the conversion of Capitol Federal Savings Bank MHC from the mutual holding company to the stock holding company form of organization. The shares being offered represent the 71% ownership interest in Capitol Federal Financial currently owned by Capitol Federal Savings Bank MHC. Capitol Federal Financial's common stock is currently traded on the Nasdaq Global Select Market under the trading symbol CFFN. We expect that Capitol Federal Financial, Inc.'s shares of common stock will trade on the Nasdaq Global Select Market under the trading symbol CFFND for a period of 20 trading days following the completion of this stock offering. Thereafter the trading symbol will revert to CFFN. To avoid confusion, we will refer to Capitol Federal Financial in this document as CFF and Capitol Federal Financial, Inc. as Capitol Federal Financial, Inc.

This offering represents a resolicitation and extension of an offering that we initially commenced in July 2010. We are offering the stock on a best efforts basis and we must sell a minimum of 118,150,000 shares to complete the offering. We are offering the shares first to members of Capitol Federal Savings Bank MHC who exercised their subscription rights by subscribing for shares in the initial offering. Subject to the priority rights of these former subscribers, the shares are being concurrently offered to the general public in a community offering. The minimum order is 25 shares. The resolicitation and community offering is scheduled to terminate at 4:00 p.m., Central Time, on [ ], 2010. We may extend this termination date without notice until [ ], 2010, unless the Office of Thrift Supervision approves a later date. No single extension can exceed 90 days. If we extend the offering beyond [ ], 2011, we will notify all subscribers and promptly return the funds of those subscribers who do not reconfirm their subscriptions, with interest. The offering must be completed by August 24, 2012.

Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond [ ], 2011, or the number of shares of common stock to be sold is increased to more than 159,850,000 shares or decreased to less than 118,150,000 shares. Funds received prior to the closing of the offering will be held in a segregated account at Capitol Federal Savings Bank and will earn interest at Capitol Federal Savings Bank's statement savings rate, which is currently 0.25% but is subject to change at any time.

If you subscribed for shares of our common stock in the initial offering, your previous subscription order has been canceled and is no longer effective. We have returned all subscription funds submitted by you and canceled any deposit account withdrawals that you authorized. You will not receive any shares of common stock unless you place a new order in this offering; however, you are not required to place a new order in this offering.

Shares of common stock not purchased in the community offering are being offered through a syndicate of broker dealers in a syndicated offering that is being commenced concurrently with the community offering. We have not set an expiration date for the syndicated offering, which may conclude at any time on or after [ ], 2010. We retain the right to accept or reject, in whole or in part, any order received in the community offering or the syndicated offering. Neither Sandler O'Neill & Partners, L.P., any co-manager or any member of the selling group is obligated to purchase any shares of common stock that are being offered for sale.

In addition to the shares we are selling in the offering, the remaining 29% interest in CFF common stock currently held by stockholders other than Capitol Federal Savings Bank MHC will be exchanged for shares of common stock of Capitol Federal Financial, Inc. using an exchange ratio that will result in the existing public stockholders owning approximately the same percentage of Capitol Federal Financial, Inc. common stock as they owned of CFF common stock immediately prior to the completion of the conversion. We will issue up to 66,760,835 shares of common stock in the exchange. Capitol Federal Financial, Inc. also intends to make a \$40.0 million cash contribution to the Capitol Federal Foundation in connection with the conversion.

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## OFFERING SUMMARY

Price: \$10.00 per share

	Minimum	Midpoint	Maximum
Number of shares	118,150,000	139,000,000	159,850,000
Gross offering proceeds	\$1,181,500,000	\$1,390,000,000	\$1,598,500,000
Estimated offering expenses excluding selling agent commission and expenses	\$6,215,000	\$6,215,000	\$6,215,000
Estimated selling agent commissions and expenses(1)(2)	\$43,939,463	\$51,695,663	\$59,451,863
Net proceeds	\$1,131,345,537	\$1,332,089,337	\$1,532,833,137
Net proceeds per share	\$9.58	\$9.58	\$9.59

(1) Includes: (i) fees payable by us to Sandler O’Neill & Partners, L.P. in connection with the community offering equal to 0.75% of the aggregate amount of common stock sold in the community offering (net of insider purchases and shares purchased by our employee stock ownership plan) or approximately \$1.9 million at the maximum of the offering range, assuming that 20% of the offering is sold in the community offering, and (ii) a management fee payable by us of 1.00% of the aggregate dollar amount of the common stock sold in the syndicated offering, 45% of which will be paid to Sandler O’Neill & Partners, L.P., 15% of which will be paid to Keefe, Bruyette & Woods, Inc. and 10% of which will be paid to each of Morgan Keegan & Company, Inc., RBC Capital Markets Corporation, Sterne, Agee & Leach, Inc. and Stifel, Nicolaus & Company, Incorporated, and a selling concession payable by us of 3.50% of the actual purchase price of each share of common stock sold in the syndicated offering, which will be allocated to dealers (including Sandler O’Neill & Partners, L.P., Keefe, Bruyette & Woods, Inc., Morgan Keegan & Company, Inc., RBC Capital Markets Corporation, Sterne, Agee & Leach, Inc. and Stifel, Nicolaus & Company, Incorporated) in accordance with the actual number of shares of common stock sold by such dealers, or approximately \$57.5 million at the maximum of the offering range, assuming that 80% of the offering will be sold in the syndicated offering. See “Pro Forma Data” on page [ ] of this prospectus and “Marketing Arrangements” on page [ ] of this prospectus.

(2) If all shares of common stock are sold in the syndicated offering, the maximum selling agent commissions and expenses would be \$53.2 million at the minimum, \$62.6 million at the midpoint, and \$71.9 million at the maximum of the offering range.

This investment involves a degree of risk, including the possible loss of principal.

Please read “Risk Factors” beginning on page [ ].

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. None of the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, or any state securities regulator has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

SANDLER O’NEILL + PARTNERS, L.P.

For assistance, please contact the Stock Information Center at 1-877-518-0123.

The date of this prospectus is [ ], 2010





TABLE OF CONTENTS

	Page
<u>SUMMARY</u>	1
<u>RISK FACTORS</u>	17
<u>RECENT DEVELOPMENTS</u>	26
<u>SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA OF CFF AND SUBSIDIARY</u>	32
<u>FORWARD-LOOKING STATEMENTS</u>	35
<u>HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING</u>	36
<u>OUR POLICY REGARDING DIVIDENDS</u>	38
<u>MARKET FOR THE COMMON STOCK</u>	38
<u>HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE</u>	40
<u>CAPITALIZATION</u>	41
<u>PRO FORMA DATA</u>	43
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	49
<u>SUPERVISION AND REGULATION</u>	110
<u>FEDERAL AND STATE TAXATION</u>	115
<u>MANAGEMENT</u>	117
<u>BENEFICIAL OWNERSHIP OF COMMON STOCK</u>	134
<u>SUBSCRIPTIONS BY DIRECTORS AND EXECUTIVE OFFICERS</u>	135
<u>THE CONVERSION AND OFFERING</u>	136
<u>CAPITOL FEDERAL FOUNDATION</u>	161
<u>COMPARISON OF STOCKHOLDERS' RIGHTS FOR EXISTING STOCKHOLDERS OF CFF</u>	164
<u>RESTRICTIONS ON ACQUISITION OF CAPITOL FEDERAL FINANCIAL, INC.</u>	171
<u>DESCRIPTION OF CAPITAL STOCK OF CAPITOL FEDERAL FINANCIAL, INC. FOLLOWING THE CONVERSION</u>	176



<u>TRANSFER AGENT</u>	177
<u>EXPERTS</u>	177
<u>LEGAL MATTERS</u>	177

WHERE YOU CAN FIND ADDITIONAL INFORMATION 177

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF CAPITOL FEDERAL FINANCIAL AND  
SUBSIDIARY F-1

ii

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## SUMMARY

The following summary explains the material aspects of the conversion, the offering and the exchange of existing shares of CFF common stock for shares of Capitol Federal Financial, Inc. common stock. It may not contain all of the information that is important to you. Before making an investment decision you should read the remainder of this prospectus carefully, including the consolidated financial statements, the notes to the consolidated financial statements and the section entitled "Risk Factors."

### The Companies

#### Capitol Federal Financial, Inc.

Capitol Federal Financial, Inc. is a newly formed Maryland corporation that was incorporated in April 2010 to be the successor corporation to CFF upon completion of the conversion. Capitol Federal Financial, Inc. will own all of the outstanding shares of common stock of Capitol Federal Savings Bank upon completion of the conversion. Capitol Federal Financial, Inc.'s executive offices are located at 700 South Kansas Avenue, Topeka, Kansas 66603. Our telephone number at this address is (785) 235-1341.

#### Capitol Federal Savings Bank MHC

Capitol Federal Savings Bank MHC is the federally chartered mutual holding company of CFF. Capitol Federal Savings Bank MHC's principal business activity is the ownership of 52,192,817 shares of common stock of CFF, or 71% of the issued and outstanding shares as of October 11, 2010. After the completion of the conversion, Capitol Federal Savings Bank MHC will cease to exist.

#### CFF

CFF is a federally chartered stock holding company that owns all of the outstanding common stock of Capitol Federal Savings Bank. At June 30, 2010, CFF had consolidated assets of \$8.54 billion, deposits of \$4.37 billion and stockholders' equity of \$960.0 million. After the completion of the conversion, CFF will cease to exist, and will be succeeded by Capitol Federal Financial, Inc. As of October 11, 2010, CFF had 73,992,678 shares of common stock issued and outstanding, of which 52,192,817 shares were owned by Capitol Federal Savings Bank MHC. The remaining 21,799,861 shares of CFF common stock outstanding as of that date were held by the public.

#### Capitol Federal Savings Bank

Capitol Federal Savings Bank is a federally chartered stock savings bank headquartered in Topeka, Kansas. Capitol Federal Savings Bank was founded in 1893 as a mutual savings institution. In 1999, Capitol Federal Savings Bank converted to stock form and became the wholly owned subsidiary of CFF as part of a mutual holding company reorganization and stock issuance. Capitol Federal Savings Bank provides a full range of retail banking services through its 35 traditional and 11 in-store banking offices serving primarily the metropolitan areas of Topeka, Wichita, Lawrence, Manhattan, Emporia and Salina, Kansas and a portion of the greater Kansas City metropolitan area.

### Our Business Strategy

We are a retail-oriented financial institution dedicated to serving the needs of customers in our market areas. Our commitment is to provide qualified borrowers the broadest possible access to home ownership through our mortgage lending programs and to offer a complete set of personal banking products and services to meet our customers' needs. We strive to enhance stockholder value while maintaining a strong capital position. To meet these goals, we

focus on the following strategies:

Residential Portfolio Lending. We are one of the largest originators of one- to four-family loans in the state of Kansas. We have primarily originated these loans for our own portfolio, rather than for sale, and generally we service the loans we originate. We provide customers with alternatives for their borrowing needs by offering both fixed- and adjustable-rate products with various terms to maturity and pricing alternatives. We offer special programs to individuals who may be first time home buyers, have low or moderate incomes or may have certain credit risk concerns in order to maximize our ability to deliver home ownership opportunities. Through our marketing efforts, our reputation, pricing and strong relationships with real estate agents, we attract mortgage loan business from walk-in customers, customers that apply online and existing customers, and we also purchase loans from correspondent lenders located within our market areas and select market areas in Missouri. To supplement our local originations and to provide some geographic diversity to our portfolio, we also purchase one- to four-family loans from nationwide lenders. Following completion of this offering, we intend to increase our emphasis on purchased one- to four-family loans that meet our underwriting standards.

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**Retail Financial Services.** We offer a wide array of deposit products and retail services for our customers. These products include checking, savings, money market, certificates of deposit and retirement accounts. Our products and services are provided through a branch network of 46 locations, which include traditional branch and retail store locations, our call center which operates on extended hours, telephone bill payment services and Internet-based transaction services.

**Cost Control.** We are very effective at controlling our costs of operations. Through our technology platform, we are able to centralize our lending and deposit support functions for efficient processing. We have located our branches to serve a broad range of customers through relatively few branch locations. Our average deposit base per traditional branch was \$113.9 million at June 30, 2010. This large average deposit base helps to control costs. Our one- to four-family lending strategy and our effective management of credit risk allows us to service a large portfolio of loans at efficient levels because it costs less to service a portfolio of performing loans. For the nine months ended June 30, 2010, our efficiency ratio was 42.65%.

**Asset Quality.** We utilize underwriting standards for our lending products that are designed to limit our exposure to credit risk. We require complete documentation for both originated and purchased loans, and make credit decisions based on our assessment of the borrower's ability to repay the loan in accordance with its terms. At June 30, 2010, our ratio of non-performing assets to total assets was 0.47%.

**Capital Position.** Our policy has always been to protect the safety and soundness of Capitol Federal Savings Bank through conservative credit and operational risk management, balance sheet strength and sound operations. The end result of these activities is a capital ratio in excess of the well-capitalized standards set by the Office of Thrift Supervision. We believe that maintaining a strong capital position safeguards the long-term interests of Capitol Federal Savings Bank, CFF and our stockholders.

**Stockholder Value.** We strive to enhance stockholder value while maintaining a strong capital position. One way that we provide returns to stockholders is through our dividend payments. Total dividends declared and paid during fiscal year 2010 were \$2.29 per public share. It is our intention to continue to pay cash dividends upon completion of the conversion, to the extent justified by earnings and the capital needs of Capitol Federal Financial, Inc. Following completion of the conversion, we intend to seek regulatory approval to pay a one-time, special dividend of \$0.60 per share to all Capitol Federal Financial, Inc. stockholders. For the first two fiscal years we intend to pay 100% of our net income (exclusive of our contribution to the charitable foundation) in a combination of quarterly and special year-end dividends. It is currently anticipated that the quarterly dividend will be \$0.075 per share, See "Our Policy Regarding Dividends."

**Interest Rate Risk Management.** Changes in interest rates are our primary market risk as our balance sheet is comprised of generally long-term interest-earning assets and generally short-term interest-bearing liabilities. As such, fluctuations in interest rates have a significant impact not only upon our net income but also upon the cash flows related to those assets and liabilities and the market value of our assets and liabilities. In order to maintain acceptable levels of net interest income in varying interest rate environments, we take on a moderate amount of interest rate risk consistent with board policies.

### Our Current Organizational Structure

In 1999, CFF became the mid-tier stock holding company of Capitol Federal Savings Bank, owning 100% of Capitol Federal Savings Bank's stock, and conducted an initial public offering by selling a minority of CFF's common stock to the public. The majority of the outstanding shares of common stock of CFF are owned by Capitol Federal Savings Bank MHC, which is a federally chartered mutual holding company with no stockholders.

Pursuant to the terms of the Plan of Conversion and Reorganization of Capitol Federal Savings Bank MHC, which is referred to throughout this prospectus as the plan of conversion and reorganization, Capitol Federal Savings Bank will convert from the mutual holding company to the stock holding company corporate structure. As part of the conversion, we are offering for sale the majority ownership interest of CFF that is currently owned by Capitol Federal Savings Bank MHC. In addition, we intend to make a cash contribution to our existing charitable foundation. Upon completion of the conversion, Capitol Federal Savings Bank MHC will cease to exist, and we will complete the transition from partial to full public stock ownership. In addition, as part of the conversion, existing public stockholders of CFF will receive shares of common stock of Capitol Federal Financial, Inc. in exchange for their shares of CFF common stock pursuant to an exchange ratio that maintains their same percentage ownership in Capitol Federal Financial, Inc. (excluding any new shares purchased by them in the offering and their receipt of cash in lieu of fractional exchange shares) they had in CFF immediately prior to the completion of the conversion and offering. The members of Capitol Federal Savings Bank MHC and the stockholders of CFF approved the plan of conversion and reorganization and the contribution to the charitable foundation at meetings held on August 24, 2010.

The following diagram shows our current organizational structure:

## Our Organizational Structure Following the Conversion

After the conversion and offering are completed, we will be organized as a fully public stock holding company, as follows:

### Reasons for the Conversion and the Offering

Our primary reasons for converting and raising additional capital through the offering are:

to eliminate some of the uncertainties associated with financial regulatory reforms, which will result in changes to our primary bank regulator and holding company regulator as well as changes in regulations applicable to us, including, but not limited to, capital requirements, payment of dividends and conversion to full stock form;

the stock holding company structure is a more familiar form of organization, which we believe will make our common stock more appealing to investors, and will give us greater flexibility to access the capital markets through possible future equity and debt offerings, although we have no current plans, agreements or understandings regarding any additional securities offerings;

to improve the liquidity of our shares of common stock and provide more flexible capital management strategies; and

to finance, where opportunities are presented, the acquisition of financial institutions or their branches or other financial service companies primarily in, or adjacent to, our market areas, although we do not currently have any understandings or agreements regarding any specific acquisition transaction.

## Terms of the Offering

We are offering between 118,150,000 and 159,850,000 shares of common stock in the offering. The purchase price is \$10.00 per share. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock in the offering.

We are offering the shares first to members of Capitol Federal Savings Bank MHC who exercised their subscription rights by subscribing for shares in the initial subscription offering, although former subscribers are not required to purchase any shares in the offering. Subject to the priority rights of these former subscribers, the shares are being concurrently offered to the general public in a community offering. Sandler O'Neill & Partners, L.P. will assist us in selling the shares in the community offering on a best efforts basis, but is not required to purchase any shares in the offering. In the event of an oversubscription, shares will be allocated in accordance with the terms of the plan of conversion and reorganization. See "The Conversion and Offering" for a detailed description of the share allocation procedures for this offering.

Shares of our common stock not purchased in the community offering are being offered for sale to the general public in a syndicated offering through a syndicate of selected dealers. Sandler O'Neill & Partners, L.P. is acting as sole book-running manager and Keefe, Bruyette & Woods, Inc., Morgan Keegan & Company, Inc., RBC Capital Markets Corporation, Sterne, Agee & Leach, Inc. and Stifel, Nicolaus & Company, Incorporated (the co-managers) are acting as co-managers for the syndicated offering, which is also being conducted on a best efforts basis. Neither Sandler O'Neill & Partners, the co-managers nor any other member of the selling group is required to purchase any shares in the syndicated offering.

We retain the right to accept or reject, in whole or in part, any order received in the community offering or the syndicated offering.

## How We Determined the Offering Range and the \$10.00 Per Share Stock Price

The offering range is based on an independent appraisal of the estimated market value of Capitol Federal Financial, Inc., assuming the conversion, the exchange and the offering are completed and the charitable foundation is funded with a cash contribution. We have retained RP Financial, LC., an appraisal firm experienced in appraisals of financial institutions, to perform our appraisal. In connection with the initial offering, RP Financial, LC. estimated that, as of May 28, 2010, our estimated pro forma market value was between \$2.05 billion and \$2.77 billion, with a midpoint of \$2.41 billion, which was a reduction from the value determined as of April 16, 2010, due to a decline in the market value of the appraisal peer group. The valuation was updated in accordance with Office of Thrift Supervision regulations. Based on this valuation, the regulatory established range, the 71% ownership interest of Capitol Federal Savings Bank MHC being sold in the offering and the \$10.00 per share price, the number of shares of common stock previously offered for sale by Capitol Federal Financial, Inc. ranged from 144,500,000 shares to 195,500,000 shares. The \$10.00 per share price was selected primarily because it is the price most commonly used in mutual-to-stock conversions of financial institutions.

The initial offering was undersubscribed and interest in the syndicated offering was insufficient to sell the minimum number of shares. As required by applicable regulations, upon conclusion of the initial subscription, community and syndicated offerings, RP Financial, LC. submitted to Capitol Federal Savings Bank and the Office of Thrift Supervision an updated appraisal of the pro forma market value of the common stock of Capitol Federal Financial, Inc. RP Financial, LC. has estimated in its updated appraisal, dated as of August 30, 2010, that our pro forma market value was between \$1.67 billion and \$2.27 billion, with a midpoint of \$1.97 billion. The updated appraisal results in an offering range of the common stock to be sold of \$1.18 billion at the minimum and \$1.60 billion at the maximum, with a midpoint of \$1.39 billion. This is an 18.2% decrease from the midpoint valuation established by the appraisal



report dated May 28, 2010. RP Financial, LC.'s August 30, 2010 appraisal update noted that, in decreasing the appraisal value, consideration was given to a continued decline in the market value of the appraisal peer group, and an analysis of recently completed conversion offerings and the results of the initial offering. In the 70 days prior to August 30, 2010, six second-step conversion transactions were completed. Of those six offerings, five were trading below their respective public offering prices as of August 30, 2010. The weak after-market performance of these recently completed second-step conversion offerings and concerns of limited after-market support for Capitol Federal Financial, Inc. common stock based on a closing valuation consistent with the minimum of the initial offering range were factors that contributed to the shortfall in orders. Given the amount of orders received and the recent performance of second-step conversion offerings, RP Financial, LC. applied a more significant downward adjustment for marketing the issue in arriving at its updated appraisal valuation as of August 30, 2010.

As a result of the decrease in the estimated pro forma market value of the common stock as reflected in the updated appraisal, the Office of Thrift Supervision has approved a reduction in the offering range to a minimum of 118,150,000 shares and a maximum of 159,850,000 shares.

The independent appraisal is based primarily on CFF's financial condition and results of operations, the pro forma impact of the additional capital raised by the sale of shares of common stock in the offering, an analysis of a peer group of nine publicly traded savings bank and thrift holding companies that RP Financial, LC. considered comparable to Capitol Federal Financial, Inc. and the factors discussed above. The appraised value is not the same as the current book value or the current fair value of CFF, primarily because it reflects the net proceeds to be received in the offering. See "The Conversion and Offering—Stock Pricing and Number of Shares to be Issued" for a complete discussion of the valuation methodology used by RP Financial, LC. in determining the pro forma market value of Capitol Federal Financial, Inc.

The independent appraisal does not indicate actual market value. Do not assume or expect that the estimated pro forma market value as indicated above means that, after the offering, the shares of our common stock will trade at or above the \$10.00 purchase price.

The following table presents a summary of selected pricing ratios for the peer group companies and Capitol Federal Financial, Inc. (on a pro forma basis). The pricing ratios are based on earnings and other information as of and for the twelve months ended June 30, 2010, stock price information as of August 30, 2010, as reflected in RP Financial, LC.'s appraisal report dated August 30, 2010, and, for Capitol Federal Financial, Inc., the number of shares outstanding as described in "Pro Forma Data." Compared to the average pricing of the peer group, our pro forma pricing ratios at the maximum of the offering range indicated a premium of 87.9% on a price-to-core earnings basis and a discount of 15.4% on a price-to-tangible book value basis.

	Price to Core Earnings Multiple(1)		Price to Tangible Book Value Ratio	
Capitol Federal Financial, Inc. (on a pro forma basis, assuming completion of the conversion)				
Minimum	23.88	x	83.89	%
Midpoint	27.67	x	90.25	%
Maximum	31.35	x	95.51	%
Valuation of peer group companies, as of August 30, 2010				
Average	16.68	x	112.92	%
Median	14.41	x	115.79	%

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(1) Information is derived from the RP Financial, LC. appraisal report and is based upon estimated core earnings for the twelve months ended June 30, 2010. These ratios are different from the ratios in "Pro Forma Data."

Our Board of Directors, in reviewing and approving the independent appraisal, considered the range of price-to-core earnings multiples and the range of price-to-tangible book value ratios based upon the number of shares of common stock to be sold in the offering, and did not consider one valuation approach to be more important than the other. The estimated appraised value and the resulting discounts and premiums took into consideration the potential financial

impact of the offering, the contribution to the charitable foundation and the repayment of junior subordinated debentures (debentures). The cash contribution to the charitable foundation will reduce our estimated pro forma market value.

RP Financial, LC. will reconfirm the independent appraisal prior to the completion of the conversion. If the estimated appraised value changes to either below \$1.67 billion or above \$2.27 billion, then, after consulting with the Office of Thrift Supervision, we may: terminate the offering and promptly return all funds; set a new offering range, promptly return all funds and give all subscribers updated information and the opportunity to place a new order; or take such other actions as may be permitted by the Office of Thrift Supervision and the Securities and Exchange Commission. See “The Conversion and Offering - Stock Pricing and Number of Shares to be Issued.”

#### The Exchange of Existing Shares of CFF Common Stock

At the conclusion of the conversion, shares held by existing stockholders of CFF will be canceled and exchanged for shares of common stock of Capitol Federal Financial, Inc. The number of shares of common stock received will be based on an exchange ratio determined as of the conclusion of the conversion, which will depend upon the number of shares sold in the offering and the percentage of CFF common stock then held by the public. The number of shares received will not be based on the market price of our currently outstanding shares. Instead, the exchange ratio will ensure that existing public stockholders of CFF will retain the same percentage ownership of our organization after the offering, exclusive of their purchase of any additional shares of common stock in the offering and their receipt of cash in lieu of fractional exchange shares. In addition, if options to purchase shares of CFF common stock are exercised before consummation of the conversion, there will be an increase in the percentage of shares of CFF held by public stockholders, an increase in the number of shares of common stock issued to public stockholders in the share exchange and a decrease in the exchange ratio.

The following table shows how the exchange ratio will adjust, based on the number of shares of common stock issued in the offering and the shares of CFF common stock issued and outstanding as of June 30, 2010. The table also shows the number of whole shares of Capitol Federal Financial, Inc. common stock a hypothetical owner of CFF common stock would receive in exchange for 100 shares of CFF common stock owned at the completion of the conversion, depending on the number of shares of common stock sold in the offering.

	New Shares to be Sold in This Offering		New Shares to be Exchanged for Existing Shares of CFF				Total Shares of Common Stock to be Outstanding After the Offering	Exchange Ratio	New Shares That Would be Received for 100 Existing Shares
	Amount	Percent	Amount	Percent					
Minimum	118,150,000	70.5 %	49,344,965	29.5 %		167,494,965	2.2637	226	
Midpoint	139,000,000	70.5 %	58,052,900	29.5 %		197,052,900	2.6632	266	
Maximum	159,850,000	70.5 %	66,760,835	29.5 %		226,610,835	3.0627	306	

No fractional shares of Capitol Federal Financial, Inc. common stock will be issued to any public stockholder of CFF. For each fractional share that would otherwise be issued to a stockholder who holds a stock certificate, Capitol Federal Financial, Inc. will pay in cash an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be entitled by the \$10.00 per share purchase price of the common stock in the offering.

Outstanding options to purchase shares of CFF common stock will convert into and become options to purchase shares of Capitol Federal Financial, Inc. common stock. The number of shares of common stock to be received upon

exercise of these options will be determined pursuant to the exchange ratio. The aggregate exercise price, duration and vesting schedule of these options will not be affected by the conversion. At June 30, 2010, there were 405,031 outstanding options to purchase shares of CFF common stock, 305,081 of which have vested. These outstanding options will be converted into options to purchase 916,868 shares of common stock at the minimum of the offering range and 1,240,488 shares of common stock at the maximum of the offering range. Because Office of Thrift Supervision regulations prohibit us from repurchasing our common stock during the first year following the conversion unless compelling business reasons exist, we may use authorized but unissued shares to fund option exercises that occur during the first year following the conversion. If all existing options were exercised for authorized but unissued shares of common stock following the conversion, stockholders would experience dilution of approximately 0.54% at the minimum and maximum of the offering range.

## How We Intend to Use the Proceeds From the Offering

Assuming we sell 118,150,000 shares of common stock in the stock offering, equal to the minimum of the offering range, and we have net proceeds of \$1.13 billion, we intend to distribute the net proceeds as follows:

\$565.7 million (50.0% of the net proceeds) will be invested in Capitol Federal Savings Bank;

\$47.3 million (4.2% of the net proceeds) will be loaned by Capitol Federal Financial, Inc. to the employee stock ownership plan to fund its purchase of shares of common stock;

\$40.0 million (3.5% of the net proceeds) will be contributed by Capitol Federal Financial, Inc. to the Capitol Federal Foundation;

\$53.6 million (4.7% of the net proceeds) will be used by Capitol Federal Financial, Inc. to repay outstanding debentures; and

\$424.8 million (37.5% of the net proceeds) will be retained by Capitol Federal Financial, Inc.

We may use the funds that we retain for investments, to pay cash dividends, to repurchase shares of common stock and for other general corporate purposes. Capitol Federal Savings Bank may use the proceeds it receives to support increased lending, including one- to four-family loan purchases, and other products and services. The net proceeds retained also may be used for future business expansion through acquisitions of banks, thrifts and other financial services companies, and opening or acquiring branch offices. We have no current arrangements or agreements with respect to any such acquisitions. Initially, a substantial portion of the net proceeds will be invested in short-term investments and mortgage-backed securities consistent with our investment policy.

Please see “How We Intend to Use the Proceeds from the Offering” for more information on the proposed use of the proceeds from the offering.

## Our Dividend Policy

CFF currently pays a quarterly cash dividend of \$0.50 per share. CFF also pays a special annual dividend equal to 25% of the annual net income of CFF in excess of the total amount of dividends paid in the four regular quarterly dividends for the fiscal year. Following completion of the conversion, we intend to seek regulatory approval to pay a one-time, special dividend of \$0.60 per share to all Capitol Federal Financial, Inc. stockholders. After the conversion, we also intend to continue to pay regular quarterly and special annual cash dividends each year. For the first two fiscal years we intend to pay 100% of our net income (exclusive of the contribution to the charitable foundation) in a combination of quarterly and special year-end dividends. It is currently anticipated that the quarterly dividend will be \$0.075 per share, or a 3.0% annualized yield based on the \$10.00 per share offering price. We expect that the timing of quarterly and year-end special dividend payments will be consistent with our current practice. The dividend rate and the continued payment of dividends will depend on a number of factors, including our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurance can be given that we will continue to pay dividends or that they will not be reduced or eliminated in the future.

See “Selected Consolidated Financial and Other Data of CFF and Subsidiary” and “Market for the Common Stock” for information regarding our historical dividend payments.



### Purchases and Ownership by our Executive Officers and Directors

We expect our directors, executive officers and their associates to purchase approximately 164,500 shares of common stock in the offering. The purchase price paid by them will be the same \$10.00 per share price paid by all other persons who purchase shares of common stock in the offering. After the conversion, as a result of purchases in the offering and the shares they will receive in exchange for shares of CFF common stock that they currently own, our directors and executive officers, together with their associates, are expected to beneficially own approximately 4,498,616 and 6,028,394 shares of common stock, or 2.69% and 2.66% of our total outstanding shares of common stock, at the minimum and the maximum of the offering range, respectively.

### Benefits to Management and Potential Dilution to Stockholders Resulting from the Conversion

**Employee Stock Ownership Plan.** Our tax-qualified employee stock ownership plan expects to purchase up to 4.0% of the shares of common stock we sell in the offering, or 6,394,000 shares of common stock assuming we sell the maximum number of shares proposed to be sold. When these shares are combined with the existing shares owned by the employee stock ownership plan, the plan will own approximately 6.08 % of the shares outstanding following the conversion. We reserve the right to purchase shares of common stock in the open market following the offering in order to fund all or a portion of the employee stock ownership plan. Assuming the employee stock ownership plan purchases 6,394,000 shares in the offering, 4.0% of the maximum of the offering range, we will recognize additional compensation expense, after tax, of approximately \$1.3 million annually over a 30-year period, assuming the loan to the employee stock ownership plan has a 30-year term and an interest rate equal to the prime rate as published in The Wall Street Journal, and the shares of common stock have a fair market value of \$10.00 per share for the full 30-year period. If, in the future, the shares of common stock have a fair market value greater or less than \$10.00, the compensation expense will increase or decrease accordingly. We also reserve the right to have the employee stock ownership plan purchase more than 4.0% of the shares of common stock sold in the offering if necessary to complete the offering at the minimum of the offering range.

**Stock-Based Incentive Plan.** We also intend to implement a new stock-based incentive plan no earlier than six months after completion of the conversion. Stockholder approval of this plan will be required. The stock-based incentive plan may reserve a number of shares up to 2.0% of the shares of common stock sold in the offering, or up to 3,197,000 shares of common stock at the maximum of the offering range, for awards of restricted stock to key employees and directors, at no cost to the recipients, subject to adjustment as may be required by Office of Thrift Supervision regulations or policy to reflect restricted stock awards previously made by CFF. If the shares of common stock awarded under the stock-based incentive plan come from authorized but unissued shares of common stock, stockholders would experience dilution of up to approximately 1.39% in their ownership interest in Capitol Federal Financial, Inc. The stock-based incentive plan may also reserve a number of shares equal to up to 5.0% of the shares of common stock sold in the offering, or up to 7,992,500 shares of common stock at the maximum of the offering range, for issuance pursuant to grants of stock options to key employees and directors, subject to adjustment as may be required by Office of Thrift Supervision regulations or policy to reflect stock options previously granted by CFF. If the shares of common stock issued upon the exercise of options come from authorized but unissued shares of common stock, stockholders would experience dilution of up to 3.41% in their ownership interest in Capitol Federal Financial, Inc. Restricted stock awards and stock option grants made pursuant to a plan implemented within twelve months following the completion of the conversion and the offering would be subject to Office of Thrift Supervision regulations, including a requirement that stock awards and stock options vest over a period of not less than five years. If the stock-based incentive plan is adopted more than one year after the completion of the conversion, awards of restricted stock or grants of stock options under the plan would not be subject to regulatory vesting requirements. We intend to fund the stock-based incentive plan through open market purchases rather than through the issuance of authorized but unissued shares of common stock, subject to future market conditions and regulatory limitations described below. For a description of our current stock-based incentive plans, see “Management –



Compensation Discussion and Analysis” and Note 10 of the Notes to Consolidated Financial Statements.

The following table summarizes the number of shares of common stock and the aggregate dollar value of grants that are expected under the new stock-based incentive plan as a result of the conversion. The table also shows the dilution to stockholders if all such shares are issued from authorized but unissued shares, instead of shares purchased in the open market. A portion of the stock grants shown in the table below may be made to non-management employees.

	Number of Shares to be Granted or Purchased(1)				Value of Grants(2)		
	At Minimum of Offering Range	At Maximum of Offering Range	As a Percentage of Common Stock to be Sold in the Offering (Dollars in thousands)	Dilution Resulting From Issuance of Shares for Stock- Based Incentive Plans(3)	At Minimum of Offering Range	At Maximum of Offering Range	
Employee stock ownership plan	4,726,000	6,394,000	4.00	% N/A	\$47,260	\$63,940	
Restricted stock awards	2,363,000	3,197,000	2.00	1.39	% 23,630	31,970	
Stock options	5,907,500	7,992,500	5.00	3.41	% 9,925	13,427	
Total	12,996,500	17,583,500	11.00	% 4.71	% \$80,815	\$109,337	

(1) The table assumes that the stock-based incentive plan awards a number of options and restricted stock equal to 5.0% and 2.0% of the shares of common stock sold in the offering, respectively.

(2) The actual value of restricted stock awards will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value for stock awards is assumed to be the same as the offering price of \$10.00 per share. The fair value of stock options has been estimated at \$1.68 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of \$10.00; an expected option life of 10 years; a dividend yield of 3.0%; an interest rate of 2.97% and a volatility rate of 18.12%. The actual value of option grants will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used in the option pricing model ultimately adopted.

(3) Represents the dilution of stock ownership interest. No dilution is reflected for the employee stock ownership plan because these shares are assumed to be purchased in the offering.

We may fund our plans through open market purchases, as opposed to new issuances of common stock; however, if any options previously granted under our existing equity incentive plan are exercised during the first year following completion of the offering, they will be funded with newly issued shares since Office of Thrift Supervision regulations do not permit us to repurchase our shares during the first year following the completion of this offering except to fund the grants of restricted stock under the stock-based incentive plan or, with prior regulatory approval, under extraordinary circumstances. The Office of Thrift Supervision has previously advised that the exercise of outstanding options and cancellation of treasury shares in the conversion will not constitute an extraordinary circumstance or a compelling business purpose for satisfying this test.

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The following table presents information as of June 30, 2010 regarding our existing employee stock ownership plan, our existing equity incentive plan, our proposed employee stock ownership plan purchases and our proposed stock-based incentive plan. The table below assumes that 226,610,835 shares are outstanding after the offering, which includes the sale of 159,850,000 shares in the offering at the maximum of the offering range and the issuance of shares in exchange for shares of CFF common stock using an exchange ratio of 3.0627. It also assumes that the value of the stock is \$10.00 per share.

Existing and New Stock-Based Incentive Plans	Participants	Shares	Estimated Value of Shares	Percentage of	Shares Outstanding After the Conversion	
Existing employee stock ownership plan	Employees	7,397,538 (1)	73,975,384		3.26	%
New employee stock ownership plan	Employees	6,394,000	63,940,000		2.82	
Total employee stock ownership plan		13,791,538	137,915,384		6.08	
Existing shares of restricted stock	Directors, Officers and Employees	485,398 (2)	4,853,981 (3)		0.21	
New shares of restricted stock	Directors, Officers and Employees	3,197,000	31,970,000 (3)		1.41	
Total shares of restricted stock		3,682,398	36,823,981		1.62	
Existing stock options	Directors, Officers and Employees	3,855,492 (4)	6,477,227 (5)		1.70	
New stock options	Directors, Officers and Employees	7,992,500	13,427,400 (5)		3.53	
Total stock options		11,847,992	19,904,627		5.23	
Total of stock-based incentive plans		29,321,928	194,643,992		12.93	%

(1) As of June 30, 2010, CFF's existing employee stock ownership plan held 2,415,365 shares, of which 1,608,809 shares have been allocated.

(2) Represents shares of restricted stock authorized for grant under our existing equity incentive plan.

(3) The actual value of restricted stock awards will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value is assumed to be the same as the offering price of \$10.00 per share.

(4) Represents shares underlying options authorized for grant under our existing equity incentive plan.

(5) The fair value of stock options to be granted under the existing and new stock-based incentive plans has been estimated based on an index of publicly traded thrift institutions at \$1.68 per option using the Black-Scholes option pricing model with the following assumptions; exercise price, \$10.00; trading price on date of grant, \$10.00; dividend yield, 3.0%; expected life, 10 years; expected volatility, 18.12%; and interest rate, 2.97%.

The value of the restricted shares awarded under the stock-based incentive plan will be based on the market value of our common stock at the time the shares are awarded. The stock-based incentive plan is subject to stockholder

approval, and cannot be implemented until at least six months after completion of the offering. The following table presents the total value of all restricted stock that would be available for award and issuance under the new stock-based incentive plan, assuming the market price of our common stock ranges from \$8.00 per share to \$14.00 per share.

Share Price	Value of Grants		
	2,363,000 Shares Awarded at Minimum of Range	2,780,000 Shares Awarded at Midpoint of Range	3,197,000 Shares Awarded at Maximum of Range
\$ 8.00	\$ 18,904,000	\$ 22,240,000	\$ 25,576,000
10.00	23,630,000	27,800,000	31,970,000
12.00	28,356,000	33,360,000	38,364,000
14.00	33,082,000	38,920,000	44,758,000

The grant-date fair value of the options granted under the new stock-based incentive plan will be based in part on the price of shares of common stock of Capitol Federal Financial, Inc. at the time the options are granted. The value will also depend on the various assumptions used in the option pricing model ultimately adopted. The following table presents the total estimated value of the options to be available for grant under the stock-based incentive plan, assuming the market price and exercise price for the stock options are equal and the range of market prices for the shares is \$8.00 per share to \$14.00 per share.

Exercise Price	Option Value	Value of Grants		
		5,907,500 Options at Minimum of Range	6,950,000 Options at Midpoint of Range	7,992,500 Options at Maximum of Range
\$ 8.00	\$ 1.34	\$ 7,916,050	\$ 9,313,000	\$ 10,709,950
10.00	1.68	9,924,600	11,676,000	13,427,400
12.00	2.02	11,933,150	14,039,000	16,144,850
14.00	2.35	13,882,625	16,332,500	18,782,375

The tables presented above are provided for informational purposes only. Our shares of common stock may trade below \$10.00 per share. Before you make an investment decision, we urge you to read this entire prospectus carefully, including, but not limited to, the section entitled “Risk Factors” beginning on page [ ].

#### Limits on How Much Common Stock You May Purchase

The minimum number of shares of common stock that may be purchased in the offering is 25.

The maximum number of shares of common stock that may be purchased by any person is 5% of the common stock sold in the offering. If any of the following persons purchase shares of common stock, their purchases, in all categories of the offering combined, when aggregated with your purchases, cannot exceed 5% of the common stock sold in the offering (5,907,500 shares at the minimum of the offering range and 7,992,500 shares at the maximum of the offering range):

your spouse or relatives of you or your spouse living in your house;

companies, trusts or other entities in which you are a trustee, have a controlling beneficial interest or hold a senior position; or

other persons who may be your associates or persons acting in concert with you.

In addition to the above purchase limitations, there is an ownership limitation for stockholders other than our employee stock ownership plan. Shares of common stock that you purchase in the offering individually and together with persons described above, plus any shares you and they receive in exchange for existing shares of CFF common stock, may not exceed 5% of the total shares of common stock to be issued and outstanding after the completion of the conversion and offering.

Subject to Office of Thrift Supervision approval, we may increase or decrease the purchase and ownership limitations at any time. The maximum purchase limitation may be increased to 9.99%, provided that orders for Capitol Federal Financial, Inc. common stock exceeding 5% of the shares sold in the offering shall not exceed in the aggregate 10% of the total shares sold in the offering.

See the detailed description of purchase limitations and definitions of acting in concert and associate in “The Conversion and Offering — Additional Limitations on Common Stock Purchases.”

#### Steps We May Take if We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 118,150,000 shares of common stock in the community and/or syndicated offerings, we may take the following steps in order to issue the minimum number of shares of common stock in the offering range:

increase the purchase and ownership limitations; and/or

seek regulatory approval to extend the offering beyond [ ], 2011, provided that any such extension will require us to resolicit subscriptions received in the offering.

Alternatively, we may terminate the offering, return funds with interest and cancel deposit account withdrawal authorizations.

#### Conditions to Completion of the Conversion

The Office of Thrift Supervision has conditionally approved the plan of conversion and reorganization; however, this approval does not constitute a recommendation or endorsement of the plan of conversion and reorganization by that agency. We have also received member and stockholder approvals of the plan of conversion and reorganization and the cash contribution to the Capitol Federal Foundation.

We cannot complete the conversion unless:

We sell at least the minimum number of shares of common stock offered; and

We receive the final approval of the Office of Thrift Supervision to complete the conversion; however, this approval does not constitute a recommendation or endorsement of the plan of conversion and reorganization by that agency.

#### Market for the Common Stock

Shares of CFF common stock currently trade on the Nasdaq Global Select Market under the symbol CFFN. Upon completion of the conversion, the shares of common stock of Capitol Federal Financial, Inc. will replace CFF's existing shares. We expect that Capitol Federal Financial, Inc.'s shares of common stock will trade on the Nasdaq Global Select Market under the trading symbol CFFND for a period of 20 trading days following the completion of the offering. Thereafter, the trading symbol will revert to CFFN. In order to list our common stock on the Nasdaq Global Select Market, we are required to have at least three broker-dealers who will make a market in our common stock. CFF currently has 21 registered market makers. Persons purchasing shares of common stock in the offering may not be able to sell their shares at or above the \$10.00 price per share.

#### Our Contribution of Cash to the Capitol Federal Foundation

To further our commitment to the communities we serve and may serve in the future, we intend to contribute \$40.0 million in cash to the charitable foundation. As a result of the cash contribution, we expect to record an after-tax expense of approximately \$24.7 million during the quarter in which the conversion is completed. The Capitol Federal Foundation currently owns 1,462,287 shares of CFF common stock. Following completion of the offering and assuming closing at the midpoint of the valuation range, the foundation will own 3,894,362 shares, or 2.0% of the outstanding shares of Capitol Federal Financial, Inc. Pursuant to Office of Thrift Supervision regulations, all shares of CFF and Capitol Federal Financial Inc. common stock owned by the foundation must be voted on all matters requiring a vote of stockholders in the same ratio as all other shares of CFF or Capitol Federal Financial, Inc. are voted.

Under the Internal Revenue Code, a corporate entity is generally permitted to deduct up to 10% of its taxable income (taxable income before the charitable contributions deduction) in any one year for charitable contributions. Any contribution in excess of the 10% limit may generally be deducted for federal income tax purposes over the five years following the year in which the charitable contribution was made. Accordingly, a charitable contribution by a corporate entity to a charitable foundation could, if necessary, be deducted for federal income tax purposes over a six-year period. Our overall charitable contribution deduction could be limited if our future taxable income is



insufficient to allow for the full deduction within the 10% of taxable income limitation, which would result in an increase to income tax expense.

The Capitol Federal Foundation is governed by a board of trustees, which currently consists of John C. Dicus, the former Chairman of the Board of Capitol Federal Savings Bank and CFF, John B. Dicus, the Chairman, President and Chief Executive Officer of Capitol Federal Savings Bank and CFF, Rick C. Jackson, Executive Vice President and Chief Lending Officer of Capitol Federal Savings Bank and two individuals who are not affiliated with us. None of these individuals receive compensation for their service as a trustee of the charitable foundation. In addition, some of our employees serve as executive officers of the charitable foundation. None of these individuals receive compensation for their service as an executive officer of the charitable foundation.

The Capitol Federal Foundation will continue to support charitable causes and community development activities in the communities in which we operate or may operate. During the nine months ended June 30, 2010 and the years ended September 30, 2009 and 2008, the Capitol Federal Foundation made charitable contributions of \$2.9 million, \$3.8 million and \$3.7 million, respectively. The charitable foundation emphasizes grants and donations to four areas of focus: housing initiatives; education; United Way; and traditional community projects.

See “Risk Factors — The contribution to the charitable foundation will adversely affect net income,” “Risk Factors — Our contribution to the charitable foundation may not be tax deductible, which could reduce our profits” and “Capitol Federal Foundation.”

#### Tax Consequences

As a general matter, the conversion will not be a taxable transaction for federal or state income tax purposes to Capitol Federal Savings Bank MHC, CFF, Capitol Federal Savings Bank, Capitol Federal Financial, Inc., persons eligible to subscribe in the subscription offering or existing stockholders of CFF. The position stated above with respect to no tax consequences arising from the issuance or receipt of subscription rights is based upon a reasoned opinion by counsel that subscription rights do not have any ascertainable value at the time of receipt and is supported by the opinion of RP Financial LC. to the effect that the subscription rights have no value at the time of receipt or exercise. See “The Conversion and Offering – Material Income Tax Consequences.” Existing stockholders of CFF who receive cash in lieu of fractional share interests in shares of Capitol Federal Financial, Inc. common stock will recognize a gain or loss equal to the difference between the cash received and the tax basis of the fractional share.

#### Delivery of Stock Certificates

All shares of Capitol Federal Financial, Inc. common stock being sold will be in book entry form. Paper stock certificates will not be issued. Information regarding shares of common stock sold in the community offering will be mailed by regular mail to the persons entitled thereto at the certificate registration address noted on the stock order form, within five business days following completion of the conversion and offering.

#### Persons Who May Order Shares of Common Stock in the Community Offering

Previous Subscribers. If you subscribed for shares of our common stock in the initial subscription and community offering, your previous order has been canceled and is no longer effective. We have returned all subscription funds submitted by you and canceled any deposit account withdrawals that you authorized. You will not receive any shares of common stock unless you place a new order in this offering, but you are not required to place a new order in this offering.

Each person who subscribed for shares in the initial subscription and community offering is again being given the opportunity to subscribe for shares of common stock of Capitol Federal Financial, Inc. by submitting a Supplemental Order Form or Community Order Form, as applicable. Previous subscribers may order the same number of shares or may increase or decrease the amount subscribed for compared to their original orders, subject to the purchase

limitations in the plan of conversion and reorganization.

If you had priority rights to purchase shares under the terms of the plan of conversion and reorganization and originally placed an order in the subscription offering, you are receiving a Supplemental Order Form with this prospectus. Only eligible subscribers who subscribed for shares in the initial subscription offering have retained priority rights to purchase shares in this offering. For a description of these priority rights, see “The Conversion and Offering – Subscription Rights.” If you originally placed an order in the community offering you are receiving a Community Order Form with this prospectus. Please use this form if you wish to submit a new order in the community offering.

If you received a Supplemental Order Form with this prospectus, it reflects the stock registration that you requested on your original stock order form. If separate stock order forms were submitted for stock to be registered in separate titles, then you have received separate mailings. If you place an order on a Supplemental Order Form, you may not change the form of registration designated thereon. If you wish to order shares in any other registration(s), you may contact our Stock Information Center to request one or more Community Order Forms. Any resulting stock order will be considered an order placed by a new subscriber in the community offering.

**New Subscribers.** Depositors and borrowers who did not previously subscribe for shares may subscribe for shares at this time, and those orders will be considered to be received in the community offering. Members of the general public may also subscribe for shares in the community offering. Any orders by new subscribers must be placed on Community Order Forms. Orders received in the community offering will be subordinate to orders received from eligible subscribers on Supplemental Order Forms.

**Orders Irrevocable; Allocation.** Unless the number of shares of common stock to be offered is increased to more than 159,850,000 shares or decreased to fewer than 118,150,000 shares, or the offering is extended beyond [ ], 2011, purchasers will not have the opportunity to modify or cancel their stock orders once submitted. If the offering is extended beyond [ ], 2011, we will resolicit purchasers, and you will have the opportunity to maintain, change or cancel your order. If you do not provide us with a written indication of your intent, your order will be canceled and your funds will be returned to you, with interest and any deposit account withdrawal authorizations will be canceled. If there is a change in the offering range, we will promptly return all funds with interest, and all subscribers will be provided with updated information and given the opportunity to place a new order.

If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. Shares will be allocated in accordance with the plan of conversion and reorganization. A detailed description of share allocation procedures can be found in the section of this prospectus entitled “The Conversion and Offering.”

#### How You May Purchase Shares of Common Stock in the Community Offering

If you subscribed for shares in the initial subscription and community offering and you wish to purchase shares, please complete, sign and return the order form provided with this prospectus. If you did not previously submit an order but wish to subscribe for shares of common stock in the community offering, you must complete, sign and return a Community Order Form. Community Order Forms may be obtained by calling the Stock Information Center.

Your Supplemental Order Form or Community Order Form must be accompanied by full payment for the shares ordered. You may pay for your shares only by:

- (i) personal check, bank check or money order made payable directly to Capitol Federal Financial, Inc.; or
- (ii) authorizing us to withdraw funds from the Capitol Federal Savings Bank deposit accounts designated by you on the stock order form.

Capitol Federal Savings Bank is not permitted to lend funds to anyone for the purpose of purchasing shares of common stock in the offering. Additionally, you may not use a Capitol Federal Savings Bank line of credit check or any type of third party check or wire transfer to pay for shares of common stock. Please do not submit cash.

You may deliver your stock order form in one of three ways: by mail, using the stock order reply envelope provided; by overnight delivery to the Stock Information Center at the address indicated on the stock order form; or by hand-delivery to our Stock Information Center, which is located at 700 S. Kansas Avenue, Topeka, Kansas. Please do not deliver stock order forms to other Capitol Federal Savings Bank offices or mail stock order forms to Capitol

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Federal Savings Bank. Your order form and payment must be received by us (not postmarked) before 4:00 p.m., Central Time, on [ ], 2010, which is the end of the community offering period.

15

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Checks and money orders will be immediately deposited in a segregated account with Capitol Federal Savings Bank upon receipt. We will pay interest calculated at Capitol Federal Savings Bank's statement savings rate from the date funds are processed until completion of the conversion, at which time a subscriber will be issued a check for interest earned. On your stock order form, you may not authorize direct withdrawal from a Capitol Federal Savings Bank retirement account. If you wish to use funds in an individual or other retirement account to purchase shares of our common stock, please see "— Using Retirement Account Funds to Purchase Shares" below. You also may not designate on your stock order form a withdrawal from Capitol Federal Savings Bank accounts with check-writing privileges. Please provide a check instead.

Withdrawals from certificates of deposit to purchase shares of common stock in the offering may be made without incurring an early withdrawal penalty. If a withdrawal results in a certificate of deposit account with a balance less than the applicable minimum balance requirement, the certificate of deposit will be canceled at the time of withdrawal without penalty and the remaining balance will earn interest at the current statement savings rate subsequent to the withdrawal. All funds authorized for withdrawal from deposit accounts at Capitol Federal Savings Bank must be available in the accounts at the time the stock order is received. A hold will be placed on those funds when your stock order is received, making the designated funds unavailable to you during the offering period. Funds will not be withdrawn from an account until the completion of the conversion and offering and will earn interest within the account at the applicable deposit account rate until that time.

We are not required to accept copies or facsimiles of stock order forms. By signing the stock order form, you are acknowledging both the receipt of this prospectus and that the shares of common stock are not federally insured deposits or savings accounts or otherwise guaranteed by Capitol Federal Savings Bank, Capitol Federal Financial, Inc. or the federal or any state governments.

#### Using Retirement Account Funds to Purchase Shares

If you previously submitted an order through a self-directed retirement account, your refund has been provided to the custodian/trustee indicated on the original stock order form. We recommend that you contact your account representative at that firm immediately for guidance if you decide to submit a Supplemental Order Form for a stock purchase using your retirement account funds. Other persons interested in purchasing common stock using funds currently in an individual retirement account (IRA) or any other retirement account, whether held through Capitol Federal Savings Bank or elsewhere, should contact our Stock Information Center for guidance. Please contact the Stock Information Center as soon as possible, preferably at least two weeks prior to the [ ], 2010 offering deadline, because processing such transactions takes additional time, and whether such funds can be used may depend on limitations imposed by the institution where the funds are currently held. Due to timing constraints and the additional processing requirements of placing orders through custodians/trustees for retirement accounts, we cannot guarantee your ability to use such funds for your purchase of shares.

#### You May Not Sell or Transfer Your Subscription Rights

Office of Thrift Supervision regulations prohibit you from transferring your subscription rights. If you previously ordered shares of common stock in the subscription offering and wish to re-subscribe for shares, you will be required to state that you are purchasing the common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights. We intend to take legal action, including reporting persons to federal agencies, against anyone who we believe has sold or transferred his or her subscription rights. We will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. When registering your stock purchase on the Supplemental Order Form, you must register the stock in the same name as appearing on the original order form or your order will not retain any priority rights.

How You Can Obtain Additional Information — Stock Information Center

Our banking office personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the conversion or offering, please call or visit our Stock Information Center, located at 700 S. Kansas Avenue, Topeka, Kansas 66603. The Stock Information Center will be open Monday through Friday between 10:00 a.m. and 4:00 p.m., Central Time. The Stock Information Center will be closed weekends and bank holidays. The Stock Information Center's toll-free telephone number is 877-518-0123.

## RISK FACTORS

You should consider carefully the following risk factors in evaluating an investment in the shares of common stock. An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this prospectus. The value or market price of our common stock could decline due to any of these identified or other risks, and you could lose all or part of your investment.

### Risks Related to Our Business

The United States economy remains weak and unemployment levels are high. A prolonged economic downturn, especially one affecting our geographic market area, will adversely affect our business and financial results.

We are particularly exposed to downturns in the U.S. housing market. Dramatic declines in the housing market over the past two years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities, major commercial and investment banks and regional financial institutions such as Capitol Federal Savings Bank.

Capitol Federal Savings Bank's net loan charge-offs during fiscal years 2007, 2008 and 2009, and the nine months ended June 30, 2010 were \$27 thousand, \$441 thousand, \$2.0 million and \$2.5 million, respectively. Historically, Capitol Federal Savings Bank's net loan charge-offs have been low due to the low level of non-performing loans and the amount of equity in the properties collateralizing the related loans. During fiscal year 2009 and the nine months ended June 30, 2010, Capitol Federal Savings Bank recorded a provision for loan losses of \$6.4 million and \$8.1 million, respectively, compared to \$2.1 million in fiscal year 2008 and a recovery of \$225 thousand in fiscal year 2007. The increases in the provision for loan losses and net loan charge-offs were directly related to the increases in delinquent loans, non-performing loans, and losses on foreclosed property transactions; which were primarily a result of the decline in home prices, the economic recession and lingering negative economic conditions. The overall amount of the provision for loan losses and net loan charge-offs has not been significant to date because of Capitol Federal Savings Bank's traditional underwriting standards and the relative economic stability of the geographic areas in our primary lending areas.

Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. A worsening of these conditions, especially in our geographic market area, would likely exacerbate the adverse effects of these difficult market conditions on us and could result in a material decrease in our interest income and/or a material increase in our loan losses.

The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in the local economy.

We are currently one of the largest mortgage loan originators in the state of Kansas. Approximately 70% of our loan portfolio is comprised of loans secured by property located in Kansas, and approximately 15% is comprised of loans secured by property located in Missouri. This makes us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy such as inflation, unemployment, recession or other factors beyond our control could impact the ability of our borrowers to repay their loans, which could impact our net interest income. Decreases in local real estate values could adversely affect the value of the property used as collateral for our



loans, which could cause us to realize a loss in the event of a foreclosure. Currently there is not a single employer or industry in the area on which a significant number of our customers are dependent.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.

Our borrowers may not repay their loans in accordance with their terms, and, as a result of the declines in home prices, the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which could have a material adverse effect on our operating results. When determining the amount of the allowance for loan losses, we make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we rely on our loan quality reviews, our experience and our evaluation of economic conditions, among other factors. If our assumptions prove to be incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance which is maintained through provisions for loan losses. Material additions to our allowance would materially decrease our net income.

In order to utilize a portion of the proceeds raised in the conversion, Capitol Federal Savings Bank intends to increase the amount of one- to four-family loans purchased compared to its historical levels. Our policies currently require that we maintain a higher allowance for loan losses on loans we purchase as compared to the allowance maintained on those we originate. This is expected to result in an increase in the allowance for loan losses, through a provision for loan losses, which will have an adverse effect on net income.

Our allowance for loan losses at September 30, 2007, 2008, 2009 and June 30, 2010 was \$4.2 million, \$5.8 million, \$10.2 million and \$15.7 million, respectively. The increase in our allowance for loan losses has primarily been a result of a decline in the performance of some of our mortgage loans due to the economic recession, lingering negative economic conditions and the related collateral values not being sufficient to pay the outstanding loan balance due to the decline in home prices. Capitol Federal Savings Bank's non-performing loans at September 30, 2007, 2008 and 2009 and June 30, 2010 were \$7.4 million, \$13.7 million, \$30.9 million and \$33.2 million, respectively. Non-performing loans as a percentage of total loans at September 30, 2007, 2008 and 2009 and June 30, 2010 was 0.14%, 0.26%, 0.55% and 0.62%, respectively.

Changes in interest rates could have an adverse impact on our results of operations and financial condition.

Our results of operations are primarily dependent on net interest income, which is the difference between the interest earned on loans, mortgage-backed securities and investment securities, and the interest paid on deposits and borrowings. Changes in interest rates could have an adverse impact on our results of operations and financial condition because the majority of our interest-earning assets are long-term, fixed-rate loans, while the majority of our interest-bearing liabilities are shorter term, and therefore subject to a greater degree of interest rate fluctuation. This type of risk is known as interest rate risk, and is affected by prevailing economic and competitive conditions.

The impact of changes in interest rates on assets is generally observed on the balance sheet and income statement in later periods than the impact of changes on liabilities due to the duration of assets versus liabilities, and also to the time lag between our commitment to originate or purchase a loan and the time we fund the loan, during which time interest rates may change. Interest-bearing liabilities tend to reflect changes in interest rates closer to the time of market rate changes, so the difference in timing may have an adverse effect on our net interest income.

Changes in interest rates can also have an adverse effect on our financial condition, as our available for sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates. We increase or decrease our stockholders' equity, specifically accumulated other comprehensive income (loss), by the amount of change in the estimated fair value of the available for sale securities, net of deferred taxes. Decreases in the fair value of available for sale securities would, therefore, adversely impact our stockholders' equity. The balance of accumulated other comprehensive income (loss) at September 30, 2007, 2008, 2009 and June 30, 2010 was \$1.3 million, \$(6.0)

million, \$33.9 million and \$36.4 million, respectively.

Changes in interest rates, as they relate to customers, can also have an adverse impact on our financial condition and results of operations. In times of rising interest rates, default risk may increase among customers with adjustable rate loans as the rates on their loans adjust upward and their payments increase. Rising interest rate environments also entice customers with adjustable rate loans to refinance into fixed-rate loans, exposing Capitol Federal Savings Bank to additional interest rate risk. If the loan is refinanced externally, we could be unable to reinvest cash received from the resulting prepayments at rates comparable to existing loans, which subjects us to reinvestment risk. In decreasing interest rate environments, prepayments on loans and loans underlying mortgage-backed securities generally increase. Payments received will likely be reinvested at the prevailing (decreased) market rate which could adversely affect interest income and net interest income. An influx of prepayments can also result in an excess of liquidity, which could impact our net interest income if profitable reinvestment opportunities are not immediately available. Prepayment rates are based on demographics, local economic factors and seasonality, with the main factors affecting prepayment rates being prevailing interest rates and competition. Fluctuations in interest rates also affect customer demand for deposit products. Local competition for deposit dollars could affect our ability to attract deposits, or could result in us paying more for deposits.

Capitol Federal Savings Bank's one-year cumulative excess of interest-earning assets over interest-bearing liabilities as a percentage of assets at June 30, 2010 was 16.11% which signifies a positive gap position, meaning we have more interest-earning assets expected to reprice over the next 12 months than interest-bearing liabilities. In a rising rate environment, a positive gap position would tend to result in an increase in our net interest income. In a decreasing rate environment, a positive gap position would tend to result in a decrease in our net interest income. For additional information about interest rate risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risk."

Our strategies to modify our interest rate risk profile may be difficult to implement.

Our asset management strategies are designed to decrease our interest rate risk sensitivity. One such strategy is increasing the amount of adjustable-rate and/or short-term assets. We offer adjustable rate loan products and work with correspondent lenders to purchase adjustable rate loans as a means to achieve this strategy. However, lower interest rates would generally create a decrease in borrower demand for adjustable-rate assets, and adjustable-rate assets tend to refinance into fixed-rate loans when rates are low. Conventional mortgage loans may be sold on a bulk basis for portfolio restructuring or on a flow basis as loans are originated, which also subjects us to pricing risk in the secondary market. Additionally, we attempt to invest in shorter-term assets in the investment portfolio as a way to reduce our interest rate sensitivity.

We are also managing our liabilities to moderate our interest rate risk sensitivity. Customer demand has recently been primarily for short-term maturity certificates of deposit. Using short-term liabilities to fund long-term fixed-rate assets will generally increase the interest rate sensitivity of any financial institution. We are using our maturing Federal Home Loan Bank (FHLB) advances and repurchase agreements to mitigate the impact of the customer demand for long-term fixed-rate mortgages in our local markets by lengthening the maturities of these advances and repurchase agreements, depending on the liquidity or investment opportunities at the time we undertake additional FHLB advances or repurchase agreements. In fiscal year 2009, we prepaid \$875.0 million of FHLB advances to decrease the interest rate and extend the maturities of the advances. FHLB advances and repurchase agreements will be entered into as liquidity is needed or to fund the purchase of assets that provide for spreads at levels acceptable to management.

If we are unable to originate or purchase adjustable-rate assets at favorable rates or fund loan originations or securities purchases with long-term funding, we may have difficulty executing this asset management strategy and/or it may result in a reduction in profitability.

We may have unanticipated credit risk in our investment and mortgage-backed securities portfolio.

At June 30, 2010, \$2.82 billion, or 33.1% of our assets, consisted of investment and mortgage-backed securities, most of which were issued by, or have principal and interest payments guaranteed by, the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC).

On September 7, 2008, the Federal Housing Finance Agency placed FNMA and FHLMC into federal conservatorship. Although the federal government has committed substantial capital to FNMA and FHLMC, if the financial support is inadequate, or if additional support is not provided when needed, these companies could continue to suffer losses and could fail to honor their guarantees and other obligations. The U.S. Treasury Secretary has suggested that the guarantee payment structure of FNMA and FHLMC should be re-examined. The future roles of FNMA and FHLMC could be significantly reduced and the nature of their guarantees could be eliminated or considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by FNMA and FHLMC could have a significant adverse affect on the market value and cash flows of the investment and mortgage-backed securities we hold, resulting in substantial losses.

Passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act will increase our operational and compliance costs.

On July 21, 2010, the President of the United States signed The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. Capitol Federal Savings Bank’s primary federal regulator, the Office of Thrift Supervision, will be eliminated and existing federal thrifts will be subject to regulation and supervision by the Office of the Comptroller of the Currency, which supervises and regulates all national banks. Existing savings and loan holding companies will be subject to regulation and supervision by the Federal Reserve Board (“FRB”). The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

The Dodd-Frank Act creates a new Consumer Financial Protection Bureau (“CFPB”) with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. The CFPB has examination and enforcement authority over all banks with more than \$10 billion in assets. Banks with \$10 billion or less in assets will continue to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws.

The Dodd-Frank Act requires minimum leverage (Tier 1) and risk-based capital requirements for savings and loan holding companies (effective in five years) and bank holding companies that are no less stringent than those applicable to banks, which will limit our ability to borrow at the holding company level and invest the proceeds from such borrowings as capital in Capitol Federal Savings Bank, and will exclude certain instruments that previously have been eligible for inclusion by bank holding companies as Tier 1 capital, such as trust preferred securities.

A provision of the Dodd-Frank Act, which will become effective one year after enactment, eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest-bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on our interest expense.

The Dodd-Frank Act also broadens the base for FDIC deposit insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution, rather than deposits. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250 thousand per depositor, retroactive to January 1, 2008, and non-interest-bearing transaction accounts have unlimited deposit insurance through December 31, 2012. The legislation also increases the required minimum reserve ratio for the Deposit Insurance Fund, from 1.15% to 1.35% of insured deposits, and directs the FDIC to offset the effects of increased assessments on depository institutions with less than \$10 billion in assets.

The Dodd-Frank Act will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company’s proxy materials. The legislation also directs the FRB to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.



It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on community banks. However, it is expected that at a minimum they will increase our operating and compliance costs and could increase our interest expense.

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and our income.

We are subject to extensive regulation, supervision and examination by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify assets, determine the adequacy of a bank's allowance for loan losses and determine the level of deposit insurance premiums assessed. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. Any change in these regulations and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material impact on our operations.

In response to the financial crisis, Congress has taken actions that are intended to strengthen confidence and encourage liquidity in financial institutions, and the Federal Deposit Insurance Corporation has taken actions to increase insurance coverage on deposit accounts. In addition, there have been proposals made by members of Congress and others that would reduce the amount delinquent borrowers are otherwise contractually obligated to pay under their mortgage loans and limit an institution's ability to foreclose on mortgage collateral. A number of the largest mortgage lenders in the United States have voluntarily suspended all foreclosures due to document verification deficiencies.

The potential exists for additional federal or state laws and regulations, or changes in policy, affecting lending and funding practices and liquidity standards. Moreover, bank regulatory agencies have been active in responding to concerns and trends identified in examinations, and have issued many formal enforcement orders requiring capital ratios in excess of regulatory requirements. Bank regulatory agencies, such as the Office of Thrift Supervision and the Federal Deposit Insurance Corporation, govern the activities in which we may engage, primarily for the protection of depositors, and not for the protection or benefit of potential investors. In addition, new laws and regulations may increase our costs of regulatory compliance and of doing business, and otherwise affect our operations. New laws and regulations may significantly affect the markets in which we do business, the markets for and value of our loans and investments, the fees we can charge and our ongoing operations, costs and profitability.

Higher Federal Deposit Insurance Corporation insurance premiums and special assessments will adversely affect our earnings.

In 2009, the Federal Deposit Insurance Corporation levied a five basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. We recorded an expense of \$3.8 million during the quarter ended June 30, 2009, to reflect the special assessment. In addition, the Federal Deposit Insurance Corporation increased the base assessment rate by 7 basis points effective January 1, 2009, and effective April 1, 2009, included additional factors to be used in calculating a financial institution's total assessment rate. This has resulted in our annual assessment rate increasing from 5 basis points prior to January 1, 2009 to a current rate of approximately 16 basis points and, therefore, our Federal Deposit Insurance Corporation insurance premium expense increasing compared to prior periods.

The Federal Deposit Insurance Corporation also required all insured institutions to prepay their estimated assessments for the fourth quarter of calendar year 2009, and for all of calendar years 2010, 2011 and 2012. This pre-payment was due on December 30, 2009. The assessment rate for the fourth quarter of calendar year 2009 and for calendar year 2010 was based on each institution's total base assessment rate for the third quarter of calendar year 2009, modified to



assume that the assessment rate in effect on September 30, 2009 had been in effect for the entire calendar year third quarter, and the assessment rate for calendar years 2011 and 2012 was calculated as the modified third quarter assessment rate plus an additional three basis points. In addition, every institution's base assessment rate for each period was calculated using its third quarter assessment base, adjusted quarterly for an estimated 5% annual growth rate in the assessment base through the end of calendar year 2012. We recorded the pre-payment as a prepaid expense, which will be amortized to expense over three years based upon actual balances insured. Our prepayment amount for calendar years 2010, 2011 and 2012 was \$25.7 million. Future increases in our assessment rate or special assessments would decrease our earnings.

Strong competition may limit growth and profitability.

While we are one of the largest mortgage loan originators in the state of Kansas, we compete in the same market areas as local, regional, and national banks, credit unions, mortgage brokerage firms, investment banking firms, investment brokerage firms and savings institutions. We must also compete with online investment and mortgage brokerages and online banks that are not confined to any specific market area. Many of these competitors operate on a national or regional level, are a conglomerate of various financial services housed under one corporation, or otherwise have substantially greater financial or technological resources than Capitol Federal Savings Bank. We compete primarily on the basis of the interest rates offered to depositors and the terms of loans offered to borrowers. Should we face competitive pressure to increase deposit rates or decrease loan rates, our net interest income could be adversely affected. Additionally, our competitors may offer products and services that we do not or cannot provide, as certain deposit and loan products fall outside of our accepted level of risk. Our profitability depends upon our ability to compete in our local market areas.

#### Risks Related to the Offering

We have broad discretion to deploy our net proceeds and our failure to effectively deploy the net proceeds may have an adverse impact on our financial performance and the value of our common stock.

Capitol Federal Financial, Inc. intends to contribute between \$565.7 million and \$766.4 million of the net proceeds of the offering to Capitol Federal Savings Bank. Capitol Federal Financial, Inc. may use the remaining net proceeds to purchase investment securities, repurchase shares of common stock, pay dividends or for other general corporate purposes. Capitol Federal Financial, Inc. also expects to use a portion of the net proceeds it retains to fund a loan for the purchase of shares of common stock in the offering by the employee stock ownership plan, to fund the cash contribution to the charitable foundation and to repay outstanding debentures. Capitol Federal Savings Bank may use the net proceeds it receives to fund new loans, purchase investment securities, increase the volume of purchased loans, acquire financial institutions or financial services companies, build new branches or acquire branches, repay debt or for other general corporate purposes. Capitol Federal Savings Bank intends to increase the amount of one- to four-family loans purchased compared to its historical levels. If additional volumes of one- to four-family loans meeting our underwriting criteria are not available for purchase at acceptable prices, these funds will be used to purchase mortgage backed securities (MBS) and other investment securities, which may generate a lower yield.

With the exception of the loan to the employee stock ownership plan, the cash contribution to the charitable foundation and the repayment of outstanding debentures, we have not allocated specific amounts of the net proceeds for any of these purposes, and we will have significant flexibility in determining the amount of the net proceeds we apply to different uses and the timing of such applications. We have not established a timetable for reinvesting the net proceeds, and we cannot predict how long reinvesting the net proceeds will require.

The future price of the shares of common stock may be less than the \$10.00 purchase price per share in the offering.

If you purchase shares of common stock in the offering, you may not be able to sell them later at or above the \$10.00 purchase price in the offering. In several cases, shares of common stock issued by newly converted savings institutions or mutual holding companies have traded below the initial offering price. The aggregate purchase price of the shares of common stock sold in the offering will be based on an independent appraisal. The independent appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The independent appraisal is based on certain estimates, assumptions and projections, all of which are subject to change from time to time. After our shares begin trading, the trading price of our common stock will be determined by the marketplace, and may be influenced by many factors, including prevailing interest rates, the overall performance of the economy, investor perceptions of Capitol Federal Financial, Inc. and the outlook for the

financial services industry in general. Price fluctuations may be unrelated to the operating performance of particular companies.

You may not revoke your decision to purchase Capitol Federal Financial, Inc. common stock in the offering after you send us your subscription.

Funds submitted or automatic withdrawals authorized in the connection with a purchase of shares of common stock in the offering will be held by us until the completion or termination of the conversion and offering, including any extension of the expiration date. Because completion of the conversion and offering will be subject to regulatory approvals and a reconfirmation of the independent appraisal prepared by RP Financial, LC., among other factors, there may be one or more delays in the completion of the conversion and offering. Orders submitted in the offering are irrevocable, and subscribers will have no access to subscription funds unless the offering is terminated, or extended beyond [ ], 2011, or the number of shares to be sold in the offering is increased to more than 159,850,000 shares or decreased to less than 118,150,000 shares.

Our return on equity initially will be low compared to our historical performance. A lower return on equity may negatively impact the trading price of our common stock.

Net income divided by average stockholders' equity, known as return on average equity, is a ratio many investors use to compare the performance of a financial institution to its peers. Our return on average equity ratio, annualized, for the nine months ended June 30, 2010 was 7.33% compared to an average return on equity of 0.33 % based on trailing twelve-month earnings for all publicly traded fully converted savings institutions as of June 30, 2010. Although we expect that our net income will increase following the offering, our return on average equity may decrease as a result of the additional capital that we will raise in the offering. For example, our pro forma return on equity for the nine months ended June 30, 2010 was 3.27 % assuming the sale of shares at the maximum of the offering range. Over time, we intend to use the net proceeds from the offering to increase earnings per share and book value per share, without assuming undue risk, with the goal of achieving a return on equity that is comparable to our historical performance. This goal may take a number of years to achieve, and we may never achieve it. Consequently, you should not expect a return on equity similar to our current return on equity in the near future. Failure to achieve a competitive return on equity may make an investment in our common stock unattractive to some investors and may cause our common stock to trade at lower prices than comparable companies with higher returns on equity. See "Pro Forma Data" for an illustration of the financial impact of the offering.

The ownership interest of management and employees could enable insiders to make more difficult a merger that may provide stockholders a premium for their shares.

The shares of common stock that our directors and officers intend to purchase in the offering, when combined with the shares that they will receive in exchange for their existing shares of CFF common stock, are expected to result in management and the board controlling approximately 2.7% of our outstanding shares of common stock at the midpoint of the offering range. In addition, our employee stock ownership plan is expected to own [ ]% of the shares of common stock outstanding upon completion of the conversion and offering. Additional stock options and shares of common stock also would be granted to our directors and employees if a stock-based incentive plan is adopted in the future. This would result in management and employees controlling a significant percentage of our shares of common stock. If these individuals were to act together, they could have influence over the outcome of any stockholder vote. This voting power may discourage a potential sale of Capitol Federal Financial, Inc. that our stockholders may desire.

The implementation of the stock-based incentive plan may dilute your ownership interest.

We intend to adopt a new stock-based incentive plan following the offering, subject to receipt of stockholder approval. This stock-based incentive plan may be funded either through open market purchases or from the issuance of authorized but unissued shares of common stock of Capitol Federal Financial, Inc. While our intention is to fund

this plan through open market purchases, stockholders would experience a [ ]% reduction in ownership interest at the maximum of the offering range in the event newly issued shares of our common stock are used to fund stock options and shares of restricted common stock under the plan in an amount equal to 5.0% and 2.0%, respectively, of the shares sold in the offering.

The implementation of the stock-based benefit plan will be subject to stockholder approval. Historically, the overwhelming majority of stock-based benefit plans adopted by savings institutions and their holding companies following mutual-to-stock conversions have been approved by stockholders.

Additional expenses following the conversion from the compensation and benefit expenses associated with the implementation of the new stock-based incentive benefit plan will adversely affect our profitability.

We intend to adopt a new stock-based incentive plan after the offering, subject to stockholder approval, pursuant to which plan participants would be awarded restricted shares of our common stock (at no cost to them) and options to purchase shares of our common stock.

Following the offering, our non-interest expenses are likely to increase as we will recognize additional annual employee compensation and benefit expenses related to the shares granted to employees and executives under our stock-based incentive plan. The actual amount of these new stock-related compensation and benefit expenses is subject to applicable accounting practices which require that expenses be based on the fair market value of the shares of common stock at specific points in the future; however, we expect them to be material. In addition, we will recognize expense for our employee stock ownership plan when shares are committed to be released to participants' accounts (i.e., as the loan used to acquire these shares is repaid), and we will recognize expense for restricted stock awards and stock options over the vesting period of awards made to recipients. The expense in the first year following the offering has been estimated to be approximately \$ 11.2 million (\$ 7.7 million after tax), assuming all restricted shares are awarded and all options are granted under the plan, at the maximum of the offering range as set forth in the pro forma financial information under "Pro Forma Data," assuming the \$10.00 per share purchase price as fair market value. Actual expenses, however, may be higher or lower, depending on the price of our common stock and the actual number of restricted shares awarded or options granted. For further discussion of our proposed stock-based plans, see "Management — Compensation Discussion and Analysis" and "Note 10 of the Notes to Consolidated Financial Statements."

The contribution to the charitable foundation will adversely affect net income.

We intend to contribute \$40 million in cash to the Capitol Federal Foundation in connection with the conversion. The contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution to the charitable foundation. The after-tax expense of the contribution will reduce net income by approximately \$24.7 million. We had net income of \$52.4 million for the nine months ended June 30, 2010 and \$66.3 million for the year ended September 30, 2009, respectively.

Various factors may make takeover attempts more difficult to achieve.

Our Board of Directors has no current intention to sell control of Capitol Federal Financial, Inc. Provisions of our articles of incorporation and bylaws, federal regulations, Maryland law and various other factors may make it more difficult for companies or persons to acquire control of Capitol Federal Financial, Inc. without the consent of our Board of Directors. You may want a takeover attempt to succeed because, for example, a potential acquiror could offer a premium over the then prevailing price of our common stock. The factors that may discourage takeover attempts or make them more difficult include:

Office of Thrift Supervision Regulations. Office of Thrift Supervision regulations prohibit, for three years following the completion of a conversion, the direct or indirect acquisition of more than 10% of any class of equity security of a savings institution or holding company regulated by the Office of Thrift Supervision without the prior approval of the Office of Thrift Supervision.



Articles of incorporation and statutory provisions. Provisions of the articles of incorporation and bylaws of Capitol Federal Financial, Inc. and Maryland law may make it more difficult and expensive to pursue a takeover attempt that management opposes, even if the takeover is favored by a majority of our stockholders. These provisions also would make it more difficult to remove our current Board of Directors or management, or to elect new directors. Specifically, under our articles of incorporation, any person who acquires more than 10% of the common stock of Capitol Federal Financial, Inc. without the prior approval of its Board of Directors would be prohibited from engaging in any type of business combination with Capitol Federal Financial, Inc. unless such business combination was approved by a super-majority stockholder vote or met minimum price requirements. Additional provisions include limitations on voting rights of beneficial owners of more than 10% of our common stock, the election of directors to staggered terms of three years and not permitting cumulative voting in the election of directors. Our bylaws also contain provisions regarding the timing and content of stockholder proposals and nominations and qualification for service on the Board of Directors.

Charter of Capitol Federal Savings Bank. The charter of Capitol Federal Savings Bank provides that for a period of five years from the closing of the conversion and offering, no person other than Capitol Federal Financial, Inc. may offer directly or indirectly to acquire the beneficial ownership of more than 10% of any class of equity security of Capitol Federal Savings Bank. This provision does not apply to any tax-qualified employee benefit plan of Capitol Federal Savings Bank or Capitol Federal Financial, Inc. or to an underwriter or member of an underwriting or selling group involving the public sale or resale of securities of Capitol Federal Financial, Inc. or any of its subsidiaries, so long as after the sale or resale, no underwriter or member of the selling group is a beneficial owner, directly or indirectly, of more than 10% of any class of equity securities of Capitol Federal Savings Bank. In addition, during this five-year period, all shares owned over the 10% limit may not be voted on any matter submitted to stockholders for a vote.

Issuance of stock options and restricted stock. We also intend to issue stock options and shares of restricted stock to key employees and directors that will require payments to these persons in the event of a change in control of Capitol Federal Financial, Inc. These payments may have the effect of increasing the costs of acquiring Capitol Federal Financial, Inc., thereby discouraging future takeover attempts.

Change in control severance agreements. Capitol Federal Financial, Inc. intends to enter into change in control severance agreements with its president and each of its four current executive vice presidents upon completion of the stock offering. These agreements may have the effect of increasing the costs of acquiring Capitol Federal Financial, Inc., thereby discouraging future takeover attempts.



## RECENT DEVELOPMENTS

The following tables set forth selected financial and other data of CFF at and for the dates indicated. The information at September 30, 2009 is derived in part from the audited consolidated financial statements of CFF that appear in this prospectus. The operations data for the two months and eleven months ended August 31, 2010 and 2009 and the balance sheet data at August 31, 2010 were not audited. However, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the unaudited periods have been made. The results of operations for the two months and eleven months ended August 31, 2010 are not necessarily indicative of the results of operations that may be expected for the entire fiscal year.

	At August 31, 2010	At June 30, 2010	At September 30, 2009
(Dollars in thousands, except per share amounts)			
Selected Balance Sheet Data:			
Total assets	\$ 8,590,047	\$ 8,543,357	\$ 8,403,680
Loans receivable, net	5,225,823	5,316,172	5,603,965
Investment securities:			
Available-for-sale (AFS)	56,459	56,601	234,784
Held-to-maturity (HTM)	1,228,952	1,146,463	245,920
Mortgage-backed securities (MBS):			
AFS	1,036,070	1,106,815	1,389,211
HTM	537,313	513,808	603,256
Capital stock of Federal Home Loan Bank (FHLB)	136,055	136,055	133,064
Deposits	4,381,972	4,373,844	4,228,609
Advances from FHLB	2,347,803	2,396,637	2,392,570
Other borrowings	693,609	713,609	713,609
Stockholders' equity	959,772	960,000	941,298
Book value per share	13.09	13.09	12.85

	For the Two Months Ended		For the Eleven Months Ended	
	August 31,		August 31,	
	2010	2009	2010	2009

(Dollars and share counts in thousands, except per share amounts)

## Selected Operations Data:

Total interest and dividend income	\$ 60,178	\$ 66,862	\$ 344,257	\$ 379,548
Total interest expense	33,134	38,162	188,789	217,846
Net interest and dividend income	27,044	28,700	155,468	161,702
Provision for loan losses	180	340	8,311	6,108
Net interest and dividend income after provision for loan losses	26,864	28,360	147,157	155,594
Retail fees and charges	2,932	3,229	16,549	16,500
Other income	2,021	1,355	15,825	9,933
Total other income	4,953	4,584	32,374	26,433
Total other expenses	15,323	14,874	81,796	85,506
Income before income tax expense	16,494	18,070	97,735	96,521
Income tax expense	5,931	6,651	34,779	35,642
Net income	\$ 10,563	\$ 11,419	\$ 62,956	\$ 60,879
Basic earnings per share	\$ 0.14	\$ 0.16	\$ 0.86	\$ 0.83
Average shares outstanding	73,325	73,226	73,265	73,137
Diluted earnings per share	\$ 0.14	\$ 0.16	\$ 0.86	\$ 0.83
Average diluted shares outstanding	73,333	73,268	73,284	73,204
Dividends paid per public share (1)	\$ 0.50	\$ 0.50	\$ 2.29	\$ 2.11

(footnotes begin on next page)

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Selected Performance and Financial Ratios and Other Data:	At or For the Two Months		At or For the Eleven	
	Ended August 31,		Months	
	2010	2009	2010	2009
<b>Performance Ratios:</b>				
Return on average assets (2)	0.74	% 0.82	% 0.81	% 0.81
Return on average equity (2)	6.56	7.34	7.19	7.30
Dividend payout ratio	99.37	91.51	76.88	72.39
Ratio of operating expense to average total assets (2)	1.08	1.07	1.06	1.14
Efficiency ratio(3)	47.89	44.69	43.55	45.45
Ratio of average interest-earning assets to average interest-bearing liabilities	1.11	x 1.12	x 1.11	x 1.12
<b>Interest rate spread information:</b>				
Average during period (2)	1.73	% 1.85	% 1.78	% 1.87
End of period	1.75	1.87	1.75	1.87
Net interest margin (2)	1.96	2.11	2.06	2.20
<b>Asset Quality Ratios:</b>				
Non-performing assets to total assets	0.47	0.45	0.47	0.45
Non-performing loans to total loans	0.60	0.55	0.60	0.55
Allowance for loan losses to non-performing loans	47.95	32.46	47.95	32.46
Allowance for loan losses to loans receivable, net	0.29	0.18	0.29	0.18
Net charge-offs during the period to average loans outstanding	0.02	0.01	0.06	0.03
<b>Capital Ratios:</b>				
Equity to total assets at end of period (4)	11.17	11.05	11.17	11.05
Average equity to average assets	11.31	11.17	11.30	11.08
<b>Other Data:</b>				
Number of traditional offices	35	33	35	33
Number of in-store offices(5)	10	9	10	9

(1) For all periods shown, Capitol Federal Savings Bank MHC, which owns a majority of the outstanding shares of CFF common stock, waived its right to receive dividends paid on CFF common stock with the exception of the \$0.50 per share dividend paid on 500,000 shares in February 2010. Public shares exclude shares held by Capitol Federal Savings Bank MHC, as well as unallocated shares held in the employee stock ownership plan.

(2) Annualized.

(3) Non-interest expense divided by net interest and dividend income plus non-interest income.

(4) CFF has no intangible assets.

(5) Capitol Federal Savings Bank opened its 11th in-store office in September, 2010.

Comparison of Financial Condition at August 31, 2010, and September 30, 2009

Assets. Total assets increased \$186.4 million from \$8.40 billion at September 30, 2009 to \$8.59 billion at August 31, 2010, due primarily to growth in the deposit portfolio which was used to fund investment security purchases.

Loans Receivable. The loans receivable portfolio decreased \$378.1 million from \$5.60 billion at September 30, 2009 to \$5.23 billion at August 31, 2010. The decrease in the portfolio was partially a result of the loan swap transaction that took place during the first quarter of fiscal year 2010, in which \$194.8 million of originated fixed-rate mortgage loans were swapped for mortgage-backed securities. The remaining decrease was due to principal repayments on loans exceeding originations, refinances, and purchases during the period. Mortgage origination volume, in general, has decreased from the prior year as the market demand for lending has been reduced. Additionally, Capitol Federal Savings Bank has been purchasing fewer loans under the our nationwide purchase loan program during fiscal year 2010 due to the lack of loans meeting our underwriting criteria from our existing relationships. Capitol Federal Savings Bank is working to expand the number of relationships from which it may buy loans in the future.

Loans 30-89 days delinquent decreased \$2.8 million from \$26.8 million at September 30, 2009 to \$24.0 million at August 31, 2010. Of the \$24.0 million at August 31, 2010, \$16.7 million were originated one- to four-family loans, \$6.3 million were purchased one- to four family loans and \$1.0 million were consumer loans. The percentage of 30-89 days delinquent loans to total loans was 0.46% and 0.48% at August 31, 2010 and September 30, 2009, respectively.

Non-performing loans increased \$400 thousand from \$30.9 million at September 30, 2009 to \$31.3 million at August 31, 2010. Of the \$31.3 million at August 31, 2010, \$19.1 million were purchased one- to four-family loans, \$11.8 million were originated one- to four-family loans and \$400 thousand were consumer loans. The percentage of non-performing loans to total loans was 0.60% and 0.55% at August 31, 2010 and September 30, 2009, respectively.

The allowance for loan losses to non-performing loans was 47.95% and 32.83% at August 31, 2010 and September 30, 2009, respectively. The allowance for loan losses to total loans, net was 0.28% and 0.18% at August 31, 2010 and September 30, 2009, respectively.

Mortgage-Backed Securities. The balance of mortgage-backed securities decreased \$419.1 million from \$1.99 billion at September 30, 2009 to \$1.57 billion at August 31, 2010. The decrease was a result of an increase in principal repayments which were reinvested in investment securities.

Investment Securities. Investment securities increased \$804.7 million from \$480.7 million at September 30, 2009 to \$1.29 billion at August 31, 2010. The increase was a result of purchases of \$1.41 billion, partially offset by maturities and calls.

Liabilities. Total liabilities increased \$167.9 million from \$7.46 billion at September 30, 2009 to \$7.63 billion at August 31, 2010, due primarily to an increase in deposits of \$153.4 million. The increase in deposits was primarily the result of increases in the money market and checking portfolios. During the first 11 months of fiscal year 2010, \$200.0 million of fixed-rate FHLB advances with a weighted average contractual rate of 4.63% were prepaid and replaced with \$200.0 million of fixed-rate FHLB advances with a weighted average contractual interest rate of 3.17% for a term of 84 months. Capitol Federal Savings Bank paid an \$875 thousand prepayment penalty to the FHLB. The prepayment penalty is being deferred as an adjustment to the carrying value of the new advances and will be recognized as expense over the life of the new advances, which effectively increased the interest rate on the new advances 7 basis points to 3.24%. Also during the first 11 months of fiscal year 2010, a maturing \$100.0 million FHLB advance with a contractual rate of 3.94% was renewed at a contractual rate of 3.23% for a term of 84 months.

Stockholders' Equity. Stockholders' equity increased \$18.5 million, from \$941.3 million at September 30, 2009 to \$959.8 million at August 31, 2010. The increase was primarily due to net income of \$63.0 million, partially offset by dividend payments of \$48.4 million during the period.

#### Comparison of Operating Results for the Eleven Months Ended August 31, 2010 and 2009

Net Income. Net income for the eleven months ended August 31, 2010 was \$63.0 million compared to \$60.9 million for the same period in the prior year. The \$2.1 million increase in net income between periods was a result of an increase in other income of \$6.0 million, a decrease in other expenses of \$3.7 million and a decrease in income tax expense of \$ 863 thousand, partially offset by a decrease in net interest income of \$6.2 million and an increase in the provision for loan losses of \$2.2 million.

The net interest margin decreased 14 basis points, from 2.20% for the eleven months ended August 31, 2009 to 2.06% for the eleven months ended August 31, 2010. The decrease in the net interest margin was due to an increase in the average balance of interest-earning assets at lower yields compared to the eleven months ended August 31, 2009, partially offset by a decrease in the average cost of interest-bearing liabilities.



**Interest and Dividend Income.** Total interest and dividend income for the eleven months ended August 31, 2010 was \$344.3 million compared to \$379.5 million for the eleven months ended August 31, 2009. The \$35.2 million decrease was primarily a result of decreases in interest income on mortgage-backed securities of \$24.1 million and loans receivable of \$21.2 million, partially offset by an increase in interest income on investment securities of \$9.3 million.

Interest income on loans receivable for the current eleven month period was \$259.6 million compared to \$280.8 million for the prior year period. The \$21.2 million decrease in interest income was a result of the 34 basis point decrease in the weighted average yield to 5.23% for the period and, to a lesser extent, a decrease of \$81.5 million in the average balance of the portfolio.

Interest income on mortgage-backed securities for the current eleven month period was \$66.7 million compared to \$90.8 million for the prior year period. The \$24.1 million decrease was a result of a \$398.2 million decrease in the average balance of the portfolio and a decrease of 45 basis points in the weighted average yield to 4.21% for the current eleven months.

Interest income on investment securities for the current eleven month period was \$14.1 million compared to \$4.8 million for the prior year period. The \$9.3 million increase was primarily a result of a \$645.1 million increase in the average balance, partially offset by a decrease in the average yield of 70 basis points to 1.80% for the current eleven month period.

**Interest Expense.** Interest expense decreased \$29.0 million to \$188.8 million for the current eleven month period from \$217.8 million for the prior year period. The decrease in interest expense was primarily due to a decrease in interest expense on deposits and FHLB advances.

Interest expense on deposits for the current eleven month period was \$73.4 million compared to \$92.7 million for the prior year period. The \$19.3 million decrease in interest expense on deposits was due to a decrease in the rates on the entire deposit portfolio, primarily the certificate of deposit and money market portfolios, due to the portfolios repricing to lower market rates. The decrease in interest expense was partially offset by a \$241.8 million increase in the average balance of the deposit portfolio, particularly the certificate of deposit and money market portfolios.

Interest expense on FHLB advances for the current eleven month period was \$89.6 million compared to \$98.4 million for the prior year period. The \$8.8 million decrease in interest expense on FHLB advances was a result of the refinance of \$875.0 million of FHLB advances during the second and third quarters of fiscal year 2009 and, to a lesser extent, a decrease in the average balance primarily due to maturing advances that were not renewed.

**Provision for Loan Losses.** The Bank recorded a provision for loan losses of \$8.3 million during the current eleven month period, compared to a provision of \$6.1 million for the eleven months ended August 31, 2009. The \$8.3 million provision for loan losses is composed of \$4.9 million related to the increase in certain loss factors in our general valuation allowance model, primarily on purchased loans, and \$3.4 million related to establishing or increasing specific valuation allowances, also primarily on purchased loans. The increase in certain loss factors in our general valuation allowance model reflects the risks inherent in our loan portfolio due to decreases in real estate values in certain geographic regions where the Bank has purchased loans, the continued elevated level of unemployment, the increase in non-performing loans and loan charge-offs, and specific valuation allowances, particularly related to our purchased loan portfolio. These factors contributed to the increase in the provision for loan losses in fiscal year 2010 and resulted in an increase in our ALLL.

**Other Income and Expense.** Total other income was \$32.4 million for the current eleven month period compared to \$26.4 million for the prior year period. The \$6.0 million increase was due primarily to the \$6.5 million gain on the sale of trading mortgage-backed securities in conjunction with the loan swap transaction during the December 31,

2009 quarter. In response to the amendments to Regulation E by the Federal Reserve Board, Capitol Federal Savings Bank made changes to its overdraft fee schedule and informed eligible accountholders of their options for handling these overdrafts. As a result of the new fee schedule and the number of customers who elected to opt-in or opt-out, Capitol Federal Savings Bank is estimating that its overdraft fee income will be reduced by approximately \$3.3 million annually. However, Capitol Federal Savings Bank is analyzing its deposit account fee structure and will likely make adjustments to certain deposit account products during fiscal year 2011 in an effort to mitigate this anticipated reduction.



Total other expenses for the eleven months ended August 31, 2010 were \$81.8 million, compared to \$85.5 million in the prior year period. The \$3.7 million decrease was due primarily to a decrease in other expenses, net of \$2.5 million and a decrease in advertising and promotional expense of \$937 thousand. The decrease in other expenses, net was largely related to an impairment and valuation allowance taken on the mortgage-servicing rights assets in the prior year period, compared to a recovery in the current period.

**Income Tax Expense.** Income tax expense for the current eleven month period was \$34.8 million compared to \$35.6 million for the prior year eleven month period. The effective tax rate for the eleven months ended August 31, 2010 was 35.6%, compared to 36.9% for the prior year eleven month period. The difference in the effective tax rate between periods was primarily a result of a net decrease in nondeductible amounts associated with the ESOP in the current fiscal year, a reduction of unrecognized tax benefits due to the lapse of the statute of limitations during the first quarter of fiscal year 2010 and an increase in tax credits related to our low income housing partnerships.

#### Comparison of Operating Results for the Two Months Ended August 31, 2010 and 2009

**Net Income.** Net income for the two months ended August 31, 2010 was \$10.6 million compared to \$11.4 million for the same period in the prior year. The net interest margin decreased 15 basis points from 2.11% for the two months ended August 31, 2009 to 1.96% for the August 31, 2010 period. The decrease in the net interest margin was due to an increase in the average balance of interest-earning assets at lower yields compared to the two months ended August 31, 2009, partially offset by a decrease in the average cost of interest-earning liabilities.

**Interest and Dividend Income.** Total interest and dividend income for the current two month period was \$60.2 million compared to \$66.9 million for the same period in the prior year. The \$6.7 million decrease was primarily a result of decreases in interest income on mortgage-backed securities of \$4.7 million and loans receivable of \$4.1 million, partially offset by an increase in interest income on investment securities of \$2.0 million.

Interest income on loans receivable for the current two month period was \$45.8 million compared to \$49.9 million for the same period in the prior year. The \$4.1 million decrease in interest income was due to a \$281.7 million decrease in the average balance of loans and a decrease of 18 basis points in the weighted average yield to 5.19% for the current two month period.

Interest income on mortgage-backed securities for the current two month period was \$10.4 million compared to \$15.1 million for the same period in the prior year. The \$4.7 million decrease was a result of a \$477.8 million decrease in the average balance of the investment securities and a decrease of 43 basis points in the weighted average yield to 4.03% for the current two month period.

Interest income on investment securities for the current two month period was \$3.2 million compared to \$1.2 million for the same period in the prior year. The \$2.0 million increase was primarily a result of an \$809.3 million increase in the average balance of investment securities, partially offset by a decrease in the average yield of investment securities of 27 basis points to 1.64% for the current two month period.

**Interest Expense.** Interest expense decreased \$5.1 million to \$33.1 million for the current two month period from \$38.2 million for the prior year period. The decrease in interest expense was primarily due to a decrease in interest expense on deposits and partially due to a decrease in interest expense on FHLB advances. Interest expense on deposits for the current two month period was \$12.4 million compared \$16.5 million for the prior year period. The \$4.1 million decrease in interest expense on deposits was due to a decrease in the rates on the entire deposit portfolio, primarily the certificates of deposit and money market portfolios, due to the portfolios repricing to lower market rates. The decrease in interest expense was partially offset by a \$161.5 million increase in the average balance of the deposit portfolio. Interest expense on FHLB advances for the two month period was \$16.1 million compared to \$16.9 million

for the same period in the prior year.

Provision for Loan Losses. The Bank recorded a provision for loan losses of \$180 thousand during the current two month period, compared to a provision of \$340 thousand for the same period in the prior year. The \$180 thousand provision for loan losses is primarily a result of increasing and establishing specific valuation allowances, primarily on purchased loans.

Other Income and Expense. Total other income was \$5.0 million for the current two month period compared to \$4.6 million for the prior year period. The \$369 thousand increase was due primarily to a \$609 thousand increase in net gain on loan sales, partially offset by a \$297 thousand decrease in retail fees and charges, primarily due to Regulation E. Total other expenses for the current two month period were \$15.3 million for the current two month period, compared to \$14.9 million for the same period in the prior year.

Income Tax Expense. Income tax expense for the current two month period was \$5.9 million compared to \$6.7 million for the same period in the prior year. The effective tax rate for the current two month period was 36.0%, compared to 36.8% for the same period in the prior year.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA  
OF  
CFF AND SUBSIDIARY

The summary financial information presented below is derived in part from the consolidated financial statements of CFF and its subsidiary. The information at September 30, 2009 and 2008 and for the years ended September 30, 2009, 2008 and 2007 is derived in part from the audited consolidated financial statements of CFF that appear in this prospectus. The information at September 30, 2007, 2006 and 2005, and for the years ended September 30, 2006 and 2005, is derived in part from audited consolidated financial statements that do not appear in this prospectus. The operations data for the nine months ended June 30, 2010 and 2009 and the balance sheet data at June 30, 2010 were not audited. However, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the unaudited periods have been made. The results of operations for the nine months ended June 30, 2010 are not necessarily indicative of the results of operations that may be expected for the entire fiscal year. The following information is only a summary and you should read it in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and notes thereto contained elsewhere in this prospectus.

Throughout this document, the average balances of our assets, liabilities and stockholders' equity and the related annualized yields and rates on our interest-earning assets and interest-bearing liabilities are calculated using the arithmetic mean of ending daily balances over the periods indicated, with the exception of fiscal years 2005 through 2007 where the average balances for non-interest earning assets, non-interest bearing liabilities, and stockholders' equity was calculated based upon month-end balances. We derived the average yields and rates by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods shown, except when noted.

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	At	At September 30,				
	June 30, 2010	2009	2008	2007	2006	2005
(Dollars in thousands, except per share amounts)						
Selected Balance Sheet Data:						
Total assets	8,543,357	5,603,965	5,320,780	5,290,071	5,221,117	5,464,130
Loans receivable, net	5,316,172	5,603,965	5,320,780	5,290,071	5,221,117	5,464,130
Investment securities:						
Available-for-sale (AFS)	56,601	234,784	49,586	102,424	189,480	--
Held-to-maturity (HTM)	1,146,463	245,920	92,773	421,744	240,000	430,499
Mortgage-backed securities (MBS):						
Trading	--	--	--	--	396,904	--
AFS	1,106,815	1,389,211	1,484,055	402,686	556,248	737,638
HTM	513,808	603,256	750,284	1,011,585	1,131,634	1,407,616
Capital stock of Federal Home Loan Bank (FHLB)	136,055	133,064	124,406	139,661	165,130	182,259
Deposits	4,373,844	4,228,609	3,923,883	3,922,782	3,900,431	3,960,297
Advances from FHLB	2,396,637	2,392,570	2,447,129	2,732,183	3,268,705	3,426,465
Other borrowings	713,609	713,609	713,581	53,524	53,467	53,410
Stockholders' equity	960,000	941,298	871,216	867,631	863,219	865,063
Book value per share	13.09	12.85	11.93	11.88	11.89	11.91

	Nine Months Ended			Year Ended September 30,			
	June 30, 2010	2009	2009	2008	2007	2006	2005
(Dollars and share counts in thousands, except per share amounts)							
Selected Operations Data:							
Total interest and dividend income	\$ 284,079	\$ 312,686	\$ 412,786	\$ 410,806	\$ 411,550	\$ 410,928	\$ 400,107
Total interest expense	155,655	179,684	236,144	276,638	305,110	283,905	244,201
Net interest and dividend income	128,424	133,002	176,642	134,168	106,440	127,023	155,906
Provision (recovery) for loan losses	8,131	5,768	6,391	2,051	(225 )	247	215
	120,293	127,234	170,251	132,117	106,665	126,776	155,691

Net interest and dividend income after provision (recovery) for loan losses							
Retail fees and charges	13,617	13,271	18,023	17,805	16,120	17,007	16,029
Other income	13,804	8,578	10,571	12,222	7,846	7,788	7,286
Total other income	27,421	21,849	28,594	30,027	23,966	24,795	23,315
Total other expenses	66,473	70,632	93,621	81,989	77,725	72,868	73,631
Income before income tax expense	81,241	78,451	105,224	80,155	52,906	78,703	105,375
Income tax expense	28,848	28,991	38,926	29,201	20,610	30,586	40,316
Net income	\$ 52,393	\$ 49,460	\$ 66,298	\$ 50,954	\$ 32,296	\$ 48,117	\$ 65,059
Basic earnings per share	\$ 0.72	\$ 0.68	\$ 0.91	\$ 0.70	\$ 0.44	\$ 0.66	\$ 0.90
Average shares outstanding	73,252	73,116	73,144	72,939	72,849	72,595	72,506
Diluted earnings per share	\$ 0.72	\$ 0.68	\$ 0.91	\$ 0.70	\$ 0.44	\$ 0.66	\$ 0.89
Average diluted shares outstanding	73,273	73,190	73,208	73,013	72,970	72,854	73,082
Dividends paid per public share (1)	\$ 1.79	\$ 1.61	\$ 2.11	\$ 2.00	\$ 2.09	\$ 2.30	\$ 2.00

(footnotes begin on next page)

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Selected Performance and Financial Ratios and Other Data:	At or For the Nine Months Ended June 30, 2010		2009		At or for the Year Ended September 30, 2008		2007		2006		2005	
	<b>Performance Ratios:</b>											
Return on average assets	0.83	%(2)	0.81	%	0.65	%	0.41	%	0.58	%	0.77	%
Return on average equity	7.33	(2)	7.27		5.86		3.72		5.58		7.62	
Dividend payout ratio	72.34		66.47		81.30		133.14		97.41		62.59	
Ratio of operating expense to average total assets	1.05	(2)	1.14		1.04		0.98		0.88		0.87	
Efficiency ratio(3)	42.65		45.62		49.93		59.60		48.03		41.19	
Ratio of average interest-earning assets to average interest-bearing liabilities	1.11	x	1.12	x	1.12	x	1.12	x	1.11	x	1.10	x
<b>Interest rate spread information:</b>												
Average during period	1.80	%(2)	1.86	%	1.35	%	0.93	%	1.19	%	1.59	%
End of period	1.82		1.89		1.70		0.89		1.07		1.46	
Net interest margin	2.09	(2)	2.20		1.75		1.36		1.57		1.87	
<b>Asset Quality Ratios:</b>												
Non-performing assets to total assets	0.47		0.46		0.23		0.12		0.10		0.08	
Non-performing loans to total loans	0.62		0.55		0.26		0.14		0.11		0.09	
Allowance for loan losses to non-performing loans	47.25		32.83		42.37		56.87		79.03		89.14	
Allowance for loan losses to loans receivable, net	0.29		0.18		0.11		0.08		0.08		0.08	
Net charge-offs during the period to average loans outstanding	0.05		0.04		*		*		*		*	
<b>Capital Ratios:</b>												
Equity to total assets at end of period (4)	11.24		11.20		10.82		11.30		10.53		10.29	
Average equity to average assets	11.29		11.08		11.05		10.91		10.47		10.05	

Regulatory Capital

Ratios of Bank:

Tangible equity	9.7	10.0	10.0	10.3	9.5	9.1
Tier 1 (core) capital	9.7	10.0	10.0	10.3	9.5	9.1
Tier 1 (core) risk-based capital	23.2	23.2	23.1	22.9	22.6	21.3
Total risk-based capital	23.5	23.3	23.0	22.8	22.5	21.3

Other Data:

Number of traditional offices	35	33	30	29	29	29
Number of in-store offices (5)	10	9	9	9	9	8

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(1) For all periods shown, Capitol Federal Savings Bank MHC, which owns a majority of the outstanding shares of CFF common stock, waived its right to receive dividends paid on CFF common stock with the exception of the \$0.50 per share dividend paid on 500,000 shares in February 2010 and 2005. Public shares exclude shares held by Capitol Federal Savings Bank MHC, as well as unallocated shares held in the employee stock ownership plan.

(2) Annualized.

(3) Non-interest expense divided by net interest and dividend income plus non-interest income.

(4) CFF has no intangible assets.

(5) Capital Federal Savings Bank opened its 11th in-store office in September, 2010.

\* Less than 0.01%

## FORWARD-LOOKING STATEMENTS

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

our ability to continue to maintain overhead costs at reasonable levels;

our ability to continue to originate a significant volume of one- to four-family mortgage loans in our market area;

our ability to acquire funds from or invest funds in wholesale or secondary markets;

the future earnings and capital levels of Capitol Federal Savings Bank, which could affect the ability of Capitol Federal Financial, Inc. to pay dividends in accordance with its dividend policies;

fluctuations in deposit flows, loan demand, and/or real estate values, which may adversely affect our business;

the credit risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;

results of examinations of Capitol Federal Savings Bank by its primary regulator, the Office of Thrift Supervision, including the possibility that the Office of Thrift Supervision may, among other things, require Capitol Federal Savings Bank to increase its allowance for loan losses;

the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations;

the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System;

the effects of, and changes in, foreign and military policies of the United States government;

inflation, interest rate, market and monetary fluctuations;

our ability to access cost-effective funding;

the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;

the willingness of users to substitute competitors' products and services for our products and services;

our success in gaining regulatory approval of our products and services and branching locations, when required;



the impact of changes in financial services laws and regulations, including laws concerning taxes, banking, securities and insurance and the impact of other governmental initiatives affecting the financial services industry;

implementing business initiatives may be more difficult or expensive than anticipated;

technological changes;

acquisitions and dispositions;

changes in consumer spending and saving habits;

our success at managing the risks involved in our business; and

delays in the consummation of the conversion and offering.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. See "Risk Factors" beginning on page [    ].

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we cannot determine what the actual net proceeds from the sale of the shares of common stock in the offering will be until the offering is completed, we anticipate that the aggregate net proceeds will be between \$1.13 billion and \$1.53 billion.

We intend to distribute the net proceeds from the stock offering as follows:

	Based Upon the Sale at \$10.00 Per Share of					
	118,150,000 Shares		139,000,000 Shares		159,850,000 Shares	
	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds
	(Dollars in thousands)					
Offering proceeds	\$ 1,181,500		\$ 1,390,000		\$ 1,598,500	
Less offering expenses	50,155		57,911		65,667	
Net offering proceeds	\$ 1,131,345	100.0 %	\$ 1,332,089	100.0 %	\$ 1,532,833	100.0 %
Distribution of net proceeds:						
To Capitol Federal Savings Bank	\$ 565,673	50.0 %	\$ 666,045	50.0 %	\$ 766,417	50.0 %
To fund the loan to employee stock ownership plan	47,260	4.2	55,600	4.2	63,940	4.2
To repay outstanding debentures	53,609	4.7	53,609	4.0	53,609	3.5
Cash contributed to foundation	40,000	3.5	40,000	3.0	40,000	2.6
Retained by Capitol Federal Financial, Inc.	\$ 424,803	37.6 %	\$ 516,835	38.8 %	\$ 608,867	39.7 %

Payments for shares of common stock made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will result in a reduction of Capitol Federal Savings Bank's deposits. The net proceeds may vary because total expenses relating to the offering may be more or less than our estimates. For example, our expenses would increase if a larger percentage of shares than we have assumed are sold in the syndicated offering rather than in the subscription and community offerings.

Capitol Federal Financial, Inc. Intends to Use the Proceeds it Retains From the Offering:

to pay cash dividends to stockholders;

to repurchase shares of our common stock for, among other things, the funding of our stock-based incentive plan;

to invest in securities;

to finance, where opportunities are presented, the acquisition of financial institutions or other financial service companies primarily in, or adjacent to, our market areas, although we do not currently have any understandings or agreements regarding any specific acquisition transaction; and

for other general corporate purposes.

As reflected in the table above, Capitol Federal Financial, Inc. also intends to fund a loan to the employee stock ownership plan to purchase shares of common stock in the offering, make a \$40.0 million cash contribution to the Capitol Federal Foundation and repay outstanding debentures totaling \$53.6 million. Initially, a substantial portion of the net proceeds will be invested in short-term investments and government agency backed mortgage-backed securities, as well as investment-grade debt obligations.

Under current Office of Thrift Supervision regulations, we may not repurchase shares of our common stock during the first year following the completion of the conversion, except to fund certain stock-based plans or, with prior regulatory approval, when extraordinary circumstances exist.

In analyzing acquisition opportunities, we will consider a number of factors, including potential stockholder value creation against other capital utilization strategies. Our primary focus will be institutions located within our current markets, as well as the surrounding states of Missouri, Oklahoma, Nebraska and Iowa. Within these geographies, we will target thrifts or banks with assets between \$200 million and \$4.0 billion located in markets with 50,000 residents or greater and institutions whose business models are similar to, or complement, our current business model. Within these same geographies, we will consider acquisitions of branches with core deposits, as well as FDIC acquisitions that we consider attractively structured, both from a franchise perspective and from a financial point of view.

The following strategic attributes will be focused on in determining the attractiveness of any opportunity: attractive market characteristics; core deposit makeup; capital base; similar or complementary asset makeup and product lines; similar or complementary social and cultural attributes; additive employee base; and an emphasis on growth through the enhancement of customer driven relationships. We will also consider: the credit risk, compliance risk and interest rate risk of any potential target; the pro forma capital impact of the acquisition on tangible common equity and regulatory ratios; the pro forma impact of the acquisition on our credit quality metrics; the impact of the acquisition on our tangible book value per share and earnings per share; the impact of the acquisition on our net interest margin; our blended funding costs and asset yields; and the pro forma impact of the transaction on our return metrics, including return on average equity, return on average assets and return on average common equity.

Capitol Federal Savings Bank Intends to Use the Net Proceeds it Receives From the Offering:

to increase our emphasis on loan purchases, subject to underwriting standards and availability;

to support internal growth through lending in the communities we serve;

to enhance existing products and services and support the development of new products and services by investing, for example, in technology to support growth and enhanced customer service;

to invest in securities;

to finance the acquisition of branches from other financial institutions or build or lease new branch facilities primarily in, or adjacent to, the State of Kansas although we do not currently have any agreements or understandings regarding any specific acquisition transaction; and

for other general corporate purposes.

Initially, a substantial portion of the net proceeds will be invested in short-term investments and government agency backed MBS, as well as investment-grade debt obligations. We also intend to purchase loan packages from nationwide lenders in the future that meet our underwriting standards for these types of loans. These standards include the full documentation of loans, owner-occupied properties only, combined loan-to-value ratios of 80% or less and credit scores of 700 or above. The maximum individual loan amount we will purchase is \$1.0 million. We intend to avoid market areas that have traditionally underperformed and will look to those areas where there has been a low incidence of non-performing loans. We intend to buy loans originated in or prior to 2004 or after June 2008. Purchased loans that are seasoned will be required to be current for the last twelve months. We intend to purchase adjustable-rate loans, interest-only adjustable-rate loans that have been amortizing for more than twelve months, fifteen-year fixed-rate loans and will consider the purchase of thirty-year fixed-rate loans to the extent we remain in compliance with board established interest rate risk limits.

We may also purchase newly originated loans from nationwide lenders on a flow basis, whereby we review and underwrite each loan as it is originated. The loans will be underwritten according to Capitol Federal Savings Bank's underwriting standards for these types of loans. These standards include the full documentation of loans, owner-occupied properties only, credit scores of 680 or above for loan amounts of \$417 thousand or less and 700 or above for loan amounts above \$417 thousand, and a maximum individual loan amount of \$1.0 million. Combined loan-to-value ratios on a purchase or rate/term refinance transaction are intended to be 95% or less and a cash out refinance transaction is intended to have a maximum loan-to-value ratio of 80%. Loans with a loan-to-value ratio greater than 80% will be required to have mortgage insurance. We intend to avoid market areas that have traditionally underperformed and will look to those areas where there has been a low incidence of non-performing loans. We intend to purchase adjustable-rate loans and fifteen-year fixed-rate loans and will consider the purchase of thirty-year fixed-rate loans to the extent we remain in compliance with board established interest rate risk limits.

The use of proceeds may change based on changes in interest rates, equity markets, laws and regulations affecting the financial services industry, our relative position in the financial services industry, the attractiveness of potential acquisitions and overall market conditions. Our business strategy for the deployment of the net proceeds raised in the offering is discussed in more detail in "The Conversion and Offering — Reasons for the Conversion and Offering."

Our return on equity may be relatively low unless and until we are able to effectively reinvest the additional capital raised in the offering, which may negatively affect the value of our common stock. See "Risk Factors — Our return on equity will initially be low compared to our historical performance. A lower return on equity may negatively impact

the trading price of our common stock.”

37

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## OUR POLICY REGARDING DIVIDENDS

CFF currently pays a quarterly cash dividend of \$0.50 per share. CFF also pays a special annual dividend equal to 25% of the annual net income of CFF in excess of the total amount of dividends paid in the four regular quarterly dividends for the fiscal year. Following completion of the conversion, we intend to seek regulatory approval to pay a one-time, special dividend of \$0.60 per share to all Capitol Federal Financial, Inc. stockholders. No assurances can be given as to whether or when such approval may be obtained. After the conversion, we also intend to continue to pay regular quarterly and special annual cash dividends each year. For the first two fiscal years we intend to pay 100% of our net income (exclusive of our contribution to the charitable foundation) in a combination of quarterly and special year-end dividends. It is currently anticipated that the quarterly dividend will be \$0.075 per share, or a 3.0% annualized yield based on the \$10.00 per share offering price. We expect that the timing of quarterly and year-end special dividend payments will be consistent with our current practice. The dividend rate and the continued payment of dividends also will depend on a number of factors, including our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurance can be given that we will continue to pay dividends or that they will not be reduced or eliminated in the future.

Under the rules of the Office of Thrift Supervision, Capitol Federal Savings Bank will not be permitted to pay dividends on its capital stock to Capitol Federal Financial, Inc., its sole stockholder, if Capitol Federal Savings Bank's stockholder's equity would be reduced below the amount of the liquidation account established in connection with the conversion. In addition, Capitol Federal Savings Bank will not be permitted to make a capital distribution if, after making the distribution, it would be undercapitalized. See "The Conversion and Offering — Liquidation Rights."

Capitol Federal Financial, Inc.'s ability to pay dividends will depend on net proceeds of the offering retained by us and earnings thereon, as well as dividends from Capitol Federal Savings Bank. Our payment of dividends will also be subject to state law limitations and the liquidation account established in connection with the conversion. Maryland law generally limits dividends to an amount equal to the excess of our capital surplus over payments that would be owed upon dissolution to stockholders whose preferential rights upon dissolution are superior to those receiving the dividend, and to an amount that would not make us insolvent.

Finally, pursuant to Office of Thrift Supervision regulations, during the three-year period following the conversion, we will not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

See "Selected Consolidated Financial and Other Data of CFF and Subsidiary" and "Market for the Common Stock" for information regarding our historical dividend payments.

## MARKET FOR THE COMMON STOCK

CFF's common stock currently trades on the Nasdaq Global Select Market under the symbol CFFN. Upon completion of the offering, the shares of common stock of Capitol Federal Financial, Inc. will replace CFF's shares of common stock. We expect that Capitol Federal Financial, Inc.'s shares of common stock will trade on the Nasdaq Global Select Market under the trading symbol CFFND for a period of 20 trading days following the completion of the offering. Thereafter, the trading symbol will revert to CFFN. In order to list our common stock on the Nasdaq Global Select Market, we are required to have at least three broker-dealers who will make a market in our common stock. CFF currently has 21 registered market makers.



The following table sets forth the high and low trading prices for shares of CFF common stock and cash dividends paid per share for the periods indicated. As of June 30, 2010, there were 20,991,605 shares of CFF common stock issued and outstanding (excluding shares held by Capitol Federal Savings Bank MHC).

	High	Low	Dividend Paid Per Share
Year Ending September 30, 2011			
First quarter (through October [    ], 2010)	[    ]	[    ]	[    ]
			Dividend Paid Per Share
Year Ending September 30, 2010	High	Low	
Fourth quarter	\$34.10	\$23.97	\$0.50
Third quarter	38.49	31.16	0.50
Second quarter	38.20	30.76	0.50
First quarter	33.36	28.19	0.79
			Dividend Paid Per Share
Year Ending September 30, 2009	High	Low	
Fourth quarter	\$39.29	\$30.24	\$0.50
Third quarter	44.93	34.91	0.50
Second quarter	45.77	33.02	0.50
First quarter	47.64	33.06	0.61
			Dividend Paid Per Share
Year Ending September 30, 2008	High	Low	
Fourth quarter	\$51.56	\$36.06	\$0.50
Third quarter	41.45	36.82	0.50
Second quarter	38.60	27.63	0.50
First quarter	36.09	30.47	0.50

On May 5, 2010, the business day immediately preceding the public announcement of the conversion, the closing price of CFF common stock as reported on the Nasdaq Global Select Market was \$37.08 per share. At [    ], 2010, the closing price of CFF's common stock was \$[    ], and there were approximately [    ] stockholders of record.

On the effective date of the conversion, all publicly held shares of CFF common stock, including shares held by our officers and directors, will be converted automatically into the right to receive a number of shares of Capitol Federal Financial, Inc. common stock determined pursuant to the exchange ratio. See "The Conversion and Offering — Share Exchange Ratio for Current Stockholders." The above table reflects actual prices and has not been adjusted to reflect the exchange ratio. Options to purchase shares of CFF common stock will be converted into options to purchase a number of shares of Capitol Federal Financial, Inc. common stock adjusted pursuant to the exchange ratio, for the same aggregate exercise price.



## HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE

At June 30, 2010, Capitol Federal Savings Bank exceeded all applicable regulatory capital requirements. The table below sets forth the historical equity capital and regulatory capital of Capitol Federal Savings Bank at June 30, 2010, and the pro forma regulatory capital of Capitol Federal Savings Bank, after giving effect to the sale of Capitol Federal Financial, Inc.'s shares of common stock at a \$10.00 per share purchase price. The table assumes the receipt by Capitol Federal Savings Bank of 50% of the net proceeds. See "How We Intend to Use the Proceeds from the Offering."

	Capitol Federal Savings Bank Historical at June 30, 2010		Pro Forma at June 30, 2010 Based Upon the Sale at \$10.00 Per Share						
	Amount	Percent of Assets(1)	118,150,000 Shares	139,000,000 Shares	159,850,000 Shares	Amount	Percent of Assets(1)	Amount	Percent of Assets(1)
Equity capital	\$861,481	10.06%	\$ 1,356,264	14.86%	\$ 1,444,126	15.65%	\$ 1,531,988	16.42%	
Core (leverage) capital(2)	\$824,550	9.70 %	\$ 1,319,333	14.55 %	\$ 1,407,195	15.35 %	\$ 1,495,057	16.13 %	
Core (leverage) requirement	425,131	5.00	453,414	5.00	458,433	5.00	463,451	5.00	
Excess	\$399,419	4.70 %	\$ 865,919	9.55 %	\$ 948,762	10.35 %	\$ 1,031,606	11.13 %	
Tier I risk-based capital(2)(3)	\$824,550	23.24%	\$ 1,319,333	36.03%	\$ 1,407,195	38.22%	\$ 1,495,057	40.39%	
Tier I requirement	212,907	6.00	219,695	6.00	220,899	6.00	222,104	6.00	
Excess	\$611,643	17.24%	\$ 1,099,638	30.03%	\$ 1,186,296	32.22%	\$ 1,272,953	34.39%	
Total risk-based capital(2)(3)	\$835,369	23.54%	\$ 1,330,152	36.33%	\$ 1,418,014	38.52%	\$ 1,505,876	40.68%	
Risk-based requirement	354,844	10.00	336,158	10.00	368,165	10.00	370,173	10.00	
Excess	\$480,525	13.54%	\$ 993,994	26.33%	\$ 1,049,849	28.52%	\$ 1,135,703	30.68%	
Reconciliation of capital infused into Capitol Federal Savings Bank:									
Net proceeds			\$ 565,673		\$ 666,045		\$ 766,417		
Less:									
Common stock acquired by employee stock ownership plan			(47,260 )		(55,600 )		(63,940 )		
Common stock acquired by stock based incentive plan			(23,630 )		(27,800 )		(31,970 )		
Pro forma increase in GAAP and regulatory capital(3)			\$494,783		\$582,645		\$670,507		

(1)Core capital levels are shown as a percentage of total adjusted assets. Risk-based capital levels are shown as a percentage of risk-weighted assets. Capital requirements of 5.0%, 6.0% and 10% for core (leverage), Tier I risk-based and Total risk-based capital reflect "well capitalized" status under prompt corrective action provisions.

(2)Pro forma capital levels assume that we fund the stock-based incentive plans with purchases in the open market equal to 2.0% of the shares of common stock sold in the stock offering at a price equal to the price for which the

shares of common stock are sold in the stock offering, and that the employee stock ownership plan purchases 4.0% of the shares of common stock sold in the stock offering with funds we lend. Pro forma GAAP and regulatory capital have been reduced by the amount required to fund both of these plans. See “Management” for a discussion of the stock-based benefit plan and employee stock ownership plan.

(3) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk weighting.

## CAPITALIZATION

The following table presents the historical consolidated capitalization of CFF at June 30, 2010 and the pro forma consolidated capitalization of Capitol Federal Financial, Inc. after giving effect to the offering, based upon the assumptions set forth in the "Pro Forma Data" section.

	CFF Historical at June 30, 2010	Capitol Federal Financial, Inc. \$10.00 Per Share Pro Forma Based on the Sale of		
		118,150,000 Shares	139,000,000 Shares	159,850,000 Shares
		(Dollars in thousands)		
Deposits(1)	\$4,373,844	\$4,373,584	\$4,373,584	\$4,373,584
Borrowed funds	3,056,637	3,056,637	3,056,637	3,056,637
Debentures	53,609	--	--	--
Total deposits and borrowed funds	\$7,484,090	\$7,430,221	\$7,430,221	\$7,430,221
Stockholders' equity:				
Preferred stock, \$0.01 par value, 100,000,000 shares authorized (post-conversion)(2)	\$--	\$--	\$--	\$--
Common stock \$0.01 par value, 1,400,000,000 shares authorized (post-conversion); shares to be issued as				
reflected(2)(3)	915	1,675	1,971	2,266
Paid-in capital(2)(3)	456,786	1,263,994	1,464,442	1,664,891
Retained earnings(4)	796,093	796,093	796,093	796,093
Accumulated other comprehensive				
income	36,433	36,433	36,433	36,433
Plus:				
Capitol Federal Savings Bank MHC capital contribution	--	289	289	289
Less:				
Treasury stock, at cost	(323,377 )	--	--	--
After-tax expense of contribution to charitable				
foundation(5)	--	(24,672 )	(24,672 )	(24,672 )
Common stock acquired by employee stock ownership plan (6)	(6,553 )	(53,813 )	(62,153 )	(70,493 )
Common stock acquired by the stock-based incentive plan(7)	(297 )	(23,927 )	(28,097 )	(32,267 )
Total stockholders' equity	\$960,000	\$1,996,072	\$2,184,306	\$2,372,540
Shares outstanding:				
Total shares				
outstanding	73,990,978	167,494,965	197,052,900	226,610,835
	--	49,344,965	58,052,900	66,760,835

Exchange shares issued								
Shares offered for sale	--		118,150,000		139,000,000		159,850,000	
Total stockholders' equity as a percentage of total assets	11.24	%	20.95	%	22.49	%	23.96	%

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- (1) Does not reflect withdrawals from deposit accounts for the purchase of shares of common stock in the offering. These withdrawals would reduce pro forma deposits by the amount of the withdrawals. On a pro forma basis, it also reflects a transfer to equity of \$289 thousand from Capitol Federal Savings Bank MHC consisting of deposits held at Capitol Federal Savings Bank, Capitol Federal Savings Bank MHC net operating expenses, and tax benefits held by Capitol Federal Savings Bank MHC.
- (2) CFF currently has 50,000,000 authorized shares of preferred stock and 450,000,000 authorized shares of common stock, par value \$0.01 per share. On a pro forma basis, Capitol Federal Financial, Inc. common stock and additional paid-in capital have been revised to reflect the number of shares of Capitol Federal Financial, Inc. common stock to be outstanding, which is 167,494,965 shares, 197,052,900 shares and 226,610,835 shares at the minimum, midpoint and maximum of the offering range, respectively.
- (3) No effect has been given to the issuance of additional shares of Capitol Federal Financial, Inc. common stock pursuant to stock options to be granted under a stock-based incentive plan. An amount up to 5.0% of the shares of Capitol Federal Financial, Inc. common stock sold in the offering may be reserved for issuance upon the exercise of options. No effect has been given to the exercise of options currently outstanding. See "Management - Benefits to be Considered Following Completion of the Conversion" and Note 10 of the Notes to Consolidated Financial Statements.

- (4) The retained earnings of Capitol Federal Savings Bank will be substantially restricted after the conversion. See “The Conversion and Offering - Liquidation Rights” and “Supervision and Regulation.”
- (5) Represents the expense of the contribution to the charitable foundation based on a 38.32% tax rate. The realization of the deferred tax benefit is limited annually to a maximum deduction for charitable contributions equal to 10% of our annual taxable income, subject to our ability to carry forward for federal or state purposes any unused portion of the deduction for the five years following the year in which the contribution is made.
- (6) Assumes that 4.0% of the shares sold in the offering will be acquired by the employee stock ownership plan financed by a loan from Capitol Federal Financial, Inc. The loan will have a term of 30 years and an interest rate equal to the prime rate as published in The Wall Street Journal, and will be repaid principally from Capitol Federal Savings Bank’s contributions to the employee stock ownership plan. Since Capitol Federal Financial, Inc. will finance the employee stock ownership plan debt, this debt will be eliminated through consolidation and no liability will be reflected on Capitol Federal Financial, Inc.’s consolidated financial statements. Accordingly, the amount of shares of common stock acquired by the employee stock ownership plan is shown in this table as a reduction of total stockholders’ equity.
- (7) Assumes at the minimum, midpoint and maximum of the offering range that a number of shares of common stock equal to 2.0% of the shares of common stock to be sold in the offering will be purchased by the stock-based incentive plan in open market purchases. The stock-based incentive plan will be submitted to a vote of stockholders following the completion of the offering. The funds to be used by the stock-based incentive plan to purchase the shares will be provided by Capitol Federal Financial, Inc. The dollar amount of common stock to be purchased is based on the \$10.00 per share offering price and represents unearned compensation. This amount does not reflect possible increases or decreases in the value of common stock relative to the price in the offering. As Capitol Federal Financial, Inc. accrues compensation expense to reflect the vesting of shares pursuant to the stock-based incentive plan, the credit to capital will be offset by a charge to operations. If the shares to fund the plan (restricted stock awards and stock options) are assumed to come from authorized but unissued shares of Capitol Federal Financial, Inc., the number of outstanding shares at the minimum, midpoint and maximum of the offering range would be 175,765,465, 206,782,900 and 237,800,335, respectively, total stockholders’ equity would be \$2.02 billion, \$2.21 billion and \$2.40 billion, respectively, and total stockholders’ ownership in Capitol Federal Financial, Inc. would be diluted by approximately 4.71% at the maximum of the offering range.

### PRO FORMA DATA

The following tables summarize historical data of CFF and pro forma data at and for the nine months ended June 30, 2010 and the year ended September 30, 2009. This information is based on assumptions set forth below and in the tables, and should not be used as a basis for projections of market value of the shares of common stock following the offering. Moreover, pro forma stockholders' equity per share does not give effect to the liquidation account to be established in the conversion or, in the unlikely event of a liquidation of Capitol Federal Savings Bank, the tax effect of the recapture of the bad debt reserve. See "The Conversion and Reorganization — Liquidation Rights."

The net proceeds in the tables are based upon the following assumptions:

- (i) 20% of all shares of common stock will be sold in the community offering, including shares purchased by insiders and the employee stock ownership plan, with the remaining shares to be sold in the syndicated offering;
- (ii) 164,500 shares of common stock will be purchased by our executive officers and directors and their associates;
- (iii) our employee stock ownership plan will purchase 4.0% of the shares of common stock sold in the offering, which will be funded with a loan from Capitol Federal Financial, Inc. The loan will be repaid in substantially equal payments of principal and interest over a period of 30 years;
- (iv) Sandler O'Neill & Partners, L.P. will receive a fee equal to 0.75% of the aggregate gross proceeds received on all shares of common stock sold in the community offering and Sandler O'Neill & Partners, L.P. and the co-managers will receive (a) a management fee of 1.00% of the aggregate dollar amount of the common stock sold in the syndicated offering and (b) a selling concession of 3.50% of the actual purchase price of each share of common stock sold in the syndicated offering. No fee will be paid with respect to shares of common stock purchased by our qualified and non-qualified employee stock benefit plans, or stock purchased by our officers, directors and employees and their immediate families; and
- (v) total expenses of the offering, excluding the marketing fees to be paid to Sandler O'Neill & Partners, L.P., the co-managers and other broker-dealers, are estimated to be \$6.2 million.

We calculated pro forma consolidated net income for the nine months ended June 30, 2010 and for the year ended September 30, 2009 as if the estimated net proceeds we received had been invested at the beginning of the period at an assumed interest rate of 1.79% (1.10% on an after-tax basis). This interest rate was calculated assuming that net proceeds are placed into a mix of assets yielding the 5-year Treasury yield prevailing as of June 30, 2010. We consider the resulting rate to reflect more accurately the pro forma reinvestment rate than an arithmetic average method in light of current market interest rates.

The pro forma tables give effect to the implementation of a new stock-based incentive plan. Subject to the receipt of stockholder approval, we have assumed that the stock-based incentive plan will acquire for restricted stock awards a number of shares of common stock equal to 2.0% of the shares of common stock sold in the stock offering at the same price for which they were sold in the stock offering. We assumed that all of the shares of common stock are granted under the plan in awards that vest over a five-year period.

As discussed under "How We Intend to Use the Proceeds from the Offering," we intend to contribute 50% of the net proceeds from the stock offering to Capitol Federal Savings Bank, and we will retain the remainder of the net proceeds from the stock offering. We will use a portion of the proceeds we retain for the purpose of making a loan to the employee stock ownership plan, to make the contribution to the charitable foundation and to repay outstanding debentures, and retain the rest of the proceeds for future use.



The pro forma table does not give effect to:

withdrawals from deposit accounts for the purpose of purchasing shares of common stock in the stock offering;

our results of operations after the stock offering; or

changes in the market price of the shares of common stock after the stock offering.

The following pro forma information may not represent the financial effects of the stock offering at the date on which the stock offering actually occurs and you should not use the table to indicate future results of operations. Pro forma stockholders' equity represents the difference between the stated amount of our assets and liabilities, computed in accordance with accounting principles generally accepted in the United States of America (GAAP), and giving effect to the offering and conversion. We did not increase or decrease stockholders' equity to reflect the difference between the carrying value of loans and other assets and their market value. Pro forma stockholders' equity is not intended to represent the fair market value of the shares of common stock and may be different than the amounts that would be available for distribution to stockholders if we liquidated. Per share figures have been calculated based on shares of Capitol Federal Financial, Inc. common stock assumed to be issued and outstanding.



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	At or for the Nine Months Ended June 30, 2010		
	Based Upon the Sale at \$10.00 Per Share of		
	118,150,000	139,000,000	159,850,000
	Shares	Shares	Shares
	(Dollars in thousands, except per share amounts)		
Gross proceeds of offering	\$ 1,181,500	\$ 1,390,000	\$ 1,598,500
Market value of shares issued in the exchange	493,450	580,529	667,608
Pro forma market capitalization	\$ 1,674,950	\$ 1,970,529	\$ 2,266,108
Gross proceeds of offering	\$ 1,181,500	\$ 1,390,000	\$ 1,598,500
Less: Expenses	50,155	57,911	65,667
Estimated net proceeds	1,131,345	1,332,089	1,532,833
Less: Common stock purchased by employee stock ownership plan	(47,260 )	(55,600 )	(63,940 )
Less: Cash contribution to charitable foundation	(40,000 )	(40,000 )	(40,000 )
Less: Common stock purchased by the stock-based incentive plan	(23,630 )	(27,800 )	(31,970 )
Estimated net proceeds, as adjusted	\$ 1,020,455	\$ 1,208,689	\$ 1,396,923
For the Nine Months Ended June 30, 2010			
Consolidated net income:			
Historical	\$ 52,393	\$ 52,393	\$ 52,393
Pro forma adjustments:			
Income on adjusted net proceeds	8,450	10,009	11,567
Employee stock ownership plan(1)	(729 )	(857 )	(986 )
Shares granted under the stock-based incentive plan(2)	(2,186 )	(2,572 )	(2,958 )
Options granted under the stock-based incentive plan(3)	(1,346 )	(1,584 )	(1,821 )
Pro forma net income	\$ 56,582	\$ 57,389	\$ 58,195
Net income per share(4):			
Historical	\$ 0.33	\$ 0.28	\$ 0.24
Pro forma adjustments:			
Income on adjusted net proceeds	0.05	0.05	0.05
Employee stock ownership plan(1)	--	--	--
Shares granted under the stock-based incentive plan(2)	(0.01 )	(0.01 )	(0.01 )
Options granted under the stock-based incentive plan(3)	(0.01 )	(0.01 )	(0.01 )
Pro forma net income per share(4)(5)	\$ 0.36	\$ 0.31	\$ 0.27
Offering price to pro forma net income per share (annualized)	21.43 x	25.00 x	27.78 x
Number of shares used in net income per share calculations(4)	161,189,374	189,634,557	218,079,741
At June 30, 2010			
Stockholders' equity:			
Historical	\$ 960,000	\$ 960,000	\$ 960,000
Estimated net proceeds	1,131,345	1,332,089	1,532,833
Capitol Federal Savings Bank MHC capital contribution	289	289	289
Tax benefit of contribution to charitable foundation	15,328	15,328	15,328
Less: Common stock acquired by employee stock ownership plan(1)	(47,260 )	(55,600 )	(63,940 )

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Less: Common stock acquired by the stock-based incentive plan(2)	(23,630 )	(27,800 )	(31,970 )
Less: Expense of contribution to charitable foundation	(40,000 )	(40,000 )	(40,000 )
Pro forma stockholders' equity	\$ 1,996,072	\$ 2,184,306	\$ 2,372,540
Stockholders' equity per share(6):			
Historical	\$ 5.73	\$ 4.87	\$ 4.24
Estimated net proceeds	6.75	6.76	6.76
Capitol Federal Savings Bank MHC capital contribution	--	--	--
Tax benefit of contribution to charitable foundation	0.09	0.08	0.07
Less: Common stock acquired by employee stock ownership plan(1)	(0.28 )	(0.28 )	(0.28 )
Less: Common stock acquired by the stock-based incentive plan(2)	(0.14 )	(0.14 )	(0.14 )
Less: Expense of contribution to charitable foundation	(0.24 )	(0.20 )	(0.18 )
Pro forma stockholders' equity per share(6)	\$ 11.91	\$ 11.09	\$ 10.47
Offering price as percentage of pro forma stockholders' equity per share	83.89 %	90.25 %	95.51 %
Number of shares outstanding for pro forma book value per share calculations(7)	167,494,965	197,052,900	226,610,835

- (1) Assumes that 4.0% of shares of common stock sold in the offering will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed by the employee stock ownership plan from Capitol Federal Financial, Inc. The loan will have a term of 30 years and an interest rate equal to the prime rate as published in The Wall Street Journal. Capitol Federal Savings Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt. Capitol Federal Savings Bank's total annual payments on the employee stock ownership plan debt are based upon 30 equal annual installments of principal and interest. Current accounting guidance requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that: (i) the employee stock ownership plan shares are allocated in equal annual installments based on the number of loan repayment installments assumed to be paid by Capitol Federal Savings Bank; (ii) the fair value of the common stock remains equal to the \$10.00 offering price; and (iii) the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 38.32%. The unallocated employee stock ownership plan shares are reflected as a reduction of stockholders' equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income further assumes that 118,150, 139,000 and 159,850 shares were committed to be released during the period at the minimum, midpoint and maximum of the offering range, respectively, and that, in accordance with Accounting Standards Codification (ASC) 718, Compensation – Stock Compensation, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for purposes of net income per share calculations.
- (2) Gives effect to the grant of stock awards pursuant to the stock-based incentive plan expected to be adopted by Capitol Federal Financial, Inc. following the offering and presented to stockholders for approval not earlier than six months after the completion of the offering. We have assumed that at the minimum, midpoint and maximum of the offering range this plan acquires a number of shares of restricted common stock equal to 2.0% of the shares sold in the offering, either through open market purchases, from authorized but unissued shares of common stock or treasury stock of Capitol Federal Financial, Inc. Funds used by the stock-based incentive plan to purchase the shares of common stock will be contributed by Capitol Federal Financial, Inc. In calculating the pro forma effect of the stock-based incentive plan, it is assumed that the shares of common stock were acquired by the plan in open market purchases at the beginning of the period presented for a purchase price equal to the price for which the shares are sold in the offering, and that 15% of the amount contributed was an amortized expense (based upon a five-year vesting period) during the nine months ended June 30, 2010. There can be no assurance that the actual purchase price of the shares of common stock granted under the stock-based incentive plan will be equal to the \$10.00 offering price. If shares are acquired from authorized but unissued shares of common stock or from treasury shares of Capitol Federal Financial, Inc., our net income per share and stockholders' equity per share may change. This will also have a dilutive effect of approximately 1.39% on the ownership interest of stockholders. The following table shows pro forma net income per share for the nine months ended June 30, 2010 and pro forma stockholders' equity per share at June 30, 2010, based on the sale of the number of shares indicated, assuming all the shares of common stock to fund the stock awards are obtained from authorized but unissued shares.

At or for the Nine Months Ended June, 2010	118,150,000	139,000,000	159,850,000
Pro forma net income per share	\$ 0.35	\$ 0.30	\$ 0.26
Pro forma stockholders' equity per share	\$ 11.89	\$ 11.07	\$ 10.46

- (3) Gives effect to the granting of options pursuant to the stock-based incentive plan, which is expected to be adopted by Capitol Federal Financial, Inc. following the offering and presented to stockholders for approval not earlier than six months after the completion of the offering. We have assumed that options will be granted to acquire shares of common stock equal to 5.0% of the shares sold in the offering. In calculating the pro forma effect of the stock options, it is assumed that the exercise price of the stock options and the trading price of the stock at the date of

grant were \$10.00 per share, and the estimated grant-date fair value pursuant to the application of the Black-Scholes option pricing model was \$1.68 for each option, which was determined using the Black-Scholes option pricing formula using the following assumptions: (i) the trading price on date of grant was \$10.00 per share; (ii) exercise price is equal to the trading price on the date of grant; (iii) dividend yield of 3.0%; (iv) expected life of 10 years; (v) expected volatility of 18.12%; and (vi) risk-free interest rate of 2.97%. If the fair market value per share on the date of grant is different than \$10.00, or if the assumptions used in the option pricing formula are different from those used in preparing this pro forma data, the value of options and the related expense recognized will be different. The aggregate grant date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options. There can be no assurance that the actual exercise price of the stock options will be equal to the \$10.00 price per share. If a portion of the shares to satisfy the exercise of options under the stock-based incentive plan is obtained from the issuance of authorized but unissued shares of common stock, our net income and stockholders' equity per share will decrease. This also will have a dilutive effect of up to 3.41% on the ownership interest of persons who purchase shares of common stock in the offering.

- (4) The number of shares used to calculate pro forma net income per share is equal to the total number of shares to be outstanding upon completion of the offering minus the employee stock ownership plan shares which have not been committed for release during the respective periods in accordance with current accounting guidance. See footnote 1, above.
- (5) The retained earnings of Capitol Federal Savings Bank will be substantially restricted after the conversion. See "Our Policy Regarding Dividends," "The Conversion and Offering - Liquidation Rights" and "Supervision and Regulation."
- (6) Per share figures include publicly held shares of CFF common stock that will be exchanged for shares of Capitol Federal Financial, Inc. common stock in the conversion. Stockholders' equity per share calculations are based upon the sum of the (i) number of shares assumed to be sold in the offering; and (ii) shares to be issued in exchange for publicly held shares of CFF common stock.
- (7) The number of shares used to calculate pro forma stockholders' equity per share is equal to the total number of shares to be outstanding upon completion of the offering.

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	At or for the Year Ended September 30, 2009 Based Upon the Sale at \$10.00 Per Share of		
	118,150,000	139,000,000	159,850,000
	Shares	Shares	Shares
	(Dollars in thousands, except per share amounts)		
Gross proceeds of offering	\$ 1,181,500	\$ 1,390,000	\$ 1,598,500
Market value of shares issued in the exchange	493,450	580,529	667,608
Pro forma market capitalization	\$ 1,674,950	\$ 1,970,529	\$ 2,266,108
Gross proceeds of offering	\$ 1,181,500	\$ 1,390,000	\$ 1,598,500
Less: Expenses	50,155	57,911	65,667
Estimated net proceeds	1,131,345	1,332,089	1,532,833
Less: Common stock purchased by employee stock ownership plan	(47,260 )	(55,600 )	(63,940 )
Less: Cash contribution to the charitable foundation	(40,000 )	(40,000 )	(40,000 )
Less: Common stock purchased by the stock-based incentive plan	(23,630 )	(27,800 )	(31,970 )
Estimated net proceeds, as adjusted	\$ 1,020,455	\$ 1,208,689	\$ 1,396,923
For the Year Ended September 30, 2009			
Consolidated net income:			
Historical	\$ 66,298	\$ 66,298	\$ 66,298
Pro forma adjustments:			
Income on adjusted net proceeds	11,267	13,345	15,423
Employee stock ownership plan(1)	(972 )	(1,143 )	(1,315 )
Shares granted under the stock-based incentive plan(2)	(2,915 )	(3,429 )	(3,944 )
Options granted under the stock-based incentive plan(3)	(1,795 )	(2,111 )	(2,428 )
Pro forma net income	\$ 71,883	\$ 72,960	\$ 74,034
Net income per share(4):			
Historical	\$ 0.41	\$ 0.35	\$ 0.30
Pro forma adjustments:			
Income on adjusted net proceeds	0.07	0.07	0.07
Employee stock ownership plan(1)	(0.01 )	(0.01 )	(0.01 )
Shares granted under the stock-based incentive plan(2)	(0.02 )	(0.02 )	(0.02 )
Options granted under the stock-based incentive plan(3)	(0.01 )	(0.01 )	(0.01 )
Pro forma net income per share(4)(5)	\$ 0.44	\$ 0.38	\$ 0.33
Offering price to pro forma net income per share	22.22 x	25.64 x	29.41 x
Number of shares used in net income per share calculations(4)	161,048,558	189,468,892	217,889,225
At September 30, 2009			
Stockholders' equity:			
Historical	\$ 941,298	\$ 941,298	\$ 941,298
Estimated net proceeds	1,131,345	1,332,089	1,532,833
Capitol Federal Savings Bank MHC capital contribution	466	466	466
Tax benefit of contribution to charitable foundation	15,328	15,328	15,328
Less: Common stock acquired by employee stock ownership plan(1)	(47,260 )	(55,600 )	(63,940 )

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Less: Common stock acquired by the stock-based incentive plan(2)	(23,630 )	(27,800 )	(31,970 )
Less: Expense of contribution to charitable foundation	(40,000 )	(40,000 )	(40,000 )
Pro forma stockholders' equity	\$ 1,977,547	\$ 2,165,781	\$ 2,354,015
Stockholders' equity per share(6):			
Historical	\$5.62	\$4.78	\$4.15
Estimated net proceeds	6.75	6.76	6.76
Capitol Federal Savings Bank MHC capital contribution	--	--	--
Tax benefit of contribution to charitable foundation	0.09	0.08	0.07
Less: Common stock acquired by employee stock ownership plan(1)	(0.28 )	(0.28 )	(0.28 )
Less: Common stock acquired by the stock-based incentive plan(2)	(0.14 )	(0.14 )	(0.14 )
Less: Expense of contribution to charitable foundation	(0.24 )	(0.20 )	(0.18 )
Pro forma stockholders' equity per share(6)	\$ 11.80	\$ 11.00	\$ 10.38
Offering price as percentage of pro forma stockholders' equity per share	84.67 %	90.99 %	96.25 %
Number of shares outstanding for pro forma book value per share calculations(7)	167,494,965	197,052,900	226,610,835

(1) Assumes that 4.0% of shares of common stock sold in the offering will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed by the employee stock ownership plan from Capitol Federal Financial, Inc. The loan will have a term of 30 years and an interest rate equal to the prime rate as published in The Wall Street Journal. Capitol Federal Savings Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt. Capitol Federal Savings Bank's total annual payments on the employee stock ownership plan debt are based upon 30 equal annual installments of principal and interest. Current accounting guidance requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that: (i) the employee stock ownership plan shares are allocated in equal annual installments based on the number of loan repayment installments assumed to be paid by Capitol Federal Savings Bank; (ii) the fair value of the common stock remains equal to the \$10.00 offering price; and (iii) the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 38.32%. The unallocated employee stock ownership plan shares are reflected as a reduction of stockholders' equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income further assumes that 157,533, 185,333 and 213,133 shares were committed to be released during the period at the minimum, midpoint and maximum of the offering range, respectively, and that, in accordance with ASC 718, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for purposes of net income per share calculations.

(2) Gives effect to the grant of stock awards pursuant to the stock-based incentive plan expected to be adopted by Capitol Federal Financial, Inc. following the offering and presented to stockholders for approval not earlier than six months after the completion of the offering. We have assumed that at the minimum, midpoint and maximum of the offering range this plan acquires a number of shares of restricted common stock equal to 2.0% of the shares sold in the offering, either through open market purchases, from authorized but unissued shares of common stock or treasury stock of Capitol Federal Financial, Inc. Funds used by the stock-based incentive plan to purchase the shares of common stock will be contributed by Capitol Federal Financial, Inc. In calculating the pro forma effect of the stock-based incentive plan, it is assumed that the shares of common stock were acquired by the plan in open market purchases at the beginning of the period presented for a purchase price equal to the price for which the shares are sold in the offering, and that 20% of the amount contributed was an amortized expense (based upon a five-year vesting period) during the year ended September 30, 2009. There can be no assurance that the actual purchase price of the shares of common stock granted under the stock-based incentive plan will be equal to the \$10.00 offering price. If shares are acquired from authorized but unissued shares of common stock or from treasury shares of Capitol Federal Financial, Inc., our net income per share and stockholders' equity per share may change. This will also have a dilutive effect of approximately 1.39% (at the maximum of the offering range) on the ownership interest of stockholders. The following table shows pro forma net income per share for the year ended September 30, 2009 and pro forma stockholders' equity per share at September 30, 2009, based on the sale of the number of shares indicated, assuming all the shares of common stock to fund the stock awards are obtained from authorized but unissued shares.

At or for the Year Ended September 30, 2009	118,150,000	139,000,000	159,850,000
Pro forma net income per share	\$0.44	\$0.38	\$0.34
Pro forma stockholders' equity per share	\$11.78	\$10.98	\$10.38

(3) Gives effect to the granting of options pursuant to the stock-based incentive plan, which is expected to be adopted by Capitol Federal Financial, Inc. following the offering and presented to stockholders for approval not earlier than six months after the completion of the offering. We have assumed that options will be granted to acquire shares of common stock equal to 5.0% of the shares sold in the offering. In calculating the pro forma effect of the stock options, it is assumed that the exercise price of the stock options and the trading price of the stock at the date of

grant were \$10.00 per share, and the estimated grant-date fair value pursuant to the application of the Black-Scholes option pricing model was \$1.68 for each option, which was determined using the Black-Scholes option pricing formula using the following assumptions: (i) the trading price on date of grant was \$10.00 per share; (ii) exercise price is equal to the trading price on the date of grant; (iii) dividend yield of 3.0%; (iv) expected life of 10 years; (v) expected volatility of 18.12%; and (vi) risk-free interest rate of 2.97%. If the fair market value per share on the date of grant is different than \$10.00, or if the assumptions used in the option pricing formula are different from those used in preparing this pro forma data, the value of options and the related expense recognized will be different. The aggregate grant date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options. There can be no assurance that the actual exercise price of the stock options will be equal to the \$10.00 price per share. If a portion of the shares to satisfy the exercise of options under the stock-based incentive plan is obtained from the issuance of authorized but unissued shares of common stock, our net income and stockholders' equity per share will decrease. This also will have a dilutive effect of up to 3.41% on the ownership interest of persons who purchase shares of common stock in the offering.

- (4) The number of shares used to calculate pro forma net income per share is equal to the total number of shares to be outstanding upon completion of the offering minus the employee stock ownership plan shares which have not been committed for release during the respective periods in accordance with current accounting guidance. See footnote 1, above.
- (5) The retained earnings of Capitol Federal Savings Bank will be substantially restricted after the conversion. See "Our Policy Regarding Dividends," "The Conversion and Offering - Liquidation Rights" and "Supervision and Regulation."
- (6) Per share figures include publicly held shares of CFF common stock that will be exchanged for shares of Capitol Federal Financial, Inc. common stock in the conversion. Stockholders' equity per share calculations are based upon the sum of the (i) number of shares assumed to be sold in the offering; (ii) shares to be issued in exchange for publicly held shares of CFF common stock.
- (7) The number of shares used to calculate pro forma stockholders' equity per share is equal to the total number of shares to be outstanding upon completion of the offering.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

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

Our principal business consists of attracting deposits from the general public and investing those funds primarily in permanent loans secured by first mortgages on owner-occupied, one- to four-family residences. To a much lesser extent, we also originate home equity and other consumer loans, loans secured by first mortgages on non-owner-occupied one- to four-family residences and commercial properties, construction loans secured by one- to four-family residences, commercial real estate loans, and multi-family real estate loans. While our primary business is the origination of one- to four-family loans funded through retail deposits, we also purchase whole loans and invest in certain investment securities and mortgage backed securities (which we call MBS), and use Federal Home Loan Bank (FHLB) advances, repurchase agreements and other borrowings as additional funding sources.

CFF is significantly affected by prevailing economic conditions, including federal monetary and fiscal policies and federal regulation of financial institutions. Deposit balances are influenced by a number of factors, including interest rates paid on competing personal investment products, the level of personal income, and the personal rate of savings within our market areas. Lending activities are influenced by the demand for housing and other loans, changing loan underwriting guidelines, as well as interest rate pricing competition from other lending institutions. The primary sources of funds for lending activities include deposits, loan repayments, investment income, borrowings, and funds provided from operations.

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

During the first nine months of fiscal year 2010, the economy began to show signs of recovery, as evidenced by increases in consumer spending and the stabilization of the labor market, the housing sector, and financial markets. However, unemployment levels remained elevated and unemployment periods prolonged, housing prices remained depressed and demand for housing was weak, due to distressed sales and tightened lending standards. In an effort to support mortgage lending and housing market recovery, and to help improve credit conditions overall, the Federal Open Market Committee of the Federal Reserve has maintained the overnight lending rate between zero and 25 basis points since December 2008.

Non-performing loans increased \$2.3 million from \$30.9 million at September 30, 2009 to \$33.2 million at June 30, 2010. The balance of non-performing loans continues to remain at historically high levels due to the continued elevated level of unemployment coupled with the decline in real estate values, particularly in some of the states in which we have purchased loans. Despite the current economic operating environment and some deterioration in our portfolio, particularly the purchased loan portfolio, we believe that our overall credit quality continued to compare favorably to the industry and our peers. Capitol Federal Savings Bank recorded a provision for loan losses of \$1.8

million during the quarter ended June 30, 2010, resulting in a provision for loan losses of \$8.1 million fiscal year-to-date. The \$1.8 million recorded during the quarter ended June 30, 2010 was primarily due to specific valuation allowances (“SVAs”) on purchased loans as a result of receiving updated real estate valuations during the quarter.

Net income for the nine months ended June 30, 2010 was \$52.4 million compared to \$49.5 million for the same period in the prior fiscal year. The \$2.9 million increase in net income between periods was primarily a result of a \$6.5 million gain on sale of securities and a \$2.8 million decrease in other expenses, net, partially offset by a decrease in net interest income of \$4.6 million and an increase in the provision for loan losses of \$2.4 million. The gain on securities resulted from the sale of trading MBS in conjunction with the loan swap transaction during the December 31, 2009 quarter. The proceeds from the sale were primarily reinvested into the investment securities portfolio. The decrease in other expenses, net was primarily due to the prior year nine month period including \$1.6 million of impairments and valuation allowances related to our mortgage servicing rights (“MSRs”) assets compared to a recovery of \$670 thousand in the current year nine month period. The decrease in net interest income was primarily due to a \$19.5 million decrease in interest income on MBS and a \$17.1 million decrease in interest income on loans receivable, partially offset by a \$15.2 million decrease in interest expense on the deposit portfolio, primarily on the certificate of deposit portfolio, an \$8.0 million decrease in interest expense on FHLB advances and a \$7.3 million increase in interest income on investment securities.

CFF recognized net income of \$66.3 million for the fiscal year ended September 30, 2009, compared to net income of \$51.0 million for the fiscal year ended September 30, 2008. The increase in net income between the periods was primarily due to a decrease of \$40.5 million in interest expense, partially offset by a \$9.7 million increase in income tax expense due to higher pre-tax income, an increase of \$6.8 million in Federal Deposit Insurance Corporation (FDIC) insurance premium expense and an increase of \$4.3 million in the provision for loan losses. Capitol Federal Savings Bank’s overall cost of funds decreased during fiscal year 2009 due primarily to a reduction in the rate of our certificate of deposit and money market portfolios as a result of lower short-term market rates and our FHLB advances due to the refinancing of \$875.0 million of advances. The increase in FDIC premium expense was a result of an increase in deposit insurance premiums and a special assessment at June 30, 2009. The \$4.3 million increase in the provision for loan losses reflected an increase in specific valuation allowances on purchased loans, an increase in the balance of non-performing purchased loans, an increase in general valuation allowances primarily related to purchased loans 30 to 89 days delinquent, and an increase in charge-offs, also primarily related to purchased loans. See “– Critical Accounting Policies – Allowance for Loan Losses” and “Business of CFF – Asset Quality.”

During the nine months ended June 30, 2010, Capitol Federal Savings Bank swapped \$194.8 million of originated fixed-rate mortgage loans with FHLMC for trading MBS. The trading MBS were sold at a gain of \$6.5 million and the proceeds were reinvested into assets with an average life shorter than that of Capitol Federal Savings Bank’s remaining assets in an effort to reduce future interest rate risk sensitivity that could occur as a result of the high volume of refinances and modifications and likely increases in interest rates.

Total assets increased \$139.7 million, from \$8.40 billion at September 30, 2009 to \$8.54 billion at June 30, 2010, due primarily to growth in the deposit portfolio, which was used to fund investment security purchases. During the quarter ended June 30, 2010, Capitol Federal Savings Bank prepaid \$200.0 million of fixed-rate FHLB advances with a weighted average contractual rate of 4.63%. The prepaid advances were replaced with \$200.0 million of fixed-rate FHLB advances with a weighted average contractual interest rate of 3.17% and a term of 84 months. Capitol Federal Savings Bank paid an \$875 thousand prepayment penalty to the FHLB as a result of prepaying the FHLB advances, which was deferred as an adjustment to the carrying value of the new advances, effectively increasing the interest rate on the new advances 7 basis points to 3.24%.

Total assets increased \$348.4 million from \$8.06 billion at September 30, 2008 to \$8.40 billion at September 30, 2009. The increase in assets was primarily attributable to a \$283.2 million increase in loans receivable, substantially due to loan purchases, which was primarily funded by deposit growth. Deposits increased from \$3.92 billion at September 30, 2008 to \$4.23 billion at September 30, 2009. The \$304.7 million increase was primarily in the certificate of deposit and money market portfolios. We believe the turmoil in the credit and equity markets has made deposit products in well-capitalized financial institutions, like Capitol Federal Savings Bank, desirable for many

customers. Households have increased their personal savings rate which we believe has also contributed to our growth in deposits.

Capitol Federal Savings Bank has opened three new branches in our Kansas City, Missouri market area and a new branch in the Wichita market area since the beginning of fiscal year 2010. Capitol Federal Savings Bank continues to consider expansion opportunities in all of its market areas.

## Critical Accounting Policies

Our most critical accounting policies are the methodologies used to determine the allowance for loan losses (ALLL), other-than-temporary declines in the value of securities and fair value measurements. These policies are important to the presentation of our financial condition and results of operations, involve a high degree of complexity, and require management to make difficult and subjective judgments that may require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could cause reported results to differ materially. These critical accounting policies and their application are reviewed at least annually by our audit committee. The following is a description of our critical accounting policies and an explanation of the methods and assumptions underlying their application.

**Allowance for Loan Losses.** Management maintains an ALLL to absorb known and inherent losses in the loan portfolio based upon ongoing quarterly assessments of the loan portfolio. Our methodology for assessing the appropriateness of the ALLL consists of a formula analysis for general valuation allowances and specific valuation allowances for identified problem loans and impaired loans. The ALLL is maintained through provisions for loan losses which are charged to income. The methodology for determining the ALLL is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the economic environment that could result in changes to the amount of the recorded ALLL.

Our primary lending emphasis is the origination and purchase of one- to four-family mortgage loans on residential properties and, to a lesser extent, home equity and second mortgages on one- to four-family residential properties, resulting in a loan concentration in residential first mortgage loans. As a result of our lending practices, we also have a concentration of loans secured by real property located primarily in Kansas and Missouri. At June 30, 2010, approximately 70% and 15% of Capitol Federal Savings Bank's loans were secured by real property located in Kansas and Missouri, respectively. Based on the composition of our loan portfolio, we believe the primary risks inherent in our portfolio are the continued weakened economic conditions due to the recent U.S. recession, continued high levels of unemployment or underemployment, the potential for rising mortgage interest rates in the markets we lend in and a continuing decline in real estate values. Any one or a combination of these events may adversely affect borrowers' ability to repay their loans, resulting in increased delinquencies, non-performing assets, loan losses and future levels of loan loss provisions. Although management believes that Capitol Federal Savings Bank has established and maintained the ALLL at appropriate levels, additions may be necessary if future economic and other conditions differ substantially from the current operating environment.

Management considers quantitative and qualitative factors when determining the appropriateness of the ALLL. Such factors include changes in underwriting standards, the trend and composition of delinquent and non-performing loans, results of foreclosed property and short sale transactions, historical charge-offs, the current status and trends of local and national economies, specifically levels of unemployment, changes in mortgage interest rates and loan portfolio growth and concentrations. Since our loan portfolio is primarily concentrated in one- to four-family real estate, we monitor one- to four-family real estate market value trends in our local market areas and geographic sections of the U.S. by reference to various industry and market reports, economic releases and surveys, and our general and specific knowledge of the real estate markets in which we lend, in order to determine what impact, if any, such trends may have on the level of our ALLL. We also use ratio analyses as a supplemental tool for evaluating the overall reasonableness of the ALLL. We consider the observed trends in the ratios, taking into consideration the composition of our loan portfolio compared to our peers, in combination with our historical loss experience. We also review the actual performance and charge-off history of our portfolio and compare that to our previously determined allowance coverage percentages and specific valuation allowances. In addition, the Office of Thrift Supervision reviews the adequacy of CFF's ALLL during its examination process. We consider any comments from the Office of Thrift Supervision when assessing the appropriateness of our ALLL. Reviewing these quantitative and qualitative factors

assists management in evaluating the overall reasonableness of the ALLL and whether changes need to be made to our assumptions. Our ALLL methodology is applied in a consistent manner; however, the methodology can be modified in response to changing conditions.

Each quarter, the loan portfolio is segregated into categories in the formula analysis based on certain risk characteristics such as loan type (one- to four-family, multi-family, etc.), interest payments (fixed-rate, adjustable-rate), loan source (originated or purchased), loan-to-value ratios, borrower's credit score and payment status (i.e. current or number of days delinquent). Consumer loans, such as second mortgages and home equity lines of credit, with the same underlying collateral as a one- to four-family loan are combined with the one- to four-family loan in the formula analysis to calculate a combined loan-to-value ratio. Loss factors are assigned to each category in the formula analysis based on management's assessment of the potential risk inherent in each category. The greater the risks associated with a particular category, the higher the loss factor. Loss factors increase as individual loans become classified or delinquent, the foreclosure process begins or as economic and market conditions and trends warrant. All loans that are not impaired are included in a formula analysis. Impaired loans are defined as non-accrual loans and troubled debt restructurings (TDRs) that have not been performing under the restructured terms for 12 consecutive months.

The loss factors applied in the formula analysis are reviewed quarterly by management to assess whether the factors adequately cover probable and estimable losses inherent in the loan portfolio. The review considers such qualitative and quantitative factors as the trends and composition of delinquent and non-performing loans, the results of foreclosed property and short sale transactions, and the status and trends of the local and national economies and housing markets. Our ALLL methodology permits modifications to any loss factor used in the computation of the formula analysis in the event that, in management's judgment, significant factors which affect the collectability of the portfolio or any category of the loan portfolio, as of the evaluation date, are not reflected in the current loss factors. Management's evaluation of the qualitative factors with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with a specific problem loan or portfolio segments. During fiscal year 2010, management adjusted certain factors in the formula analysis to account for lingering negative economic conditions and the relatively recent loss experience on our purchased loan portfolio. If our future loss experience requires additional increases in our loss factors, this may result in increased levels of loan loss provisions.

Specific valuation allowances are established in connection with individual loan reviews of specifically identified problem and impaired loans. Since the majority of our loan portfolio is composed of one- to four-family real estate, determining the estimated fair value of the underlying collateral is critical in evaluating the amount of specific valuations required for problem and impaired loans. Estimated fair value of the underlying collateral is based on current appraisals, real estate broker values or listing prices. It can take several months for a loan to work through the foreclosure process. For purchased loans, the estimated fair values received from servicers when a loan becomes 90 days delinquent is not always an accurate representation of the fair value once the collateral has been sold, due to the continued decline in real estate values between the two points in time. To account for the declines in fair value on purchased loans, management applies a market value adjustment to non-performing purchased loans to more accurately estimate the fair values of the underlying collateral. The adjustments are determined based on the geographic location of the underlying collateral, recent losses recognized on foreclosed property and short sale transactions and trends of non-performing purchased loans entering foreclosure in the various geographic areas. Commencing with the quarter ended March 31, 2010, management replaced the market value adjustments generally applied to purchased loans greater than 90 days delinquent with property-specific adjustments obtained from either automated valuation models or broker price opinions. Due to the relatively stable home values in Kansas and Missouri, we do not obtain new collateral values on originated loans until they enter foreclosure. Specific valuation allowances are established if the adjusted estimated fair value, less estimated selling costs, is less than the current loan balance.

Loans with an outstanding balance of \$1.5 million or more are individually reviewed annually if secured by property in one of the following categories: multi-family (five or more units) property, unimproved land, other improved commercial property, acquisition and development of land projects, developed building lots, office building, single-use building, or retail building. Specific valuation allowances are established if the individual loan review

determines a quantifiable impairment.

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



**Securities Impairment.** Management monitors the securities portfolio for other-than-temporary impairments (OTTI) on an ongoing basis and performs a formal review quarterly. The process involves monitoring market events and other items that could impact issuers' ability to perform. The evaluation includes, but is not limited to such factors as: the nature of the investment, the length of time the security has had a fair value less than the amortized cost basis, the cause(s) and severity of the loss, expectation of an anticipated recovery period, recent events specific to the issuer or industry, including the issuer's financial condition and the current ability to make future payments in a timely manner, external credit ratings and recent downgrades in such ratings, CFF's intent to sell and whether it is more likely than not CFF would be required to sell prior to recovery for debt securities.

Management determines whether OTTI losses should be recognized for impaired securities by assessing all known facts and circumstances surrounding the securities. If CFF intends to sell an impaired security or if it is more likely than not that CFF will be required to sell an impaired security before recovery of its amortized cost basis, an OTTI will be recognized and the difference between amortized cost and fair value will be recognized as a loss in earnings. At June 30, 2010, no securities had been identified as other-than-temporarily impaired.

**Fair Value Measurements.** CFF uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures, per the provisions of ASC 820, Fair Value Measurements and Disclosures. In accordance with ASC 820, CFF groups its assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the underlying assumptions used to determine fair value, with Level 1 (quoted prices for identical assets in an active market) being considered the most reliable, and Level 3 having the most unobservable inputs and therefore being considered the least reliable. CFF bases its fair values on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As required by ASC 820, CFF maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. CFF did not have any liabilities that were measured at fair value at June 30, 2010.

CFF's AFS securities are our most significant assets measured at fair value on a recurring basis. Changes in the fair value of AFS securities are recorded, net of tax, in accumulated other comprehensive income, which is a component of stockholders' equity. The fair values for all AFS securities are obtained from independent nationally recognized pricing services. Various modeling techniques are used to determine pricing for CFF's securities, including option pricing and discounted cash flow models. The inputs to these models may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. There are some AFS securities in the AFS portfolio that have significant unobservable inputs requiring the independent pricing services to use some judgment in pricing the related securities. These AFS securities are classified as Level 3. All other AFS securities are classified as Level 2.

Loans receivable and real estate owned (REO) are CFF's significant assets measured at fair value on a non-recurring basis. These non-recurring fair value adjustments involve the application of lower-of-cost-or-fair value accounting or write-downs of individual assets. Fair value for these assets is estimated using current appraisals, automated valuation models, broker price opinions, or listing prices. Fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3.

**Recent Accounting Pronouncements.** For a discussion of Recent Accounting Pronouncements, see "Notes to Consolidated Financial Statements - Note 1- Summary of Significant Accounting Policies."

## Management Strategy

We are a retail-oriented financial institution dedicated to serving the needs of customers in our market areas. Our commitment is to provide qualified borrowers the broadest possible access to home ownership through our mortgage lending programs and to offer a complete set of personal banking products and services to our customers. We strive to

enhance stockholder value while maintaining a strong capital position. To achieve these goals, we focus on the following strategies:

**Residential Portfolio Lending.** We are one of the largest originators of one- to four-family loans in the state of Kansas. We have primarily originated these loans for our own portfolio, rather than for sale, and generally we service the loans we originate. We provide retail customers with alternatives for their borrowing needs by offering both fixed- and adjustable-rate products with various terms to maturity and pricing alternatives. We offer special programs to individuals who may be first time home buyers, have low or moderate incomes or may have certain credit risk concerns in order to maximize our ability to deliver home ownership opportunities. Through our marketing efforts that reflect our reputation and pricing, and strong relationships with real estate agents, we attract mortgage loan business from walk-in customers, customers that apply online, and existing customers. We also purchase from correspondent lenders one- to four-family loans secured by property primarily located within our market areas and select market areas in Missouri as well as one- to four-family loans from nationwide lenders. Following completion of this offering, we intend to increase our emphasis on purchased one- to four-family loans that meet our underwriting standards.

**Retail Financial Services.** We offer a wide array of deposit products and retail services for our customers. These products include checking, savings, money market, certificates of deposit and retirement accounts. These products and services are provided through a branch network of 46 locations, which include traditional branch and retail store locations, our call center which operates on extended hours, telephone bill payment services and Internet-based transaction services.

**Cost Control.** We generally are very effective at controlling our costs of operations. By using technology, we are able to centralize our lending and deposit support functions for efficient processing. We have located our branches to serve a broad range of customers through relatively few branch locations. Our average deposit base per traditional branch at June 30, 2010, September 30, 2009 and 2008 was approximately \$113.9 million, \$117.5 million and \$119.5 million, respectively. This large average deposit base per branch helps to control costs. Our one- to four-family lending strategy and our effective management of credit risk allows us to service a large portfolio of loans at efficient levels because it costs less to service a portfolio of performing loans. For the nine months ended June 30, 2010, our efficiency ratio was 42.65%.

**Asset Quality.** We utilize underwriting standards for our lending products that are designed to limit our exposure to credit risk, and we have a portfolio of predominately one- to four-family loans. At June 30, 2010, our ratio of non-performing assets to total assets was 0.47%. See “Business of CFF — Asset Quality.”

**Capital Position.** Our policy has always been to protect the safety and soundness of Capitol Federal Savings Bank through conservative credit and operational risk management, balance sheet strength, and sound operations. The end result of these activities is a capital ratio in excess of the well-capitalized standards set by the Office of Thrift Supervision. We believe that maintaining a strong capital position safeguards the long-term interests of Capitol Federal Savings Bank, CFF and our stockholders.

**Stockholder Value.** We strive to enhance stockholder value while maintaining a strong capital position. One way that we continue to provide returns to stockholders is through our dividend payments. Total dividends declared and paid during the nine months ended June 30, 2010 were \$1.79 per public share, which consisted of the regular quarterly dividends of \$0.50 per public share and a special year-end dividend of \$0.29 per public share. Total dividends declared and paid during fiscal year 2009 were \$2.11 per public share. CFF’s cash dividend payout policy is reviewed quarterly by management and the Board of Directors, and the ability to pay dividends under the policy depends upon a number of factors, including CFF’s financial condition and results of operations, Capitol Federal Savings Bank’s regulatory capital requirements, regulatory limitations on Capitol Federal Savings Bank’s ability to make capital distributions to CFF and the amount of cash at the holding company. It is the Board of Directors’ intention to continue to pay regular quarterly cash dividends after completion of the offering, but at a reduced rate per share. We also intend to continue our practice of paying a special year-end dividend when earnings are sufficient to support the

special dividend payment. See “Our Policy Regarding Dividends.”

Interest Rate Risk Management. Changes in interest rates are our primary market risk as our balance sheet is almost entirely comprised of interest-earning assets and interest-bearing liabilities. As such, fluctuations in interest rates have a significant impact not only upon our net income but also upon the cash flows related to those assets and liabilities and the market value of our assets and liabilities. In order to maintain acceptable levels of net interest income in varying interest rate environments, we take on a moderate amount of interest rate risk consistent with board policies.

## Quantitative and Qualitative Disclosure about Market Risk

Asset and Liability Management and Market Risk. The rates of interest Capitol Federal Savings Bank earns on assets and pays on liabilities generally are 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 of those assets and liabilities and the market value of our assets and liabilities. Our results of operations, like those of other financial institutions, are impacted by these changes in interest rates and the interest rate sensitivity of our interest-earning assets and interest-bearing liabilities. The risk associated with changes in interest rates on the earnings of Capitol Federal Savings 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 these changes is known as interest rate risk management.

The general objective of our interest rate risk management 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 reduce, to the extent possible, the exposure of our net interest income to changes in market interest rates. The Asset and Liability Committee (ALCO) regularly reviews the interest rate risk exposure of Capitol Federal Savings Bank by forecasting the impact of hypothetical, alternative interest rate environments on net interest income and market value of portfolio equity (MVPE) at various dates. The MVPE is defined as the net of the present value of the cash flows of an institution's existing assets, liabilities and off-balance sheet instruments. The present values are determined in alternative interest rate environments providing potential changes in net interest income and MVPE under those alternative interest rate environments. Capitol Federal Savings Bank's analysis of its net interest income and MVPE at June 30, 2010 indicates a general decrease in its risk exposure compared to March 31, 2010 primarily due to lower interest rates at June 30, 2010.

Based upon management's recommendations, the Board of Directors sets the asset and liability management policies of Capitol Federal Savings Bank. These policies are implemented by ALCO. The purpose of ALCO is to communicate, coordinate and control asset and liability management consistent with the business plan and board-approved policies. ALCO sets goals for and monitors the volume and mix of assets and funding sources taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The objectives are to manage assets and funding sources to produce the highest profitability balanced against liquidity, capital adequacy and risk management objectives. At each monthly meeting, ALCO recommends appropriate strategy changes. The Chief Financial Officer, or his designee, is responsible for executing, reviewing and reporting on the results of the policy recommendations and strategies to the Board of Directors, generally on a monthly basis.

The ability to maximize net interest income is dependent largely upon the achievement of a positive interest rate spread that can be sustained despite fluctuations in prevailing interest rates. The asset and liability repricing gap is a measure of the difference between the amount of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time. The difference provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest-earning assets exceeds the amount of interest-bearing liabilities maturing or repricing during the same period. A gap is considered negative when the amount of interest-bearing liabilities exceeds the amount of interest-earning assets maturing or repricing during the same period. Generally, during a period of rising interest rates, a negative gap within shorter repricing periods adversely affects net interest income, while a positive gap within shorter repricing periods results in an increase in net interest income. During a period of falling interest rates, the opposite would generally be true. As of June 30, 2010, the ratio of our one-year gap to total assets was a positive 16.11%.

Management recognizes that dramatic changes in interest rates within a short period of time can cause an increase in our interest rate risk relative to the balance sheet. At times, ALCO may recommend increasing our interest rate risk position in an effort to increase our net interest margin, while maintaining compliance with established board limits

for interest rate risk sensitivity. Management believes that maintaining and improving earnings is the best way to preserve a strong capital position. Management recognizes the need, in certain interest rate environments, to limit Capitol Federal Savings Bank's exposure to changing interest rates and may implement strategies to reduce our interest rate risk which could, as a result, reduce earnings in the short-term. To minimize the potential for adverse effects of material and prolonged changes in interest rates on our results of operations, we have adopted asset and liability management policies to better balance the maturities and repricing terms of our interest-earning assets and interest-bearing liabilities based on existing local and national interest rates.

During periods of economic uncertainty, rising interest rates or extreme competition for loans, Capitol Federal Savings Bank's ability to originate or purchase loans may be adversely affected. In such situations, Capitol Federal Savings Bank alternatively may invest its funds into investments or MBS. These alternate investments may have rates of interest lower than rates we could receive on loans, if we were able to originate or purchase them, potentially reducing Capitol Federal Savings Bank's interest income.

For each period end presented in the following table, the estimated percentage change in Capitol Federal Savings Bank's net interest income based on the indicated instantaneous, parallel and permanent change in interest rates is presented. The percentage 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 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). Estimations of net interest income used in preparing the table below are 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 gain or loss 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 the estimated changes in net interest income are for a cumulative four-quarter period. These changes do not reflect the earnings expectations of management.

Change (in Basis Points) in Interest Rates (1)	Percentage Change in Net Interest Income					
	At June 30, 2010		At March 31, 2010		At September 30, 2009	
-200 bp	N/A		N/A		N/A	
-100 bp	N/A		N/A		N/A	
000 bp	--		--		--	
+100 bp	2.29	%	-0.78	%	0.84	%
+200 bp	-0.42	%	-4.24	%	-0.54	%
+300 bp	-3.96	%	-8.43	%	-2.41	%

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

At June 30, 2010, the net interest income projection increased from March 31, 2010 in the +100 basis point scenario. The primary reason for the projected increase in net interest income between quarter ends was due to a significant decrease in interest rates at June 30, 2010 compared to March 31, 2010. The decrease in interest rates caused the WAL of mortgage-related assets and callable agency debentures to shorten significantly as borrowers have an economic incentive to refinance their mortgages into lower interest rates and agency debt issuers have an economic incentive to exercise their call options and issue lower costing debt. The cash flows from mortgage-related assets and callable agency debentures are reinvested into higher yield interest-earning assets in the +100 basis point scenario resulting in an increase in the yield on interest-earning assets.

In the +200 and +300 basis point scenarios, the cash flows from mortgage-related assets and callable agency debentures slowed significantly at June 30, 2010 as compared to March 31, 2010. This resulted in interest-bearing liabilities repricing at a faster pace than interest-earning assets, thus reducing net interest income projections at June 30, 2010 as compared to March 31, 2010. In addition, caps on adjustable-rate products limit the increase in rates in

these assets when rates rise. The increase in the cost of deposits in these scenarios at June 30, 2010 as compared to March 31, 2010, is primarily a result of the relatively short average maturity of Capitol Federal Savings Bank's certificate of deposit portfolio. The increase in the cost of deposits is also due to an anticipated increase in the cost of money market accounts.



The decrease in Capitol Federal Savings Bank's net interest income risk exposure in all scenarios from March 31, 2010 to June 30, 2010, was also a result, to a lesser degree, of a reduction in the balance of liabilities expected to reprice in the upcoming year. FHLB advances that matured during the quarter were placed into new long-term FHLB advances and Capitol Federal Savings Bank modified \$200.0 million of FHLB advances that were scheduled to mature in the next 12 months into long-term FHLB advances.

The following table sets forth the estimated percentage change in MVPE at each period end presented based on the indicated instantaneous, parallel and permanent change in interest rates. The MVPE is defined as the net of the present value of the cash flows of an institution's existing assets, liabilities and off-balance sheet instruments. The percentage change in each interest rate environment represents the difference between MVPE in the base case and MVPE in each alternative interest rate environment. The estimations of MVPE used in preparing the table below are 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 are 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 presents the effects of the change in interest rates on our assets and liabilities as they mature, repay or reprice, as shown by the change in the MVPE in changing interest rate environments.

Change (in Basis Points) in Interest Rates (1)	Percentage Change in MVPE					
	At June 30, 2010		At March 31, 2010		At September 30, 2009	
-200 bp	N/A		N/A		N/A	
-100 bp	N/A		N/A		N/A	
000 bp	--		--		--	
+100 bp	-0.72	%	-7.78	%	-4.92	%
+200 bp	-9.14	%	-20.92	%	-18.11	%
+300 bp	-21.80	%	-36.31	%	-34.32	%

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

Changes in the estimated market values of our financial assets and liabilities drive changes in estimates of MVPE. The market value of shorter term-to-maturity financial instruments are less sensitive to changes in interest rates than the market value of longer term-to-maturity financial instruments. Because of this, our certificates of deposit (which have relatively short average lives) tend to display less sensitivity to changes in interest rates than do our mortgage-related assets (which have relatively long average lives). However, the average life expected on our mortgage-related assets varies under different interest rate environments because borrowers have the ability to prepay their mortgage loans, as discussed above.

The sensitivity of the MVPE decreased significantly from March 31, 2010 to June 30, 2010. This was due to the decrease in interest rates between quarter ends and the lengthening of liabilities during the current quarter. The decrease in interest rates resulted in a significant decrease in the WAL of all mortgage-related assets as borrowers have an economic incentive to refinance their mortgages into lower interest rates and agency debt issuers have an economic incentive to exercise their call options and issue lower costing debt. This caused a decrease in the price sensitivity of all mortgage-related assets and callable agency debentures, and as a result, in interest-earning assets as a whole.

The sensitivity of the MVPE ratio was also reduced due to the lengthening of liabilities during the current quarter as FHLB advances that matured were placed into new long-term FHLB advances and Capitol Federal Savings Bank modified \$200.0 million of FHLB advances that were scheduled to mature in the next 12 months into long-term advances. Long-term liabilities assist in reducing the negative impact of higher interest rates on the MVPE as interest rates rise.

General assumptions used by management to evaluate the sensitivity of our financial performance to changes in interest rates presented in the tables above are utilized in, and set forth under, the gap table and related notes below. Although management finds these assumptions reasonable given the constraints described above, the interest rate sensitivity of our assets and liabilities and the estimated effects of changes in interest rates on our net interest income and MVPE indicated in the above tables could vary substantially if different assumptions were used or actual experience differs from these assumptions.

CFF is required under GAAP to disclose the fair value of all of its financial assets and liabilities on a quarterly basis. These values are derived from market based assumptions and disclosed in various footnotes to the financial statements. These values are largely dependent on changes in the individual portfolios of assets and liabilities and the market assumptions against which the values are derived. Management does not focus on these changes in managing its overall liquidity and interest rate sensitivity due to the nature of these fair value disclosures and the accompanying fluctuations. Management instead focuses on the market value of portfolio equity and the related interest rate risk sensitivity in managing its business.

Gap Table: The following gap table summarizes the anticipated maturities or repricing of our interest-earning assets and interest-bearing liabilities as of June 30, 2010, based on the information and assumptions set forth in the notes below. Cash flow projections for mortgage loans and MBS are calculated based on current 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 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 mortgage (ARM) 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. For additional information regarding the impact of changes in interest rates, see the Percentage Change in Net Interest Income and Percentage Change in MVPE tables above.

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	Within Three Months	Three to Twelve Months	More Than One Year to Three Years (Dollars in thousands)	More Than Three Years to Five Years	Over Five Years	Total
Interest-earning assets:						
Loans receivable (1):						
Mortgage loans:						
Fixed	\$251,202	\$842,379	\$1,172,829	\$570,882	\$1,354,565	\$4,191,857
Adjustable	102,358	477,647	287,886	53,947	7,286	929,124
Other loans	136,469	17,003	19,942	12,872	9,444	195,730
Investment securities (2)	324,133	577,196	171,601	117,671	12,596	1,203,197
MBS (3)	274,559	598,525	364,674	141,895	182,262	1,561,915
Other interest-earning assets	58,262	--	--	--	--	58,262
Total interest-earning assets	1,146,983	2,512,750	2,016,932	897,267	1,566,153	8,140,085
Interest-bearing liabilities:						
Deposits:						
Checking (4)	11,346	43,853	117,743	63,355	250,982	487,279
Savings (4)	94,718	9,564	22,052	17,104	94,798	238,236
Money market (4)	41,795	114,966	273,397	138,289	377,494	945,941
Certificates	494,696	973,741	950,277	282,457	1,217	2,702,388
Borrowings (5)	148,608	350,000	1,226,000	820,000	595,000	3,139,608
Total interest-bearing liabilities	791,163	1,492,124	2,589,469	1,321,205	1,319,491	7,513,452
Excess (deficiency) of interest-earning assets over interest-bearing liabilities	\$355,820	\$1,020,626	\$(572,537)	\$(423,938)	\$246,662	\$626,633
Cumulative excess (deficiency) of interest-earning assets over interest-bearing liabilities	\$355,820	\$1,376,446	\$803,909	\$379,971	\$626,633	
Cumulative excess (deficiency) of interest-earning assets over interest-bearing liabilities as a percent of total assets at						
June 30, 2010	4.16	% 16.11	% 9.41	% 4.45	% 7.33	%
March 31, 2010	1.91	6.78	4.60	(2.48)	) 8.11	
September 30, 2009	0.81	6.78	4.60	(2.48)	) 8.11	



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- (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 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 have been reduced for non-performing loans, which totaled \$33.2 million at June 30, 2010.
  - (2) Based on contractual maturities, or terms to call date or pre-refunding dates as of June 30, 2010, and excludes the unrealized loss adjustment of \$133 thousand on AFS investment securities.
  - (3) Reflects estimated prepayments of MBS in our portfolio, and excludes the unrealized gain adjustment of \$58.7 million on AFS MBS.
  - (4) Although our checking, savings and money market accounts are subject to immediate withdrawal, management considers a substantial amount of such accounts to be core deposits having significantly longer effective maturities. The decay rates (the assumed rate at which the balance of existing accounts would decline) used on these accounts are based on assumptions developed based upon our actual experience with these accounts. If all of our 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 been less than interest-earning assets with comparable characteristics by \$21.2 million, for a cumulative one-year gap of 0.25% of total assets.
  - (5) Borrowings exclude \$30.0 million of deferred prepayment penalty costs and \$674 thousand of deferred gain on the terminated interest rate swaps.

The change in the one-year gap to 16.11% at June 30, 2010 from 3.46% at March 31, 2010 was a result of a significant decrease in interest rates between quarter ends. The decrease in interest rates resulted in an increase in projected cash flows from mortgage-related assets and callable agency debentures which resulted in shorter WAL and quicker repricing of interest-earning assets at June 30, 2010 compared to March 31, 2010. The increase in the one-year gap was also a result, to a lesser degree, of a reduction in liabilities expected to reprice in the next year as a result of the lengthening of the FHLB advances portfolio as previously discussed.

#### Financial Condition

Total assets increased \$139.7 million from \$8.40 billion at September 30, 2009 to \$8.54 billion at June 30, 2010, due primarily to growth in the deposit portfolio which was used to fund investment security purchases.

Total assets increased \$348.4 million from \$8.06 billion at September 30, 2008 to \$8.40 billion at September 30, 2009. The increase in assets was primarily attributed to an increase in investment securities of \$338.3 million and an increase in loans receivable of \$283.2 million, partially offset by a decrease in MBS of \$241.9 million. The increase in the investment securities portfolio was a result of cash flows from the MBS portfolio being used to purchase investment securities. The increase in loans receivable was due substantially to purchases.

Total liabilities increased \$278.3 million from \$7.18 billion at September 30, 2008 to \$7.46 billion at September 30, 2009. The increase in liabilities was a result of an increase of \$304.7 million in deposits, primarily in the certificate of deposit portfolio. We believe the turmoil in the credit and equity markets has made deposit products in well-capitalized financial institutions, like Capitol Federal Savings Bank, desirable for many customers. In response to the economic recession, households increased their personal savings rate which we believe also contributed to our growth in deposits during this period.

Loans Receivable. The loans receivable portfolio decreased \$287.8 million from \$5.60 billion at September 30, 2009 to \$5.32 billion at June 30, 2010. The decrease in the portfolio was largely a result of the loan swap transaction that took place during the first quarter of fiscal year 2010, where \$194.8 million of originated fixed-rate mortgage loans

were swapped for MBS. Capitol Federal Savings Bank continues to service the loans. The MBS were classified as trading securities and sold during the first quarter for a \$6.5 million gain. The proceeds from the sale were primarily reinvested into investment securities with terms shorter than that of the loans swapped. The transaction was executed as a means of reducing future interest rate risk sensitivity. For the nine months ended June 30, 2010, principal repayments on loans have exceeded originations, refinances, and purchases by \$ 78.5 million.

Capitol Federal Savings Bank purchased \$44.1 million of loans from nationwide lenders during the nine months ended June 30, 2010, the majority of which were adjustable-rate. These loans had a weighted average credit score of 723 at origination and a weighted average loan to value ratio of 47%, based upon the loan balance at the time of purchase and the lower of the purchase price or appraisal at origination. At June 30, 2010, loans purchased from nationwide lenders represented 11% of our loan portfolio and were secured by properties located in 47 of the continental United States and Washington, D.C. As of June 30, 2010, the average balance of a purchased nationwide mortgage loan was \$348 thousand, the average balance of a purchased correspondent loan was \$273 thousand, and the average balance of an originated mortgage loan was \$125 thousand. By purchasing loans from nationwide lenders, Capitol Federal Savings Bank is able to attain some geographic diversification in its loan portfolio and help mitigate Capitol Federal Savings Bank's interest rate risk exposure as the purchased loans are predominately adjustable-rate or 15-year fixed-rate loans. We have experienced loss rates on loans purchased from nationwide lenders prior to fiscal year 2008 that are higher than on other loans we originated or purchased. Although at the time these loans were purchased they met our underwriting standards, as a result of the continued elevated levels of unemployment and the declines in real estate values in some of the states where we have purchased loans, we have experienced an increase in non-performing purchased loans. See the additional discussion regarding non-performing purchased loans in "Asset Quality – Loans and REO."

The loan portfolio increased \$283.2 million from \$5.32 billion at September 30, 2008 to \$5.60 billion at September 30, 2009. The increase in loans receivable was due to originations and purchases of \$1.45 billion, partially offset by principal repayments of \$1.08 billion. Loan purchases from nationwide lenders during the period totaled \$191.8 million. The loans purchased from nationwide lenders during fiscal year 2009 had a weighted average credit score of 743 at origination and a weighted average loan to value ratio of 49%, based upon the loan balance at the time of purchase and the lower of the purchase price or appraisal at origination. The majority of the loans were originated in years outside of the years with peak real estate values and non-traditional underwriting standards. Approximately 80% were originated in 2004 or earlier and approximately 20% were originated in 2008. Additionally, states that experienced historically high foreclosure rates were avoided.

Included in the loan portfolio at June 30, 2010 were \$210.3 million of adjustable-rate mortgage ("ARM") loans that were originated as interest-only. Of these interest-only loans, \$162.8 million were purchased from nationwide lenders, primarily during fiscal year 2005. Interest-only ARM loans do not typically require principal payments during their initial term, and have initial interest-only terms of either five or ten years. The \$162.8 million of purchased interest-only ARM loans had a weighted average credit score of 736 at origination and a weighted average LTV ratio of 74%, based upon the loan balance at the time of purchase and the lower of purchase price or appraisal at origination. Capitol Federal Savings Bank has not purchased any interest-only ARM loans since 2006 and discontinued offering the product in its local markets during 2008 to reduce future credit risk. At June 30, 2010, \$166.3 million, or 79%, of interest-only loans were still in their interest-only payment term. As of June 30, 2010, \$66.8 million will begin to amortize principal within two years, \$45.8 million will begin to amortize principal within two-to-five years, \$45.9 million will begin to amortize principal within five-to-seven years and the remaining \$7.8 million will begin amortizing in seven-to-ten years. At June 30, 2010, \$16.0 million, or 48% of non-performing loans, were interest-only ARMs and \$3.7 million was reserved in the ALLL for these loans. Of the \$16.0 million non-performing interest-only ARM loans, \$12.0 million, or 75%, were still in the interest-only payment term. Non-performing interest-only ARM loans represented approximately 8% of the total interest-only ARM loan portfolio at June 30, 2010. See additional discussion regarding non-performing loans in "– Asset Quality – Loans and REO."

Historically, Capitol Federal Savings Bank's underwriting guidelines have provided Capitol Federal Savings Bank with loans of high quality and low delinquencies, and low levels of non-performing assets compared to national levels. Of particular importance is the complete documentation required for each loan Capitol Federal Savings Bank originates and purchases. This allows Capitol Federal Savings Bank to make an informed credit decision based upon



a thorough assessment of the borrower's ability to repay the loan, compared to underwriting methodologies that do not require full documentation. Non-performing loans increased \$2.3 million from \$30.9 million at September 30, 2009 to \$33.2 million at June 30, 2010. Non-performing loans increased \$17.2 million from \$13.7 million at September 30, 2008 to \$30.9 million at September 30, 2009. Non-performing loans are at historically high levels due to the continued elevated level of unemployment coupled with the decline in real estate values, particularly in some of the states in which we have purchased loans. Our ratio of non-performing loans to total loans increased from 0.26% at September 30, 2008 to 0.55% at September 30, 2009 and to 0.62% at June 30, 2010. At June 30, 2010, our allowance for loan losses was \$15.7 million or 0.29% of the total loan portfolio and 47% of total non-performing loans. This compares with an allowance for loan losses of \$10.2 million or 0.18% of the total loan portfolio and 33% of total non-performing loans as of September 30, 2009 and \$5.8 million or 0.11% of the total loan portfolio and 42% of total non-performing loans as of September 30, 2008. See "Asset Quality – Loans and REO."

Capitol Federal Savings Bank generally prices its one- to four-family loan products based upon prices available in the secondary market and competitor pricing. During the nine months ended June 30, 2010, the average rate offered on Capitol Federal Savings Bank's 30-year fixed-rate one- to four-family loans, with no points paid by the borrower, was approximately 150 basis points above the average 10-year Treasury rate, while the average rate offered on Capitol Federal Savings Bank's 15-year fixed-rate one- to four-family loans was approximately 90 basis points above the average 10-year Treasury rate.

Conventional one- to four-family loans may be sold on a bulk basis for portfolio restructuring or on a flow basis as loans are originated to reduce interest rate risk and/or maintain a certain liquidity position. Capitol Federal Savings Bank generally retains the servicing on these sold loans. ALCO determines which conventional one- to four-family loans are to be originated as held for sale or held for investment. Conventional loans originated as held for sale are to be sold in accordance with policies set forth by ALCO. Conventional loans originated as held for investment are generally not eligible for sale unless a specific segment of the portfolio qualifies for asset restructuring purposes.

The following table summarizes the activity in the loan portfolio for the periods indicated, excluding changes in loans in process, deferred fees and ALLL. Loans that were paid-off as a result of refinances are included in "repayments." Purchased loans include purchases from correspondent and nationwide lenders. Loan modification activity is not included in the activity in the following table because a new loan is not generated at the time of modification. During the nine months ended June 30, 2010, Capitol Federal Savings Bank modified \$282.3 million loans, with a weighted average rate decrease of 88 basis points. The modified balance and rate are included in the ending loan portfolio balance and rate. The weighted average contractual life (WAL) of our real estate loan portfolio was 23 years at June 30, 2010, September 30, 2009 and 2008.

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	For the Three Months Ended							
	June 30, 2010		March 31, 2010		December 31, 2009		September 30, 2009	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)							
Beginning balance	\$5,425,458	5.19 %	\$5,463,744	5.23 %	\$5,646,950	5.29 %	\$5,587,130	5.36 %
Originations and refinances:								
Fixed	137,012	4.96	107,694	4.93	156,507	4.95	255,441	5.07
Adjustable	34,033	4.62	38,779	4.44	37,885	4.57	37,948	4.75
Purchases:			12,417					
Fixed	8,590	5.15	14,011	5.03	20,149	5.09	24,670	5.08
Adjustable	10,737	5.58	(208,015 )	4.03	44,930	3.69	11,662	4.82
Repayments	(250,098 )				(243,087 )		(262,408 )	
Transfer of modified loans to LHFS (1)	--		--		(194,759 )		--	
Other (2)	(4,260 )		(3,172 )		(4,831 )		(7,493 )	
Ending balance	\$5,361,472	5.14 %	\$5,425,458	5.19 %	\$5,463,744	5.23 %	\$5,646,950	5.29 %

	For the Year Ended September 30,			
	2009		2008	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
Beginning balance	\$ 5,379,845	5.66 %	\$ 5,346,626	5.68 %
Originations and refinances:				
Fixed	988,375	5.12	652,011	5.87
Adjustable	131,306	4.91	168,824	6.16
Purchases:				
Fixed	109,813	5.21	47,795	5.82
Adjustable	223,619	5.01	71,836	5.67
Repayments	(1,079,777)		(899,178 )	
Transfer of modified loans to LHFS	(94,672 )		--	
Other (2)	(11,559 )		(8,069 )	
Ending balance	\$ 5,646,950	5.29 %	\$ 5,379,845	5.66 %

(1) Transfer of modified loans to loans receivable held-for-sale (LHFS) in the December 31, 2009 quarter includes loans with a principal balance of \$194.8 million related to the loan swap transaction.

(2) Other consists of transfers to REO, modification fees advanced and reductions in commitments.

**Mortgage-Backed Securities.** The balance of MBS, which primarily consists of securities of U.S. government-sponsored enterprises, decreased \$241.9 million from \$2.23 billion at September 30, 2008 to \$1.99 billion at September 30, 2009. The MBS portfolio balance decreased \$371.8 million from \$1.99 billion at September 30, 2009 to \$1.62 billion at June 30, 2010. The decreases were a result of some cash flows from the MBS portfolio being reinvested into investment securities. At June 30, 2010, the MBS held within our portfolio were issued by FHLMC, FNMA and GNMA, with the exception of \$3.6 million, which were issued by a private issuer. Unlike MBS issued by government-sponsored enterprises, the principal and interest payments of privately issued MBS are not guaranteed,

although we generally receive a higher interest rate as compensation for the relative increase in credit risk. Should the underlying mortgages in a privately issued MBS security default on their mortgage payment above the level of credit enhancement, losses could be realized.

During the nine months ended June 30, 2010, MBS with a fair value of \$192.7 million were received in conjunction with the loan swap transaction. As previously discussed, the related MBS were sold for a \$6.5 million gain. The proceeds from the sale were primarily used to purchase investment securities with terms shorter than that of the mortgage loans that were swapped. The loan swap transaction was primarily undertaken for interest rate risk management purposes.

The following tables provide a summary of the activity in our portfolio of MBS for the periods presented. The yields and WAL for purchases are presented as recorded at the time of purchase. The yields for the beginning and ending balances are as of the period presented and are generally derived from recent prepayment activity on the securities in the portfolio as of the dates presented. The weighted average yield of the MBS portfolio decreased between June 30, 2010 and September 30, 2009 due primarily to the maturity and repayment of securities with higher yields than the overall portfolio and adjustable-rate MBS resetting to lower coupons due to a decline in related indices. The beginning and ending WAL is the estimated remaining maturity after projected prepayment speeds have been applied. The decrease in the WAL at June 30, 2010 compared to September 30, 2009 was due to principal repayments of securities with WALs greater than the remaining portfolio, faster recent prepayment experience, and the passing of time. The weighted average yield of the MBS portfolio decreased between September 30, 2008 and September 30, 2009 due to the maturity and repayment of securities with higher yields, the purchase of MBS with yields lower than the existing portfolio and adjustable-rate MBS resetting to lower coupons due to a decline in related indices. The beginning and ending WAL is the estimated remaining maturity after projected prepayment speeds have been applied. The decrease in the WAL at September 30, 2009 compared to September 30, 2008 was due to principal repayments, the purchase of new MBS with a shorter WAL than the existing portfolio and an increase in the assumed prepayment speeds.

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	For the Three Months Ended											
	June 30, 2010			March 31, 2010			December 31, 2009			September 30, 2009		
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL
(Dollars in thousands)												
Beginning balance	\$1,757,310	4.21%	4.07	\$1,877,969	4.34%	5.09	\$1,992,467	4.42%	4.67	\$2,100,998	4.59%	4.07
Maturities and repayment	(145,432 )			(121,635 )			(112,380 )			(142,182 )		
Sale of securities, net of gains	--			--			(192,690 )			--		
Net amortization of premiums (discounts)	(393 )			(499 )			(392 )			(366 )		
Purchases:												
Fixed	--	--	--	2,042	4.18	7.08	2,990	4.10	7.48	18,539	2.80	3.00
Adjustable	--	--	--	--	--	--	--	--	--	--	--	--
Fair value of securities received in loan swap transaction	--			--			192,690			--		
Change in valuation of AFS securities	9,138			(567 )			(4,716 )			15,478		
Ending balance	\$1,620,623	4.15%	3.99	\$1,757,310	4.21%	4.07	\$1,877,969	4.34%	5.09	\$1,992,467	4.42%	4.07

	For the Year Ended September 30,					
	2009			2008		
	Amount	Yield	WAL	Amount	Yield	WAL
(Dollars in thousands)						
Beginning balance	\$2,234,339	4.82%	5.05	\$1,414,271	4.46%	4.04
Maturities and repayments	(494,932 )			(500,078 )		
Net amortization of premiums (discounts)	(482 )			(747 )		
Purchases:						
Fixed	21,756	3.03	3.84	785,181	4.94	4.62
Adjustable	169,452	2.72	2.41	545,174	4.81	4.91
Change in valuation on AFS securities	62,334			(9,462 )		
Ending balance	\$1,992,467	4.42%	4.67	\$2,234,339	4.82%	5.05

Investment Securities. Investment securities, which consist primarily of debentures issued by U.S. government sponsored enterprises (primarily issued by FNMA, FHLMC, or FHLB) and municipal investments, increased \$722.4 million, from \$480.7 million at September 30, 2009 to \$1.20 billion at June 30, 2010. The increase in the balance was a result of purchases of \$1.06 billion of investment securities with a WAL of 1.10 years at the time of purchase. If market rates were to rise, the short-term nature of these securities may allow management the opportunity to reinvest the maturing funds at a higher rate. Investment securities increased \$338.3 million from \$142.4 million at September 30, 2008 to \$480.7 million at September 30, 2009. The increase in the balance was primarily a result of purchases of \$448.6 million in short-term securities, partially offset by maturities and calls of \$109.8 million.

The following tables provide a summary of the activity of investment securities for the periods presented. The yields for the beginning and ending balances are as of the first and last days of the periods presented. The decrease in the yield at June 30, 2010 compared to September 30, 2009 was a result of purchases of securities with yields lower than the overall portfolio yield. The decrease in the yield at September 30, 2009 compared to September 30, 2008 was a result of calls and/or maturities of securities with yields higher than the overall portfolio yield and to purchases of investment securities with yields lower than the existing portfolio. The beginning and ending WAL represent the estimated remaining maturity of the securities after projected call dates have been considered, based upon market rates at each date presented. The WAL at June 30, 2010 decreased from September 30, 2009 due to the purchase of securities with WALs shorter than the existing portfolio and the passing of time.

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	For the Three Months Ended									S
	June 30, 2010			March 31, 2010			December 31, 2009			
	Amount	Yield	WAL	Amount	Yield	WAL	Amount	Yield	WAL	Am
	(Dollars in thousands)									
Beginning balance	\$970,431	1.76%	1.29	\$651,943	2.05%	1.65	\$480,704	1.93%	1.53	\$32
Maturities and calls	(210,048 )			(119,103)			(1,033 )			(25
Net amortization of premiums/discounts	(1,051 )			(1,053 )			(1,061 )			(90
Purchases:										
Fixed	443,757	1.38	1.11	438,254	1.36	1.02	173,431	2.39	1.25	18
Adjustable	--	--	--	--	--	--	--	--	--	--
Change in valuation of AFS securities	(25 )			390			(98 )			1,1
Ending balance	\$1,203,064	1.67%	0.82	\$970,431	1.76%	1.29	\$651,943	2.05%	1.65	\$48

	For the Year Ended September 30,					
	2009		2008			
	Amount	Yield	WAL	Amount	Yield	WAL
	(Dollars in thousands)					
Beginning balance	\$ 142,359	3.94 %	6.06	\$ 524,168	4.52 %	1.66
Maturities and calls	(109,760)			(614,018)		
Net amortization of premiums (discounts)	(2,162 )			30		
Purchases:						
Fixed	448,553	1.70	1.53	230,512	3.96	1.07
Adjustable	--	--	--	3,874	6.58	28.98
Change in valuation on AFS securities	1,714			(2,207 )		
Ending balance	\$ 480,704	1.93 %	1.53	\$ 142,359	3.94 %	6.06



Liabilities. Total liabilities increased \$121.0 million from \$7.46 billion at September 30, 2009 to \$7.58 billion at June 30, 2010, due primarily to an increase in deposits of \$145.2 million. Liabilities increased from \$7.18 billion at September 30, 2008 to \$7.46 billion at September 30, 2009. The \$278.3 million increase in liabilities was due primarily to an increase in deposits of \$304.7 million. We believe the turmoil in the credit and equity markets made deposit products in well-capitalized financial institutions, like Capitol Federal Savings Bank, desirable for many customers. Households increased their personal savings rate, which we believe also contributed to our growth in deposits during this period.

During fiscal year 2009, Capitol Federal Savings Bank prepaid \$875.0 million of fixed-rate FHLB advances with a weighted average contractual rate of 5.65%. The prepaid FHLB advances were replaced with \$875.0 million of fixed-rate FHLB advances with a weighted average contractual interest rate of 3.41%. Capitol Federal Savings Bank paid a \$38.4 million prepayment penalty to the FHLB. The prepayment penalty is being deferred as an adjustment to the carrying value of the new advances and will be recognized as expense over the life of the new advances, which effectively increased the interest rate on the new advances 96 basis points. See "Notes to Consolidated Financial Statements - Note 7 - Borrowed Funds."

The following table presents the amount, average rate and percentage of total deposits for checking, savings, money market and certificates at June 30, 2010, September 30, 2009 and 2008.

	At June 30, 2010			At September 30, 2009			At September 30, 2008		
	Amount	Average Rate	% of Total	Amount	Average Rate	% of Total	Amount	Average Rate	% of Total
	(Dollars in thousands)								
Checking	\$487,279	0.13	% 11.1	\$439,975	0.17	% 10.4	\$400,461	0.21	% 10.2
Savings	238,236	0.54	5.5	226,396	0.66	5.4	232,103	1.51	5.9
Money market	945,941	0.67	21.6	848,157	0.82	20.1	772,323	1.48	19.7
Certificates	2,702,388	2.47	61.8	2,714,081	3.09	64.1	2,518,996	3.91	64.2
Total deposits	\$4,373,844	1.71	% 100.0	\$4,228,609	2.20	% 100.0	\$3,923,883	2.91	% 100.0

The Board of Directors has authorized management to utilize brokered deposits and public unit deposits (deposits from governmental and other public entities) as sources of funds. The rate paid on brokered deposits, plus fees, are generally equivalent to the rates offered by the FHLB on advances and comparable to some rates paid on retail deposits. In order to qualify to obtain public unit deposits, Capitol Federal Savings Bank must have a branch in each county in which it collects public unit deposits, and by law, must pledge securities as collateral for all balances in excess of the FDIC insurance limits. The rates paid on public unit deposits are based on bid rates versus the rate available to retail customers. Depending on market conditions, management utilizes these two sources to fund asset growth. Since the pricing of public unit funds are set by us and we can select posted broker rates for brokered deposits, they are useful funding tools. Because Capitol Federal Savings Bank chooses to take longer term maturities for brokered deposits, these assist in managing our interest rate risk. The primary risk of using these sources of funds is the volatility of retention at maturity, primarily due to competition in the market. Due to this volatility, Capitol Federal Savings Bank's policies limit the amount of brokered deposits to 10% of total deposits and public unit deposits to 5% of total deposits.

At June 30, 2010, \$83.7 million in certificates were brokered deposits, compared to \$71.5 million in brokered deposits at September 30, 2009. The \$83.7 million of brokered deposits at June 30, 2010 had a weighted average rate of 2.58% and a remaining term to maturity of 4.1 years. Capitol Federal Savings Bank regularly considers brokered deposits as

a source of funding, provided that investment opportunities are balanced with the funding cost. As of June 30, 2010, \$109.0 million in certificates were public unit deposits, compared to \$91.5 million in public unit deposits at September 30, 2009. The \$109.0 million of public unit deposits at June 30, 2010 had a weighted average rate of .45% and a remaining term to maturity of 6 months. Management will continue to monitor the wholesale deposit market for attractive opportunities relative to the use of proceeds for investments.

Stockholders' Equity. Stockholders' equity increased \$18.7 million, from \$941.3 million at September 30, 2009 to \$960.0 million at June 30, 2010. The increase was due to net income of \$52.4 million and an increase in accumulated other comprehensive income of \$2.6 million due to an increase in unrealized gains on AFS securities, partially offset by dividend payments of \$37.9 million during the period. Stockholders' equity increased \$70.1 million from \$871.2 million at September 30, 2008 to \$941.3 million at September 30, 2009. The increase was primarily a result of net income of \$66.3 million and an increase in unrealized gains on AFS securities of \$39.8 million, partially offset by dividends paid of \$44.1 million.

Unrealized gains and losses on AFS securities result from changes in the fair value of the securities, due to fluctuations in market yields. Fluctuations in market yields result in changes in stockholders' equity through unrealized gains and losses on AFS securities, but they do not impact operations unless the securities are sold and proceeds are reinvested at market rates. Management is no longer classifying purchased securities as AFS due to the potential fluctuations in stockholders' equity caused by market yield changes. Management will continue to monitor the size of the AFS securities portfolio and will begin classifying purchased securities as AFS when appropriate. If future market yields were to remain at the same level as June 30, 2010, then the net unrealized gain in stockholders' equity would decrease over time due to the decline in the AFS security portfolio balance as a result of repayments.

CFF repurchases stock from time to time in the open market as one of the capital management strategies available to enhance stockholder value. The repurchase of stock has allowed CFF to effectively implement its dividend policy. CFF was an active buyer of stock when the stock traded on the open market below its original offering price and when CFF determined market conditions and timing was appropriate. CFF has completed eight stock repurchase programs.

The following table presents total dividends paid to public shareholders, total dividends waived by the MHC, total dividends that would have been paid if dividends had not been waived by the MHC, and dividends paid per share based upon the total number of shares of stock outstanding on the record dates during the periods presented below.

	Total Dividends Paid to Public Shareholders	Total Dividends Waived by the MHC	Total Dividends That Would Have Been Paid if Not Waived	Dividends Paid Per Share Based Upon Total Number of Shares of Stock Outstanding
(Dollars in thousands, except per share amounts)				
Nine Months Ended June 30, 2010	\$37,904	\$93,175	\$131,079	\$0.51
Nine Months Ended June 30, 2009	33,621	84,030	117,651	0.45
Fiscal Year Ended September 30, 2009	44,069	110,128	154,197	0.60
Fiscal Year Ended September 30, 2008	41,426	104,385	145,811	0.56
Fiscal Year Ended September 30, 2007	43,000	109,083	152,083	0.58

Weighted Average Yields and Rates: The following table presents the weighted average yields earned on loans, securities and other interest-earning assets, the weighted average rates paid on deposits and borrowings and the resultant interest rate spreads at the dates indicated. Yields on tax-exempt securities are not calculated on a tax-equivalent basis.



	At June 30, 2010	At September 30, 2009	2008	2007
Weighted average yield on:				
Loans	5.28%			
receivable		5.38%	5.69%	5.73%
MBS	4.15	4.42	4.82	4.46
Investment	1.67			
securities		1.93	3.94	4.52
Capital stock of	2.98			
FHLB		2.98	4.73	6.68
Cash and cash	0.23			
equivalents		0.21	2.95	4.94
Combined weighted average yield	4.47			
on interest-earning assets		4.89	5.37	5.41
Weighted average rate paid on:				
Checking	0.13			
deposits		0.17	0.21	0.21
Savings	0.54			
deposits		0.66	1.51	2.58
Money market	0.67			
deposits		0.82	1.48	3.18
Certificate of	2.47			
deposit		3.09	3.91	4.77
FHLB advances	3.98			
(1)		4.13	4.75	5.39
Other	3.90			
borrowings		3.91	4.09	8.12
Combined weighted average rate paid				
on interest-bearing liabilities	2.65	3.00	3.67	4.52
Net interest rate	1.82%			
spread		1.89%	1.70%	0.89%

(1) The June 30, 2010 and September 30, 2009 rates include the net impact of the deferred prepayment penalties related to the prepayment of certain FHLB advances and deferred gain associated with the interest rate swap termination during fiscal year 2008. The September 30, 2008 rates include the impact of the deferred gain associated with the interest rate swap termination during fiscal year 2008. The September 30, 2007 rates include the impact of the interest rate swap agreements.

Average Balance Sheets: The following tables present certain information regarding our financial condition and net interest income for the nine months ended June 30, 2010 and 2009 and fiscal years 2009, 2008 and 2007. Net interest income represents the difference between interest income earned on interest-earning assets and interest-bearing liabilities, and the interest rates earned or paid on them. The tables present the average balances of our assets, liabilities and stockholders' equity and the related annualized yields and rates on our interest-earning assets and interest-bearing liabilities for the periods indicated. We derived the average yields and rates by dividing income or

expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated, except as noted. The average yields and rates include amortization of fees, costs, premiums and discounts which are considered adjustments to yields/rates. Yields on tax-exempt securities were not calculated on a tax-equivalent basis.

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	Nine Months Ended						Year Ended September 30,			
	June 30, 2010			June 30, 2009			2009			
	Average	Interest	Yield/	Average	Interest	Yield/	Average	Interest	Yield/	
	Outstanding	Earned/	Rate	Outstanding	Earned/	Rate	Outstanding	Earned/	Rate	
	Balance	Paid		Balance	Paid		Balance	Paid		
	(Dollars in thousands)									
Assets										
Interest-earning assets:										
Mortgage loans (1)	\$5,242,341	\$205,417	5.22%	\$5,269,145	\$221,716	5.61%	\$5,296,297	\$293,685	5.55%	\$
Other loans	200,513	8,414	5.61	209,713	9,191	5.86	208,252	12,097	5.81	
Total loans receivable	5,442,854	213,831	5.24	5,478,858	230,907	5.62	5,504,549	305,782	5.56	
MBS (2)	1,765,830	56,245	4.25	2,146,021	75,701	4.70	2,110,701	97,926	4.64	
Investment securities (2)(3)	777,490	10,850	1.86	169,643	3,560	2.80	229,766	5,533	2.41	
Capital stock of FHLB	134,067	2,991	2.98	128,919	2,351	2.44	129,716	3,344	2.58	
Cash and cash equivalents	92,056	162	0.24	84,116	167	0.26	72,184	201	0.28	
Total interest-earning assets	8,212,297	284,079	4.61	8,007,557	312,686	5.21	8,046,916	412,786	5.13	
Other noninterest-earning assets	230,064			183,097			181,829			
Total assets	\$8,442,361			\$8,190,654			\$8,228,745			\$
Liabilities and stockholders' equity										
Interest-bearing liabilities:										
Checking	\$468,365	471	0.13%	\$423,643	652	0.21%	\$426,976	879	0.21%	\$
Savings	231,604	1,000	0.58	229,288	1,449	0.84	228,879	1,873	0.82	
Money market	904,227	4,947	0.73	804,517	6,639	1.10	814,898	8,512	1.04	
Certificates	2,660,540	54,612	2.74	2,547,198	67,461	3.54	2,585,560	89,207	3.45	
Total deposits	4,264,736	61,030	1.91	4,004,646	76,201	2.54	4,056,313	100,471	2.48	
FHLB advances (4)	2,395,449	73,535	4.10	2,447,044	81,505	4.44	2,437,978	106,551	4.36	
Other borrowings	713,609	21,090	3.90	713,598	21,978	4.06	713,601	29,122	4.03	
Total interest-bearing liabilities	7,373,794	155,655	2.81	7,165,288	179,684	3.34	7,207,892	236,144	3.27	
Other noninterest-bearing liabilities	115,154			121,378			108,940			
Stockholders' equity	953,413			903,988			911,913			
Total liabilities and stockholders' equity	\$8,442,361			\$8,190,654			\$8,228,745			\$

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Net interest income	\$ 128,424	\$ 133,002	\$ 176,642
Net interest rate spread	1.80%	1.87%	1.86%
Net interest-earning assets	\$ 838,503	\$ 842,269	\$ 839,024
Net interest margin	2.09%	2.21%	2.20%
Ratio of interest-earning assets to interest-bearing liabilities	1.11x	1.12x	1.12x

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- (1) Calculated net of deferred loan fees, loan discounts, and loans in process. Non-accrual loans are included in the loans receivable average balance with a yield of zero percent. Balances include loans held for sale.
- (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 \$72.0 million and \$59.3 million for the periods ended June 30, 2010 and 2009 and \$61.0 million, \$45.9 million, and \$12.0 million for the years ended September 30, 2009, 2008 and 2007, respectively.
- (4) FHLB advances are stated net of deferred gains and deferred prepayment penalties.
- (5) The average balance for other non-interest-earning assets, other non-interest-bearing liabilities, and stockholders' equity was calculated based upon month-end balances.



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 nine months ended June 30, 2010 to the nine months ended June 30, 2009, fiscal years 2009 to 2008 and fiscal years 2008 to 2007. 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. 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.

	Nine Months Ended June 30, 2010 vs. 2009			Year Ended September 30, 2009 vs. 2008			2008 vs. 2007		
	Increase (Decrease) Due to Volume	Rate	Total	Increase (Decrease) Due to Volume	Rate	Total	Increase (Decrease) Due to Volume	Rate	Total
(Dollars in thousands)									
<b>Interest-earning assets:</b>									
<b>Loans</b>									
receivable	\$(1,508 )	\$(15,568 )	\$(17,076 )	\$10,443	\$(6,681 )	\$3,762	\$3,873	\$3,403	\$7,276
MBS	(12,630)	(6,826 )	(19,456)	10,295	(764 )	9,531	12,824	6,819	19,643
<b>Investment securities</b>									
	8,849	(1,559 )	7,290	(494 )	(3,890 )	(4,384 )	(17,380)	(3,552 )	(20,932)
<b>Capital stock of FHLB</b>									
	98	542	640	27	(3,604 )	(3,577 )	(1,451 )	(1,645 )	(3,096 )
<b>Cash equivalents</b>									
	15	(20 )	(5 )	(947 )	(2,405 )	(3,352 )	(1,182 )	(2,453 )	(3,635 )
<b>Total interest-earning assets</b>									
	(5,176 )	(23,431)	(28,607)	19,324	(17,344)	1,980	(3,316 )	2,572	(744 )
<b>Interest-bearing liabilities:</b>									
<b>Checking</b>									
	65	(274 )	(209 )	60	42	102	4	(39 )	(35 )
<b>Savings</b>									
	15	(452 )	(437 )	(35 )	(2,218 )	(2,253 )	802	(1,640 )	(838 )
<b>Money market</b>									
	752	(2,425 )	(1,673 )	208	(8,589 )	(8,381 )	(90 )	(9,387 )	(9,477 )
<b>Certificates</b>									
	2,914	(15,766)	(12,852)	3,351	(25,783)	(22,432)	141	(3,635 )	(3,494 )
<b>FHLB advances</b>									
	(976 )	(6,994 )	(7,970 )	(4,606 )	(14,591)	(19,197)	(23,533)	(4,082 )	(27,615)
<b>Other borrowings</b>									
	--	(888 )	(888 )	12,920	(1,253 )	11,667	13,820	(833 )	12,987
<b>Total interest-bearing liabilities</b>									
	2,770	(26,799)	(24,029)	11,898	(52,392)	(40,494)	(8,856 )	(19,616)	(28,472)
<b>Net change in net interest and dividend income</b>									
	\$(7,946 )	\$3,368	\$(4,578 )	\$7,426	\$35,048	\$42,474	\$5,540	\$22,188	\$27,728

Operating Results for the Nine Months Ended June 30, 2010 and 2009.

Net income for the nine months ended June 30, 2010 was \$52.4 million compared to \$49.5 million for the same period in the prior fiscal year. The \$2.9 million increase in net income between periods was a result of an increase in other income of \$5.6 million and a decrease in other expenses of \$4.2 million, partially offset by a decrease in net interest income of \$4.6 million and an increase in the provision for loan losses of \$2.4 million.

Despite an increase in net interest income, the net interest margin decreased 12 basis points, from 2.21% for the nine months ended June 30, 2009 to 2.09% for the nine months ended June 30, 2010. The decrease in the net interest margin was due to an increase in the average balance of interest-earning assets at lower yields compared to the nine months ended June 30, 2009.

Interest and Dividend Income. Total interest and dividend income for the nine months ended June 30, 2010 was \$284.1 million compared to \$312.7 million for the nine months ended June 30, 2009. The \$28.6 million decrease was primarily a result of decreases in interest income on MBS of \$19.5 million and loans receivable of \$17.1 million, partially offset by an increase in interest income on investment securities of \$7.3 million.

Interest income on loans receivable for the current nine month period was \$213.8 million compared to \$230.9 million for the prior year period. The \$17.1 million decrease in interest income was primarily a result of a decrease of 38 basis points in the weighted average yield to 5.24% for the period, partially offset by a \$36.0 million increase in the average balance of the portfolio. The decrease in the weighted average yield was due to a significant amount of loan modifications and refinances during the second and third quarters of fiscal year 2009 which did not impact the yield until the borrowers began paying the lower interest rate the month after the modification or refinance. The decrease in the weighted average yield was also due to purchases and originations at market rates which were lower than the existing portfolio.

Interest income on MBS for the current nine month period was \$56.2 million compared to \$75.7 million for the prior year period. The \$19.5 million decrease was a result of a \$380.2 million decrease in the average balance of the portfolio and a decrease of 45 basis points in the weighted average yield to 4.25% for the current nine months. The decrease in the average balance of the portfolio was due to principal repayments which were not replaced in their entirety. The weighted average yield decreased between the two periods due to an increase of prepayments on MBS with yields higher than the existing portfolio, adjustable-rate securities repricing to lower market rates, and, to a lesser extent, purchases of MBS at a lower average yield than the existing portfolio between the two periods.

Interest income on investment securities for the current nine month period was \$10.9 million compared to \$3.6 million for the prior year period. The \$7.3 million increase was primarily a result of a \$607.8 million increase in the average balance, partially offset by a decrease in the average yield of 94 basis points to 1.86% for the current nine month period. The average balance increased due to the purchase of \$1.24 billion of investment securities between periods, partially offset by calls and maturities of \$355.3 million. The average yield decreased primarily due to purchases at yields lower than the overall portfolio yield.

Interest Expense. Interest expense decreased \$24.0 million to \$155.7 million for the current nine month period from \$179.7 million for the prior year period. The decrease in interest expense was primarily due to a decrease in interest expense on deposits and FHLB advances.

Interest expense on FHLB advances for the current nine month period was \$73.5 million compared to \$81.5 million for the prior year period. The \$8.0 million decrease in interest expense on FHLB advances was a result of the refinancing of \$875.0 million of FHLB advances during the second and third quarters of fiscal year 2009 and, to a lesser extent, a decrease in the average balance of \$51.6 million primarily due to maturing advances that were not renewed.

Interest expense on deposits for the current nine month period was \$61.0 million compared to \$76.2 million for the prior year period. The \$15.2 million decrease in interest expense on deposits was due to a decrease in the rates on the entire deposit portfolio, primarily the certificate of deposit and money market portfolios, due to the portfolios repricing to lower market rates. The average rate paid on the deposit portfolio decreased 63 basis points between the two periods, from 2.54% for the nine months ended June 30, 2009 to 1.91% for the nine months ended June 30, 2010. The decrease in interest expense was partially offset by a \$260.1 million increase in the average balance of the deposit portfolio, particularly the certificate of deposit and money market portfolios.

Provision for Loan Losses. Capitol Federal Savings Bank recorded a provision for loan losses of \$8.1 million during the current nine month period, compared to a provision of \$5.8 million for the nine months ended June 30, 2009. The \$8.1 million provision for loan losses was composed of \$5.3 million related to the increase in certain loss factors in our general valuation allowance model, primarily on purchased loans, and \$2.8 million related to establishing SVAs, also primarily on purchased loans. The increase in certain loss factors in our general valuation allowance model reflects the risks inherent in our loan portfolio due to decreases in real estate values in certain geographic regions where Capitol Federal Savings Bank has purchased loans, the continued elevated level of unemployment, the increase in non-performing loans and loan charge-offs, and SVAs, particularly related to our purchased loan portfolio. These factors contributed to the increase in the provision for loan losses in fiscal year 2010 and resulted in an increase in our ALLL. Despite the current economic operating environment and some deterioration in our purchased loan portfolio, the overall credit quality of our loan portfolio continued to compare favorably to the industry and our peers. No assurance can be given that this trend will continue in future periods. See additional discussion regarding the allowance for loan losses and provision for loan losses in the sections entitled "Critical Accounting Policies – Allowance for Loan Losses" and "Asset Quality – Loans and REO."

Other Income and Expense. Total other income was \$27.4 million for the current nine month period compared to \$21.8 million for the prior year period. The \$5.6 million increase was due primarily to the gain on the sale of trading

MBS in conjunction with the loan swap transaction.

73

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Total other expenses for the nine months ended June 30, 2010 were \$66.5 million, compared to \$70.6 million in the prior year period. The \$4.1 million decrease was due primarily to a decrease in other expenses, net of \$2.8 million and a decrease in advertising and promotional expense of \$1.1 million. The decrease in other expenses, net was largely related to an impairment and valuation allowance taken on the MSR asset in the prior year period, compared to a recovery in the current period.

**Income Tax Expense.** Income tax expense for the current nine month period was \$28.8 million compared to \$29.0 million for the prior year nine month period. The \$143 thousand decrease was due to a decrease in the effective tax rate between periods. The effective tax rate for the nine months ended June 30, 2010 was 35.5%, compared to 37.0% for the prior year nine month period. The difference in the effective tax rate between periods was primarily a result of a decrease in nondeductible expenses associated with the employee stock ownership plan (ESOP) in the current fiscal year, a reduction of unrecognized tax benefits due to the lapse of the statute of limitations during the first quarter of fiscal year 2010 and an increase in tax credits related to our low income housing partnership.

#### Comparison of Results of Operations for the Years Ended September 30, 2009 and 2008

For fiscal year 2009, CFF recognized net income of \$66.3 million compared to net income of \$51.0 million in fiscal year 2008. The \$15.3 million increase in net income was primarily a result of a \$40.5 million decrease in interest expense, partially offset by an \$11.6 million increase in other expenses, a \$9.7 million increase in income tax expense, and a \$4.3 million increase in provision for loan loss. The net interest margin for fiscal year 2009 was 2.20% compared to 1.75% for fiscal year 2008. The 45 basis point increase in the net interest margin was primarily a result of a decrease in the weighted average rate on interest-bearing liabilities.

**Interest and Dividend Income.** Total interest and dividend income for fiscal year 2009 was \$412.8 million compared to \$410.8 million for fiscal year 2008. The \$2.0 million increase was a result of a \$9.5 million increase in interest income on MBS and a \$3.8 million increase in interest income on loans receivable, partially offset by a \$4.4 million decrease in interest income on investment securities, a \$3.6 million decrease in dividends on FHLB stock and a \$3.4 million decrease in interest income on cash and cash equivalents.

Interest income on loans receivable in fiscal year 2009 was \$305.8 million compared to \$302.0 million in fiscal year 2008. The \$3.8 million increase in loan interest income was a result of a \$189.0 million increase in the average balance of the loan portfolio between the two periods, partially offset by a decrease of 12 basis points in the weighted average yield of the portfolio to 5.56% for fiscal year 2009. The increase in the average balance was due to originations and loan purchases during fiscal year 2009. The decrease in the weighted average yield was due to purchases and originations at market rates which were lower than the existing portfolio, loan modifications and refinances during fiscal year 2009, and the home equity loan portfolio repricing to lower market interest rates, partially offset by an increase in deferred fee amortization as a result of prepayments, modifications and refinances.

Interest income on MBS in fiscal year 2009 was \$97.9 million compared to \$88.4 million in fiscal year 2008. The \$9.5 million increase in interest income was primarily due to an increase of \$222.5 million in the average balance, slightly offset by a 4 basis point decrease in the weighted average portfolio yield to 4.64% for fiscal year 2009. The increase in the average portfolio balance was a result of purchases. The funds for the purchases came from maturities and calls of investment securities and from new borrowings in fiscal year 2008.

Interest income on investment securities in fiscal year 2009 was \$5.5 million compared to \$9.9 million in fiscal year 2008. The \$4.4 million decrease in interest income was a result of a 168 basis point decrease in the weighted average portfolio yield to 2.41% for fiscal year 2009 and, to a lesser extent, a decrease of \$12.7 million in the average balance of the portfolio. The decrease in the weighted average yield of the portfolio was attributed to maturities and calls of securities with weighted average yields greater than the remaining portfolio, and also due to reinvestments made at

lower market yields than the overall portfolio yield. The decrease in the average balance was a result of the timing of calls, maturities and security purchases during fiscal year 2009.

Dividends on FHLB stock in fiscal year 2009 were \$3.3 million compared to \$6.9 million in fiscal year 2008. The \$3.6 million decrease in dividend income was due primarily to a 278 basis point decrease in the average yield to 2.58% for fiscal year 2009. The dividend rate on FHLB stock correlates to the federal funds rate, which decreased during fiscal year 2009.

Interest income on cash and cash equivalents in fiscal year 2009 was \$201 thousand compared to \$3.6 million in fiscal year 2008. The \$3.4 million decrease was due to a 283 basis point decrease in the weighted average yield due to a decrease in short-term interest rates between the two periods, and a decrease in the average balance of \$40.3 million. The decrease in the average balance was a result of cash being utilized to purchase MBS and investment securities.

Interest Expense. Total interest expense for fiscal year 2009 was \$236.1 million, compared to \$276.6 million in fiscal year 2008. The \$40.5 million decrease in interest expense was due to a decrease in interest expense on deposits of \$32.9 million and a decrease in interest expense on FHLB advances of \$19.2 million, partially offset by an increase in interest expense on other borrowings of \$11.6 million.

Interest expense on deposits in fiscal year 2009 was \$100.5 million compared to \$133.4 million in fiscal year 2008. The \$32.9 million decrease in interest expense was primarily a result of a decrease in the average rate paid on the certificate of deposit, money market and savings portfolios due to the portfolios repricing to lower market rates. The average rate paid on the deposit portfolio decreased 89 basis points to 2.48% for fiscal year 2009.

Interest expense on FHLB advances in fiscal year 2009 was \$106.5 million compared to \$125.7 million in fiscal year 2008. The \$19.2 million decrease in interest expense was a result of the termination and maturity of the interest rate swap agreements during fiscal year 2008, a decrease in the average balance of FHLB advances and a decrease in the interest rate due to the refinancing of \$875.0 million of advances during the second and third quarters of fiscal year 2009. The decrease in the average balance was a result of maturing advances that were replaced with repurchase agreements during fiscal year 2008.

Interest expense on other borrowings was \$29.1 million in fiscal year 2009 compared to \$17.5 million in fiscal year 2008. The \$11.6 million increase was due to an increase in the average balance as a result of Capitol Federal Savings Bank entering into \$660.0 million of repurchase agreements during fiscal year 2008. The proceeds from the repurchase agreements were used to purchase MBS and to repay maturing FHLB advances.

Provision for Loan Losses. During fiscal year 2009, Capitol Federal Savings Bank experienced an increase in delinquencies, non-performing loans, net loan charge-offs, and losses on foreclosed property transactions, primarily on purchased loans, as a result of the decline in housing and real estate markets, as well as the ongoing economic recession. As a result of these conditions, Capitol Federal Savings Bank recorded a provision for loan losses of \$6.4 million in fiscal year 2009 compared to a provision of \$2.1 million in fiscal year 2008. The \$4.3 million increase in the provision primarily reflects an increase in the specific valuation allowances on purchased loans, an increase in the balance of non-performing purchased loans, an increase in the general valuation allowances primarily related to purchased loans 30 to 89 days delinquent, and an increase in charge-offs, also primarily related to purchased loans. See “– Critical Accounting Policies – Allowance for Loan Losses” and “Business – Asset Quality.”

Other Income and Expense. Total other income for fiscal year 2009 was \$28.6 million compared to \$30.0 million in fiscal year 2008. The \$1.4 million decrease in other income was a result of a \$2.0 million decrease in other income, net and a \$1.2 million decrease in income from bank owned life insurance as a result of a decrease in the net crediting rate due to a decrease in market interest rates, partially offset by an increase in gains on sale of loans held for sale, net of \$1.3 million. The decrease in other income, net was due primarily to the redemption of shares received in the Visa, Inc. initial public offering of \$992 thousand in fiscal year 2008 and interest received on a tax refund of \$235 thousand

also in fiscal year 2008, both with no corresponding item in fiscal year 2009.

Total other expenses for fiscal year 2009 were \$93.6 million compared to \$82.0 million for fiscal year 2008. The \$11.6 million increase was due to a \$6.8 million increase in federal insurance premiums, a \$2.0 million increase in advertising expense and a \$2.0 million increase in mortgage servicing activity, net. The increase in federal insurance premiums was a result of the FDIC special assessment and increases in the regular quarterly deposit insurance premiums. The increase in advertising expense was due to expense associated with Capitol Federal Savings Bank's new debit card rewards program and to advertising campaigns undertaken to inform customers of Capitol Federal Savings Bank's safety and soundness in response to current economic conditions. The increase in mortgage servicing activity, net was due to mortgage servicing asset impairments and valuation allowances due to an increase in prepayment speeds.



**Income Tax Expense.** Income tax expense for fiscal year 2009 was \$38.9 million compared to \$29.2 million for fiscal year 2008. The increase in income tax expense was primarily due to an increase in earnings compared to fiscal year 2008. The effective tax rate was 37.0% for fiscal year 2009, compared to 36.4% for fiscal year 2008. The difference in the effective tax rate between the two fiscal years was primarily a result of a decrease in nontaxable income from bank owned life insurance and an increase in pre-tax income which reduced the effective tax rate benefit of nontaxable income.

#### Comparison of Results of Operations for the Years Ended September 30, 2008 and 2007

For fiscal year 2008, CFF recognized net income of \$51.0 million compared to net income of \$32.3 million in fiscal year 2007. The \$18.7 million increase in net income was primarily a result of a \$28.5 million decrease in interest expense and a \$6.0 million increase in other income, partially offset by an \$8.6 million increase in income tax expense, a \$4.3 million increase in other expenses, and a \$2.3 million increase in the provision for loan loss.

Total interest and dividend income in fiscal year 2008 was \$410.8 million compared to \$411.6 million in fiscal year 2007. Total interest expense in fiscal year 2008 was \$276.6 million compared to \$305.1 million in fiscal year 2007. Net interest margin, before provision for loan losses, was \$134.2 million compared to \$106.4 million in fiscal year 2007. As a result of the flat or inverted yield curve during fiscal year 2007 and the relatively short term to repricing of our liabilities compared to our assets, Capitol Federal Savings Bank experienced net interest margin compression during fiscal year 2007. The steeper, more normalized yield curve during fiscal year 2008 benefited the net interest margin, as short-term liabilities repriced to lower interest rates while cash flows from the mortgage loan and MBS portfolios were reinvested at rates comparable to that of the existing portfolio.

**Interest and Dividend Income.** Interest income on loans receivable during fiscal year 2008 was \$302.0 million compared to \$294.7 million in fiscal year 2007. The \$7.3 million increase in loan interest income was a result of a \$71.4 million increase in the average balance of the loan portfolio between the two periods and an increase of 6 basis points in the weighted average yield of the loan portfolio to 5.68% in fiscal year 2008. The increase in the weighted average yield can be attributed primarily to loans originated throughout the year at rates higher than the overall portfolio rate.

Interest income on MBS in fiscal year 2008 was \$88.4 million compared to \$68.8 million in fiscal year 2007. The \$19.6 million increase in interest income was due to an increase of \$282.3 million in the average balance of the portfolio and an increase of 40 basis points in the average yield to 4.68% in fiscal year 2008. The increase in the average portfolio balance was due primarily to the utilization of cash available for investment and funds from borrowings to purchase MBS rather than other investment securities due to the more favorable yields available on MBS. The weighted average yield of the MBS portfolio increased between the two periods due to the purchase of MBS with yields higher than the existing portfolio, the maturity and repayment of MBS with lower yields, and adjustable-rate MBS resetting to higher coupons.

Interest income on investment securities in fiscal year 2008 was \$9.9 million compared to \$30.8 million in fiscal year 2007. The \$20.9 million decrease in interest income was primarily a result of a decrease of \$414.4 million in the average balance of the portfolio and, to a lesser extent, a 61 basis point decrease in the weighted average portfolio yield to 4.09% in fiscal year 2008. The decrease in the average balance was a result of maturities and calls which were not reinvested into investment securities and were used, in part, to fund maturing FHLB advances and purchase higher yielding MBS during fiscal year 2008. The decrease in the weighted average yield of the portfolio was attributed to purchases with lower yields than the existing portfolio and maturities and calls of securities with higher yields.

Dividends on FHLB stock in fiscal year 2008 were \$6.9 million compared to \$10.0 million in fiscal year 2007. The \$3.1 million decrease in dividend income was due to a 117 basis point decrease in the average yield to 5.36% in fiscal year 2008 and a \$24.3 million decrease in the average balance. The dividend rate on FHLB stock correlates to the federal funds rate, which also decreased during fiscal year 2008. The decrease in the average balance was due to the redemption of shares as the required number of shares held is based primarily upon the balance of outstanding FHLB advances, which decreased during fiscal year 2008.

Interest income on cash and cash equivalents in fiscal year 2008 was \$3.6 million compared to \$7.2 million in fiscal year 2007. The \$3.6 million decrease was a result of a 200 basis point decrease in the average yield to 3.11% in fiscal year 2008 due to a decrease in short-term market interest rates, and a decrease of \$26.2 million in the average balance as cash was utilized to purchase MBS and fund maturing FHLB advances.

**Interest Expense.** Interest expense on deposits in fiscal year 2008 was \$133.4 million compared to \$147.3 million in fiscal year 2007. The \$13.9 million decrease in interest expense was primarily a result of a decrease in the rate on the money market, certificate and savings portfolios due to the portfolios repricing to lower market rates. During fiscal year 2007, Capitol Federal Savings Bank increased the rates offered on its certificate of deposit portfolio, with an emphasis on the 19 month to 36 month maturity category, in order to remain competitive. As certificate of deposits matured during fiscal year 2008, the amounts retained rolled into lower rate certificate products.

Interest expense on FHLB advances in fiscal year 2008 was \$125.7 million compared to \$153.4 million in fiscal year 2007. The \$27.7 million decrease in interest expense was primarily a result of a decrease of \$456.7 million in the average balance due to maturing advances which were not renewed in their entirety and, to a lesser extent, a decrease of 14 basis points in the average rate to 4.89% in fiscal year 2008 as a result of the termination of the interest rate swaps. During the quarter ended December 31, 2007, interest rate swaps with a notional amount of \$575.0 million were terminated. The remaining interest rate swap matured in May 2008. During fiscal year 2008, interest expense related to the interest rate swaps was \$2.3 million, compared to \$13.6 million in fiscal year 2007.

Interest expense on other borrowings was \$17.5 million compared to \$4.5 million in the same period in the prior year. The \$13.0 million increase was due to an increase in the average balance of other borrowings due to Capitol Federal Savings Bank entering into \$660.0 million of repurchase agreements during fiscal year 2008.

**Provision for Loan Losses.** During fiscal year 2008, Capitol Federal Savings Bank recorded a provision for loan losses of \$2.1 million compared to a recovery for loan losses of \$225 thousand in fiscal year 2007. The \$2.1 million provision in fiscal year 2008 reflected a decline in home prices in some of the markets where we have purchased loans, an increase in specific valuation allowances on non-performing purchased loans, an increase in charge-offs during the year compared to fiscal year 2007, and an increase in the balance and trends of delinquent and non-performing loans compared to fiscal year 2007. Due to the decline in home prices in some of the markets where we purchased loans, the estimated fair value of the underlying collateral, less estimated costs to sell, on certain non-performing purchased loans was less than the related outstanding loan balance. As a result, management established \$683 thousand of specific valuation allowances at September 30, 2008 related to those loans. Charge-offs during fiscal year 2008 were \$441 thousand, of which \$321 thousand related to purchased loans, compared to total charge-offs of \$27 thousand during fiscal year 2007. The increase in the charge-offs in fiscal year 2008 was primarily due to the decline in home prices of the underlying collateral and also the number of loans entering foreclosure, both primarily related to our purchased loan portfolio. The amount of loans delinquent 30-89 days increased \$3.4 million from \$17.7 million at September 30, 2007 to \$21.1 million at September 30, 2008. This increase was almost entirely in our purchased loan portfolio. Non-performing loans increased \$6.3 million from \$7.4 million at September 30, 2007 to \$13.7 million at September 30, 2008. Of the \$6.3 million increase in non-performing loans, \$4.5 million related to our purchased loan portfolio. The increase in delinquent and non-performing loans is believed to have been a result of the negative economic environment, specifically the increase in the level of unemployment during the year.

**Other Income and Expense.** Total other income increased \$6.0 million to \$30.0 million during fiscal year 2008 compared to \$24.0 million for the fiscal year 2007. The increase in other income was due primarily to increases in bank owned life insurance income, retail fees and other income, net. Bank owned life insurance income was \$2.3 million in fiscal year 2008 compared to \$27 thousand in fiscal year 2007 as Capitol Federal Savings Bank's bank owned life insurance purchase was made during the fourth quarter of fiscal year 2007. Retail fees increased \$1.7

million due primarily to an increase in fees received on ATM and Visa check cards from increased volume and an increase in the interchange rate received on point-of-sale transactions. Other income, net increased \$1.3 million due primarily to the redemption of shares received in the Visa, Inc. initial public offering. Total proceeds from the Visa redemption reported in other income, net were \$992 thousand, offset by a liability accrual of \$594 thousand, reported in other expense, net related to litigation involving Visa, Inc. for net proceeds of \$398 thousand.

Total other expenses increased \$4.3 million to \$82.0 million during fiscal year 2008 compared to \$77.7 million in fiscal year 2007. The increase was due primarily to an increase in salaries and employee benefits of \$2.2 million and an increase in other expense, net of \$2.4 million. The increase in salaries and employee benefits was due to an increase in costs associated with the short-term performance plan due to actual corporate performance exceeding targeted performance levels, salary increases, and the lack of capitalization of payroll expense in fiscal year 2008, as salary costs related to the core conversion were capitalized in fiscal year 2007. The increase in other expense, net was due primarily to a liability accrual of \$594 thousand related to litigation involving Visa, Inc., as mentioned above, \$420 thousand related to real-estate owned write-downs and a decrease in fiscal year 2007 miscellaneous expenses of approximately \$1.0 million.

**Income Tax Expense.** Income tax expense in fiscal year 2008 was \$29.2 million compared to \$20.6 million for fiscal year 2007. The increase in income tax expense was due to an increase in income, partially offset by a decrease in the effective tax rate for the fiscal year to 36.4%, compared to 39.0% for prior fiscal year 2007. The decrease in the effective tax rate between periods was a result of an increase in nontaxable income from municipal securities and bank owned life insurance, along with an increase in pre-tax income.

### Liquidity and Capital Resources

Liquidity refers to our ability to generate sufficient cash to fund ongoing operations, to pay maturing certificates of deposit and other deposit withdrawals, and to fund loan commitments. Liquidity management is both a daily and long-term function of our business management. Capitol Federal Savings Bank's most available liquid assets are represented by cash and cash equivalents, AFS MBS and investment securities, and short-term investment securities. Capitol Federal Savings Bank's primary sources of funds are deposits, FHLB advances, other borrowings, repayments and maturities of outstanding loans and MBS, other short-term investments, and funds provided by operations. Capitol Federal Savings Bank's borrowings primarily have been used to invest in U.S. government sponsored enterprise securities in an effort to safely improve the earnings of Capitol Federal Savings Bank while maintaining capital ratios in excess of regulatory standards for well-capitalized financial institutions. In addition, Capitol Federal Savings Bank's focus on managing risk has provided additional liquidity capacity by remaining below FHLB borrowing limits and by increasing the balance of MBS and investment securities available as collateral for borrowings.

Capitol Federal Savings Bank generally intends to maintain cash reserves sufficient to meet short-term liquidity needs, which are routinely forecasted for 10, 30, and 365 days. Additionally, on a monthly basis, Capitol Federal Saving Bank performs a liquidity stress test in accordance with the Interagency Policy Statement on Funding and Liquidity Risk Management. The liquidity stress test incorporates both a short-term and long-term liquidity scenario in order to quantify liquidity risk. In the event short-term liquidity needs exceed available cash, Capitol Federal Savings Bank has access to lines of credit at the FHLB and the FRB. The FHLB line of credit, when combined with FHLB advances, may not exceed 40% of total assets. Our excess capacity at the FHLB as of June 30, 2010 was \$1.21 billion. The FRB line of credit is based upon the fair values of the securities pledged as collateral and certain other characteristics of those securities, and is used only when other sources of short-term liquidity are unavailable. At June 30, 2010, Capitol Federal Savings Bank had \$1.44 billion of securities that were eligible but unused for collateral for borrowing or other liquidity needs. Borrowings on the lines of credit are outstanding until replaced by cash flows from long-term sources of liquidity, generally no longer than 30 days.

If management observes a trend in the amount and frequency of lines of credit utilization, management will likely utilize long-term wholesale borrowing sources, such as FHLB advances and/or repurchase agreements, to provide permanent fixed rate funding. The maturity of these borrowings is generally structured in such a way as to stagger maturities in order to reduce the risk of a highly negative cash flow position at maturity. Additionally, management 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.

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, Capitol Federal Savings Bank manages the cash flows of its loan and deposit portfolios by the rates it offers customers.

At June 30, 2010, cash and cash equivalents totaled \$75.9 million, an increase of \$34.7 million from September 30, 2009. The increase was related primarily to proceeds from the calls of investment securities at the end of June which were not reinvested until July.

At September 30, 2009, cash and cash equivalents totaled \$41.2 million, a decrease of \$46.0 million from September 30, 2008. In fiscal year 2009, yields on cash were significantly lower than in fiscal year 2008 as a result of a decline in short-term market rates. During fiscal year 2009, management used excess cash to purchase MBS and investment securities rather than maintaining a cash balance.

During the first nine months of fiscal year 2010, loan originations and purchases, net of principal repayments, provided a cash inflow of \$76.8 million, as principal repayments exceeded loan originations and purchases, compared to a cash outflow of \$329.9 million in the prior year period.

During fiscal year 2009, loan originations and purchases, net of principal repayments, was \$396.9 million, compared to \$40.8 million in the prior fiscal year. The increase in loan originations and purchases, net of principal repayments, was funded by an increase of deposits. The increase in deposits reflected the largest change in financing cash flows during fiscal year 2009, as there were no additional FHLB advances or borrowings in fiscal year 2009. Capitol Federal Savings Bank paid competitive rates for its deposits while not paying-up in rates to grow its deposit base beyond Capitol Federal Savings Bank's need for funding. The increase in deposits is believed to have been a result of the economic environment. Households increased their personal savings rate and chose to place those funds in deposit products in well-capitalized financial institutions like Capitol Federal Savings Bank.

During the first nine months of fiscal year 2010, Capitol Federal Savings Bank received principal payments on MBS of \$379.4 million and proceeds from the sale of trading MBS received in the loan swap transaction of \$199.1 million. These cash inflows were largely reinvested in investment securities. The investment securities purchased during the first nine months of fiscal year 2010 had a WAL of approximately three years or less at the time of purchase. If market rates were to rise, the short-term nature of these securities may allow management the opportunity to reinvest the maturing funds at a yield higher than current yields.

During fiscal year 2009, Capitol Federal Savings Bank received principal payments on MBS of \$495.0 million and \$97.0 million of investment securities were called. These cash inflows were largely reinvested in their respective portfolios, with the exception of the MBS principal repayments, some of which were reinvested in short-term and callable investment securities. If market rates were to rise, the short-term nature of these securities may allow management the opportunity to reinvest the maturing funds at a yield higher than current yields.

Capitol Federal Savings Bank utilizes FHLB advances to provide funds for lending and investment activities. FHLB lending guidelines set borrowing limits as part of their underwriting standards. At June 30, 2010, Capitol Federal Savings Bank's ratio of the face amount of advances to total assets, as reported to the Office of Thrift Supervision, was 28%. Our advances are secured by a blanket pledge of our loan portfolio, as collateral, supported by quarterly reporting to the FHLB. Advances in excess of 40% of total assets, but not exceeding 55% of total assets, may be approved by the president of the FHLB based upon a review of documentation supporting the use of the advances. Currently, the blanket pledge is sufficient collateral for the FHLB advances. It is possible that increases in our borrowings or decreases in our loan portfolio could require Capitol Federal Savings Bank to pledge securities as

collateral on the FHLB advances. Capitol Federal Savings Bank's policy allows borrowing from the FHLB of up to 55% of total assets. Capitol Federal Savings Bank relies on the FHLB advances as a primary source of borrowings. There were no new FHLB advances during the June 30, 2010 quarter. See Notes to Consolidated Financial Statements - Note 7 – Borrowed Funds.



Capitol Federal Savings Bank has access to and utilizes other sources for liquidity, such as secondary market repurchase agreements, brokered deposits, and public unit deposits. As of June 30, 2010, Capitol Federal Savings Bank's policy allows for repurchase agreements of up to 15% of total assets, brokered deposits up to 10% of total deposits, and public unit deposits up to 5% of total deposits.

At June 30, 2010, \$1.44 billion of securities were eligible but unused for collateral. At June 30, 2010, Capitol Federal Savings Bank had repurchase agreements of \$660.0 million, or approximately 8% of total assets, public unit deposits of \$109.0 million, or approximately 2% of total deposits, and brokered deposits of \$83.7 million, or approximately 2% of total deposits. Capitol Federal Savings Bank also had pledged securities with an estimated fair value of \$757.2 million as collateral for repurchase agreements at that date. At the maturity date, the securities pledged for the repurchase agreements will be delivered back to Capitol Federal Savings Bank. There were no additional repurchase agreements during the first nine months of fiscal year 2010. Capitol Federal Savings Bank may enter into additional repurchase agreements as management deems appropriate. The agreements are treated as secured borrowings and are reported as a liability of CFF on a consolidated basis. See Notes to Consolidated Financial Statements - Note 7 – Borrowed Funds.

At June 30, 2010, \$1.46 billion of Capitol Federal Savings Bank's \$2.70 billion in certificates of deposit were scheduled to mature within one year. Included in the \$1.46 billion were \$96.0 million in public unit deposits, which had a weighted average maturity of less than six months. At June 30, 2010, Capitol Federal Savings Bank had pledged securities with a fair value of \$145.7 million as collateral for the public unit deposits. The securities pledged as collateral for public unit deposits are held under joint custody receipt by the FHLB and generally will be released upon deposit maturity. Based on our deposit retention experience and our pricing strategy, we anticipate the majority of the maturing retail certificates of deposit will renew, although no assurance can be given in this regard. Management continuously monitors the wholesale deposit market for opportunities to obtain brokered and public unit deposits at attractive rates.

In 2004, CFF issued \$53.6 million in debentures in connection with a trust preferred securities offering. CFF received, net, \$52.0 million from the issuance of the debentures and an investment of \$1.6 million in Capitol Federal Financial Trust I. CFF did not down-stream the proceeds to be used by Capitol Federal Savings Bank for Tier 1 capital because Capitol Federal Savings Bank already exceeded all regulatory requirements to be a well-capitalized institution. Instead, CFF deposited the proceeds into certificate accounts at Capitol Federal Savings Bank to be used to further CFF's general corporate and capital management strategies, which included the payment of dividends.

During the first nine months of fiscal year 2010, CFF paid cash dividends of \$37.9 million, or \$1.79 per share. The \$1.79 per share consists of three quarterly dividends of \$0.50 per share and a \$0.29 special dividend per share related to fiscal year 2009 earnings per CFF's dividend policy. During fiscal year 2009, CFF paid cash dividends of \$44.1 million, or \$2.11 per share. The \$2.11 per share consisted of four quarterly dividends of \$0.50 per share and a \$0.11 special dividend per share related to net income for fiscal year 2008. Dividend payments depend upon a number of factors including CFF's financial condition and results of operations, Capitol Federal Savings Bank's regulatory capital requirements, regulatory limitations on Capitol Federal Savings Bank's ability to make capital distributions to CFF and the amount of cash at the holding company. See "Our Policy Regarding Dividends" and "Supervision and Regulation."

Due to recent bank failures, in an effort to replenish the Deposit Insurance Fund, the FDIC required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of calendar year 2009 and for all of calendar year 2010, 2011 and 2012 during the quarter ended December 31, 2009. The cash requirement for the prepaid FDIC assessments was \$27.5 million.



Off-Balance Sheet Arrangements, Commitments and Contractual Obligations

CFF, in the normal course of business, makes commitments to buy or sell assets or to incur or fund liabilities. Commitments may include, but are not limited to:

- the origination, purchase, or sale of loans;
- the purchase or sale of investments and MBS;
- extensions of credit on home equity loans and construction loans;
- terms and conditions of operating leases; and
- funding withdrawals of certificates of deposit at maturity.

In addition to its commitments of the types described above, at June 30, 2010 CFF's off-balance sheet arrangements included its \$1.6 million interest in the Capitol Federal Financial Trust I, which in 2004 issued \$52.0 million of variable rate cumulative trust preferred securities. In connection therewith, CFF issued \$53.6 million of debentures to the trust.

The following table summarizes our contractual obligations and other material commitments as of June 30, 2010 (unaudited). The debentures are callable at any time, in whole or in part.

	Total	Maturity Range			
		Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
		(Dollars in thousands)			
Operating Leases	\$ 12,235	\$ 782	\$ 1,858	\$ 1,513	\$ 8,082
Certificates of Deposit	\$ 2,702,388	\$ 1,462,717	\$ 954,842	\$ 282,882	\$ 1,947
Weighted average rate	2.47 %	2.15 %	2.85 %	2.81 %	3.20 %
FHLB Advances	\$ 2,426,000	\$ 250,000	\$ 951,000	\$ 650,000	\$ 575,000
Weighted average rate	3.64 %	4.77 %	3.71 %	3.22 %	3.51 %
Repurchase Agreements	\$ 660,000	\$ 195,000	\$ 275,000	\$ 170,000	\$ 20,000
Weighted average rate	3.97 %	3.61 %	4.04 %	4.21 %	4.45 %
Debentures	\$ 53,609	\$ --	\$ --	\$ --	\$ 53,609
Weighted average rate	3.05 %	-- %	-- %	-- %	3.05 %
Commitments to originate and purchase mortgage loans	\$ 85,282	\$ 85,282	\$ --	\$ --	\$ --
Weighted average rate	4.85 %	4.85 %	-- %	-- %	-- %
Commitments to fund unused home equity lines of credit	\$ 269,249	\$ 269,249	\$ --	\$ --	\$ --
Weighted average rate	4.49 %	4.49 %	-- %	-- %	-- %

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construction loans	\$ 18,042		\$ 18,042		\$ --		\$ --		\$ --	
Weighted average rate	4.99	%	4.99	%	--	%	--	%	--	%

81

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Excluded from the table above are income tax liabilities of \$109 thousand related to uncertain income tax positions. The amounts are excluded as management is unable to estimate the period of cash settlement as it is contingent on the statute of limitations expiring without examination by the respective taxing authority.

A percentage of commitments to originate mortgage loans and to fund home equity lines of credit are expected to expire unfunded, so the amounts reflected in the table above are not necessarily indicative of future liquidity requirements. Additionally, Capitol Federal Savings Bank is not obligated to honor commitments to fund unused home equity lines of credit if a customer is delinquent or otherwise in violation of the loan agreement.

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.

#### Contingencies

In the normal course of business, CFF 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 are expected to have a materially adverse effect on CFF's consolidated financial statements for the nine months ended June 30, 2010 or future periods.

#### Regulatory Capital

Consistent with management's goals to operate a sound and profitable financial organization, we actively seek to maintain a well capitalized status in accordance with regulatory standards. As of June 30, 2010, Capitol Federal Savings Bank exceeded all capital requirements of the Office of Thrift Supervision. The following table presents Capitol Federal Savings Bank's regulatory capital ratios at June 30, 2010 based upon regulatory guidelines.

	Bank Ratios		Regulatory Requirement For "Well-Capitalized" Status	
Tangible equity	9.7	%	N/A	
Tier 1 (core) capital	9.7	%	5.0	%
Tier 1 (core) risk-based capital	23.2	%	6.0	%
Total risk-based capital	23.5	%	10.0	%

A reconciliation of Capitol Federal Savings Bank's equity under GAAP to regulatory capital amounts as of June 30, 2010 is as follows (dollars in thousands):

Total equity as reported under GAAP	\$861,481
Unrealized gains on AFS	(36,434 )

securities	
Other	(497 )
Total tangible	
and core capital	824,550
ALLL (1)	10,819
Total risk based	
capital	\$835,369

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(1) This amount represents the general valuation allowances calculated using the formula analysis. Specific valuation allowances are netted against the related loan balance on the Thrift Financial Report and are therefore not included in this amount. See “Critical Accounting Policies - Allowance for Loan Losses” for additional information.

#### BUSINESS OF CFF

CFF is the holding company for Capitol Federal Savings Bank, a federally-chartered and insured savings bank headquartered in Topeka, Kansas. Capitol Federal Savings Bank is examined and regulated by the Office of Thrift Supervision and its deposits are insured up to applicable limits by the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation (FDIC). Capitol Federal Savings Bank is the only operating subsidiary of CFF. At June 30, 2010, CFF had total assets of \$8.54 billion, loans of \$5.32 billion, deposits of \$4.37 billion and total equity of \$960.0 million.

We have been, and intend to continue to be, a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. We attract retail deposits from the general public and invest those funds primarily in permanent loans secured by first mortgages on owner-occupied, one- to four-family residences. To a much lesser extent, we also originate home equity and other consumer loans, loans secured by first mortgages on non-owner-occupied one- to four-family residences, multi-family and commercial real estate loans and construction loans. While our primary business is the origination of one- to four-family mortgage loans funded through retail deposits, we also purchase whole one- to four-family mortgage loans from correspondent lenders located within our market areas and select market areas in Missouri and from nationwide lenders, and invest in certain MBS and investment securities funded through retail deposits, advances from the FHLB and repurchase agreements. We occasionally originate loans outside of our market area, and the majority of the whole loans we purchase from nationwide lenders are secured by properties located outside of our market areas.

Our revenues are derived principally from interest on loans, MBS and investment securities. Our primary sources of funds are retail deposits, borrowings, repayments on and maturities of loans and MBS, calls and maturities of investment securities, and funds generated by operations.

We offer a variety of deposit accounts having a wide range of interest rates and terms, which generally include savings accounts, money market accounts, interest bearing and non-interest bearing checking accounts, and certificates of deposit with terms ranging from 91 days to 96 months.

Our executive offices are located at 700 South Kansas Avenue, Topeka, Kansas 66603, and our telephone number at that address is (785) 235-1341. Our website address is [www.capfed.com](http://www.capfed.com). Information on our website should not be considered a part of this prospectus.

#### Market Area and Competition

We currently have a network of 46 branches located in nine counties throughout the state of Kansas and two counties in Missouri. We primarily serve the metropolitan areas of Topeka, Wichita, Lawrence, Manhattan, Emporia and Salina, Kansas and a portion of the greater Kansas City metropolitan area. In addition to providing full service banking offices, we also provide our customers telephone and internet banking capabilities.

Capitol Federal Savings Bank ranked second in deposit market share in the state of Kansas as reported in the FDIC “Summary of Deposits - Market Share Report” dated June 30, 2010. Deposit market share is measured by total deposits, without consideration for type of deposit. We do not offer commercial deposit accounts, while many of our competitors have both commercial and retail deposits in their total deposit base. Some of our competitors also offer products and services that we do not, such as trust services and private banking. In recent years, Capitol Federal Savings Bank has experienced a slight decrease in market share due to the entrance of new competitors such as credit unions, newly chartered banks (de novo institutions), and increased banking locations by established financial institutions. Additionally, consumers have the ability to utilize financial institutions without a brick-and-mortar presence in our market area by way of online products and services. Management considers our strong retail banking network and our reputation for financial strength and customer service to be our major strengths in attracting and retaining customers in our market areas.

Capitol Federal Savings Bank is consistently one of the top one- to four-family lenders with regard to loan volume in the state of Kansas. Through our strong relationships with real estate agents and marketing efforts which reflect our reputation and pricing, we attract mortgage loan business from walk-in customers, customers that apply online, and existing customers. Competition in originating one- to four-family mortgage loans primarily comes from other savings institutions, commercial banks, credit unions, and mortgage bankers. Other savings institutions, commercial banks, credit unions, and finance companies provide vigorous competition in consumer lending.

We purchase one- to four-family conventional mortgage loans from correspondent lenders located within our market areas and select market areas in Missouri, and from nationwide lenders. At June 30, 2010, loans purchased from nationwide lenders represented 11% of our total loan portfolio and were secured by properties located in 47 of the continental United States and Washington, D.C. At June 30, 2010, purchased loans secured by properties in the following states comprised 5% or more of all properties securing our nationwide purchased loans: Illinois 11%; Texas 8%; New York 7%; Florida 7%; Arizona 5%; Colorado 5%; and Connecticut 5%.



Capitol Federal Savings Bank has opened three new branches in our Kansas City, Missouri market area and a new branch in our Wichita market area since the beginning of fiscal year 2010. Capitol Federal Savings Bank continues to consider expansion opportunities in all its market areas.

#### Lending Practices and Underwriting Standards

General. Capitol Federal Savings Bank's primary lending activity is the origination of loans and the purchase of loans from a select group of correspondent lenders. These loans are generally secured by first mortgages on owner-occupied, one- to four-family residences in Capitol Federal Savings Bank's primary market areas and select market areas in Missouri. To a much lesser extent, Capitol Federal Savings Bank also makes home equity and other consumer loans, loans secured by first mortgages on non-owner occupied one-to four-family residences, construction loans secured by residential or commercial properties, and real estate loans secured by multi-family dwellings and commercial real estate. Additional lending volume has been generated by purchasing whole one- to four-family conventional mortgage loans from nationwide lenders. By purchasing loans from nationwide lenders, Capitol Federal Savings Bank is able to attain some geographic diversification in its loan portfolio, and help mitigate Capitol Federal Savings Bank's interest rate risk exposure as the purchased loans are predominately adjustable-rate or 15-year fixed-rate loans. We have experienced some losses on loans purchased from nationwide lenders prior to fiscal year 2008. At the time these loans were purchased, they met our underwriting standards. However, as a result of the continued elevated levels of unemployment and the declines in real estate values in some of the states where we have purchased loans, we have experienced an increase in non-performing purchased loans. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Allowance for Loan Losses" and "– Asset Quality." The loans purchased during fiscal year 2009 had a weighted average credit score of 743 at origination and a weighted average loan to value ratio of 49%, based upon the loan balance at the time of purchase and the lower of the purchase price or the appraisal at origination. Capitol Federal Savings Bank purchased \$44.1 million of loans from nationwide lenders during the first nine months of fiscal year 2010, the majority of which were adjustable rate. These loans had a weighted average credit score of 723 at origination and a weighted average loan to value ratio of 47% based upon the loan balance at the time of purchase and the lower of the purchase price or the appraisal at origination. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Loans Receivable."

The ability of financial institutions, including us, to originate or purchase large dollar volumes of one- to four-family real estate loans may be substantially reduced or restricted under certain economic and regulatory conditions, with a resultant decrease in interest income from these assets. At June 30, 2010, our one- to four-family residential real estate loan portfolio totaled \$5.06 billion, which constituted 94.4% of our total loan portfolio and 59.3% of our total assets. For a discussion of our interest rate risk associated with loans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Quantitative and Qualitative Disclosure about Market Risk."

Loans over \$500 thousand must be underwritten by two of our highest class of underwriters. Any loan greater than \$750 thousand must be approved by the ALCO and loans over \$1.5 million must be approved by the Board of Directors. For loans requiring ALCO and/or Board of Directors' approval, lending management is responsible for presenting to ALCO and/or the Board of Directors information about the creditworthiness of the borrower and the value of the subject property. Information pertaining to the creditworthiness of the borrower generally consists of a summary of the borrower's credit history, employment stability, sources of income, assets, net worth, and debt ratios. The value of the property must be supported by an independent appraisal report prepared in accordance with our appraisal policy. Loans over \$500 thousand are priced above the standard mortgage rate.

Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the maximum amount which we could have loaned to any one borrower and the borrower's related entities at June 30, 2010 was \$125.3 million. Our largest lending relationship to a single borrower or a group of related borrowers at June 30, 2010 consisted of 15

multi-family real estate projects located in Kansas, one single-family home located in Colorado, and four commercial real estate projects located in Kansas, Colorado, and Texas. Total commitments and loans outstanding to this group of related borrowers was \$43.2 million as of June 30, 2010. Most of the multi-family real estate loans qualify for the low income housing tax credit program. We have over 30 years of experience with this group of borrowers, who usually build and manage their own properties. Each of the loans to this group of borrowers was current and performing in accordance with its terms at June 30, 2010. See additional information under the heading “Multi-family and Commercial Real Estate Lending.”

The second largest lending relationship at June 30, 2010, consisted of nine loans totaling \$11.3 million. Five loans are secured by multi-family real estate units and four are secured by one- to four-family real estate. We have over 30 years of experience with the borrowers. All units were built and are presently being managed by the borrowers. Each of the loans to this group of borrowers was current and performing in accordance with its terms at June 30, 2010.

**One- to Four-Family Residential Real Estate Lending.** Capitol Federal Savings Bank originates and services conventional mortgage loans, or loans not insured or guaranteed by a government agency. Capitol Federal Savings Bank also originates Federal Housing Administration (FHA) insured loan products which are generally sold, along with the servicing of these loans. New loans are originated through referrals from real estate brokers and builders, our marketing efforts, and our existing and walk-in customers. While Capitol Federal Savings Bank originates both adjustable and fixed-rate loans, our ability to originate loans is dependent upon customer demand for loans in our market areas. Demand is affected by the local housing market, competition and the interest rate environment. During the first nine months of fiscal year 2010, Capitol Federal Savings Bank originated and refinanced \$390.6 million of one- to four-family fixed-rate mortgage loans and \$45.5 million of one- to four-family ARM loans. During fiscal years 2009 and 2008, Capitol Federal Savings Bank originated and refinanced \$961.5 million and \$631.8 million of one- to four-family fixed-rate mortgage loans, and \$35.9 million and \$77.7 million of one- to four-family ARM loans, respectively.

**Repayment.** Capitol Federal Savings Bank's one- to four-family loans are primarily fully amortizing fixed or ARM loans with contractual maturities of up to 30 years, except for interest-only ARM loans, which require only the payment of interest during the interest-only period, all with payments due monthly. Our one- to four-family loans are generally not assumable and do not contain prepayment penalties. A due on sale clause, allowing Capitol Federal Savings Bank to declare the unpaid principal balance due and payable upon the sale of the secured property, is generally included in the security instrument.

**Pricing.** Our pricing strategy for first mortgage loan products includes setting interest rates based on secondary market prices and competition within our local lending markets. ARM loans are offered with either a three-year, five-year or seven-year term to the initial repricing date. After the initial period, the interest rate for each ARM loan generally adjusts annually for the remainder of the term of the loan. A number of different indices are used to reprice our ARM loans.

**Adjustable rate loans.** Current adjustable-rate one- to four-family conventional mortgage loans originated by Capitol Federal Savings Bank generally provide for a specified rate limit or cap on the periodic adjustment to the interest rate, as well as a specified maximum lifetime cap and minimum rate, or floor. As a consequence of using caps, the interest rates on these loans may not be as rate sensitive as our cost of funds. Negative amortization of principal is not allowed. For three, five, or seven year ARM loans, borrowers are qualified based on the principal, interest, taxes and insurance payments at either the initial rate or the fully indexed accrual rate, whichever is greater. After the initial three, five, or seven year period, the interest rate is repriced annually and the new principal and interest payment is based on the new interest rate, remaining unpaid principal balance and term of the ARM loan. Our ARM loans are not automatically convertible into fixed-rate loans; however, we do allow borrowers to pay a modification fee to convert an ARM loan to a fixed-rate loan. ARM loans can pose different credit risks than fixed-rate loans, primarily because as interest rates rise, the borrower's payment also rises, increasing the potential for default. This specific risk type is known as repricing risk.

Included in the loan portfolio at June 30, 2010 were \$210.3 million of interest-only ARM loans, the majority of which were purchased from nationwide lenders during fiscal year 2005. These loans do not typically require principal payments during their initial term, and have initial interest-only terms of either five or ten years. The interest-only loans purchased had a weighted average credit score of 736 at origination and a weighted average loan to value ratio of 74%, based upon the loan balance at the time of purchase and the lower of the purchase price or appraisal at

origination. Capitol Federal Savings Bank has not purchased any interest-only ARM loans since 2006 and discontinued offering the product in its local markets during 2008 to reduce future credit risk. At June 30, 2010, \$166.3 million, or 79%, of interest-only loans were still in their interest-only payment term. As of June 30, 2010, \$66.8 million will begin to amortize principal within two years, \$45.8 million will begin to amortize principal within two-to-five years, \$45.9 million will begin to amortize principal within five-to-seven years and the remaining \$7.8 million will begin amortizing in seven-to-ten years. At June 30, 2010, \$16.0 million or 48% of non-performing loans were interest-only and \$3.7 million was reserved in the ALLL for these loans. Approximately 75% of the \$12.0 million non-performing interest-only loans were non-amortizing. Non-performing interest-only loans represented approximately 8% of the total interest-only portfolio at June 30, 2010. See “Asset Quality – Loans and REO.”

**Underwriting.** One- to four-family loans are underwritten manually or by an automated underwriting system developed by a third party. The system's components closely resemble Capitol Federal Savings Bank's manual underwriting standards which are generally in accordance with Freddie Mac (FHLMC) and Fannie Mae (FNMA) underwriting guidelines. The automated underwriting system analyzes the applicant's data, with emphasis on credit history, employment and income history, qualifying ratios reflecting the applicant's ability to repay, asset reserves, and loan-to-value ratio. Full documentation to support the applicant's credit, income, and sufficient funds to cover all applicable fees and reserves at closing are required on all loans. Loans that do not meet the automated underwriting standards are referred to a staff underwriter for manual underwriting. Properties securing one- to four-family loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and have been approved by the Board of Directors.

**Mortgage Insurance.** For a conventional mortgage with a loan to value ratio in excess of 80%, private mortgage insurance (PMI) is required in order to reduce Capitol Federal Savings Bank's loss exposure to less than 80% of either the appraised value or the purchase price of the property, whichever is less. Capitol Federal Savings Bank will lend up to 97% of the lesser of the appraised value or purchase price for conventional one- to four-family loans, provided private mortgage insurance is obtained. Management continuously monitors the claims paying ability of our private mortgage insurance counterparties. At this time, we believe that our private mortgage insurance counterparties have the ability to meet potential claim obligations we may file in the foreseeable future.

**FHA loans** have mortgage insurance provided by the federal government. The loans are up to 96.5% of the lesser of the appraised value or purchase price and are originated and underwritten manually according to private investor and FHA guidelines. Capitol Federal Savings Bank began offering FHA loans in late September 2009 to accommodate customers who may not qualify for a conventional mortgage loan. FHA loans are originated by Capitol Federal Savings Bank with the intention of selling the loans on a flow basis to a private investor with servicing released.

**Purchased loans.** Capitol Federal Savings Bank purchases approved conventional one- to four-family loans and the related servicing rights, on a loan-by-loan basis, from correspondent lenders. During the first nine months of fiscal 2010, Capitol Federal Savings Bank purchased \$59.0 million of one- to four-family loans from correspondent lenders. During the 2009 and 2008 fiscal years, Capitol Federal Savings Bank purchased \$141.6 million and \$119.5 million, respectively, of one- to four-family loans from correspondent lenders. These loans generally have an interest rate 0.125% higher than loans we originate; however, we pay a premium for these loans.

The underwriting of loans purchased through correspondent lenders is generally performed by our underwriters, using our underwriting standards. The products offered by our correspondents are underwritten to standards that are at least as restrictive as Capitol Federal Savings Bank's own internal products and underwriting standards. No documentation or stated income, stated assets loans are not permitted under our underwriting standards. Lenders are required to fully document all data sources for each application. Management believes these requirements reduce the credit risk associated with these loans. Lenders are located within the metropolitan Kansas City market area and select market areas in Missouri.

Capitol Federal Savings Bank also purchases conventional one- to four-family loans from nationwide lenders. The underwriting standards are generally similar to Capitol Federal Savings Bank's internal underwriting standards. No documentation or stated income, stated assets loans are not permitted under our underwriting standards. Lenders are required to fully document all data sources for each application. Management believes these requirements reduce the credit risk associated with these loans. Before committing to purchase a pool of loans from a lender, Capitol Federal Savings Bank's Chief Lending Officer or Secondary Marketing Manager reviews specific criteria such as loan amount, credit scores, loan to value ratios, geographic location, and debt ratios of each loan in the pool. If the specific criteria do not meet Capitol Federal Savings Bank's underwriting standards and compensating factors are not sufficient, then a loan will be removed from the pool. Once the review of the specific criteria is complete and loans not meeting

Capitol Federal Savings Bank's standards are removed from the pool, changes are sent back to the lender for acceptance and pricing. Before the pool is funded, an internal bank underwriter reviews at least 25% of the loan files to confirm loan terms, credit scores, debt service ratios, property appraisal and other underwriting related documentation. Our standard contractual agreement with the lender includes recourse options for any breach of representation or warranty with respect to the loans purchased. In general, loans are purchased with servicing retained by the seller. The servicing of purchased loans is governed by a servicing agreement, which outlines collection policies and procedures, as well as oversight requirements, such as servicer certifications attesting to and providing proof of compliance with the servicer agreement. During the first nine months of fiscal year 2010, Capitol Federal Savings Bank purchased \$51.8 million of one- to four-family loans from nationwide lenders. During fiscal years 2009 and 2008, Capitol Federal Savings Bank purchased \$191.8 million and \$155 thousand, respectively, of one- to four-family loans from nationwide lenders.

Loan modification program. In an effort to offset the impact of repayments and to retain our customers, Capitol Federal Savings Bank offers existing loan customers whose loans have not been sold to third parties the opportunity to modify their original loan terms to new loan terms generally consistent with those currently being offered. This is a convenient tool for customers who may have considered refinancing from an ARM loan to a fixed-rate loan, would like to reduce their term, or take advantage of lower rates associated with current market rates. The program helps ensure Capitol Federal Savings Bank maintains the relationship with the customer and significantly reduces the amount of effort required for customers to obtain current market pricing and terms without having to refinance their loans. Capitol Federal Savings Bank charges a fee for this service generally comparable to fees charged on new loans. Capitol Federal Savings Bank does not solicit customers for this program, but considers it a valuable opportunity to retain customers who, due to our conservative initial underwriting, could likely obtain similar financing elsewhere. During the first nine months of fiscal year 2010 we modified \$ 282.3 million of our originated loans. During fiscal years 2009 and 2008, we modified \$1.14 billion and \$200.4 million of our originated loans.

Loan sales. Conventional one- to four-family loans may be sold on a bulk basis for portfolio restructuring or on a flow basis as loans are originated to reduce interest rate risk and/or maintain a certain liquidity position. Capitol Federal Savings Bank generally retains the servicing on these loans. ALCO determines which conventional one- to four-family loans are to be originated as held for sale or held for investment. Conventional one- to four-family loans originated as held for sale are to be sold in accordance with policies set forth by ALCO. Conventional one- to four-family loans originated as held for investment are generally not eligible for sale unless a specific segment of the portfolio is identified for asset restructuring purposes. Generally, Capitol Federal Savings Bank will continue to service these loans.

Construction Lending. Capitol Federal Savings Bank also originates construction-to-permanent loans primarily secured by one- to four-family residential real estate. The majority of the one- to four-family construction loans are secured by property located within Capitol Federal Savings Bank's Kansas City market areas. Construction loans are obtained primarily by homeowners who will occupy the property when construction is complete. Construction loans to builders for speculative purposes are not permitted.

The application process includes submission of complete plans, specifications, and costs of the project to be constructed. These items are used as a basis to determine the appraised value of the subject property. All construction loans are manually underwritten using Capitol Federal Savings Bank's internal underwriting standards. The construction and permanent loans are closed at the same time allowing the borrower to secure the interest rate at the beginning of the construction period and throughout the permanent loan. Construction draw requests and the supporting documentation are reviewed and approved by management. Capitol Federal Savings 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. At June 30, 2010, we had \$36.3 million in construction-to-permanent loans outstanding, including undisbursed loan funds, representing almost 1% of our total loan portfolio.

Consumer Lending. Capitol Federal Savings Bank offers a variety of secured consumer loans, including home equity loans and lines of credit, home improvement loans, auto loans, and loans secured by savings deposits. Capitol Federal Savings Bank also originates a very limited amount of unsecured loans. Capitol Federal Savings Bank does not originate any consumer loans on an indirect basis, such as contracts purchased from retailers of goods or services which have extended credit to their customers. All consumer loans are originated in Capitol Federal Savings Bank's market areas. At June 30, 2010, our consumer loan portfolio totaled \$196.3 million, or 3.6% of our total loan portfolio.





The majority of the consumer loan portfolio is comprised of home equity lines of credit, which have interest rates that can adjust monthly based upon changes in the Prime rate, to a maximum of 18%. Home equity loans may be originated in amounts, together with the amount of the existing first mortgage, of up to 95% of the value of the property securing the loan. In order to minimize risk of loss, home equity loans that are greater than 80% of the value of the property, when combined with the first mortgage, require private mortgage insurance. The term-to-maturity of closed-end home equity and home improvement loans may be up to 20 years. Home equity lines of credit originated after June, 2010, have a seven year draw period with a ten year repayment term. The majority of home equity lines of credit originated prior to June, 2010 have no stated term-to-maturity. All home equity lines of credit require a payment of 1.5% of the outstanding loan balance per month during the draw period with an amortizing payment during the repayment period. Interest-only home equity lines of credit have a maximum term of 12 months, monthly payments of accrued interest, and a balloon payment at maturity. Repaid principal may be re-advanced at any time, not to exceed the original credit limit of the loan. Other consumer loan terms vary according to the type of collateral and the length of the contract. Home equity loans, including lines of credit and home improvement loans, comprised 3.5% of our total loan portfolio, or \$188.4 million, at June 30, 2010. As of June 30, 2010, 72.9% of the home equity portfolio was adjustable-rate.

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

Consumer loans generally have shorter terms to maturity or reprice more frequently, which reduces our exposure to changes in interest rates, and usually carry higher rates of interest than do one- to four-family loans. However, consumer loans may entail greater risk than do one- to four-family loans, particularly in the case of consumer loans that are secured by rapidly depreciable assets, such as automobiles. Management believes that offering consumer loan products helps to expand and create stronger ties to our existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities.

**Multi-family and Commercial Real Estate Lending.** At June 30, 2010, multi-family and commercial real estate loans totaled \$67.1 million, or 1.3% of our total loan portfolio. Capitol Federal Savings Bank's multi-family and commercial real estate loans are secured primarily by multi-family dwellings and small commercial buildings generally located in Capitol Federal Savings Bank's market areas. These loans are granted based on the income producing potential of the property and the financial strength of the borrower. Loan to value ratios on multi-family and commercial real estate loans do not exceed 80% of the appraised value of the property securing the loans. The net operating income, which is the income derived from the operation of the property less all operating expenses, must be sufficient to cover the payments related to the outstanding debt at the time of origination. Capitol Federal Savings Bank generally requires personal guarantees of the borrowers covering a portion of the debt in addition to the security property as collateral for these loans. Appraisals on properties securing these loans are performed by independent state certified fee appraisers approved by the Board of Directors. Our multi-family and commercial real estate loans are originated with either a fixed or adjustable interest rate. The interest rate on ARM loans is based on a variety of indices, generally determined through negotiation with the borrower. While maximum maturities may extend to 30 years, these loans frequently have shorter maturities and may not be fully amortizing, requiring balloon payments of unamortized principal at maturity.

We generally do not maintain a tax or insurance escrow account for multi-family or commercial real estate loans. In order to monitor the adequacy of cash flows on income-producing properties with a principal balance of \$1.5 million or more, the borrower is notified annually to provide financial information including rental rates and income, maintenance costs and an update of real estate property tax payments, as well as personal financial information.



Our multi-family and commercial real estate loans are generally large dollar loans and involve a greater degree of credit risk than one- to four-family loans. Such loans typically involve large balances to single borrowers or groups of related borrowers. Because payments on multi-family and commercial real estate loans are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. If the cash flow from the project is reduced, or if leases are not obtained or renewed, the borrower's ability to repay the loan may be impaired. See "— Asset Quality – Non-performing Assets ."

Capitol Federal Savings Bank is a participant with four other banking institutions on a \$42.5 million commercial construction loan secured by a retail shopping center in Kansas. Capitol Federal Savings Bank's original participant share was \$15.0 million, which was to be disbursed as the improvements were completed. The loan was converted from a construction loan to a permanent loan in April 2009, but still had funds to advance for tenant finish. Due to economic factors, the lead bank and the borrower requested to restructure the project and reduce the overall commitment to \$31.0 million, which reduced Capitol Federal Savings Bank's commitment to \$10.9 million as of August 2009. The overall commitment was reduced further to \$23.1 million in December, 2009, which reduced Capitol Federal Savings Bank's commitment to \$8.2 million at December 31, 2009. At June 30, 2010, the outstanding principal balance of the loan was \$7.7 million. The change in commitment involved completing the tenant finish for retail space that was already started, of which 83% was tenant leased as of June 30, 2010, and postponing the development of additional retail space. This loan is part of our largest lending relationship to a single borrower or a group of related borrowers at June 30, 2010. Although the loan has performed per the terms of the agreement, the change in the agreement has prompted management to classify the loan as Special Mention at June 30, 2010. See "— Classified Assets."

Loan Portfolio. The following table presents information concerning the composition of our loan portfolio in dollar amounts and in percentages (before deductions for undisbursed loan funds, unearned loan fees and deferred costs, and the allowance for loan losses) as of the dates indicated.

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	June 30, 2010		September 30, 2009		2008		2007		2006
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
	(Dollars in thousands)								
<b>Real Estate Loans:</b>									
One- to four-family	\$5,061,758	94.4 %	\$5,321,935	94.2 %	\$5,026,358	93.4 %	\$4,992,398	93.4 %	\$4,992,398
Multi-family and commercial	67,122	1.3	80,493	1.4	56,081	1.0	60,625	1.1	60,625
Construction	36,312	0.7	39,535	0.7	85,178	1.6	74,521	1.4	74,521
Total real estate loans	5,165,192	96.4	5,441,963	96.3	5,167,617	96.0	5,127,544	95.9	5,127,544
<b>Consumer Loans:</b>									
Home equity	188,365	3.5	195,557	3.5	202,956	3.8	208,642	3.9	208,642
Other	7,915	0.1	9,430	0.2	9,272	0.2	10,440	0.2	10,440
Total consumer loans	196,280	3.6	204,987	3.7	212,228	4.0	219,082	4.1	219,082
Total loans receivable	5,361,472	100.0%	5,646,950	100.0%	5,379,845	100.0%	5,346,626	100.0%	5,346,626
<b>Less:</b>									
Undisbursed loan funds	18,042		20,649		43,186		42,481		42,481
Unearned loan fees and deferred costs	11,581		12,186		10,088		9,893		9,893
Allowance for losses	15,677		10,150		5,791		4,181		4,181
Total loans receivable, net	\$5,316,172		\$5,603,965		\$5,320,780		\$5,290,071		\$5,290,071

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The following table presents the contractual maturity of our loan portfolio at June 30, 2010. Loans 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.

	One- to Four- Family		Real Estate Multi-family and Commercial		Construction and Development(2)		Consumer				Total	
	Weighted Average Amount	Weighted Average Rate	Weighted Average Amount	Weighted Average Rate	Weighted Average Amount	Weighted Average Rate	Weighted Average Amount	Weighted Average Rate	Weighted Average Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in thousands)												
Amounts due: Within one year(1)	\$2,217	5.72%	\$7,688	6.05%	\$20,996	5.12%	\$538	6.44%	\$971	4.91%	\$32,410	5.40%
After one year: Over one to two	4,720	5.67	815	5.71	15,316	4.95	437	6.76	823	8.12	22,111	5.28
Over two to three	17,716	5.19	4,342	6.38	--	--	576	6.93	1,216	6.37	23,850	5.51
Over three to five	27,939	5.38	319	5.79	--	--	4,841	5.22	4,571	5.06	37,670	5.33
Over five to ten	445,460	5.15	17,727	6.24	--	--	21,811	6.13	307	8.84	485,305	5.24
Over 10 to 15	898,397	4.90	22,190	6.26	--	--	36,944	4.87	27	6.50	957,558	4.93
After 15 years	3,665,309	5.15	14,041	6.33	--	--	123,218	5.69	--	--	3,802,568	5.17
Total due after one year	5,059,541	5.11	59,434	6.27	15,316	4.95	187,827	5.58	6,944	5.82	5,329,062	5.14
Total loans	\$5,061,758	5.11%	\$67,122	6.24%	\$36,312	5.05%	\$188,365	5.58%	\$7,915	5.71%	5,361,472	5.14%
Less: Undisbursed loan funds											18,042	

Unearned loan fees  
and deferred costs