Mimecast Ltd
Form SC 13G/A
February 13, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO

RULES 13d-1(b),

(c), AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2

(Amendment No. 1)*

MIMECAST LIMITED

(Name of Issuer)

ORDINARY SHARES, $0.012 NOMINAL VALUE

(Title of Class of Securities)

G14838109

(CUSIP Number)

December 31, 2016

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, *see* the *Notes*).

1. NAMES OF REPORTING PERSONS

Insight Venture Partners VII, L.P.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

98-0684335

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	
	5. SOLE VOTING POWER **3,616,953**
	6. SHARED VOTING POWER **0**
	7. SOLE DISPOSITIVE POWER **3,616,953**
	8. SHARED DISPOSITIVE POWER **0**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,616,953

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

6.6% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

1. NAMES OF REPORTING PERSONS

Insight Venture Partners (Cayman) VII, L.P.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

98-0684339

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	
	5. SOLE VOTING POWER **1,529,260**
	6. SHARED VOTING POWER **0**
	7. SOLE DISPOSITIVE POWER **1,529,260**
	8. SHARED DISPOSITIVE POWER **0**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,529,260

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

2.8% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

1. NAMES OF REPORTING PERSONS

Insight Venture Partners (Delaware) VII, L.P.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

45-1259906

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5.	SOLE VOTING POWER **228,783**
	6.	SHARED VOTING POWER **0**
	7.	SOLE DISPOSITIVE POWER **228,783**
	8.	SHARED DISPOSITIVE POWER **0**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

228,783

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

0.4% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

1. NAMES OF REPORTING PERSONS

Insight Venture Partners VII (Co-Investors), L.P.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

98-0684337

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5. SOLE VOTING POWER **83,717**
	6. SHARED VOTING POWER **0**
	7. SOLE DISPOSITIVE POWER **83,717**
	8. SHARED DISPOSITIVE POWER **0**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

83,717

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

0.2% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

1. NAMES OF REPORTING PERSONS

Insight Venture Partners Coinvestment Fund II, L.P.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

27-3045818

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5.	SOLE VOTING POWER **3,986,039**
	6.	SHARED VOTING POWER **0**
	7.	SOLE DISPOSITIVE POWER **3,986,039**
	8.	SHARED DISPOSITIVE POWER **0**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,986,039

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

7.3% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

1. NAMES OF REPORTING PERSONS

Insight Venture Associates Coinvestment II, L.P.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

27-3045724

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	
	5. SOLE VOTING POWER **0**
	6. SHARED VOTING POWER **3,986,039**
	7. SOLE DISPOSITIVE POWER **0**
	8. SHARED DISPOSITIVE POWER **3,986,039**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,986,039

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

7.3% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

1. NAMES OF REPORTING PERSONS

Insight Venture Associates VII, L.P.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

98-0682601

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	
	5. SOLE VOTING POWER **0**
	6. SHARED VOTING POWER **5,521,713**
	7. SOLE DISPOSITIVE POWER **0**
	8. SHARED DISPOSITIVE POWER **5,521,713**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,521,713

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

10.1% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

1. NAMES OF REPORTING PERSONS

Insight Venture Associates VII, Ltd.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

98-0682598

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	
	5. SOLE VOTING POWER **0**
	6. SHARED VOTING POWER **5,521,713**
	7. SOLE DISPOSITIVE POWER **0**
	8. SHARED DISPOSITIVE POWER **5,521,713**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,521,713

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

10.1% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

1. NAMES OF REPORTING PERSONS

Insight Holdings Group, LLC

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

35-2158588

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	
	5. SOLE VOTING POWER **0**
	6. SHARED VOTING POWER **9,507,752**
	7. SOLE DISPOSITIVE POWER **0**
	8. SHARED DISPOSITIVE POWER **9,507,752**

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9,507,752

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

17.3% (based on 54,831,388 Ordinary Shares outstanding as of September 30, 2016 as reported on the Issuer s Form F-3 registration statement as filed with the SEC on January 20, 2017)

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

Item 1(a). Name of Issuer:
Mimecast Limited (the Issuer)

Item 1(b). Address of Issuer s Principal Executive Offices:
CityPoint, One Ropemaker Street, Moorgate

London EC2Y 9AW

United Kingdom

Item 2(a). Name of Person Filing:
This Statement is being filed by the following persons (each a Reporting Person and, collectively, the Reporting Persons): (i) Insight Venture Partners VII, L.P., a Cayman Islands exempted limited partnership (IVP); (ii) Insight Venture Partners (Cayman) VII, L.P., a Cayman Islands exempted limited partnership (IVP Cayman); (iii) Insight Venture Partners (Delaware) VII, L.P., a Delaware limited partnership (IVP Delaware); (iv) Insight Venture Partners VII (Co-Investors), L.P., a Cayman Islands exempted limited partnership (IVP Co-Investors and together with IVP, IVP Cayman, and IVP Delaware, the Insight VII Funds); (v) Insight Venture Partners Coinvestment Fund II, L.P., a Delaware limited partnership (IVP Co-Investment Fund II); (vi) Insight Venture Associates Coinvestment II, L.P., a Delaware limited partnership (IVP Associates Co-Investment); (vii) Insight Venture Associates VII, L.P., a Cayman Islands exempted limited partnership (IVA); (viii) Insight Venture Associates VII, Ltd., a Cayman Islands exempted company (IVA Ltd); and (ix) Insight Holdings Group, LLC, a Delaware limited liability company (Insight Holdings). The general partner of each of the Insight VII Funds is IVA, whose general partner is IVA Ltd. The general partner of IVP Co-Investment Fund II is IVP Associates Co-Investment. The sole shareholder of IVA Ltd and general partner of IVP Associates Co-Investment is Insight Holdings.

Item 2(b). Address of Principal Business Office or, if None, Residence:
The address of the principal business and principal office of each of the Reporting Persons is c/o Insight Venture Partners, 1114 Avenue of the Americas, 36th Floor, New York, New York 10036.

Item 2(c). Citizenship:
Insight Venture Partners VII, L.P. Cayman Islands

Insight Venture Partners (Cayman) VII, L.P. Cayman Islands

Insight Venture Partners (Delaware) VII, L.P. Delaware

Insight Venture Partners VII (Co-Investors), L.P. Cayman Islands

Insight Venture Partners Coinvestment Fund II, L.P. Delaware

Insight Venture Associates Coinvestment II, L.P.	Delaware
Insight Venture Associates VII, L.P.	Cayman Islands
Insight Venture Associates VII, Ltd.	Cayman Islands
Insight Holdings Group, LLC	Delaware

Item 2(d). Title of Class of Securities:
Ordinary Shares, nominal value $0.012 per share

Item 2(e). CUSIP Number:
G14838109

Item 3. If this statement is filed pursuant to Rule 13d-1(b) or Rule 13d-2(b) or (c), check whether the person filing is a:

(a) Broker or dealer registered under Section 15 of the Exchange Act.

(b) Bank as defined in Section 3(a)(6) of the Exchange Act.

(c) Insurance company as defined in Section 3(a)(19) of the Exchange Act.

(d) Investment company registered under Section 8 of the Investment Company Act.

(e) An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);

(f) An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g) A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);

(h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i) A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;

(j) Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

Not applicable.

Item 4. Ownership.
For IVP:

(a) Amount beneficially owned: 3,616,953 Ordinary Shares

(b) Percent of class: 6.6%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 3,616,953

(ii) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 3,616,953

(iv) Shared power to dispose or to direct the disposition of: 0

For IVP Cayman:

(a) Amount beneficially owned: 1,529,260 Ordinary Shares

(b) Percent of class: 2.8%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 1,529,260

(iii) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 1,529,260

(v) Shared power to dispose or to direct the disposition of: 0

For IVP Delaware:

(a) Amount beneficially owned: 228,783 Ordinary Shares

(b) Percent of class: 0.4%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 228,783

(iv) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 228,783

(iv) Shared power to dispose or to direct the disposition of: 0

For IVP Co-Investors:

(a) Amount beneficially owned: 83,717 Ordinary Shares

(b) Percent of class: 0.2%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 83,717

(v) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 83,717

(iv) Shared power to dispose or to direct the disposition of: 0

For IVP Co-Investment Fund II:

(a) Amount beneficially owned: 3,986,039 Ordinary Shares

(b) Percent of class: 7.3%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 3,986,039

(vi) Shared power to vote or to direct the vote: 0

(iii) Sole power to dispose or to direct the disposition of: 3,986,039

(iv) Shared power to dispose or to direct the disposition of: 0

For IVP Associates Co-Investment:

(a) Amount beneficially owned: 3,986,039 Ordinary Shares

(b) Percent of class: 7.3%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 0

(vii) Shared power to vote or to direct the vote: 3,986,039

(iii) Sole power to dispose or to direct the disposition of: 0

(iv) Shared power to dispose or to direct the disposition of: 3,986,039

For IVA:

(a) Amount beneficially owned: 5,521,713 Ordinary Shares

(b) Percent of class: 10.1%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 0

(viii) Shared power to vote or to direct the vote: 5,521,713

(iii) Sole power to dispose or to direct the disposition of: 0

(iv) Shared power to dispose or to direct the disposition of: 5,521,713

For IVA Ltd:

(a) Amount beneficially owned: 5,521,713 Ordinary Shares

(b) Percent of class: 10.1%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 0

(ix) Shared power to vote or to direct the vote: 5,521,713

(iii) Sole power to dispose or to direct the disposition of: 0

(iv) Shared power to dispose or to direct the disposition of: 5,521,713

For Insight Holdings:

(a) Amount beneficially owned: 9,507,752 Ordinary Shares

(b) Percent of class: 17.3%

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 0

(x) Shared power to vote or to direct the vote: 9,507,752

(iii) Sole power to dispose or to direct the disposition of: 0

(iv) Shared power to dispose or to direct the disposition of: 9,507,752

Item 5. Ownership of Five Percent or Less of a Class.
Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.
As the general partner of the Insight VII Funds, IVA may be deemed to beneficially own all 5,521,713 Ordinary Shares held directly by the Insight VII Funds. As the general partner of IVA, IVA Ltd may be deemed to beneficially own all 5,521,713 Ordinary Shares held directly by the Insight VII Funds. As the general partner of IVP Co-Investment Fund II, IVP Associates Co-Investment may be deemed to beneficially own all 3,986,039 Ordinary Shares held directly by IVP Co-Investment Fund II. As the sole shareholder of IVA Ltd and general partner of IVP Associates Co-Investment, Insight Holdings may be deemed to beneficially own all 9,507,752 Ordinary Shares held directly by the Insight VII Funds and IVP Co-Investment Fund II. The foregoing is not an admission by Insight Holdings, IVA, IVA Ltd or IVA Associates Co-Investment that it is the beneficial owner of any Ordinary Shares held by the Insight VII Funds or IVP Co-Investment Fund II, nor is it an admission by any of the Insight VII Funds or IVP Co-Investment Fund II that it is the beneficial owner of the Ordinary Shares held by the other Insight VII Funds.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.

Not applicable.

Item 8. Identification and Classification of Members of the Group.

The Reporting Persons are making this single, joint filing because they may be deemed to constitute a group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Reporting Persons disclaim membership in a group and this report shall not be deemed an admission by any of the Reporting Persons that they are or may be members of a group for purposes of Rule 13d-5 or for any other purpose.

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certification.

Not applicable.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 13, 2017

INSIGHT VENTURE PARTNERS VII, L.P.

By: Insight Venture Associates VII, L.P., its general partner
By: Insight Ventures Associates VII, Ltd., its general partner

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Vice President

INSIGHT VENTURE PARTNERS (CAYMAN) VII, L.P.

By: Insight Venture Associates VII, L.P., its general partner
By: Insight Venture Associates VII, Ltd., its general partner

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Vice President

INSIGHT VENTURE PARTNERS VII (CO-INVESTORS), L.P.

By: Insight Venture Associates VII, L.P., its general partner
By: Insight Venture Associates VII, Ltd., its general partner

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Vice President

INSIGHT VENTURE PARTNERS (DELAWARE) VII, L.P.

By: Insight Venture Associates VII, L.P., its general partner
By: Insight Venture Associates VII, Ltd., its general partner

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Vice President

INSIGHT VENTURE ASSOCIATES VII, L.P.

By: Insight Venture Associates VII, Ltd., its general partner

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Vice President

INSIGHT VENTURE ASSOCIATES VII, LTD.

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Vice President

INSIGHT HOLDINGS GROUP, LLC

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Attorney-in-Fact

INSIGHT VENTURE PARTNERS COINVESTMENT FUND II, L.P.

By: Insight Venture Associates Coinvestment II, L.P., its general partner

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Vice President

INSIGHT VENTURE ASSOCIATES COINVESTMENT II, L.P.

By: /s/ Blair M. Flicker
Name: Blair M. Flicker
Title: Authorized Officer

iv>

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

In April 2009, the FASB issued ASC 820, Fair Value Measurements and Disclosures. This standard provides additional guidance for estimating fair value in accordance with ASC 820, when the transaction volume and level of market activity for the asset or liability have significantly decreased. This standard also includes guidance on identifying circumstances that indicate a transaction is not orderly. The standard emphasizes that the notation of exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions remains unchanged. The standard was effective for the Company beginning with the quarter ended June 30, 2009. The Company's adoption of the standard did not have a material impact on its financial condition or results of operations.

In April 2009, the FASB issued ASC 320, Investments – Debt and Equity Securities. This standard amends the OTTI guidance in U.S. GAAP for debt securities to make it more operational and to improve the presentation and disclosure of OTTI on debt and equity securities. An OTTI exists for a security which has a fair value less than amortized cost if an entity has the intent to sell the impaired security, it is more likely than not that the entity will be required to sell the impaired security before recovery, or if the entity does not expect to recover the entire amortized cost basis of the impaired security. If the entity has the intent to sell the security or it is more likely than not that it will be required to sell the security, the entire impairment (amortized cost basis over fair value) should be recognized in earnings as an impairment. If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security, the credit component of the impairment should be recognized in earnings, and the non-credit component should be recognized in other comprehensive income. The standard does not amend existing recognition and measurement guidance related to OTTI of equity securities. The standard expands and increases the frequency of existing disclosures about OTTI for debt and equity securities and requires new disclosures to help users of financial statements understand the significant inputs used in determining credit losses, as well as a rollforward of that amount each period. The standard was effective for the Company beginning with the quarter ended June 30, 2009. The Company's adoption of this standard did not have a material impact on its financial condition or results of operations.

In April 2009, the FASB issued ASC 825, Financial Instruments. This standard requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This standard also amends ASC 270, Interim Reporting, to require those disclosures in summarized financial information at interim reporting periods. The standard requires an entity to disclose in the body or in the accompanying footnotes of its interim financial statements and its annual financial statements the fair value of all financial instruments, whether recognized or not recognized in the consolidated balance sheet. The standard also requires entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments, and to disclose significant changes in methods or assumptions used to estimate fair values. The standard was effective for the Company beginning with the quarter ended June 30, 2009. Since the provisions of the standard are disclosure related, the Company's adoption of this standard did not have an impact on its financial condition or results of operations. See related disclosure in Note 15.

In May 2009, the FASB issued ASC 855, Subsequent Events. This standard is intended to assist management in assessing and disclosing subsequent events by establishing general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Financial statements are considered to be available to be issued when they are complete in a form and format that complies with U.S. GAAP and all necessary approvals for issuance, such as from management, the board of directors, and/or significant shareholders, have been obtained. The date through which an entity has evaluated subsequent events and the basis for that date should also be disclosed.   Management must perform its assessment of subsequent events for both interim and annual financial reporting periods. The standard was effective for the Company beginning with the quarter ended June 30, 2009. The Company's adoption of the standard did not have a material impact on its financial condition or results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 166, Accounting for Transfers of Financial Assets an Amendment of FASB Statement No. 140. SFAS No. 166 amends ASC 860, Transfers of Servicing Assets. The objective of SFAS No. 166 is to improve the relevance, representational faithfulness, and comparability of the information provided in the financial statements related to the transfer of financial assets; the effects of a transfer on the company's financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. SFAS No. 166 is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009, which for the Company is October 1, 2010. Early adoption is prohibited. The Company has not yet completed its assessment of the impact of SFAS No. 166.

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In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R). SFAS No. 167 has not been included in the ASC and does not change many of the key principles for determining whether an entity is a variable interest entity consistent with the ASC on "Consolidation." SFAS No. 167 does amend many important provisions of the existing guidance on "Consolidation." SFAS No. 167 is effective as of the beginning of the first fiscal year that begins after November 15, 2009, which for the Company is October 1, 2010. Early adoption is prohibited. The Company has not yet completed its assessment of the impact of SFAS No. 167.

Effective October 1, 2009, the Company adopted new authoritative accounting guidance under ASC 260, Earnings Per Share, which provides that unvested share-based payment awards containing nonforfeitable rights to dividends or dividend equivalents are participating securities and should be included in the computation of earnings per share pursuant to the two-class method. The Company determined that its unvested RRP awards are participating securities. This new guidance requires retrospective adjustment to all prior-period EPS data presented. The Company has participating securities related to the Company's stock incentive plans in the form of unvested restricted common shares. However, these participating securities do not have an impact on the Company's EPS.

In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06, Improving Disclosures About Fair Value Measurements, which amends ASC 820-10 to require new disclosures about transfers in and out of Level 1 and Level 2 fair value measurements and the roll forward of activity in Level 3 fair value measurements. ASU 2010-06 also clarifies existing disclosure requirements regarding the level of disaggregation of each class of assets and liabilities within a line item in the statement of financial condition and clarifies that a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3 fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the new disclosures about the roll forward of activity in Level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Since the provisions of ASU 2010-06 are disclosure related, the Company's adoption of this guidance did not have an impact on its financial condition or results of operations.

In February 2010, the FASB issued ASU 2010-09, Amendments to Certain Recognition and Disclosure Requirements, which amends ASC 855, Subsequent Events to address implementation issues of ASC 855. ASU 2010-09 requires SEC filers to evaluate subsequent events through the date the financial statements are issued and exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The ASU was effective immediately for the Company. Since the provisions of ASU 2010-09 are disclosure related, the Company's adoption of this guidance did not have an impact on its financial condition or results of operations.

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2. EARNINGS PER SHARE

The Company accounts for the 3,024,574 shares acquired by its ESOP and the shares awarded pursuant to its RRP in accordance with ASC 260, which requires that our unvested RRP awards that contain nonforfeitable rights to dividends be treated as participating securities in the computation of EPS pursuant to the two-class method. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security. Shares acquired by the ESOP are not considered in the basic average shares outstanding until the shares are committed for allocation or vested to an employee's individual account. The following is a reconciliation of the numerators and denominators of the basic and diluted EPS calculations (Dollars in thousands).

	For the Nine Months Ended June 30 (unaudited),		For the Year Ended September 30,		
	2010	2009	2009	2008	2007
Net income(1)	$52,393	$49,460	$66,298	$50,954	$32,296
Average common shares outstanding	73, 200,737	73, 065,433	73,067,880	72,862,705	72,772,859
Average committed ESOP shares outstanding	50,779	50,779	76,236	76,166	76,236
Total basic average common shares outstanding	73, 251,516	73, 116,212	73,144,116	72,938,871	72,849,095
Effect of dilutive RRP	3, 182	5,626	5,378	5,460	5,902
Effect of dilutive stock options	18,711	67,663	58,607	68,335	115,391
Total diluted average common shares outstanding	73, 273,409	73, 189,501	73,208,101	73,012,666	72,970,388
Net EPS:					
Basic	$0. 72	$0. 68	$0.91	$0.70	$0.44
Diluted	$0. 72	$0. 68	$0.91	$0.70	$0.44
Antidilutive stock options and RRP, excluded from the diluted average common shares outstanding calculation	219,252	74,050	74,050	31,100	31,500

(1) Net income available to participating securities (unvested RRP shares) was inconsequential for the nine months ended June 30 , 2010 and 2009 (unaudited) and for the years ended September 30, 2009, 2008 and 2007.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

3. SECURITIES

The following tables reflect the amortized cost, estimated fair value, and gross unrealized gains and losses of AFS and HTM securities at June 30 , 2010 (unaudited), September 30, 2009 and 2008. The majority of the securities portfolio is composed of securities issued by U.S. government-sponsored enterprises.

	June 30 , 2010 (unaudited)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
U.S. government sponsored enterprises	$ 50,347	$ 300	$ --	$ 50,647
Municipal bonds	2, 653	146	--	2, 799
Trust preferred securities	3, 735	--	580	3, 155
MBS	1, 048,106	58,739	30	1, 106,815
	1, 104,841	59,185	610	1, 163,416
HTM:				
U.S. government sponsored enterprises	1,075,564	3,976	--	1,079,540
Municipal bonds	70,899	2,046	43	72,902
MBS	513,808	28,954	1	542,761
	1, 660,271	34,976	44	1, 695,203
	$ 2, 765,112	$ 94,161	$ 654	$ 2, 858,619

	September 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
U.S. government sponsored enterprises	$ 228,743	$ 1,132	$ --	$ 229,875
Municipal bonds	2,668	131	--	2,799
Trust preferred securities	3,774	--	1,664	2,110
MBS	1,334,357	55,552	698	1,389,211
	1,569,542	56,815	2,362	1,623,995
HTM:				
U.S. government sponsored enterprises	175,394	535	--	175,929
Municipal bonds	70,526	2,514	40	73,000
MBS	603,256	24,645	72	627,829

		849,176		27,694		112		876,758
	$	2,418,718	$	84,509	$	2,474	$	2,500,753

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	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
AFS:				
U.S. government sponsored enterprises	$ 45,155	$ --	$ 967	$ 44,188
Municipal bonds	2,686	61	4	2,743
Trust preferred securities	3,859	--	1,204	2,655
MBS	1,491,536	3,940	11,421	1,484,055
	1,543,236	4,001	13,596	1,533,641
HTM:				
U.S. government sponsored enterprises	37,397	19	647	36,769
Municipal bonds	55,376	408	342	55,442
MBS	750,284	2,105	8,625	743,764
	843,057	2,532	9,614	835,975
	$ 2,386,293	$ 6,533	$ 23,210	$ 2,369,616

At June 30 , 2010 (unaudited), September 30, 2009 and 2008, the MBS held within our portfolio were issued by FNMA, FHLMC, or GNMA, with the exception of $3. 6 million, $4.6 million, and $6.6 million at those respective dates, which were issued by a private issuer. The following table presents the carrying value of the MBS in our portfolio by issuer:

	At June 30 , 2010 (unaudited)	At September 30,	
		2009	2008
	(Dollars in thousands)		
FNMA	$ 846,439	$ 1,035,271	$ 1,150,224
FHLMC	767,992	949,639	1,073,935
GNMA	2, 552	2,921	3,536
Private Issuer	3, 640	4,636	6,644
	$ 1, 620,623	$ 1,992,467	$ 2,234,339

The following table presents the taxable and non-taxable components of interest income on investment securities for the quarters ended June 30 , 2010 and 2009 (unaudited) and for the fiscal years ended September 30, 2009, 2008 and 2007.

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	For the Nine Months Ended June 30 (unaudited),		For the Year Ended September 30,		
	2010	2009	2009	2008	2007
	(Dollars in thousands)				
Taxable	$ 9,243	$ 2,077	$ 3,526	$ 8,313	$ 30,444
Non-taxable	1, 607	1,483	2,007	1,604	405
	$ 10,850	$ 3,560	$ 5,533	$ 9,917	$ 30,849

At June 30 , 2010 (unaudited), September 30, 2009 and 2008, accrued interest receivable on MBS was $ 6. 7 million, $9.0 million and $10.9 million, respectively. At June 30 , 2010 (unaudited), September 30, 2009 and 2008, accrued interest receivable on investment securities was $5. 9 million, $3.1 million and $1.9 million, respectively.

The following tables summarize the estimated fair value and gross unrealized losses of those securities on which an unrealized loss at June 30 , 2010 (unaudited), September 30, 2009 and 2008 was reported and the continuous unrealized loss position for the twelve months prior to June 30 , 2010 (unaudited), September 30, 2009 and 2008 or for a shorter period of time, as applicable.

	June 30 , 2010 (unaudited)					
		Less Than 12 Months			Equal to or Greater Than 12 Months	
	Count	Estimated Fair Value	Unrealized Losses	Count	Estimated Fair Value	Unrealized Losses
			(Dollars in thousands)			
AFS:						
Trust preferred securities	--	$ --	$ --	1	$ 3,155	$ 580
MBS	2	20,133	28	4	636	2
	2	$ 20,133	$ 28	5	$ 3,791	$ 582
HTM:						
U.S. government sponsored enterprise debentures	1	$ 24,938	$ --	--	$ --	$ --
Municipal bonds	3	1,451	12	3	1,943	32
MBS	1	2,315	--	1	49	--
	5	$ 28,704	$ 12	4	$ 1,992	$ 32

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	September 30, 2009					
	Less Than 12 Months			Equal to or Greater Than 12 Months		
	Count	Estimated Fair Value	Unrealized Losses	Count	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)					
AFS:						
Trust preferred securities	--	$ --	$ --	1	$ 2,110	$ 1,664
MBS	16	57,157	600	37	15,804	98
	16	$ 57,157	$ 600	38	$ 17,914	$ 1,762
HTM:						
Municipal bonds	4	$ 1,930	$ 36	1	$ 495	$ 4
MBS	3	5,563	26	4	11,043	46
	7	$ 7,493	$ 62	5	$ 11,538	$ 50

	September 30, 2008					
	Less Than 12 Months			Equal to or Greater Than 12 Months		
	Count	Estimated Fair Value	Unrealized Losses	Count	Estimated Fair Value	Unrealized Losses
	(Dollars in thousands)					
AFS:						
U.S. government sponsored enterprises	2	$ 44,189	$ 967	--	$ --	$ --
Municipal bonds	2	491	4	--	--	--
Trust preferred securities	1	2,655	1,204	--	--	--
MBS	150	956,968	10,191	62	51,515	1,230
	155	$ 1,004,303	$ 12,366	62	$ 51,515	$ 1,230
HTM:						
U.S. government sponsored enterprises	1	$ 24,353	$ 647	--	$ --	$ --
Municipal bonds	47	24,522	342	--	--	--
MBS	42	417,400	5,004	30	166,807	3,621
	90	$ 466,275	$ 5,993	30	$ 166,807	$ 3,621

On a quarterly basis, management conducts a formal review of securities for the presence of OTTI. Management assesses whether an OTTI is present when the fair value of a security is less than its amortized cost basis at the balance sheet date. For such securities, OTTI is considered to have occurred if (1) the Company intends to sell the security, (2) if it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, or (3) if the present value of expected cash flows is not sufficient to recover the entire amortized cost.

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The unrealized losses at June 30 , 2010 (unaudited), September 30, 2009 and 2008 are primarily a result of increases in market yields from the time of purchase. In general, as market yields rise, the fair value of securities will decrease; as market yields fall, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, these securities have not been classified as other-than-temporarily impaired. Additionally, the impairment is also considered temporary because scheduled coupon payments have been made, it is anticipated that the entire principal balance will be collected as scheduled, and management does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities before the recovery of the remaining amortized cost amount, which could be at maturity.

The amortized cost and estimated fair value of securities by remaining contractual maturity without consideration for call features or pre-refunding dates are shown below. Actual maturities of MBS may differ from contractual maturities because borrowers have the right to prepay obligations, generally without penalties. Maturities of MBS depend on the repayment characteristics and experience of the underlying financial instruments.

	June 30 , 2010 (unaudited)					
	AFS		HTM		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)					
One year or less	$ 25, 347	$ 25, 494	$ 2,978	$ 3,021	$ 28,325	$ 28,515
One year through five years	25,580	25,766	1,071,795	1,076,442	1,097,375	1,102,208
Five years through ten years	139,540	150,380	340,396	359,916	479,936	510,296
Ten years and thereafter	914,374	961,776	245,102	255,824	1,159,476	1,217,600
	$ 1, 104,841	$ 1, 163,416	$ 1, 660,271	$ 1, 695,203	$ 2, 765,112	$ 2, 858,619

	September 30, 2009					
	AFS		HTM		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)					
One year or less	$ --	$ --	$ 247	$ 251	$ 247	$ 251
One year through five years	229,118	230,260	196,386	197,492	425,504	427,752

Five years through ten years	97,211	103,487	371,221	389,827	468,432	493,314
Ten years and thereafter	1,243,213	1,290,248	281,322	289,188	1,524,535	1,579,436
	$ 1,569,542	$ 1,623,995	$ 849,176	$ 876,758	$ 2,418,718	$ 2,500,753

Issuers of certain investment securities have the right to call and prepay obligations with or without prepayment penalties. As of June 30 , 2010 (unaudited) and September 30, 2009, the amortized cost of the securities in our portfolio which are callable or have pre-refunding dates within one year totaled $ 1.06 billion and $ 334.1 million, respectively.

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As of June 30 , 2010 (unaudited), September 30, 2009 and 2008, the Bank had pledged AFS and HTM MBS with an amortized cost of $ 714.5 million, $764.4 million and $744.7 million, respectively, and an estimated fair value of $ 757 .2 million, $797.0 million and $742.7 million, respectively, as collateral for the repurchase agreements. The securities pledged as collateral for the repurchase agreements can be repledged by the counterparties. As of June 30 , 2010 (unaudited), September 30, 2009 and 2008, the Bank also had pledged AFS and HTM MBS with an amortized cost of $ 173.3 million, $193.6 million and $59.1 million, respectively, and an estimated fair value of $ 184.6 million, $202.8 million and $58.2 million, respectively, as collateral for public unit depositors and the Federal Reserve Bank.

During the nine months ended June 30 , 2010 (unaudited), the Bank swapped $194.8 million of originated fixed-rate mortgage loans with the Federal Home Loan Mortgage Corporation ("FHLMC") for MBS ("loan swap transaction"). The MBS received in the loan swap transaction were classified as trading securities prior to the sale. Proceeds from the sale of these securities were $199.1 million, resulting in a gross realized gain of $6.5 million. The gain is included in gains on securities and loans receivable, net in the consolidated statements of income for the nine month period.

During the year ended September 30, 2007, proceeds from the sale of securities from the trading portfolio totaled $389.2 million, resulting in gross realized gains of $2.8 million and gross realized losses of $1.7 million. Also during the year ended September 30, 2007, proceeds from the sale of AFS securities totaled $15.2 million, resulting in a gross loss of $47 thousand. The gross realized gains and losses are included in gains on securities and loans receivable, net in the consolidated statements of income. All dispositions of securities during 2009 and 2008 were the result of principal repayments or maturities.

4. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable, net at June 30 , 2010 (unaudited), September 30, 2009 and 2008 is summarized as follows:

	June 30, 2010 (unaudited)	September 30, 2009	September 30, 2008
	(Dollars in thousands)		
Mortgage loans:			
Residential - one- to-four family	$ 5,061,758	$ 5,321,935	$ 5,026,358
Multi-family and commercial	67,122	80,493	56,081
Construction	36,312	39,535	85,178
	5,165,192	5,441,963	5,167,617
Other loans:			
Home equity	188,365	195,557	202,956
Other	7,915	9,430	9,272
	196,280	204,987	212,228
Less:			
Undisbursed loan funds	(18, 042)	(20,649)	(43,186)
Allowance for loan losses	(15,677)	(10,150)	(5,791)
Unearned loan fees and deferred costs	(11,581)	(12,186)	(10,088)

	$	5, 316,172	$	5,603,965	$	5,320,780

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Originating and purchasing loans secured by one- to four-family mortgage loans on residential properties is the Bank's primary business, resulting in a loan concentration in residential first mortgage loans. As a result of the Bank's lending practices, the Bank also has a concentration of loans secured by real property located in Kansas and Missouri. At June 30 , 2010 (unaudited), September 30, 2009 and 2008, approximately 70% and approximately 15% of the Bank's loans were located in Kansas and Missouri, respectively.

There were no originations of commercial real estate or business loans for the nine months ended June 30 , 2010 (unaudited). The Bank originated and refinanced $13.1 million of commercial real estate and business loans during the nine months ended June 30, 2010 (unaudited). The Bank originated $15.3 million, $975 thousand, and $16.7 million of commercial real estate and business loans during the years ended September 30, 2009, 2008, and 2007, respectively.

At June 30 , 2010 (unaudited), September 30, 2009 and 2008, accrued interest receivable on loans receivable was $19. 0 million, $20.5 million, and $20.9 million, respectively.

The Bank is subject to numerous lending-related regulations. Under the Financial Institutions Reform, Recovery, and Enforcement Act, the Bank may not make real estate loans to one borrower in excess of the greater of 15% of its unimpaired capital and surplus or $500 thousand. As of June 30 , 2010 (unaudited), the Bank was in compliance with this limitation.

Aggregate loans to executive officers, directors and their associates did not exceed 5% of stockholders' equity as of June 30 , 2010 (unaudited), September 30, 2009 and 2008. Such loans were made under terms and conditions substantially the same as loans made to parties not affiliated with the Bank.

As of June 30 , 2010 (unaudited), June 30 , 2009 (unaudited), September 30, 2009, 2008 and 2007, the Bank serviced loans for others aggregating approximately $ 707.7 million, $ 608.2 million, $576.0 million, $623.0 million and $674.8 million, respectively. Such loans are not included in the accompanying consolidated balance sheets. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. Loan servicing income includes servicing fees withheld from investors and certain charges collected from borrowers, such as late payment fees. The Bank held borrowers' escrow balances on loans serviced for others of $ 7.9 million, $7.9 million and $8.4 million as of June 30 , 2010 (unaudited), September 30, 2009 and 2008, respectively.

As of June 30 , 2010 (unaudited), September 30, 2009, 2008 and 2007, loans totaling approximately $ 33.2 million, $30.9 million, $13.7 million and $7.4 million, respectively, were on nonaccrual status. Gross interest income would have increased by $ 746 thousand and $ 527 thousand for the nine months ended June 30 , 2010 and 2009 (unaudited). Gross interest income would have increased by $603 thousand, $178 thousand, and $101 thousand for the years ended September 30, 2009, 2008, and 2007, respectively, if these nonaccrual status loans were not classified as such. 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.

Management considers all non-accrual loans and troubled debt restructurings that have not been performing satisfactorily under the new terms for 12 consecutive months to be impaired loans. Substantially all of the impaired loans at June 30 , 2010 (unaudited), September 30, 2009 and 2008 were secured by residential real estate. Generally, impaired loans are individually assessed to ensure that the carrying value of the loan is not in excess of the fair value of the collateral, less estimated selling costs. Fair values are estimated through such methods as 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. If the outstanding loan balance is in excess of the estimated fair value determined by management, less estimated costs to sell, then a specific valuation allowance is recorded for the difference. The following is a summary of information pertaining to impaired loans.

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	June 30, 2010 (unaudited)	September 30, 2009	September 30, 2008
	(Dollars in thousands)		
Impaired loans without a specific valuation allowance	$ 34,631	$ 19,052	$ 7,646
Impaired loans with a specific valuation allowance	19,328	22,347	6,020
	$ 53, 959	$ 41,399	$ 13,666
Specific valuation allowance related to impaired loans	$ 4, 857	$ 4,596	$ 758

	For the Nine Months Ended June 30 (unaudited), 2010	2009	For the Year Ended September 30, 2009	2008	2007
	(Dollars in thousands)				
Average investment in impaired loans	$ 45,091	$ 21,225	$ 25,156	$ 10,878	$ 6,606
Interest income recognized on impaired loans	$ 244	$ 355	$ 473	$ 150	$ 111

No additional principal is committed to be advanced in connection with impaired loans.

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At June 30 , 2010 (unaudited), September 30, 2009, 2008 and 2007, loans totaling $ 22.3 million, $10.8 million, $918 thousand and $230 thousand, respectively, were troubled debt restructurings that have been under the terms of the restructured loan for less than 12 months.

Continued declines in real estate values could adversely impact the property used as collateral for the Bank's loans. Adverse changes in the economy and increasing unemployment rates may have a negative effect on the ability of the Bank's borrowers to make timely loan payments, which would likely increase delinquencies and have an adverse impact on the Bank's earnings. Further increases in delinquencies will decrease net interest income and will likely adversely impact the Bank's loan loss experience, resulting in an increase in the Bank's allowance for loan losses and provision for loan losses. Although management believes the allowance for loan losses was at an adequate level to absorb known and inherent losses in the loan portfolio at June 30 , 2010 (unaudited), the level of the allowance for loan losses remains an estimate that is subject to significant judgment and short-term changes. Additions to the allowance for loan losses may be necessary if future economic and other conditions differ substantially from the current environment.

A summary of the activity in the allowance for loan losses for the quarters ended June 30 , 2010 and 2009 (unaudited) and for the years ended September 30, 2009, 2008 and 2007 is as follows:

	For the Nine Months Ended June 30 (unaudited),		For the Year Ended September 30,		
	2010	2009	2009	2008	2007
	(Dollars in thousands)				
Balance at beginning of period	$ 10,150	$ 5,791	$ 5,791	$ 4,181	$ 4,433
Provision (recovery) charged to expense	8,131	5,768	6,391	2,051	(225)
Charge-offs:					
Residential - one- to four-family	(2,600)	(1,298)	(2,007)	(407)	(8)
Home equity	(28)	--	(1)	(2)	(3)
Other loans	(13)	(19)	(24)	(32)	(16)
Total charge-offs	(2,641)	(1,317)	(2,032)	(441)	(27)
Recoveries	172	--	--	--	--
Allowance on loans in the loan swap transaction	(135)	--	--	--	--
Balance at end of period	$ 15,677	$ 10,242	$ 10,150	$ 5,791	$ 4,181

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

5. PREMISES AND EQUIPMENT, NET

A summary of the net carrying value of banking premises and equipment at June 30 , 2010 (unaudited) and September 30, 2009 and 2008 is as follows:

	June 30, 2010 (unaudited)	September 30, 2009	2008
	(Dollars in thousands)		
Land	$ 7, 877	$ 7,866	$ 7,618
Building and leasehold improvements	44,272	40,167	31,027
Furniture, fixtures and equipment	37, 147	35,874	32,419
	89,296	83,907	71,064
Less accumulated depreciation	(48,381)	(46,198)	(41,190)
	$ 40, 915	$ 37,709	$ 29,874

Depreciation and amortization expense was $ 3.5 million for the nine months ended June 30 , 2010 and 2009 (unaudited). Depreciation and amortization expense for the years ended September 30, 2009, 2008, and 2007 was $5.1 million, $5.4 million, and $4.5 million, respectively.

The Bank has entered into non-cancelable operating lease agreements with respect to banking premises and equipment. It is expected that many agreements will be renewed at expiration in the normal course of business. Rental expense was $ 923 thousand and $ 869 thousand for the nine months ended June 30 , 2010 and 2009 (unaudited), respectively. Rental expense was $1.2 million, $1.2 million, and $1.1 million for the years ended September 30, 2009, 2008, and 2007, respectively. Future minimum rental commitments by fiscal year, rounded to the nearest thousand, required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30 , 2010 (unaudited) are as follows (dollars in thousands):

2010	$261
2011	1, 035
2012	934
2013	801
2014	763
2015	709
Thereafter	7,732
	12, $235

Future minimum rental commitments, rounded to the nearest thousand, required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year, as of September 30, 2009 are as follows (dollars in thousands):

2010	$1,129
2011	990
2012	861
2013	748
2014	706
Thereafter	8,334
	$12,768

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CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

6. DEPOSITS

Deposits at June 30 , 2010 (unaudited), September 30, 2009 and 2008 are summarized as follows:

	June 30, 2010 (unaudited)			September 30, 2009			2008		
	Amount	Weighted Average Rate	% of Total	Amount	Weighted Average Rate	% of Total	Amount	Weighted Average Rate	% (Tot
				(Dollars in thousands)					
Non-certificates:									
Checking	$ 487,279	0.13%	11. 1%	$ 439,975	0.17 %	10.4 %	$ 400,461	0.21%	10.
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.
Total non-certificates	$ 1,671,456	0.49 %	38. 2%	$ 1,514,528	0.61 %	35.9 %	$ 1,404,887	1.12%	35.
Certificates of deposit:									
0.00 – 0.99%	$ 177,194	0.54	4.1	78,036	0.55	1.8	114	0.59	--
1.00 – 1.99%	872,193	1.45	19.9	254,846	1.55	6.0	7,426	1.98	0.2
2.00 – 2.99%	777,822	2.50	17.8	971,605	2.42	23.0	413,102	2.78	10.
3.00 – 3.99%	599,580	3.49	13.7	848,991	3.45	20.1	935,470	3.39	23.
4.00 – 4.99%	183, 255	4.33	4.2	326,087	4.41	7.7	747,612	4.52	19.
5.00 – 5.99%	91,749	5.15	2.1	233,572	5.17	5.5	414,347	5.17	10.
6.00 – 6.99%	595	6.30	--	944	6.48	--	925	6.47	--
Total certificates of deposit	$ 2,702,388	2.47	61. 8	2,714,081	3.09	64.1	2,518,996	3.91	64.
	$ 4,373,844	1.71 %	100.0 %	$ 4,228,609	2.20 %	100.0%	$ 3,923,883	2.91%	10(

Interest expense on deposits for the periods presented is as follows (in thousands):

Nine Months Ended June 30 (unaudited),		Year Ended September 30,		
2010	2009	2009	2008	2007

Checking	$ 471	$ 652	$ 879	$ 819	$ 850
Savings	1,000	1, 449	1,873	4,105	4,952
Money market	4,947	6,639	8,512	16,771	26,566
Certificates	54,612	67,461	89,207	111,740	114,911
	$ 61,030	$ 76,201	$ 100,471	$ 133,435	$ 147,279

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

As of June 30 , 2010 (unaudited) and September 30, 2009, certificates of deposit mature as follows:

	June 30 , 2010 (unaudited)			September 30, 2009		
	Amount	Weighted Average Rate		Amount	Weighted Average Rate	
	(Dollars in thousands)					
Within one year or less	$1, 462,717	2. 15	%	$1,634,399	2.97	%
Between one and two years	686,576	2. 91		609,704	3.15	
Between two and three years	268,266	2.67		333,648	3.49	
Between three and four years	176,121	2. 73		115,465	3.22	
Between four and five years	106,761	2.94		19,744	3.15	
Thereafter	1, 947	3. 20		1,121	3.61	
	$2, 702,388	2. 47	%	$2,714,081	3.09	%

The amount of noninterest-bearing deposits was $79. 0 million, $71.7 million and $66.8 million as of June 30 , 2010 (unaudited), September 30, 2009 and 2008, respectively. Certificates of deposit with a minimum denomination of $100 thousand were $ 855.2 million, $790.8 million and $686.3 million as of June 30 , 2010 (unaudited), September 30, 2009 and 2008, respectively. Deposits in excess of $250 thousand generally are not federally insured. The aggregate amount of deposits that were reclassified as loans receivable due to customer overdrafts was $ 227 thousand, $235 thousand and $296 thousand as of June 30 , 2010 (unaudited), September 30, 2009 and 2008, respectively.

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

7. BORROWED FUNDS

At June 30 , 2010 (unaudited) and September 30, 2009 and 2008, the Company's borrowed funds consisted of FHLB advances and other borrowings. Included in other borrowings are repurchase agreements and Junior Subordinated Deferrable Interest Debentures (the "Debentures").

FHLB Advances – FHLB advances at June 30 , 2010 (unaudited), September 30, 2009 and 2008 were comprised of the following:

	June 30, 2010 (unaudited)	September 30, 2009	2008
	(Dollars in thousands)		
Fixed-rate FHLB advances	$ 2,426,000	$ 2,426,000	$ 2,446,000
Deferred prepayment penalty	(30, 037)	(34,227)	--
Deferred gain on terminated interest rate swaps	674	797	1,129
	$ 2, 396,637	$ 2,392,570	$ 2,447,129
Weighted average contractual interest rate on FHLB advances	3. 64 %	3.79 %	4.77 %
Weighted average effective interest rate on FHLB advances (1)	3.98 %	4.13 %	4.75 %

(1) The effective rate includes the net impact of the amortization of deferred prepayment penalties related to the prepayment of certain FHLB advances and deferred gains related to the termination of interest rate swaps.

During the first quarter of fiscal year 2008, management terminated interest rate swap agreements with total notional amounts of $575.0 million. As a result of the termination, the Bank received cash proceeds of $1.7 million and recorded a deferred gain for the proceeds. The gain is being amortized to interest expense on FHLB advances over the remaining life of the FHLB advances that were originally hedged by the terminated interest rate swap agreements. The Bank had no interest rate swap agreements outstanding at June 30 , 2010 (unaudited), September 30, 2009 or 2008.

During fiscal year 2009, the Bank prepaid $875.0 million of fixed-rate FHLB advances with a weighted average interest rate of 5.65% and a weighted average remaining term to maturity of 11 months. 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% and an average term of 69 months. The Bank paid a $38.4 million penalty to the FHLB as a result of prepaying the FHLB advances. The prepayment penalty was deferred as an adjustment to the carrying value of the new advances as the new FHLB advances were not "substantially different," from the prepaid FHLB advances. The present value of the cash flows under the terms of the new FHLB advances was not more than 10% different from the present value of the cash flows under the terms of the prepaid FHLB advances (including the prepayment penalty) and there were no embedded conversion options in the prepaid FHLB advances or in the new FHLB advances. The prepayment penalty effectively increased the interest rate on the new advances 96 basis points at the time of the transaction. The deferred prepayment penalty is being recognized in interest expense over the life of the new FHLB advances.

During fiscal year 2010, the Bank prepaid $200.0 million (unaudited) of fixed-rate FHLB advances with a weighted average interest rate of 4.63% (unaudited) and a weighted average remaining term to maturity of 84 months (unaudited). The prepaid FHLB advances were replaced with $200.0 million (unaudited) of fixed-rate FHLB advances, with a weighted average contractual interest rate of 3.17% (unaudited) and an average term of 84 months (unaudited). The Bank paid a $875 thousand (unaudited) prepayment penalty to the FHLB as a result of prepaying the FHLB advances. The present value of the cash flows under the terms of the new FHLB advance was not more than 10% (unaudited) different from the present value of the cash flows under the terms of the prepaid FHLB advances (including the prepayment penalty) and there were no embedded conversion options in the prepaid advances or in the new FHLB advances (unaudited). The prepayment penalty effectively increased the interest rate on the new advances 7 basis points at the time of the transaction. The deferred prepayment penalty is being recognized in interest expense over the life of the new FHLB advances. The benefit of prepaying the advances in fiscal year 2009 and 2010 was an immediate decrease in interest expense, and a decrease in interest rate sensitivity, as the maturities of the refinanced advances were extended at a lower rate.

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

The FHLB advances are secured by certain qualifying mortgage loans pursuant to a blanket collateral agreement with the FHLB and all of the capital stock of FHLB owned by the Bank. Per the FHLB's lending guidelines, total FHLB borrowings cannot exceed 40% of total Bank assets without the pre-approval of the FHLB president. At June 30 , 2010 (unaudited) and September 30, 2009, the Bank's ratio of FHLB advances to total assets, as reported to the OTS, was 28 % .

At June 30 , 2010 (unaudited), the Bank had access to a line of credit with the FHLB set to expire on November 26, 2010, at which time the line of credit is expected to be renewed automatically by the FHLB for a one year period. At June 30 , 2010 (unaudited), there were no borrowings on the FHLB line of credit. Any borrowings on the line of credit would be included in total FHLB borrowings in calculating the ratio of FHLB borrowings to total Bank assets, which generally could not exceed 40% of total Bank assets at June 30 , 2010 (unaudited).

Other Borrowings –The following summarizes the components of other borrowings as of June 30 , 2010 (unaudited), September 30, 2009 and 2008:

	June 30, 2010 (unaudited)		September 30, 2009		2008	
	Amount	Weighted Average Contractual Rate	Amount	Weighted Average Contractual Rate	Amount	Weighted Average Contractual Rate
	(Dollars in thousands)					
Repurchase agreements	$ 660,000	3.97 %	$ 660,000	3.97 %	$ 660,000	3.97 %
Debentures	53,609	3. 05	53,609	3.26	53,581	5.54
	$ 713,609	3.90 %	$ 713,609	3.91 %	$ 713,581	4.09 %

Repurchase Agreements - During fiscal year 2008, the Bank entered into repurchase agreements totaling $660.0 million. Repurchase agreements are made at mutually agreed upon terms between counterparties and the Bank. The use of repurchase agreements allows for the diversification of funding sources and the use of securities that were not being leveraged as collateral. The Bank has pledged AFS and HTM MBS with an estimated fair value of $ 757 .2 million, at June 30 , 2010 (unaudited), as collateral for the repurchase agreements.

Debentures - The Company has established a Delaware statutory trust, Capitol Federal Financial Trust I (the "Trust"), of which the Company owns 100% of the common securities, or slightly more than 3% of the Trust ("Trust Common Securities"). The Trust was formed for the purpose of issuing Company obligated mandatorily redeemable preferred securities ("Trust Preferred Securities"). Outside investors own 100% of the Trust Preferred Securities, or slightly less than 97% of the Trust. The Trust issued $53.6 million of Trust Preferred Securities. The Company purchased $1.6 million of the Trust Common Securities which are reported in Other Assets in the June 30 , 2010 (unaudited), September 30, 2009 and 2008 consolidated balance sheets. When the Trust Preferred and Trust Common Securities were issued, the Trust used the proceeds to purchase a like amount of Debentures of the Company. The Debentures bear the same terms and interest rates as the Trust Preferred and Trust Common Securities. Interest is due quarterly in January, April, July and October until the maturity date of April 7, 2034. The interest rate, which resets at each interest payment, is based upon the three month LIBOR rate plus 275 basis points. Principal is due at maturity. The Debentures were callable, in part or whole, beginning on April 7, 2009, at par. Any such redemption of the Debentures by the Company will cause redemption of a like amount of the Trust Preferred and Trust Common Securities by the Trust. The Company has guaranteed the obligations of the Trust. The Trust is not included in the consolidated financial statements. The Debentures are the sole assets of the Trust. There are certain covenants of the Debentures that the Company is required to comply with. These covenants include a prohibition on cash dividends in the event of default or if the Company elects to defer the payment of interest on the Debentures, annual certifications to the Trust and other covenants related to the payment of interest and principal and maintenance of the Trust. The Company was in compliance with all covenants at June 30 , 2010 (unaudited) and September 30, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

Maturity of Borrowed Funds – At June 30 , 2010 (unaudited) and September 30, 2009, the FHLB advances, repurchase agreements and Debentures mature as follows:

At June 30 , 2010 (unaudited)

	FHLB Advances Amount	Repurchase Agreements Amount	Debentures Amount	Total Borrowings Amount	Weighted Average Contractual Rate	Weighted Average Effective Rate
	(Dollars in thousands)					
2010	$ 50,000	$ 45,000	$ --	$ 95,000	4. 09 %	4. 09 %
2011	276,000	200,000	--	476,000	4.42	4.42
2012	350,000	150,000	--	500,000	3.67	3.67
2013	525,000	145,000	--	670,000	3.74	4.00
2014	450,000	100,000	--	550,000	3.33	3.96
2015	200,000	20,000	--	220,000	3.50	4.16
Thereafter	575 ,000	--	53,609	628 ,609	3. 47	3.72
	$ 2,426,000	$ 660,000	$ 53,609	$ 3,139,609	3. 70 %	3.96 %

At September 30, 2009

	FHLB Advances Amount	Repurchase Agreements Amount	Debentures Amount	Total Borrowings Amount	Weighted Average Contractual Rate	Weighted Average Effective Rate
	(Dollars in thousands)					
2010	$ 350,000	$ 45,000	$ --	$ 395,000	4.33 %	4.33 %
2011	276,000	200,000	--	476,000	4.42	4.42
2012	350,000	150,000	--	500,000	3.67	3.67
2013	525,000	145,000	--	670,000	3.74	4.00
2014	450,000	100,000	--	550,000	3.33	3.96
2015	200,000	20,000	--	220,000	3.50	4.16
Thereafter	275,000	--	53,609	328,609	3.76	4.21
	$ 2,426,000	$ 660,000	$ 53,609	$ 3,139,609	3.82 %	4.08 %

Of the $350.0 million FHLB advances maturing in fiscal year 2010, $100.0 million is due in the third quarter of fiscal year 2010 and $250.0 million is due in the fourth quarter of fiscal year 2010. The $45.0 million of repurchase agreements maturing in fiscal year 2010 are due in the fourth quarter of fiscal year 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

8. INCOME TAXES

Income tax expense for the nine months ended June 30 , 2010 and 2009 (unaudited), and for the years ended September 30, 2009, 2008, and 2007 consisted of the following:

	June 30 (unaudited),		September 30,		
	2010	2009	2009	2008	2007
	(Dollars in thousands)				
Current:					
Federal	$ 24,112	$ 23,587	$ 32,590	$ 19,523	$ 1,563
State	2,193	2,052	2,788	1,518	333
	26,305	25,639	35,378	21,041	1,896
Deferred:					
Federal	2, 355	3,104	3,285	7,556	17,328
State	188	248	263	604	1,386
	2, 543	3,352	3,548	8,160	18,714
	$ 28,848	$ 28,991	$ 38,926	$ 29,201	$ 20,610

Income tax expense has been provided at effective rates of 35. 5 % and 37.0 % for the nine months ended June 30 , 2010 and 2009 (unaudited), respectively, and 37.0%, 36.4%, and 39.0% for the years ended September 30, 2009, 2008, and 2007, respectively. The differences between such effective rates and the statutory Federal income tax rate computed on income before income tax expense result from the following:

	June 30 (unaudited),				September 30,					
	2010		2009		2009		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)									
Federal income tax expense computed at statutory Federal rate	$ 28,434	35.0 %	$ 27,458	35.0 %	$ 36,828	35.0 %	$ 28,054	35.0 %	$ 18,517	35.0 %
Increases in taxes resulting from:										
State taxes, net of Federal tax effect	2,250	2.8	2,197	2.8	3,051	2.9	2,122	2.6	1,719	3.3
Net tax-exempt	(795)	(1. 0)	(1,208)	(1.5)	(579)	(0.6)	(450)	(0.6)	(112)	(0.2)

interest income										
Other	(1,041)	(1.3)	544	0. 7	(374)	(0.3)	(525)	(0.6)	486	0.9
	$ 28,848	35.5 %	$ 28,991	37.0 %	$ 38,926	37.0 %	$ 29,201	36.4 %	$ 20,610	39.0 %

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

Deferred income tax expense results from temporary differences in the recognition of revenue and expenses for tax and financial statement purposes. The sources of these differences and the tax effect of each for the six months ended June 30 , 2010 and 2009 (unaudited) and the years ended September 30, 2009, 2008 and 2007 were as follows:

	June 30 (unaudited),		September 30,		
	2010	2009	2009	2008	2007
	(Dollars in thousands)				
FHLB prepayment penalty	$ 966	$ 3,462	$4,601	$10,586	$21,225
FHLB stock dividends	2,855	(88)	694	(1,901)	(440)
Allowance for loan losses	(1,719)	--	(1,628)	(611)	117
Other, net	441	(22)	(119)	86	(2,188)
	$2, 543	$ 3,352	$3,548	$8,160	$18,714

The components of the net deferred income tax (liabilities) assets as of June 30 , 2010 (unaudited), September 30, 2009 and 2008 are as follows:

	June 30, 2010 (unaudited)	September 30, 2009	2008
	(Dollars in thousands)		
Deferred income tax assets:			
FHLB prepayment penalty	$ 317	$ 1,283	$ 5,884
Unrealized loss on AFS securities	--	--	3,627
Salaries and employee benefits	1, 282	1,259	1,567
Allowance for loan losses	3,614	1,895	267
ESOP compensation	887	887	977
Other	1,925	2,401	2,018
Gross deferred income tax assets	8, 025	7,725	14,340
Valuation allowance	(261)	(261)	(241)
Gross deferred income tax asset, net of valuation allowance	7,764	7,464	14,099
Deferred income tax liabilities:			
Unrealized gain on AFS securities	22,141	20,583	--
FHLB stock dividends	18,045	15,190	14,496
Other	2,676	2,661	2,826
Gross deferred income tax liabilities	42,862	38,434	17,322
Net deferred tax liabilities	$ (35,098)	$ (30,970)	$ (3,223)

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The Company assesses the available positive and negative evidence surrounding the recoverability of the deferred tax assets and applies its judgment in estimating the amount of valuation allowance necessary under the circumstances. As of June 30 , 2010 (unaudited), September 30, 2009 and 2008, the Company recorded a valuation allowance of $261 thousand, $261 thousand and $241 thousand, respectively, related to net operating losses generated by the Company's consolidated Kansas corporate income tax return. The Company's consolidated Kansas corporate income tax return includes MHC, the Company, and Capitol Funds, Inc., as the Bank files a Kansas privilege tax return. Based on the nature of operations of the noted entities, management believes there will not be sufficient taxable income for the foreseeable future on the Company's consolidated Kansas corporate income tax return to utilize the net operating losses.

The Company adopted the section of ASC 740 Income Taxes related to the accounting for uncertainty in income taxes on October 1, 2007. This section of ASC 740 prescribes a process by which the likelihood of a tax position is gauged based upon the technical merits of the position, and then a subsequent measurement relates the maximum benefit and the degree of likelihood to determine the amount of benefit to recognize in the financial statements.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the periods ended June 30 , 2010 (unaudited), September 30, 2009 and 2008 is as follows. The amounts have not been reduced by the federal deferred tax effects of unrecognized tax benefits.

	June 30, 2010 (unaudited)	September 30, 2009	2008
	(Dollars in thousands)		
Balance at beginning of period	$ 2,848	$ 2,409	$ 3,773
Additions for tax positions related to the current period	--	109	--
Additions for tax positions of prior years	12	888	130
Reductions for tax positions of prior years	(194)	--	(915)
Reductions relating to settlement with taxing authorities	--	(97)	--
Lapse of statute of limitations	(2,557)	(461)	(579)
Balance at end of period	$ 109	$ 2,848	$ 2,409

Included in the unrecognized tax benefits above is accrued penalties and interest of $ 12 thousand for the nine months ended June 30 , 2010 (unaudited), and accrued penalties and interest of $763 thousand and $609 thousand for the years ended September 30, 2009 and 2008, respectively. The net reversal of penalties and interest expense due to the lapse of statute of limitations for the nine months ended June 30 , 2010 (unaudited) was $ 466 thousand. Estimated penalties and interest expense for the nine months ended June 30 , 2009 (unaudited) and the years ended September 30, 2009 and 2008 were $ 4 6 thousand, $87 thousand and $81 thousand, respectively. Estimated penalties and interest expense are included in income tax expense in the consolidated statements of income. Interest income related to state and federal tax return refunds for the year ended September 30, 2008 was $235 thousand, which is included in other income in the consolidated statements of income. We do not expect a material change in unrecognized tax benefits in the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and the state of Kansas, as well as other states where it has nexus. In many cases, uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. With few exceptions, the Company is no longer subject to U.S. federal and state examinations by tax authorities for fiscal years before 2007.

9. EMPLOYEE BENEFIT PLANS

The Company has a profit sharing plan (“PIT”) and an employee stock ownership plan (“ESOP”). The plans cover all employees with a minimum of one year of service, at least age 21, and at least 1,000 hours of employment in each plan year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

Profit Sharing Plan – The PIT provides for two types of discretionary contributions. The first type is an optional Bank contribution and may be 0% or any percentage above that, as determined by the board of directors, of an eligible employee's eligible compensation during the fiscal year. The second contribution may be 0% or any percentage above that, as determined by the board of directors, of an eligible employee's eligible compensation during the fiscal year if the employee matches 50.0% (on an after-tax basis) of the Bank's second contribution. The PIT qualifies as a thrift and profit sharing plan for purposes of Internal Revenue Codes 401(a), 402, 412, and 417. The Bank accrued $ 111 thousand and $ 107 thousand at June 30 , 2010 and 2009 (unaudited), respectively, related to PIT contributions. Total Bank contributions to the PIT amounted to $102 thousand, $93 thousand, and $89 thousand for the years ended September 30, 2009, 2008, and 2007, respectively.

ESOP – The ESOP Trust acquired 3,024,574 shares of common stock in the Company's initial public offering with proceeds from a loan from the Company. The Bank makes cash contributions to the ESOP on an annual basis sufficient to enable the ESOP to make the required annual loan payments to the Company at September 30.

The loan referenced above bears interest at a fixed-rate of 5.80% with interest payable annually and future principal and interest payable in four remaining fixed installments, as of June 30 , 2010 (unaudited), of $3.0 million. Payments of $3.0 million consisting of principal of $2.3 million, $2.1 million, and $2.0 million and interest of $700 thousand, $900 thousand, and $1.0 million were made on September 30, 2009, 2008, and 2007, respectively. The loan is secured by the shares of Company stock purchased.

As the debt is repaid, 201,638 shares are released from collateral annually at September 30 and allocated to qualified employees based on the proportion of their qualifying compensation to total qualifying compensation. As ESOP shares are committed to be released from collateral, the Company records compensation expense. Compensation expense related to the ESOP was $ 5.0 million for the nine months ended June 30 , 2010 (unaudited), $ 6 .2 million for the nine months ended June 30 , 2009 (unaudited), $7.9 million for the year ended September 30, 2009 and $7.5 million for each of the years ended September 30, 2008 and 2007. Dividends on unallocated ESOP shares are recorded as a reduction of debt, up to a total of $3.0 million.

During the years ended September 30, 2009, 2008, and 2007, the Bank paid $863 thousand, $571 thousand, and $41 thousand, respectively, of the ESOP debt payment because dividends on unallocated shares were insufficient to pay the scheduled debt payment as they had been in previous years. Dividends paid to participants on allocated ESOP shares were $ 3.0 million for the nine months ended June 30 , 2010 (unaudited), $ 2.5 million for the nine months ended June 30 , 2009 (unaudited), $3.3 million for the year ended September 30, 2009 and $2.9 million for each of the years ended September 30, 2008 and 2007.

Participants have the option to receive the dividends in cash or leave the dividend in the ESOP. Dividends are reinvested in Company stock for those participants who choose to leave their dividends in the ESOP or who do not make an election. The purchase of Company stock for reinvestment of dividends is made in the open market on or about the date of the cash disbursement to the participants who opt to take dividends in cash.

Shares may be withdrawn from the ESOP Trust due to retirement, termination or death of the participant. Following is a summary of shares held in the ESOP Trust as of June 30 , 2010 (unaudited), September 30, 2009, and 2008:

	June 30,	September 30,

	2010 (unaudited)	2009	2008
	(Dollars in thousands)		
Allocated ESOP shares	1,608,809	1,751,474	1,604,939
Unreleased ESOP shares	806,556	806,556	1,008,194
Total ESOP shares	2,415,365	2,558,030	2,613,133
Fair value of unreleased ESOP shares	$ 26,745	$ 26,552	$ 44,693

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

10. STOCK BASED COMPENSATION

At June 30 , 2010 (unaudited) and September 30, 2009, the Company had a Stock Option and Incentive Plan and an RRP which are considered share-based plans. Compensation expense is recognized over the service period of the share-based payment award. The Company utilizes a fair-value-based measurement method in accounting for the share-based payment transactions with employees, except for equity instruments held by employee share ownership plans.

Stock Option Plan – The purpose of the Option Plan is to provide additional incentive to certain officers, directors and key employees by facilitating their purchase of a stock interest in the Company. Pursuant to the Option Plan, subject to adjustment as described below, 3,780,718 shares of common stock were reserved for issuance by the Company upon exercise of stock options granted to officers, directors and employees of the Company and the Bank from time to time under the Option Plan. The Company may issue both incentive and nonqualified stock options under the Option Plan. The Company may also award stock appreciation rights under the Option Plan, although to date no stock appreciation rights have been awarded under the Option Plan. The incentive stock options expire no later than 10 years and the nonqualified stock options expire no later than fifteen years from the date of grant. The date on which the options are first exercisable is determined by the Stock Benefits Committee (“sub-committee”), a sub-committee of the Compensation Committee (“committee”) of the Board of Directors. The vesting period of the options generally ranges from three to five years. The option price is equal to the market value at the date of the grant as defined by the Option Plan.

Under the Option Plan, incentive stock options may not be granted after April 2010 and nonqualified stock options may not be granted after April 2015. At June 30 , 2010 (unaudited) and September 30, 2009, the Company had 1, 258,854 shares and 1,303,915 shares, respectively, available for future grants under the Option Plan. The share counts include 1, 049,319 shares and 1,044,380 shares at June 30 , 2010 (unaudited) and September 30, 2009, respectively, added back to the Option Plan through the reload feature of the plan, which provides that the maximum number of shares with respect to which awards may be made under the plan shall be increased by (i) the number of shares of common stock repurchased by the Company with an aggregate price no greater than the cash proceeds received by the Company from the exercise of options under the Option Plan; and (ii) the number of shares surrendered to the Company in payment of the exercise price of options granted under the Option Plan.

The Option Plan is administered by the sub-committee, which selects the employees and non-employee directors to whom options are to be granted and the number of shares to be granted. The exercise price may be paid in cash, shares of the common stock, or a combination of both. The option price may not be less than 100% of the fair market value of the shares on the date of the grant. In the case of any employee who is granted an incentive stock option who owns more than 10% of the outstanding common stock at the time the option is granted, the option price may not be less than 110% of the fair market value of the shares on the date of the grant, and the option shall not be exercisable after the expiration of five years from the grant date. Historically, the Company has issued shares held in treasury upon the exercise of stock options.

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The fair value of stock option grants are estimated on the date of the grant using the Black-Scholes option pricing model. The weighted average grant-date fair value of stock options granted during the nine months ended June 30 , 2010 and 2009 (unaudited) was $3.44 and $5. 03 , respectively. The weighted average grant-date fair value of stock options granted during the fiscal years ended September 30, 2009, 2008, and 2007 was $5.03, $3.20 and $5.61 per share, respectively. Compensation expense attributable to stock options awards during the nine months ended June 30 , 2010 and 2009 (unaudited) totaled $ 174 thousand ($151 thousand, net of tax) and $ 225 thousand ($ 193 thousand, net of tax), respectively. Compensation expense attributable to stock options awards during the years ended September 30, 2009, 2008 and 2007 totaled $281 thousand ($240 thousand, net of tax), $323 thousand ($205 thousand, net of tax), and $294 thousand ($179 thousand, net of tax), respectively. The following weighted average assumptions were used for valuing stock option grants for the periods noted:

	Nine Months Ended June 30 (unaudited),				Year Ended September 30,					
	2010		2009		2009		2008		2007	
Risk-free interest rate	2.1	%	2. 1	%	2.1	%	3.2	%	4.8	%
Expected life (years)	4		4		4		5		6	
Expected volatility	25	%	24	%	24	%	22	%	21	%
Dividend yield	6.2	%	4 .8	%	4.8	%	6.2	%	5.2	%
Estimated forfeitures	2.7	%	10.5	%	10.5	%	3.0	%	6.2	%

The risk-free interest rate was determined using the yield available on the option grant date for a zero-coupon U.S. Treasury security with a term equivalent to the expected life of the option. The expected life for options granted during the nine months ended June 30 , 2010 and 2009 (unaudited) and the years ended September 30, 2009 and 2008 was based upon historical experience. The expected life for options granted during the year ended September 30, 2007 represents the period the option is expected to be outstanding and was determined by applying the simplified method. The expected volatility was determined using historical volatilities based on historical stock prices. The dividend yield was determined based upon historical quarterly dividends and the Company’s stock price on the option grant date. Estimated forfeitures were determined based upon voluntary termination behavior and actual option forfeitures.

A summary of option activity for the nine months ended June 30 , 2010 and 2009 (unaudited) and the years ended September 30, 2009, 2008 and 2007 follows:

	June 30 (unaudited),			
	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding at beginning of period:	372,022	$ 33.28	403,322	$ 29.66
Granted	50,000	32.29	41,750	42.05

Forfeited	- -		- -	- -		- -
Exercised	(16,991)		10.47	(71,850)		18.31
Options outstanding at end of period	405,031	$	34.11	373,222	$	33.23

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

	September 30,					
	2009		2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding at beginning of year:	403,322	$ 29.66	382,855	$ 28.13	668,457	$ 20.43
Granted	41,750	42.05	56,500	32.19	34,000	38.77
Forfeited	--	--	(100)	25.66	(8,967)	29.37
Exercised	(73,050)	18.31	(35,933)	17.34	(310,635)	12.69
Options outstanding at end of year	372,022	$ 33.28	403,322	$ 29.66	382,855	$ 28.13

Shares issued upon the exercise of stock options are issued from treasury stock. The Company has an adequate number of treasury shares available for sale for future stock option exercises.

During the nine months ended June 30 , 2010 and 2009 (unaudited), the total pretax intrinsic value of stock options exercised was $ 338 thousand and $1. 7 million, respectively, and the tax benefits realized from the exercise of stock options were $ 88 thousand and $ 539 thousand, respectively. During the years ended September 30, 2009, 2008, and 2007, the total pretax intrinsic value of stock options exercised was $1.7 million, $755 thousand, and $8.1 million, respectively, and the tax benefits realized from the exercise of stock options were $515 thousand, $114 thousand, and $2.6 million, respectively. The fair value of stock options vested during the nine months ended June 30 , 2010 and 2009 (unaudited) was $ 237 thousand and $ 271 thousand, respectively. The fair value of stock options vested during the years ended September 30, 2009, 2008, and 2007 was $297 thousand, $281 thousand, and $338 thousand, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

The following summarizes information about the stock options outstanding and exercisable as of June 30 , 2010 (unaudited):

		Options Outstanding		
Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value
		(Dollars in thousands, except per share amounts) (unaudited)		
$9.22	3 ,881	4.80	$ 9.22	$ 93
14.03 - 19.68	3,700	1. 03	18.78	53
25.66 - 28.78	2, 000	2. 09	26. 44	13
30.19 - 39.83	369,950	8. 69	33.92	207
43.46	25,500	8. 33	43.46	- -
	405,031	8. 53	$ 34.11	$ 366

		Options Exercisable		
Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value
		(Dollars in thousands, except per share amounts) (unaudited)		
$9.22	3 ,881	4.80	$ 9.22	$ 93
14.03 - 19.68	3,700	1. 03	18.78	53
25.66 - 28.78	2, 000	2. 09	26. 44	13
30.19 - 39.83	285,300	8. 38	33. 98	150
43.46	10,200	8. 33	43.46	- -
	305,081	8. 21	$ 33. 75	$ 309

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

The following summarizes information about the stock options outstanding and exercisable as of September 30, 2009:

		Options Outstanding		
Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value
		(Dollars in thousands, except per share amounts)		
$9.22	19,381	1.55	$ 9.22	$ 459
14.03 - 19.68	4,291	1.68	18.13	63
25.66 - 28.78	2,500	2.92	26.91	15
30.19 - 38.77	320,350	8.92	34.18	123
43.46	25,500	9.08	43.46	--
	372,022	8.42	$ 33.28	$ 660

		Options Exercisable		
Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value
		(Dollars in thousands, except per share amounts)		
$9.22	19,381	1.55	$ 9.22	$ 459
14.03 - 19.68	4,291	1.68	18.13	63
25.66 - 28.78	2,500	2.92	26.91	15
30.19 - 38.77	232,450	8.91	34.05	90
43.46	5,100	9.08	43.46	--
	263,722	8.19	$ 32.08	$ 627

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the Company's closing stock price of $ 33.16 and $32.92 as of June 30 , 2010 (unaudited) and September 30, 2009, respectively, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options exercisable as of June 30 , 2010 (unaudited) and September 30, 2009 was 165,581 and 141,272, respectively.

As of June 30 , 2010 (unaudited) and September 30, 2009, the total estimated future compensation cost related to non-vested stock options not yet recognized in the consolidated statements of income was $ 278 thousand and $283 thousand, respectively, and the weighted average period over which these awards are expected to be recognized was 2. 6 years and 2.2 years, respectively.

Recognition and Retention Plan – The objective of the RRP is to enable the Company and the Bank to retain personnel of experience and ability in key positions of responsibility. Employees and directors of the Bank are eligible to receive benefits under the RRP at the sole discretion of the sub-committee. The total number of shares originally eligible to be granted under the RRP was 1,512,287. At June 30 , 2010 (unaudited) and September 30, 2009, the Company had 158,487 shares and 163,487 shares, respectively, available for future grants under the RRP. The RRP expires in April 2015. No additional grants may be made after expiration, but outstanding grants continue until they are individually exercised, forfeited, or expire.

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Compensation expense in the amount of the fair market value of the common stock at the date of the grant, as defined by the RRP, to the employee is recognized over the period during which the shares vest. Compensation expense attributable to RRP awards during the nine months ended June 30 , 2010 and 2009 (unaudited) totaled $ 196 thousand ($ 127 thousand, net of tax) and $ 250 thousand ($ 158 thousand, net of tax), respectively. Compensation expense attributable to RRP awards during the years ended September 30, 2009, 2008 and 2007 totaled $323 thousand ($204 thousand, net of tax), $399 thousand ($253 thousand, net of tax), and $375 thousand ($229 thousand, net of tax), respectively. A recipient of such restricted stock will be entitled to all voting and other stockholder rights (including the right to receive dividends on vested and non-vested shares), except that the shares, while restricted, may not be sold, pledged or otherwise disposed of and are required to be held in escrow by the Company. If a holder of such restricted stock terminates employment for reasons other than death or disability, the employee forfeits all rights to the non-vested shares under restriction. If the participant's service terminates as a result of death, disability, or if a change in control of the Bank occurs, all restrictions expire and all non-vested shares become unrestricted. A summary of RRP share activity for the nine months ended June 30 , 2010 and 2009 (unaudited) and for the years ended September 30, 2009, 2008 and 2007 follows:

	June 30 (unaudited),			
	2010		2009	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested RRP shares at beginning of period:	15,100	$34.35	23,200	$33.68
Granted	5,000	32.66	2,500	39.95
Vested	(9,000)	33.69	(10,000)	34.22
Forfeited	--	--	--	--
Unvested RRP shares at end of period	11,100	$34.12	15 ,700	$34. 33

	Year Ended September 30,					
	2009		2008		2007	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested RRP shares at beginning of year:	23,200	$ 33.68	24,300	$ 34.46	30,800	$ 33.37
Granted	2,500	39.95	10,000	32.26	5,000	38.77
Vested	(10,600)	34.20	(11,100)	34.12	(11,100)	33.35
Forfeited	--	--	--	--	(400)	35.42
Unvested RRP shares at end of year	15,100	$ 34.35	23,200	$ 33.68	24,300	$ 34.46

The estimated forfeiture rate for the RRP shares granted during the nine months ended June 30 , 2010 and 2009 (unaudited) and the years ended September 30, 2009, 2008, and 2007 was 0% based upon voluntary termination behavior and actual forfeitures. The fair value of RRP shares that vested during the nine months ended June 30 , 2010 and 2009 (unaudited) totaled $ 303 thousand and $ 342 thousand, respectively. The fair value of RRP shares that vested during the years ended September 30, 2009, 2008, and 2007 totaled $363 thousand, $379 thousand, and $370 thousand, respectively. As of June 30 , 2010 (unaudited) and September 30, 2009, there was $ 297 thousand and $330 thousand, respectively, of unrecognized compensation cost related to non-vested RRP shares to be recognized over a weighted average period of 2. 5 years and 2.1 years, respectively.

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11. PERFORMANCE BASED COMPENSATION

The Company and the Bank have a short-term performance plan for all officers and a deferred incentive bonus plan for senior officers. The short-term performance plan has a component tied to Company performance and a component tied to individual participant performance. Individual performance criteria are established by executive management for eligible non-executive employees of the Bank; individual performances of executive officers are reviewed by the committee. Company performance criteria are approved by the committee. Short-term performance plan awards are granted based upon a performance review by the committee. The committee may exercise its discretion and reduce or not grant awards. The deferred incentive bonus plan is intended to operate in conjunction with the short-term performance plan. A participant in the deferred incentive bonus plan can elect to defer into an account between $2 thousand and up to 50% of the short-term performance plan award up to but not exceeding $100 thousand. The amount deferred receives an employer match of up to 50%. The deferral period is three years. Earnings on the amount deferred by the employee and the employer match are tied to the performance of the Company's common stock and cash dividends paid thereon during the deferral period. The total amount of short-term performance plan awards provided for the years ended September 30, 2009, 2008, and 2007 amounted to $1.1 million, $2.1 million, and $1.1 million, respectively, of which $137 thousand, $165 thousand, and $66 thousand, respectively, was deferred under the deferred incentive bonus plan. The deferrals and any earnings on those deferrals will be paid in 2011, 2012, and 2013, respectively. During the nine months ended June 30 , 2010 and 2009 (unaudited), the amount expensed in conjunction with the earnings on the deferred amounts was $ 81 thousand and $ 46 thousand, respectively. During fiscal years 2009, 2008, and 2007, the amount expensed in conjunction with the earnings on the deferred amounts was $51 thousand, $332 thousand, and $82 thousand, respectively.

12. DEFERRED COMPENSATION

The Bank has deferred compensation agreements with certain officers and retired officers whereby stipulated amounts will be paid to them over a period of 20 years upon their retirement or termination. Amounts accrued under these agreements aggregate $ 323 thousand, $337 thousand and $363 thousand as of June 30 , 2010 (unaudited) and September 30, 2009 and 2008, respectively, and are accrued over the period of active employment and are funded by life insurance contracts.

13. COMMITMENTS AND CONTINGENCIES

The Bank had commitments outstanding to originate and purchase first and second mortgage loans as of June 30 , 2010 (unaudited), September 30, 2009 and 2008 as follows:

	June 30, 2010 (unaudited)	September 30, 2009	2008
	(Dollars in thousands)		
Originate fixed-rate	$ 68,884	$ 105,316	$ 105,419
Originate adjustable-rate	8,866	8,945	16,302
Purchase fixed-rate	5,259	12,948	14,366
Purchase adjustable-rate	3,819	9,000	133,153

$	86,828	$	136,209	$	269,240

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

As of June 30 , 2010 (unaudited), the Bank had commitments to originate non-mortgage loans approximating $ 31 thousand, all of which were fixed-rate. As of September 30, 2009 and 2008, the Bank had commitments to originate non-mortgage loans approximating $134 thousand and $72 thousand, respectively, all of which were fixed-rate. The weighted average interest rate on commitments to originate or purchase fixed-rate loans was 4.94 %, 5.11% and 5.94% as of June 30 , 2010 (unaudited), September 30, 2009 and 2008, respectively. As of June 30 , 2010 (unaudited), September 30, 2009 and 2008, the Bank had approved but unadvanced home equity lines of credit of $ 269.2 million, $270.3 million and $269.0 million, respectively. Approval of lines of credit is based upon underwriting standards that do not allow total borrowings, including existing mortgages and lines of credit, to exceed 95% of the estimated market value of the customer's home. 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.

Commitments to originate mortgage and non-mortgage loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a rate lock fee. Some of the commitments are expected to expire without being fully drawn upon; therefore the amount of total commitments disclosed above does not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Bank, upon extension of credit is based on management's credit evaluation of the customer. As of June 30 , 2010 (unaudited), September 30, 2009 and 2008, there were no significant loan-related commitments that met the definition of derivatives or commitments to sell mortgage loans.

14. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a material adverse effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

The Bank's primary regulatory agency, the OTS, requires that the Bank maintain minimum ratios of tangible equity of 1.5%, Tier 1 (core) capital of 4%, and total risk-based capital of 8%. As of June 30 , 2010 (unaudited) and September 30, 2009 and 2008, the most recent guidelines from the OTS categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum Tier 1 (core) capital, Tier 1 risked based capital and total risk-based capital ratios as set forth in the table below. Management believes, as of June 30 , 2010 (unaudited), that the Bank meets all capital adequacy requirements to which it is subject and there were no conditions or events subsequent to June 30 , 2010 (unaudited), that would change the Bank's category.

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	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of June 30 , 2010 (unaudited):						
Tangible equity	$ 824,550	9.7 %	$ 127,539	1.5 %	N/A	N/A
Tier 1 (core) capital	824,550	9.7	340,104	4.0	$ 425,131	5.0 %
Tier I risk-based capital	824,550	23. 2	N/A	N/A	212,907	6.0
Total risk-based capital	835,369	23. 5	283,875	8.0	354,844	10.0
As of September 30, 2009:						
Tangible equity	$ 834,879	10.0 %	$ 125,505	1.5 %	N/A	N/A
Tier 1 (core) capital	834,879	10.0	334,681	4.0	$ 418,351	5.0 %
Tier I risk-based capital	834,879	23.2	N/A	N/A	216,029	6.0
Total risk-based capital	840,439	23.3	288,039	8.0	360,048	10.0
As of September 30, 2008:						
Tangible equity	$ 806,708	10.0 %	$ 121,197	1.5 %	N/A	N/A
Tier 1 (core) capital	806,708	10.0	323,192	4.0	$ 403,990	5.0 %
Tier I risk-based capital	806,708	23.1	N/A	N/A	209,357	6.0
Total risk-based capital	801,886	23.0	279,143	8.0	348,929	10.0

A reconciliation of the Bank's equity under GAAP to regulatory capital amounts as of June 30 , 2010 (unaudited) and September 30, 2009 and 2008 is as follows:

	June 30 , 2010 (unaudited)	September 30, 2009	2008
	(Dollars in thousands)		

Total Bank equity as reported under GAAP	$	861,481		$	869,029		$	803,643	
Unrealized (gains) losses on AFS securities		(36,434	)		(33,870	)		5,968	
Other		(497	)		(280	)		(2,903	)
Total tangible equity and Tier 1 (core) capital		824,550			834,879			806,708	
Allowance for loan losses		10, 819			5,560			5,008	
Other		--			--			(9,830	)
Total risk based capital	$	835,369		$	840,439		$	801,886	

Under OTS regulations, there are limitations on the amount of capital the Bank may distribute to the Company. Generally, this is limited to the earnings of the previous two calendar years and current year-to-date earnings. Under OTS safe harbor regulations, the Bank may distribute to the Company capital not exceeding net income for the current calendar year and the prior two calendar years. At June 30 , 2010 (unaudited) and September 30, 2009, the Bank was in compliance with the OTS safe harbor regulations. The Bank has received a waiver from the OTS to distribute capital from the Bank to the Company, not to exceed 100% of the Bank's net quarterly earnings, through June 30, 2010 (unaudited) . So long as the Bank continues to remain "well capitalized" after each capital distribution, operate in a safe and sound manner, provide the OTS with updated capital levels, and non-performing asset balances and allowance for loan loss information as requested, and comply with the interest rate risk management guidelines of the OTS, it is management's belief that the Bank will continue to receive waivers allowing it to distribute the net income of the Bank to the Company, although no assurance can be given in this regard.

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements - ASC 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 applies only to fair value measurements already required or permitted by other accounting standards and does not impose requirements for additional fair value measures. ASC 820 was issued to increase consistency and comparability in reporting fair values.

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. The Company did not have any liabilities that were measured at fair value at June 30 , 2010 (unaudited) and September 30, 2009. The Company's AFS securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets or liabilities on a non-recurring basis, such as REO, LHFS, and impaired loans. These non-recurring fair value adjustments involve the application of lower-of-cost-or-fair value accounting or write-downs of individual assets.

In accordance with ASC 820, the Company groups its assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 — Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 — Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 — Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

The Company 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, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

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

AFS Securities

The Company's AFS securities portfolio is carried at estimated fair value, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income/loss in stockholders' equity. The Company's major security types based on the nature and risks of the securities are included in the table below. The majority of the securities within the AFS portfolio are issued by U.S. government sponsored enterprises. The fair values for all AFS securities are based on quoted prices for similar securities. Various modeling techniques are used to determine pricing for the Company'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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

The following tables provide the level of valuation assumption used to determine the carrying value of the Company's assets measured at fair value on a recurring basis, which consists of AFS securities, at June 30 , 2010 (unaudited) and September 30, 2009.

	June 30 , 2010 (unaudited)			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(1)
	(Dollars in thousands)			
AFS Securities:				
U.S. government sponsored enterprises	$ 50,647	$ --	$ 50,647	$ --
Municipal bonds	2, 799	--	2, 799	--
Trust preferred securities	3, 155	--	--	3, 155
MBS	1,106,815	--	1,106,815	--
	$ 1, 163,416	$ --	$ 1, 160,261	$ 3, 155

	September 30, 2009			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(2)
	(Dollars in thousands)			
AFS Securities:				
U.S. government sponsored enterprises	$ 229,875	$ --	$ 229,875	$ --
Municipal bonds	2,799	--	2,799	--
Trust preferred securities	2,110	--	--	2,110
MBS	1,389,211	--	1,389,211	--
	$ 1,623,995	$ --	$ 1,621,885	$ 2,110

(1) The Company's Level 3 AFS securities have had no activity since September 30, 2009, except for principal paydowns and reductions in net unrealized losses recognized in other comprehensive income. Reductions of net unrealized losses included in other comprehensive income for the nine months ended June 30 , 2010 (unaudited) were $ 674 thousand.

(2) The Company's Level 3 AFS securities were not significant at September 30, 2009 and had no material activity during the year ended September 30, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

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

Loans Receivable

Loans which meet certain criteria are evaluated individually for impairment. A loan is considered impaired when, based upon current information and events, it is probable the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. Impaired loans at June 30 , 2010 (unaudited) and September 30, 2009 were $53. 9 million and $41.4 million, respectively. Substantially all of the Bank's impaired loans at June 30 , 2010 (unaudited) and September 30, 2009 are secured by residential real estate. These impaired loans are individually assessed to ensure that the carrying value of the loan is not in excess of the fair value of the collateral, less estimated selling costs. Fair value is estimated through current appraisals, automated valuation models, real estate brokers 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. Based on this evaluation, the Company maintained an allowance for loan losses of $4. 9 million at June 30 , 2010 (unaudited) and $4.6 million at September 30, 2009, respectively, for such impaired loans.

REO

REO represents real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at the lower of cost or fair value. Fair value is estimated through current appraisals, automated valuation models, broker price opinions or listing prices. As these properties are actively marketed, estimated fair values may be adjusted by management to reflect current economic and market conditions and, as such, are classified as Level 3. REO at June 30 , 2010 (unaudited) and September 30, 2009 was $ 7.2 million and $7.4 million, respectively. During the nine months ended June 30 , 2010 (unaudited), and the year ended September 30, 2009, charge-offs to the allowance for loan losses related to loans that were transferred to REO were $ 1.1 million and $1.5 million, respectively. Write downs related to REO that were charged to other expense were $ 508 thousand for the nine months ended June 30 , 2010 (unaudited) and $959 thousand for the year ended September 30, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

The following tables provide the level of valuation assumption used to determine the carrying value of the Company's assets measured at fair value on a non-recurring basis at June 30 , 2010 (unaudited) and September 30, 2009.

	June 30 , 2010 (unaudited)			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Impaired loans	$ 53, 909	$ --	$ --	$ 53, 909
REO	7,150	--	--	7,150
	$ 61,059	$ --	$ --	$ 61,059

	September 30, 2009			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Impaired loans	$ 41,399	$ --	$ --	$ 41,399
REO	7,404	--	--	7,404
	$ 48,803	$ --	$ --	$ 48,803

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CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

Fair Value Disclosures

The Company determined estimated fair value amounts using available market information and a selection from a variety of valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The fair value estimates presented herein are based on pertinent information available to management as of June 30 , 2010 (unaudited), September 30, 2009 and 2008. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates.

The carrying amounts and estimated fair values of the Company's financial instruments as of June 30 , 2010 (unaudited), September 30, 2009 and 2008 were as follows:

	June 30, 2010 (unaudited)		September 30, 2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
			(Dollars in thousands)			
Financial Assets:						
Cash and cash equivalents	$ 75,886	$ 75,886	$ 41,154	$ 41,154	$ 87,138	$ 87,138
Investment securities:						
AFS	56,601	56,601	234,784	234,784	49,586	49,586
HTM	1,146,463	1,152,442	245,920	248,929	92,773	92,211
MBS:						
AFS	1,106,815	1,106,815	1,389,211	1,389,211	1,484,055	1,484,055
HTM	513,808	542,761	603,256	627,829	750,284	743,764
Loans receivable	5,316,172	5,567,654	5,603,965	5,801,724	5,320,780	5,301,179
BOLI	54, 350	54, 350	53,509	53,509	52,350	52,350
Capital stock of FHLB	136,055	136,055	133,064	133,064	124,406	124,406
Financial Liabilities:						
Deposits	4,373,844	4,433,422	4,228,609	4,294,454	3,923,883	3,934,188
Advances from FHLB	2,396,637	2,582,433	2,392,570	2,554,206	2,447,129	2,485,545
Other borrowings	713,609	744,660	713,609	742,301	713,581	716,951

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Cash and Cash Equivalents - The carrying amounts of cash and cash equivalents are considered to approximate their fair value due to the nature of the financial asset.

Investment Securities and MBS - Estimated fair values of securities are based on one of three methods: 1) quoted market prices where available, 2) quoted market prices for similar instruments if quoted market prices are not available, 3) unobservable data that represents the Bank's assumptions about items that market participants would consider in determining fair value where no market data is available. AFS securities are carried at estimated fair value. HTM securities are carried at amortized cost.

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

Loans Receivable - Fair values are estimated for portfolios with similar financial characteristics. Loans are segregated by type, such as one- to four-family residential mortgages, multi-family residential mortgages, nonresidential and installment loans. Each loan category is further segmented into fixed and adjustable interest rate categories. Market pricing sources are used to approximate the estimated fair value of fixed and adjustable-rate one- to four-family residential mortgages. For all other loan categories, future cash flows are discounted using the LIBOR curve plus a margin at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturity.

BOLI - The carrying value of BOLI is considered to approximate its fair value due to the nature of the financial asset.

Capital Stock of FHLB - The carrying value of FHLB stock equals cost. The fair value is based on redemption at par value.

Deposits - The estimated fair value of demand deposits, savings and money market accounts is the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using a margin to the LIBOR curve.

Advances from FHLB - The estimated fair value of advances from FHLB is determined by discounting the future cash flows of each advance using a margin to the LIBOR curve.

Other Borrowings - Other borrowings consists of repurchase agreements and the debentures. The estimated fair value of the repurchase agreements is determined by discounting the future cash flows of each agreement using a margin to the LIBOR curve. The debentures have a variable rate structure, with the ability to redeem at par; therefore, the carrying value of the debentures approximates their estimated fair value.

CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

16. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents summarized quarterly data for each of the fiscal years indicated for the Company.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars and counts in thousands, except per share amounts)				
2010					
Total interest and dividend income	$ 98,887	$ 93,707	$ 91,485	N/A	$ 284,079
Net interest and dividend income	44,854	42,683	40,887	N/A	128,424
Provision for loan losses	3,115	3,200	1,816	N/A	8,131
Net income	20,980	14,655	16,758	N/A	52,393
Basic earnings per share	0.29	0.20	0.23	N/A	0. 72
Diluted earnings per share	0.29	0.20	0.23	N/A	0. 72
Dividends paid per public share	0.79	0.50	0.50	N/A	1. 79
Average number of shares outstanding	73,267	73,214	73,273	N/A	73, 252
2009					
Total interest and dividend income	$ 105,273	$ 104,335	$ 103,078	$ 100,100	$ 412,786
Net interest and dividend income	41,218	45,862	45,922	43,640	176,642
Provision for loan losses	549	2,107	3,112	623	6,391
Net income	15,852	18,132	15,476	16,838	66,298
Basic earnings per share	0.22	0.25	0.21	0.23	0.91
Diluted earnings per share	0.22	0.25	0.21	0.23	0.91
Dividends paid per public share	0.61	0.50	0.50	0.50	2.11
Average number of shares outstanding	73,063	73,113	73,173	73,227	73,144
2008					
Total interest and dividend income	$ 101,028	$ 101,816	$ 102,785	$ 105,177	$ 410,806
Net interest and dividend income	26,627	31,002	36,681	39,858	134,168
Provision for loan losses	--	119	1,602	330	2,051
Net income	9,113	11,727	14,355	15,759	50,954
Basic earnings per share	0.12	0.16	0.20	0.22	0.70

Diluted earnings per share	0.12	0.16	0.20	0.22	0.70
Dividends paid per public share	0.50	0.50	0.50	0.50	2.00
Average number of shares outstanding	72,956	72,875	72,933	72,990	72,939

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CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

17. PARENT COMPANY FINANCIAL INFORMATION (PARENT COMPANY ONLY)

The Company serves as the holding company for the Bank (see Note 1). The Company's (parent company only) balance sheets as of June 30 , 2010 (unaudited), September 30, 2009 and 2008, and the related statements of income and cash flows for the quarters ended June 30 , 2010 and 2009 (unaudited), and for each of the three years in the period ended September 30, 2009 are as follows:

BALANCE SHEETS

(in thousands, except share amounts)

	June 30, 2010 (unaudited)	September 30, 2009	September 30, 2008
ASSETS			
Cash and cash equivalents	$ 77,795	$54,101	$44,508
Investment in the Bank	861,480	869,028	803,643
Investment in certificates of deposit at the Bank	60,000	60,000	60,000
Note receivable - ESOP	10,411	10,411	12,667
Other assets	5,344	1,622	4,621
Income tax receivable	148	162	67
TOTAL ASSETS	$ 1, 015,178	$995,324	$925,506
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Accounts payable and accrued expenses	$ 1,569	$ 417	$709
Other borrowings	53,609	53,609	53,581
Total liabilities	55,178	54,026	54,290
STOCKHOLDERS' EQUITY:			
Preferred stock, $.01 par value; 50,000,000 shares authorized, no shares issued or outstanding	--	--	--
Common stock, $.01 par value; 450,000,000 shares authorized, 91,512,287 shares issued; 73, 990,978 , 74,099,355 and 74,079,868 shares outstanding as of June 30 , 2010 (unaudited), September 30, 2009 and September 30, 2008, respectively	915	915	915
Additional paid-in capital	456,786	452,872	445,391
Unearned compensation - ESOP	(6,553)	(8,066)	(10,082)
Unearned compensation - RRP	(297)	(330)	(553)
Retained earnings	796,093	781,604	759,375
Accumulated other comprehensive income (loss)	36,433	33,870	(5,968)

	1,283,377	1,260,865	1,189,078
Treasury stock, at cost, 17, 521,309 , 17,412,932 and 17,432,419 shares as of June 30 , 2010 (unaudited), September 30, 2009 and September 30, 2008, respectively	(323, 377)	(319,567)	(317,862)
Total stockholders' equity	960,000	941,298	871,216
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1, 015,178	$995,324	$925,506

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CAPITOL FEDERAL FINANCIAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

STATEMENTS OF INCOME

(in thousands)

	For the Nine Months Ended June 30 (unaudited),		For the Years Ended September 30,		
	2010	2009	2009	2008	2007
INTEREST AND DIVIDEND INCOME:					
Dividend income from the Bank	$ 68,107	$ 50,056	$50,056	$41,511	$35,956
Interest income from other investments	2,199	2,780	3,612	4,683	5,751
Total interest and dividend income	70,306	52,836	53,668	46,194	41,707
INTEREST EXPENSE	1,233	2,121	2,573	3,624	4,468
NET INTEREST AND DIVIDEND INCOME	69,073	50,715	51,095	42,570	37,239
OTHER INCOME	37	63	76	107	132
OTHER EXPENSES:					
Salaries and employee benefits	710	827	1,108	975	945
Other, net	715	346	471	380	438
Total other expenses	1, 425	1,173	1,579	1,355	1,383
INCOME BEFORE INCOME TAX (BENEFIT) EXPENSE AND EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARY (EXCESS OF DISTRIBUTION OVER)	67,685	49,605	49,592	41,322	35,988
INCOME TAX (BENEFIT) EXPENSE	(148)	(158)	(162)	(66)	11
INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARY (EXCESS OF DISTRIBUTION OVER)	67,833	49,763	49,754	41,388	35,977
EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARY (EXCESS OF DISTRIBUTION OVER)	(15,440)	(303)	16,544	9,566	(3,681)
NET INCOME	$ 52,393	$ 49,460	$66,298	$50,954	$32,296

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2010 (UNAUDITED) AND YEARS ENDED SEPTEMBER 30, 2009, 2008, and 2007

STATEMENTS OF CASH FLOWS
(in thousands)

	For the Nine Months Ended June 30 (unaudited),		For the Years Ended September 30,		
	2010	2009	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 52,393	$ 49,460	$66,298	$50,954	$32,296
Adjustments to reconcile net income to net cash provided by operating activities:					
Equity in excess of distribution over/(undistributed) earnings of subsidiary	15,440	303	(16,544)	(9,566)	3,681
Amortization of deferred debt issuance costs	--	28	28	57	57
Other, net	1	14	14	3	(5)
Changes in:					
Other assets	(3,722)	2, 446	2,999	(2,982)	33
Income taxes receivable/payable	14	(91)	(95)	(295)	351
Accounts payable and accrued expenses	1,152	(218)	(292)	(1,669)	1,321
Net cash flows provided by operating activities	65,278	51,942	52,408	36,502	37,734
CASH FLOWS FROM INVESTING ACTIVITIES:					
Principal collected on notes receivable from ESOP	--	--	2,256	2,132	2,016
Net cash flows provided by investing activities	--	--	2,256	2,132	2,016
CASH FLOWS FROM FINANCING ACTIVITIES:					
Change in treasury stock related to RRP shares	161	86	87	322	180
Dividends paid	(37,904)	(33,621)	(44,069)	(41,426)	(43,000)
Acquisition of treasury stock	(4,019)	(2,426)	(2,426)	(7,307)	(3,198)
Stock options exercised	178	1, 316	1,337	623	3,942
Net cash flows used in financing activities	(41,584)	(34,645)	(45,071)	(47,788)	(42,076)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,694	17,297	9,593	(9,154)	(2,326)
CASH AND CASH EQUIVALENTS:					
Beginning of year	54,101	44,508	44,508	53,662	55,988

End of year	$ 77,795	$ 61,805	$54,101	$44,508