WASHINGTON FEDERAL INC
Form 10-Q
May 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-34654
WASHINGTON FEDERAL, INC.
(Exact name of registrant as specified in its charter)

Washington	91-1661606
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

425 Pike Street Seattle, Washington 98101
(Address of principal executive offices and zip code)
(206) 624-7930
(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of class:	April 30, 2018
Common stock, $1.00 par value	84,474,615

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES

PART I

Item 1. Financial Statements (Unaudited)

The Consolidated Financial Statements of Washington Federal, Inc. and Subsidiaries filed as a part of the report are as follows:

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)

	March 31, 2018	September 30, 2017
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$256,808	$313,070
Available-for-sale securities, at fair value	1,269,271	1,266,209
Held-to-maturity securities, at amortized cost	1,716,566	1,646,856
Loans receivable, net of allowance for loan losses of $127,576 and $123,073	11,224,088	10,882,622
Interest receivable	43,931	41,643
Premises and equipment, net	265,388	263,694
Real estate owned	15,904	20,658
FHLB and FRB stock	126,990	122,990
Bank owned life insurance	213,274	211,330
Intangible assets, including goodwill of $301,368 and $293,153	312,303	298,682
Federal and state income tax assets, net	1,414	—
Other assets	187,193	185,826
	$15,633,130	$15,253,580
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Customer accounts		
Transaction deposit accounts	$6,463,301	$6,361,158
Time deposit accounts	4,675,555	4,473,850
	11,138,856	10,835,008
FHLB advances	2,325,000	2,225,000
Advance payments by borrowers for taxes and insurance	41,285	56,631
Accrued expenses and other liabilities	139,316	131,253
	13,644,457	13,247,892
Stockholders' equity		
Common stock, $1.00 par value, 300,000,000 shares authorized; 135,334,158 and 134,957,511 shares issued; 84,749,203 and 87,193,362 shares outstanding	135,334	134,958
Additional paid-in capital	1,664,275	1,660,885
Accumulated other comprehensive income (loss), net of taxes	8,899	5,015
Treasury stock, at cost; 50,584,955 and 47,764,149 shares	(935,039)	(838,060)
Retained earnings	1,115,204	1,042,890
	1,988,673	2,005,688
	$15,633,130	$15,253,580

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
	(In thousands, except share data)		(In thousands, except share data)	
INTEREST INCOME				
Loans receivable	$ 126,529	$ 116,034	$ 251,040	$ 230,869
Mortgage-backed securities	17,667	16,226	34,566	29,015
Investment securities and cash equivalents	4,883	3,938	9,253	9,078
	149,079	136,198	294,859	268,962
INTEREST EXPENSE				
Customer accounts	16,414	12,392	31,052	25,409
FHLB advances	15,364	16,079	30,771	32,674
	31,778	28,471	61,823	58,083
Net interest income	117,301	107,727	233,036	210,879
Provision (release) for loan losses	(950)	(1,600)	(950)	(1,600)
Net interest income after provision (release) for loan losses	118,251	109,327	233,986	212,479
OTHER INCOME				
Gain on sale of investment securities	—	—	—	968
FDIC loss share valuation adjustments	—	—	(8,550)	—
Loan fee income	780	1,087	1,815	2,421
Deposit fee income	6,403	4,904	13,089	10,089
Other income	5,404	4,145	13,028	8,554
	12,587	10,136	19,382	22,032
OTHER EXPENSE				
Compensation and benefits	31,625	28,833	61,244	55,827
Occupancy	9,013	9,091	17,684	17,541
FDIC insurance premiums	2,852	2,910	5,672	5,749
Product delivery	3,665	3,489	7,621	6,850
Information technology	8,781	6,686	16,710	13,137
Other expense	9,851	6,458	18,797	12,704
	65,787	57,467	127,728	111,808
Gain (loss) on real estate owned, net	(278)	795	(232)	1,193
Income before income taxes	64,773	62,791	125,408	123,896
Income tax expense	15,502	20,721	24,467	40,580
NET INCOME	$ 49,271	$ 42,070	$ 100,941	$ 83,316
PER SHARE DATA				
Basic earnings per share	$ 0.58	$ 0.47	$ 1.17	$ 0.93
Diluted earnings per share	0.57	0.47	1.17	0.93
Dividends paid on common stock per share	0.17	0.40	0.32	0.54
Basic weighted average number of shares outstanding	85,647,494	89,382,416	86,299,885	89,346,294
Diluted weighted average number of shares outstanding	85,747,167	89,736,320	86,422,077	89,732,042

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
	(In thousands)		(In thousands)	
Net income	$49,271	$42,070	$100,941	$83,316
Other comprehensive income (loss) net of tax:				
Net unrealized gain (loss) on available-for-sale investment securities	(11,467)	5,685	(13,431)	(11,394)
Reclassification adjustment of net gain (loss) from sale of available-for-sale securities included in net income	—	—	—	968
Related tax benefit (expense)	3,681	(2,089)	4,403	3,832
	(7,786)	3,596	(9,028)	(6,594)
Net unrealized gain (loss) on cash flow hedges of borrowings	10,332	2,395	17,022	31,666
Related tax benefit (expense)	(1,651)	(880)	(4,110)	(11,637)
	8,681	1,515	12,912	20,029
Other comprehensive income (loss) net of tax	895	5,111	3,884	13,435
Comprehensive income	$50,166	$47,181	$104,825	$96,751

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at October 1, 2017	$134,958	$1,660,885	$1,042,890	$ 5,015	$(838,060)	$2,005,688
Adjustment pursuant to adoption of ASU 2018-02	—	—	(1,772)	1,772	—	—
Net income	—	—	100,941	—	—	100,941
Other comprehensive income (loss)	—	—	—	2,112	—	2,112
Dividends on common stock	—	—	(26,855)	—	—	(26,855)
Proceeds from exercise of common stock options	56	1,176	—	—	—	1,232
Restricted stock expense	211	2,323	—	—	—	2,534
Exercise of stock warrants	109	(109)				—
Treasury stock acquired	—	—	—	—	(96,979)	(96,979)
Balance at March 31, 2018	$135,334	$1,664,275	$1,115,204	$ 8,899	$(935,039)	$1,988,673

(in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at October 1, 2016	$134,308	$1,648,388	$943,877	$ (11,156)	$(739,686)	$1,975,731
Net income	—	—	83,316	—	—	83,316
Other comprehensive income (loss)	—	—	—	13,435	—	13,435
Dividends on common stock	—	—	(47,995)	—	—	(47,995)
Proceeds from exercise of common stock options	282	6,223	—	—	—	6,505
Restricted stock expense	110	4,061	—	—	—	4,171
Exercise of stock warrants	124	(124)	—	—	—	—
Treasury stock acquired	—	—	—	—	(20,401)	(20,401)
Balance at March 31, 2017	$134,824	$1,658,548	$979,198	$ 2,279	$(760,087)	$2,014,762

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
	2018	2017
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$100,941	$83,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion expense, net	26,756	18,770
Cash received from (paid to) FDIC under loss share agreements, net	1,595	264
Stock based compensation expense	2,534	4,171
Provision (release) for loan losses	(950)	(1,600)
Loss (gain) on sale of investment securities	—	(968)
Decrease (increase) in accrued interest receivable	(2,288)	(2,904)
Decrease (increase) in federal and state income tax receivable	(1,414)	16,047
Decrease (increase) in cash surrender value of bank owned life insurance	(3,012)	(3,332)
Gain on bank owned life insurance	(2,416)	(649)
Net realized (gain) loss on sales of premises, equipment, and real estate owned	(1,022)	(2,587)
Decrease (increase) in other assets	(8,797)	15,275
Increase (decrease) in accrued expenses and other liabilities	8,277	(41,839)
Net cash provided by (used in) operating activities	120,204	83,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Origination of loans and principal repayments, net	(199,526)	(477,029)
Loans purchased	(143,605)	(72,856)
FHLB & FRB stock purchased	(259,400)	(17,209)
FHLB & FRB stock redeemed	255,400	14,424
Available-for-sale securities purchased	(123,324)	—
Principal payments and maturities of available-for-sale securities	104,733	169,937
Proceeds from sales of available-for-sale securities	—	350,890
Held-to-maturity securities purchased	(170,836)	(415,729)
Principal payments and maturities of held-to-maturity securities	98,781	131,556
Proceeds from sales of real estate owned	6,803	10,222
Proceeds from settlement of bank owned life insurance	3,484	1,231
Cash paid for acquisitions	(2,211)	—
Proceeds from sales of premises and equipment	1	3,956
Premises and equipment purchased and REO improvements	(12,819)	(4,872)
Net cash provided by (used in) investing activities	(442,519)	(305,479)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in customer accounts	304,001	30,107
Proceeds from borrowings	6,485,000	430,000
Repayments of borrowings	(6,385,000)	(360,000)
Proceeds from exercise of common stock options and related tax benefit	1,232	6,505
Dividends paid on common stock	(26,855)	(47,995)
Treasury stock purchased	(96,979)	(20,401)
Increase (decrease) in borrower advances related to taxes and insurance, net	(15,346)	(672)
Net cash provided by (used in) financing activities	266,053	37,544
Increase (decrease) in cash and cash equivalents	(56,262)	(183,971)

Cash and cash equivalents at beginning of period	313,070	450,368
Cash and cash equivalents at end of period	$256,808	$266,397

(CONTINUED)

SEE NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
	2018	2017
	(In thousands)	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash investing activities		
Real estate acquired through foreclosure	$1,329	$2,134
Non-cash financing activities		
Stock issued upon exercise of warrants	3,761	4,036
Cash paid during the period for		
Interest	60,870	55,599
Income taxes	25,265	16,903

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A – Summary of Significant Accounting Policies

Nature of Operations - Washington Federal, Inc. (the "Company") is a Washington corporation headquartered in Seattle, Washington. The Company is a bank holding company that conducts its operations through its national bank subsidiary, Washington Federal, National Association (the "Bank"). The Bank is principally engaged in the business of attracting deposits from businesses and the general public and investing these funds, together with borrowings and other funds, in one-to-four family residential mortgage and construction loans, home equity loans, lines of credit, commercial real estate loans, commercial and industrial loans, multi-family and other forms of real estate loans. As used throughout this document, the terms "Washington Federal" or the "Company" refer to Washington Federal, Inc. and its consolidated subsidiaries and the term "Bank" refers to the operating subsidiary Washington Federal, National Association.

Basis of Presentation - The Company has prepared the consolidated unaudited interim financial statements included in this report. All intercompany transactions and accounts have been eliminated in consolidation. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from these estimates. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation are reflected in the interim financial statements. Certain amounts in the financial statements from prior periods have been reclassified to conform to the current financial statement presentation.

The information included in this Form 10-Q should be read in conjunction with the financial statements and related notes in the Company's 2017 Annual Report on Form 10-K (“2017 Annual Financial Statements”). Interim results are not necessarily indicative of results for a full year.

During the six months ended March 31, 2018, an immaterial correction was recorded related to acquisitions of insurance agency businesses in prior years. The balance sheet classification correction resulted in an increase in goodwill of $7,135,000 and finite-lived intangible assets of $5,106,000 and a corresponding decrease in other assets of $12,241,000.

Summary of Significant Accounting Policies - The significant accounting policies used in preparation of the Company's consolidated financial statements are disclosed in its 2017 Annual Financial Statements. There have not been any material changes in our significant accounting policies compared to those contained in our 2017 Annual Financial Statements for the year ended September 30, 2017.

Off-Balance-Sheet Credit Exposures - The only material off-balance-sheet credit exposures are loans in process and unused lines of credit, which had a combined balance of $2,157,589,000 and $1,992,905,000 at March 31, 2018 and September 30, 2017, respectively. The Company estimates losses on off-balance-sheet credit exposures by allocating a loss percentage derived from historical loss factors for each asset class.

NOTE B – New Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU was issued to address certain stranded tax effects in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act of 2017. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods, therein, and early adoption is permitted. During the quarter ended March 31, 2018, the Company adopted the ASU and made a reclassification adjustment of $1,772,000 to increase accumulated other comprehensive income and decrease retained earnings on the Consolidated Statements of Changes in Stockholders' Equity.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The ASU expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition with a cumulative effect adjustment recorded to opening retained earnings as of the initial adoption date. The Company does not anticipate that this guidance will have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities. The ASU shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company does not anticipate that this guidance will have a material impact on its consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. The ASU clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendments also define the term in substance nonfinancial asset. The amendments clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. A contract that includes the transfer of ownership interests in one or more consolidated subsidiaries is within the scope of Subtopic 610-20 if substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets. The amendments clarify that an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it. The ASU is effective for public business entities for annual periods beginning after December 15, 2017, and interim periods therein. Entities may use either a full or modified approach to adopt the ASU. The Company does not anticipate that this guidance will have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates Step 2 from the goodwill impairment test. The ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The ASU is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption being permitted for annual or interim goodwill impairment tests performed on testing dates after January 1, 2017. During the quarter ended March 31, 2018, the Company adopted the ASU and there was no impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations Clarifying the Definition of a Business (Topic 805), for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted for transactions that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made available for issuance. The ASU must be applied prospectively and upon adoption the standard will impact how we assess acquisitions (or disposals) of assets or businesses. During the quarter ended March 31, 2018, the Company adopted the ASU and there was no impact on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash: a Consensus of the FASB Emerging Issues Task Force. This ASU requires a company’s cash flow statement to explain the changes during a reporting period of the totals for cash, cash equivalents, restricted cash, and restricted cash equivalents. Additionally, amounts for restricted cash and restricted cash equivalents are to be included with cash and cash equivalents if the cash flow statement includes a reconciliation of the total cash balances for a reporting period. This ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2017, with early application permitted. The Company does not anticipate that this guidance will have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments in this ASU address eight specific cash flow issues with the objective of reducing diversity in practice. The specific issues identified include: debt prepayments or extinguishment costs; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period; however, early adoption is permitted. The Company is currently evaluating the guidance to determine its adoption method and does not expect this guidance to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. The amendments in this ASU were issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to-maturity debt securities, trade and other receivables, net investments in leases and other commitments to extend credit held by a reporting entity at each reporting date. The amendments require that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The ASU eliminates the current framework of recognizing probable incurred losses and instead requires an entity to use its current estimate of all expected credit losses over the contractual life. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets.

For purchased financial assets with a more-than-insignificant amount of credit deterioration since origination (“PCD assets”) that are measured at amortized cost, an allowance for expected credit losses is recorded as an adjustment to the cost basis of the asset. Subsequent changes in estimated cash flows would be recorded as an adjustment to the allowance and through the statement of income.

Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security's cost basis.

The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For most debt securities, the transition approach requires a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period the guidance is effective. For other-than-temporarily impaired debt securities and PCD assets, the guidance will be applied prospectively. While the Company is currently in the process of evaluating the impact of the amended guidance on its consolidated financial statements, it currently expects the ALLL to increase upon adoption given that the allowance will be required to cover the full remaining expected life of the portfolio upon adoption, rather than the incurred loss model under current U.S. GAAP. The extent of this increase is still being evaluated and will depend on economic conditions and the composition of the Company’s loan and lease portfolio at the time of adoption.

In February 2016, the FASB issued ASU 2016-02, Leases. The amendments require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance also simplifies the accounting for sale and leaseback transactions. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company is currently in the process of accumulating the lease data necessary to apply the amended guidance. The Company is continuing to evaluate the impact of the amended guidance on its consolidated financial statements, but the effects of recognizing most operating leases is not expected to be material. The Company expects to recognize right-of-use assets and lease liabilities for substantially all of its operating lease commitments based on the present value of unpaid lease payments as of the date of adoption.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, to require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this ASU also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. For public companies, this update was to be effective for interim and annual periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU 2015-14, which delayed the effective date of ASU 2014-09 by one year and permits companies to voluntarily adopt the new standard as of the original effective date. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

NOTE C – Dividends and Share Repurchases

On February 23, 2018, the Company paid a regular dividend on common stock of $0.17 per share, which represented the 140th consecutive quarterly cash dividend. Dividends per share were $0.17 and $0.40 for the quarters ended March 31, 2018 and 2017, respectively. On April 30, 2018, the Company declared a regular dividend on common stock of $0.17 per share, which represents its 141st consecutive quarterly cash dividend. This dividend will be paid on May 25, 2018 to common shareholders of record on May 11, 2018.

For the three months ended March 31, 2018, the Company repurchased 1,673,436 shares at an average price of $34.66. No shares of common stock were issued during the three months ended March 31, 2018 to investors holding warrants previously issued as part of the 2008 Troubled Asset Relief Program ("TARP"). As of March 31, 2018, 112,649 such warrants remain outstanding. Net of warrant cash repurchase activity, there are 4,080,149 remaining shares authorized to be repurchased under the current Board approved share repurchase program.

NOTE D – Loans Receivable

The following table is a summary of loans receivable.

	March 31, 2018		September 30, 2017	
	(In thousands)		(In thousands)	
Gross loans by category				
Single-family residential	$5,705,350	45.5%	$5,711,004	46.8%
Construction	1,732,202	13.8	1,597,996	13.1
Construction - custom	597,671	4.8	602,631	4.9
Land - acquisition & development	141,628	1.1	124,308	1.0
Land - consumer lot loans	102,779	0.8	104,405	0.9
Multi-family	1,328,049	10.6	1,303,148	10.7
Commercial real estate	1,443,437	11.5	1,434,610	11.8
Commercial & industrial	1,151,108	9.2	1,093,360	9.0
HELOC	135,119	1.1	144,850	1.2
Consumer	202,911	1.6	85,075	0.7
Total gross loans	12,540,254	100 %	12,201,387	100 %
Less:				
Allowance for loan losses	127,576		123,073	

Loans in process	1,141,018	1,149,934
Net deferred fees, costs and discounts	47,572	45,758
Total loan contra accounts	1,316,166	1,318,765
Net loans	$11,224,088	$10,882,622

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The following table sets forth information regarding non-accrual loans.

	March 31, 2018		September 30, 2017	
	(In thousands)			
Non-accrual loans:				
Single-family residential	$25,319	47.1 %	$27,930	56.3 %
Construction	2,296	4.3	—	—
Construction - custom	—	—	91	0.2
Land - acquisition & development	2,004	3.7	296	0.6
Land - consumer lot loans	1,045	1.9	605	1.2
Multi-family	—	—	139	0.3
Commercial real estate	9,527	17.7	11,815	23.8
Commercial & industrial	13,362	24.8	8,082	16.3
HELOC	217	0.4	531	1.1
Consumer	38	0.1	91	0.2
Total non-accrual loans	$53,808	100 %	$49,580	100 %
% of total net loans	0.48 %		0.46 %	

The Company recognized interest income on non-accrual loans of approximately $3,228,000 in the six months ended March 31, 2018. Had these loans been on accrual status and performed according to their original contract terms, the Company would have recognized interest income of approximately $1,073,000 for the six months ended March 31, 2018. Interest cash flows collected on non-accrual loans vary from period to period as those loans are brought current or are paid off.

The following tables provide details regarding delinquent loans.

March 31, 2018	Loans Receivable	Days Delinquent Based on $ Amount of Loans					% based on $
Type of Loan	Net of Loans In Process	Current	30	60	90	Total Delinquent	
	(In thousands)						
Single-family residential	$5,704,505	$5,675,605	$6,268	$3,621	$19,011	$ 28,900	0.51 %
Construction	916,662	913,419	948	—	2,295	3,243	0.35
Construction - custom	295,699	295,699	—	—	—	—	—
Land - acquisition & development	119,063	117,200	—	—	1,863	1,863	1.56
Land - consumer lot loans	102,705	101,837	328	—	540	868	0.85
Multi-family	1,328,027	1,327,864	29	134	—	163	0.01
Commercial real estate	1,443,437	1,441,459	1,275	98	605	1,978	0.14
Commercial & industrial	1,151,108	1,143,385	1,850	5,752	121	7,723	0.67
HELOC	135,119	134,866	163	30	60	253	0.19
Consumer	202,911	202,413	348	127	23	498	0.25
Total Loans	$11,399,236	$11,353,747	$11,209	$9,762	$24,518	$ 45,489	0.40 %
Delinquency %		99.60%	0.10%	0.09%	0.22%	0.40%	

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September 30, 2017	Loans Receivable	Days Delinquent Based on $ Amount of Loans					% based on $
Type of Loan	Net of Loans In Process	Current	30	60	90	Total Delinquent	
	(In thousands)						
Single-family residential	$5,709,690	$5,671,933	$10,925	$4,810	$22,022	$ 37,757	0.66 %
Construction	793,959	793,959	—	—	—	—	—
Construction - custom	277,599	277,508	—	—	91	91	0.03
Land - acquisition & development	104,856	104,526	—	—	330	330	0.31
Land - consumer lot loans	104,335	103,389	112	680	154	946	0.91
Multi-family	1,303,119	1,302,720	5	255	139	399	0.03
Commercial real estate	1,434,610	1,432,052	507	—	2,051	2,558	0.18
Commercial & industrial	1,093,360	1,092,735	—	51	574	625	0.06
HELOC	144,850	143,974	221	342	313	876	0.60
Consumer	85,075	84,644	245	107	79	431	0.51
Total Loans	$11,051,453	$11,007,440	$12,015	$6,245	$25,753	$ 44,013	0.40 %
Delinquency %		99.60%	0.11%	0.06%	0.23%	0.40%	

The percentage of total delinquent loans was 0.40% as of September 30, 2017 and 0.40% as of March 31, 2018. There are no loans greater than 90 days delinquent and still accruing interest as of either date.

The following table provides information related to loans that were restructured in a troubled debt restructuring ("TDR") during the periods presented:

	Three Months Ended March 31,					
	2018			2017		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)			(In thousands)	
Troubled Debt Restructurings:						
Single-family residential	12	$2,183	$ 2,183	8	$1,712	$ 1,712
	12	$2,183	$ 2,183	8	$1,712	$ 1,712

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	Six Months Ended March 31,					
	2018			2017		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)			(In thousands)	
Troubled Debt Restructurings:						
Single-family residential	20	$4,195	$ 4,195	20	$3,846	$ 3,846
Land - consumer lot loans	—	—	—	1	204	204
Commercial & Industrial	3	7,256	7,256	—	—	—
HELOC	—	—	—	1	228	228
	23	$11,451	$ 11,451	22	$4,278	$ 4,278

The following table provides information on payment defaults occurring during the periods presented where the loan had been modified in a TDR within 12 months of the payment default.

	Three Months Ended March 31,			
	2018		2017	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(In thousands)		(In thousands)	
Trouble Debt Restructurings That Subsequently Defaulted:				
Single-family residential	1	$ 162	7	$ 1,192
	1	$ 162	7	$ 1,192

	Six Months Ended March 31,			
	2018		2017	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(In thousands)		(In thousands)	
Troubled Debt Restructurings That Subsequently Defaulted:				
Single-family residential	2	$ 206	13	$ 3,185
Commercial real estate	—	—	2	267
	2	$ 206	15	$ 3,452

Most loans restructured in TDRs are accruing and performing loans where the borrower has proactively approached the Company about modification due to temporary financial difficulties. As of March 31, 2018, 97.7% of the

Company's $190,519,000 in TDRs were classified as performing. Each request for modification is individually evaluated for merit and likelihood of success. The concession granted in a loan modification is typically a payment reduction through a rate reduction of between 100 to 200 basis points for a specific term, usually six to twenty four months. Interest-only payments may also be approved during the modification period. Principal forgiveness is not an available option for restructured loans. As of March 31, 2018, single-family residential loans comprised 85.5% of TDRs.

The Company reserves for restructured loans within its allowance for loan loss methodology by taking into account the following performance indicators: 1) time since modification, 2) current payment status and 3) geographic area.

The Company's remaining outstanding balance of assets subject to FDIC loss share agreements was $54,626,000 (including $50,777,000 of loans receivable) at March 31, 2018 compared to $67,914,000 (including $61,810,000 of loans receivable) as of September 30, 2017. As of March 31, 2018, the associated FDIC indemnification asset was $0 compared to a balance of $8,967,000 as of September 30, 2017. The FDIC clawback liability was $39,906,000 as of March 31, 2018 and $37,143,000 as of September 30, 2017. In March 2018, the Company reached a preliminary agreement with the FDIC to terminate its remaining FDIC loss share agreements early, which relate to the Horizon Bank and Home Valley Bank acquisitions. The preliminary agreement is consistent with the estimates recorded by the Company as of December 31, 2017 and final settlement is expected to occur in the third fiscal quarter of 2018. All future recoveries, gains, losses and expenses related to the previously covered assets will now be recognized entirely by the Company and the FDIC will no longer share in such gains or losses.

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NOTE E – Allowance for Losses on Loans
The following tables summarize the activity in the allowance for loan losses.

Three Months Ended March 31, 2018	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$35,928	$ (290)	$ 211	$ (1,705)	$ 34,144
Construction	25,214	—	—	2,175	27,389
Construction - custom	2,052	—	—	29	2,081
Land - acquisition & development	7,355	—	1,207	(940)	7,622
Land - consumer lot loans	2,906	(18)	—	(35)	2,853
Multi-family	7,904	—	—	78	7,982
Commercial real estate	11,625	(36)	1	(2)	11,588
Commercial & industrial	29,268	—	115	(53)	29,330
HELOC	808	(1)	—	(5)	802
Consumer	4,095	(94)	276	(492)	3,785
	$127,155	$ (439)	$ 1,810	$ (950)	$ 127,576

Three Months Ended March 31, 2017	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$38,206	$ (381)	$ 223	$ (884)	$ 37,164
Construction	21,934	—	—	3,127	25,061
Construction - custom	1,110	(3)	—	69	1,176
Land - acquisition & development	6,665	(43)	4,211	(4,164)	6,669
Land - consumer lot loans	2,501	—	180	(168)	2,513
Multi-family	7,629	—	—	300	7,929
Commercial real estate	10,168	—	1,164	(560)	10,772
Commercial & industrial	27,736	(105)	217	517	28,365
HELOC	832	(53)	—	47	826
Consumer	1,675	(508)	314	(34)	1,447
	$118,456	$ (1,093)	$ 6,309	$ (1,750)	$ 121,922

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Six Months Ended March 31, 2018	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$36,892	$ (750)	$ 331	$ (2,329)	$ 34,144
Construction	24,556	—	—	2,833	27,389
Construction - custom	1,944	(50)	—	187	2,081
Land - acquisition & development	6,829	—	4,579	(3,786)	7,622
Land - consumer lot loans	2,649	(66)	—	270	2,853
Multi-family	7,862	—	—	120	7,982
Commercial real estate	11,818	(36)	1	(195)	11,588
Commercial & industrial	28,524	(116)	170	752	29,330
HELOC	855	(1)	1	(53)	802
Consumer	1,144	(172)	562	2,251	3,785
	$123,073	$ (1,191)	$ 5,644	$ 50	$ 127,576

Six Months Ended March 31, 2017	Beginning Allowance	Charge-offs	Recoveries	Provision & Transfers	Ending Allowance
	(In thousands)				
Single-family residential	$37,796	$ (496)	$ 374	$ (510)	$ 37,164
Construction	19,838	—	—	5,223	25,061
Construction - custom	1,080	(3)	—	99	1,176
Land - acquisition & development	6,023	(63)	8,229	(7,520)	6,669
Land - consumer lot loans	2,535	(17)	250	(255)	2,513
Multi-family	6,925	—	—	1,004	7,929
Commercial real estate	8,588	(11)	1,520	675	10,772
Commercial & industrial	28,008	(163)	942	(422)	28,365
HELOC	813	(90)	1	102	826
Consumer	1,888	(654)	693	(480)	1,447
	$113,494	$ (1,497)	$ 12,009	$ (2,084)	$ 121,922

The Company recorded a release of allowance for loan losses of $950,000 for the three months ended March 31, 2018, compared to a $1,600,000 release of allowance for loan losses for the three months ended March 31, 2017. A release of allowance for loan losses of $950,000 and $1,600,000 was recorded during the six months ended March 31, 2018 and March 31, 2017, respectively. Reserving for new loan originations as the loan portfolio grows has been largely offset by recoveries of previously charged-off loans. Recoveries, net of charge-offs, totaled $1,371,000 for the three months ended March 31, 2018, compared to net recoveries of $5,216,000 during the three months ended March 31, 2017. Recoveries, net of charge-offs, totaled $4,453,000 for the six months ended March 31, 2018, compared to net recoveries of $10,512,000 during the six months ended March 31, 2017.

Non-performing assets were $69,712,000, or 0.45%, of total assets at March 31, 2018, compared to $70,238,000, or 0.46%, of total assets at September 30, 2017. Non-accrual loans were $53,808,000 at March 31, 2018, compared to $49,580,000 at September 30, 2017. Delinquencies, as a percent of total loans, were 0.40% at March 31, 2018, compared to 0.40% at September 30, 2017.

The reserve for unfunded commitments was $6,750,000 as of March 31, 2018, which is a decrease from $7,750,000 at September 30, 2017.

Management believes the allowance for loan losses plus the reserve for unfunded commitments, totaling $134,326,000, or 1.07% of gross loans as of March 31, 2018, is sufficient to absorb estimated inherent losses.

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The following tables show loans collectively and individually evaluated for impairment and the related allocation of general and specific reserves.

March 31, 2018	Loans Collectively Evaluated for Impairment			Loans Individually Evaluated for Impairment		
	Allowance Allocation	Recorded Investment of Loans	Ratio	Allowance Allocation	Recorded Investment of Loans	Ratio
	(In thousands)			(In thousands)		
Single-family residential	$ 34,144	$ 5,684,940	0.6 %	$ —	$ 27,608	— %
Construction	27,389	911,650	3.0	—	5,012	—
Construction - custom	2,081	295,699	0.7	—	—	—
Land - acquisition & development	7,622	116,877	6.5	—	2,186	—
Land - consumer lot loans	2,853	95,482	3.0	—	495	—
Multi-family	7,978	1,324,959	0.6	4	3,068	0.1
Commercial real estate	11,484	1,385,851	0.8	104	39,861	0.3
Commercial & industrial	28,784	1,114,171	2.6	546	36,888	1.5
HELOC	802	133,152	0.6	—	273	—
Consumer	3,785	202,766	1.9	—	38	—
	$ 126,922	$ 11,265,547	1.1 %	$ 654	$ 115,429	0.6 %

September 30, 2017	Loans Collectively Evaluated for Impairment			Loans Individually Evaluated for Impairment		
	Allowance Allocation	Recorded Investment of Loans	Ratio	Allowance Allocation	Recorded Investment of Loans	Ratio
	(In thousands)			(In thousands)		
Single-family residential	$ 36,892	$ 5,713,576	0.7 %	$ —	$ 5,552	— %
Construction	24,556	793,958	3.1	—	—	—
Construction - custom	1,944	277,495	0.7	—	105	—
Land - acquisition & development	6,828	104,767	6.5	1	89	1.0
Land - consumer lot loans	2,649	96,337	2.8	—	171	—
Multi-family	7,857	1,302,625	0.6	5	493	1.0
Commercial real estate	11,698	1,391,668	0.8	120	21,765	0.6
Commercial & industrial	28,524	1,093,210	2.6	—	81	—
HELOC	855	141,689	0.6	—	215	—
Consumer	1,144	84,887	1.4	—	82	—
	$ 122,947	$ 11,000,212	1.1 %	$ 126	$ 28,553	0.4 %

As of March 31, 2018, $126,922,000 of the allowance was calculated under the formulas contained in our general allowance methodology and the remaining $654,000 was specific reserves on loans deemed to be individually impaired. As of September 30, 2017, $122,947,000 of the allowance was calculated under the formulas contained in our general allowance methodology and the remaining $126,000 was specific reserves on loans deemed to be individually impaired.

The Company has an asset quality review function that analyzes its loan portfolio and reports the results of the review to the Board of Directors on a quarterly basis. The single-family residential, HELOC and consumer portfolios are evaluated based on their performance as a pool of loans, since no single loan is individually significant or judged by its risk rating, size or potential risk of loss. The construction, land, multi-family, commercial real estate and commercial and industrial loans are risk rated on a loan by

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loan basis to determine the relative risk inherent in specific borrowers or loans. Based on that risk rating, the loans are assigned a grade and classified as follows:

- Pass – the credit does not meet one of the definitions below.

- Special mention – A special mention credit is considered to be currently protected from loss but is potentially weak. No loss of principal or interest is foreseen; however, proper supervision and Management attention is required to deter further deterioration in the credit. Assets in this category constitute some undue and unwarranted credit risk but not to the point of justifying a risk rating of substandard. The credit risk may be relatively minor yet constitutes an unwarranted risk in light of the circumstances surrounding a specific asset.

- Substandard – A substandard credit is an unacceptable credit. Additionally, repayment in the normal course is in jeopardy due to the existence of one or more well defined weaknesses. In these situations, loss of principal is likely if the weakness is not corrected. A substandard asset is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified will have a well-defined weakness or weaknesses that jeopardize the collection or liquidation of the debt. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets risk rated substandard.

- Doubtful – A credit classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The probability of loss is high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.

- Loss – Credits classified loss are considered uncollectible and of such little value that their continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset even though partial recovery may be affected in the future. Losses should be taken in the period in which they are identified as uncollectible. Partial charge-off versus full charge-off may be taken if the collateral offers some identifiable protection.

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The following tables provide information on loans based on risk rating categories as defined above.

March 31, 2018	Internally Assigned Grade					
	Pass	Special mention	Substandard	Doubtful	Loss	Total Gross Loans
	(In thousands)					
Loan type						
Single-family residential	$5,670,826	$ —	$34,524	$ —	$ —	$5,705,350
Construction	1,727,190	—	5,012	—	—	1,732,202
Construction - custom	597,671	—	—	—	—	597,671
Land - acquisition & development	139,442	—	2,186	—	—	141,628
Land - consumer lot loans	101,733	—	1,046	—	—	102,779
Multi-family	1,325,076	379	2,594	—	—	1,328,049
Commercial real estate	1,410,194	634	32,609	—	—	1,443,437
Commercial & industrial	1,101,878	9,958	39,272	—	—	1,151,108
HELOC	134,763	—	356	—	—	135,119
Consumer	202,873	—	38	—	—	202,911
Total gross loans	$12,411,646	$ 10,971	$117,637	$ —	$ —	$12,540,254
Total grade as a % of total gross loans	99.0 %	0.1 %	0.9 %	— %	—%	

September 30, 2017	Internally Assigned Grade					
	Pass	Special mention	Substandard	Doubtful	Loss	Total Gross Loans
	(In thousands)					
Loan type						
Single-family residential	$5,671,229	$ —	$39,775	$ —	$ —	$5,711,004
Construction	1,594,926	—	3,070	—	—	1,597,996
Construction - custom	602,540	—	91	—	—	602,631
Land - acquisition & development	123,028	207	1,073	—	—	124,308
Land - consumer lot loans	103,787	—	618	—	—	104,405
Multi-family	1,295,261	5,795	2,092	—	—	1,303,148
Commercial real estate	1,391,996	5,944	36,670	—	—	1,434,610
Commercial & industrial	1,054,972	14,814	23,574	—	—	1,093,360
HELOC	144,229	—	621	—	—	144,850
Consumer	84,984	—	91	—	—	85,075
Total gross loans	$12,066,952	$ 26,760	$107,675	$ —	$ —	$12,201,387
Total grade as a % of total gross loans	98.9 %	0.2 %	0.9 %	— %	—%	

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The following tables provide information on gross loans based on borrower payment activity.

March 31, 2018	Performing Loans			Non-Performing Loans		
	Amount	% of Total Gross Loans		Amount	% of Total Gross Loans	
	(In thousands)					
Single-family residential	$5,680,031	99.6	%	$ 25,319	0.4	%
Construction	1,729,906	99.9		2,296	0.1	
Construction - custom	597,671	100.0		—	—	
Land - acquisition & development	139,624	98.6		2,004	1.4	
Land - consumer lot loans	101,734	99.0		1,045	1.0	
Multi-family	1,328,049	100.0		—	—	
Commercial real estate	1,433,910	99.3		9,527	0.7	
Commercial & industrial	1,137,746	98.8		13,362	1.2	
HELOC	134,902	99.8		217	0.2	
Consumer	202,873	100.0		38	—	
	$12,486,446	99.6	%	$ 53,808	0.4	%

September 30, 2017	Performing Loans			Non-Performing Loans		
	Amount	% of Total Gross Loans		Amount	% of Total Gross Loans	
	(In thousands)					
Single-family residential	$5,683,074	99.5	%	$ 27,930	0.5	%
Construction	1,597,996	100.0		—	—	
Construction - custom	602,540	99.9		91	0.1	
Land - acquisition & development	124,012	99.8		296	0.2	
Land - consumer lot loans	103,800	99.4		605	0.6	
Multi-family	1,303,009	99.9		139	0.1	
Commercial real estate	1,422,795	99.2		11,815	0.8	
Commercial & industrial	1,085,278	99.3		8,082	0.7	
HELOC	144,319	99.6		531	0.4	
Consumer	84,984	99.9		91	0.1	
	$12,151,807	99.6	%	$ 49,580	0.4	%

The following tables provide information on impaired loan balances and the related allowances by loan types.

March 31, 2018	Recorded Investment	Unpaid Principal Balance	Related Allowance		Average Recorded Investment (Year-To-Date)
	(In thousands)				
Impaired loans with no related allowance recorded:					
Single-family residential	$23,936	$25,229	$ —		$ 21,889
Construction	5,898	5,898	—		2,289
Construction - custom	—	—	—		49
Land - acquisition & development	2,186	2,230	—		1,297
Land - consumer lot loans	386	432	—		298
Multi-family	2,616	2,616	—		1,002
Commercial real estate	33,272	38,372	—		20,845
Commercial & industrial	29,882	29,989	—		14,200
HELOC	273	366	—		461
Consumer	38	104	—		65
	98,487	105,236	—		62,395
Impaired loans with an allowance recorded:					
Single-family residential	162,875	166,405	2,942		171,831
Land - acquisition & development	—	—	—		30
Land - consumer lot loans	6,837	7,431	—		7,397
Multi-family	473	473	4		482
Commercial real estate	11,818	12,673	104		12,936
Commercial & industrial	7,006	7,006	546		4,754
HELOC	1,424	1,506	—		1,503
Consumer	86	273	—		91
	190,519	195,767	3,596	(1)	199,024
Total impaired loans:					
Single-family residential	186,811	191,634	2,942		193,720
Construction	5,898	5,898	—		2,289
Construction - custom	—	—	—		49
Land - acquisition & development	2,186	2,230	—		1,327
Land - consumer lot loans	7,223	7,863	—		7,695
Multi-family	3,089	3,089	4		1,484
Commercial real estate	45,090	51,045	104		33,781
Commercial & industrial	36,888	36,995	546		18,954
HELOC	1,697	1,872	—		1,964
Consumer	124	377	—		156
	$289,006	$301,003	$ 3,596	(1)	$ 261,419

(1) Includes $654,000 of specific reserves and $2,942,000 included in the general reserves.

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September 30, 2017	Recorded Investment	Unpaid Principal Balance	Related Allowance		Average Recorded Investment (Year-To-Date)
	(In thousands)				
Impaired loans with no related allowance recorded:					
Single-family residential	$21,325	$23,880	$ —		$ 19,371
Construction - custom	148	165	—		231
Land - acquisition & development	330	8,208	—		176
Land - consumer lot loans	208	330	—		431
Multi-family	139	3,231	—		748
Commercial real estate	12,890	22,487	—		11,466
Commercial & industrial	8,279	14,321	—		7,425
HELOC	490	1,212	—		487
Consumer	88	1,433	—		57
	43,897	75,267	—		40,392
Impaired loans with an allowance recorded:					
Single-family residential	181,941	186,167	4,030		204,723
Land - acquisition & development	90	90	1		576
Land - consumer lot loans	7,949	8,526	—		8,976
Multi-family	493	493	5		1,024
Commercial real estate	15,079	16,707	120		16,991
Commercial & industrial	—	—	—		297
HELOC	1,728	1,806	—		1,451
Consumer	97	284	—		100
	207,377	214,073	4,156	(1)	234,138
Total impaired loans:					
Single-family residential	203,266	210,047	4,030		224,094
Construction - custom	148	165	—		231
Land - acquisition & development	420	8,298	1		752
Land - consumer lot loans	8,157	8,856	—		9,407
Multi-family	632	3,724	5		1,772
Commercial real estate	27,969	39,194	120		28,457
Commercial & industrial	8,279	14,321	—		7,722
HELOC	2,218	3,018	—		1,938
Consumer	185	1,717	—		157
	$251,274	$289,340	$ 4,156	(1)	$ 274,530

(1) Includes $126,000 of specific reserves and $4,030,000 included in the general reserves.

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NOTE F – Fair Value Measurements

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active exchange markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

We have established and documented the Company's process for determining the fair values of the Company's assets and liabilities, where applicable. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, fair value is determined using valuation models or third-party appraisals. The following is a description of the valuation methodologies used to measure and report the fair value of financial assets and liabilities on a recurring or nonrecurring basis.

Measured on a Recurring Basis

Available-for-Sale Securities and Derivative Contracts

Securities available for sale are recorded at fair value on a recurring basis. The fair value of debt securities are priced using model pricing based on the securities' relationship to other benchmark quoted prices as provided by an independent third party, and under GAAP are considered a Level 2 input method. Securities that are traded on active exchanges, including the Company's equity securities, are measured using the closing price in an active market and are considered a Level 1 input method.

The Company offers interest rate swaps to its variable rate borrowers who want to manage their interest rate risk. At the same time, the Company enters into the opposite trade with a counter party to offset its interest rate risk. The Company has also entered into commercial loan hedges as well as borrowings hedges using interest rate swaps. The fair value of these interest rate swaps are estimated by a third party pricing service using a discounted cash flow technique. These are considered a Level 2 input method.

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The following tables present the balance of assets and liabilities measured at fair value on a recurring basis.

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets				
Available-for-sale securities:				
Equity securities	$495	$—	$ —	$495
U.S. government and agency securities	—	183,939	—	183,939
Municipal bonds	—	26,196	—	26,196
Corporate debt securities	—	183,457	—	183,457
Mortgage-backed securities				
Agency pass-through certificates	—	866,822	—	866,822
Commercial MBS	—	8,362	—	8,362
Total available-for-sale securities	495	1,268,776	—	1,269,271
Interest rate contracts	—	8,617	—	8,617
Commercial loan hedges	—	2,217	—	2,217
Borrowings hedges	—	15,328	—	15,328
Total financial assets	$495	$1,294,938	$ —	$1,295,433
Financial Liabilities				
Interest rate contracts	$—	$8,617	$ —	$8,617
Total financial liabilities	$—	$8,617	$ —	$8,617

There were no transfers between, into and/or out of Levels 1, 2 or 3 during the six months ended March 31, 2018.

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets				
Available-for-sale securities:				
Equity securities	$522	$—	$ —	$522
U.S. government and agency securities	—	211,077	—	211,077
Municipal bonds	—	26,624	—	26,624
Corporate debt securities	—	185,298	—	185,298
Mortgage-backed securities				
Agency pass-through certificates	—	834,297	—	834,297
Commercial MBS	—	8,391	—	8,391
Total available-for-sale securities	522	1,265,687	—	1,266,209
Interest rate contracts	—	1,139	—	1,139
Total financial assets	$522	$1,266,826	$ —	$1,267,348
Financial Liabilities				
Interest rate contracts	$—	$1,139	$ —	$1,139
Commercial loan hedges	—	174	—	174
Borrowings hedges	—	1,693	—	1,693
Total financial liabilities	$—	$3,006	$ —	$3,006

There were no transfers between, into and/or out of Levels 1, 2 or 3 during the fiscal year ended September 30, 2017.

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Measured on a Nonrecurring Basis

Impaired Loans & Real Estate Owned

Real estate owned ("REO") consists principally of properties acquired through foreclosure. From time to time, and on a nonrecurring basis, adjustments using fair value measurements are recorded to reflect increases or decreases based on the discounted cash flows, the current appraisal or estimated value of the collateral, but only up to the fair value of the real estate owned as of the initial transfer date less selling costs.

When management determines that the fair value of the collateral or the real estate owned requires additional adjustments, either as a result of an updated appraised value or when there is no observable market price, the Company classifies the impaired loan or real estate owned as Level 3. Level 3 assets recorded at fair value on a nonrecurring basis at March 31, 2018 included loans for which a specific reserve allowance was established or a partial charge-off was recorded based on the fair value of collateral, as well as real estate owned where the fair value of the property was less than the cost basis.

The following tables present the aggregated balance of assets that were measured at fair value on a nonrecurring basis at March 31, 2018 and March 31, 2017, and the total gains (losses) resulting from those fair value adjustments for the three and six months ended March 31, 2018 and March 31, 2017. The estimated fair value measurements are shown gross of estimated selling costs.

	March 31, 2018				Three Months Ended March 31, 2018	Six Months Ended March 31, 2018
	Level 1	Level 2	Level 3	Total	Total Gains (Losses)	
	(In thousands)					
Impaired loans (1)	$—	$—	$7,343	$7,343	$(466)	$(973)
Real estate owned (2)	—	—	5,520	5,520	(379)	(559)
Balance at end of period	$—	$—	$12,863	$12,863	$(845)	$(1,532)

(1) The gains (losses) represent remeasurements of collateral-dependent loans.
(2) The gains (losses) represent aggregate writedowns and charge-offs on REO.

	March 31, 2017				Three Months Ended March 31, 2017	Six Months Ended March 31, 2017
	Level 1	Level 2	Level 3	Total	Total Gains (Losses)	
	(In thousands)					

Impaired loans (1)	$—	$—	$5,701	$5,701	$(939)	$(1,361)
Real estate owned (2)	—	—	5,822	5,822	(378)	(619)
Balance at end of period	$—	$—	$11,523	$11,523	$(1,317)	$(1,980)

(1) The gains (losses) represent remeasurements of collateral-dependent loans.
(2) The gains (losses) represent aggregate writedowns and charge-offs on REO.

Impaired loans - The Company adjusts the carrying amount of impaired loans when there is evidence of probable loss and the expected fair value of the loan is less than its contractual amount. The amount of the impairment may be determined based on the estimated present value of future cash flows or the fair value of the underlying collateral. Impaired loans with a specific reserve allowance based on cash flow analysis or the value of the underlying collateral are classified as Level 3 assets.

The evaluations for impairment are prepared by the Problem Loan Review Committee, which is chaired by the Chief Credit Officer and includes the Loan Review manager and Special Credits manager, as well as senior credit officers, division managers and group executives, as applicable. These evaluations are performed in conjunction with the quarterly allowance for loan loss process.

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Applicable loans that were included in the previous quarter's review are reevaluated and if their values are materially different from the prior quarter evaluation, the underlying information (loan balance and collateral value) are compared. Material differences are evaluated for reasonableness and discussions are held between the relationship manager and their division manager to understand the difference and determine if any adjustment is necessary.
The inputs are developed and substantiated on a quarterly basis, based on current borrower developments, market conditions and collateral values. The following methods are used to value impaired loans:

- The fair value of the collateral, which may take the form of real estate or personal property, is based on internal estimates, field observations, assessments provided by third-party appraisers and other valuation models. The Company performs or reaffirms valuations of collateral-dependent impaired loans at least annually. Adjustments are made if management believes that more recent information is available and relevant with respect to the fair value of the collateral.
- The present value of the expected future cash flows of the loans is used for measurement of non collateral-dependent loans to test for impairment.

Real estate owned - When a loan is reclassified from loan status to real estate owned due to the Company taking possession of the collateral, a special credits officer, along with the special credits manager, obtains a valuation, which may include appraisals or third-party price opinions, which is used to establish the fair value of the underlying collateral. The determined fair value, less selling costs, becomes the carrying value of the REO asset.
The fair value of REO assets is re-evaluated quarterly and the REO asset is adjusted to reflect the fair value as necessary. After foreclosure, the valuations are updated periodically and current market conditions may require the assets to be written down further or up to the cost basis established on the date of transfer. The carrying balance of REO assets are also written down once a bona fide offer is contractually accepted, through execution of a purchase and sale agreement, where the accepted price is lower than the cost established on the transfer date.

Fair Values of Financial Instruments

ASC 825 requires disclosure of fair value information about financial instruments, whether or not recognized on the statement of financial condition, for which it is practicable to estimate those values. Certain financial instruments and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value estimates presented do not reflect the underlying fair value of the Company. Although management is not aware of any factors that would materially affect the estimated fair value amounts presented below, such amounts have not been comprehensively revalued for purposes of these financial statements since the dates shown, and therefore, estimates of fair value subsequent to those dates may differ significantly from the amounts presented below.

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	Level in Fair Value Hierarchy	March 31, 2018 Carrying Amount	March 31, 2018 Estimated Fair Value	September 30, 2017 Carrying Amount	September 30, 2017 Estimated Fair Value
		(In thousands)			
Financial assets					
Cash and cash equivalents	1	$256,808	$256,808	$313,070	$313,070
Available-for-sale securities					
Equity securities	1	495	495	522	522
U.S. government and agency securities	2	183,939	183,939	211,077	211,077
Municipal bonds	2	26,196	26,196	26,624	26,624
Corporate debt securities	2	183,457	183,457	185,298	185,298
Mortgage-backed securities					
Agency pass-through certificates	2	866,822	866,822	834,297	834,297
Commercial MBS	2	8,362	8,362	8,391	8,391
Total available-for-sale securities		1,269,271	1,269,271	1,266,209	1,266,209
Held-to-maturity securities					
Mortgage-backed securities					
Agency pass-through certificates	2	1,701,566	1,652,787	1,646,856	1,635,913
Commercial MBS	2	15,000	15,000	—	—
Total held-to-maturity securities		1,716,566	1,667,787	1,646,856	1,635,913
Loans receivable	3	11,224,088	11,514,350	10,882,622	11,247,586
FDIC indemnification asset	3	—	—	8,968	8,564
FHLB and FRB stock	2	126,990	126,990	122,990	122,990
Other assets - interest rate contracts	2	8,617	8,617	1,139	1,139
Other assets - commercial loan hedges	2	2,217	2,217	—	—
Other assets - borrowings hedges	2	15,328	15,328	—	—
Financial liabilities					
Customer accounts	2	11,138,856	10,627,045	10,835,008	10,411,686
FHLB advances	2	2,325,000	2,327,701	2,225,000	2,266,791
Other liabilities - interest rate contracts	2	8,617	8,617	1,139	1,139
Other liabilities - commercial loan hedges	2	—	—	174	174
Other liabilities - borrowings hedges	2	—	—	1,693	1,693

The following methods and assumptions were used to estimate the fair value of financial instruments:
Cash and cash equivalents – The carrying amount of these items is a reasonable estimate of their fair value.
Available-for-sale securities and held-to-maturity securities – Securities at fair value are primarily priced using model pricing based on the securities' relationship to other benchmark quoted prices as provided by an independent third party, and are considered a Level 2 input method. Equity securities that are exchange traded are considered a Level 1 input method.
Loans receivable – For certain homogeneous categories of loans, such as fixed- and variable-rate residential mortgages, fair value is estimated for securities backed by similar loans, adjusted for differences in loan characteristics, using the same methodology described above for AFS and HTM securities. The fair value of other loan types is estimated by

discounting the future cash flows and estimated prepayments using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term. Some loan types were valued at carrying value because of their floating rate or expected maturity characteristics. Net deferred loan fees are not included in the fair value calculation but are included in the carrying amount.

FHLB and FRB stock – The fair value is based upon the par value of the stock that equates to its carrying value.

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Customer accounts – The fair value of demand deposits, savings accounts, and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated by discounting the estimated future cash flows using the rates currently offered for deposits with similar remaining maturities.
FHLB advances – The fair value of FHLB advances and other borrowings is estimated by discounting the estimated future cash flows using rates currently available to the Company for debt with similar remaining maturities.
Interest rate contracts – The bank offers interest rate swaps to its variable rate borrowers who want to manage their interest rate risk. At the same time, the bank enters into the opposite trade with a counterparty to offset its interest rate risk. The fair value of these interest rate swaps is estimated by a third party pricing service using a discounted cash flow technique.
Commercial loan hedges – The fair value of the interest rate swaps is estimated by a third party pricing service using a discounted cash flow technique.
Borrowings hedges – The fair value of the interest rate swaps is estimated by a third party pricing service using a discounted cash flow technique.
The following tables provide a reconciliation of amortized cost to fair value of available-for-sale and held-to-maturity securities.

	March 31, 2018				
	Amortized Cost	Gross Gains	Unrealized Losses	Fair Value	Yield
	(In thousands)				
Available-for-sale securities					
U.S. government and agency securities due					
Within 1 year	$3,300	$3	$—	$3,303	9.80%
5 to 10 years	65,997	—	(1,432)	64,565	2.33
Over 10 years	116,463	27	(419)	116,071	2.46
Equity securities due					
1 to 5 years	500	—	(5)	495	1.80
Corporate debt securities due					
1 to 5 years	63,692	1,768	—	65,460	3.63
5 to 10 years	119,963	78	(2,044)	117,997	2.93
Municipal bonds due					
Within 1 year	2,359	—	(2)	2,357	1.23
1 to 5 years	1,382	—	(10)	1,372	2.05
Over 10 years	20,333	2,134	—	22,467	6.45
Mortgage-backed securities					
Agency pass-through certificates	870,741	3,400	(7,319)	866,822	3.24
Commercial MBS	8,350	12	—	8,362	3.85
	1,273,080	7,422	(11,231)	1,269,271	3.18
Held-to-maturity securities					
Mortgage-backed securities					
Agency pass-through certificates	1,701,566	1,112	(49,891)	1,652,787	3.16
Commercial MBS	15,000	—	—	15,000	2.66
	1,716,566	1,112	(49,891)	1,667,787	3.16
	$2,989,646	$8,534	$(61,122)	$2,937,058	3.17%

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	September 30, 2017				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
	(In thousands)				
Available-for-sale securities					
U.S. government and agency securities due					
Within 1 year	$9,300	$146	$—	$9,446	10.38%
1 to 5 years	5,688	2	—	5,690	1.51
5 to 10 years	69,108	—	(1,238)	67,870	1.93
Over 10 years	127,936	353	(218)	128,071	1.92
Equity securities					
1 to 5 years	500	22	—	522	1.80
Corporate bonds due					
1 to 5 years	63,622	2,083	—	65,705	2.96
5 to 10 years	119,960	210	(577)	119,593	2.62
Municipal bonds due					
Within 1 year	2,344	10	—	2,354	1.23
1 to 5 years	1,367	55	—	1,422	2.05
Over 10 years	20,343	2,505	—	22,848	6.45
Mortgage-backed securities					
Agency pass-through certificates	828,069	8,402	(2,174)	834,297	2.96
Commercial MBS	8,350	41	—	8,391	3.31
	1,256,587	13,829	(4,207)	1,266,209	2.86
Held-to-maturity securities					
Mortgage-backed securities					
Agency pass-through certificates	1,646,856	7,143	(18,086)	1,635,913	3.14
	1,646,856	7,143	(18,086)	1,635,913	3.14
	$2,903,443	$20,972	$(22,293)	$2,902,122	3.02 %

For available-for-sale investment securities, there were no sales during the six months ended March 31, 2018 and sales totaling $350,890,000 during the six months ended March 31, 2017. There were purchases of $123,324,000 of available-for-sale investment securities during the six months ended March 31, 2018 and no purchases during the six months ended March 31, 2017. For held-to-maturity investment securities, there were purchases totaling $170,836,000 during the six months ended March 31, 2018 and purchases of $415,729,000 during the six months ended March 31, 2017. There were no sales of held-to-maturity investment securities during either period. Substantially all of the agency mortgage-backed securities have contractual due dates that exceed 10 years.
The following tables show the unrealized gross losses and fair value of securities as of March 31, 2018 and September 30, 2017, by length of time that individual securities in each category have been in a continuous loss position. The decline in fair value since purchase is attributable to changes in interest rates. Because the Company does not intend to sell these securities and does not consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other than temporarily impaired.

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March 31, 2018	Less than 12 months		12 months or more		Total	
	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value
	(In thousands)					
Corporate debt securities	$—	$—	$(2,044)	$97,956	$(2,044)	97,956
Municipal bonds	(12)	3,729	—	—	(12)	3,729
U.S. government and agency securities	—	—	(1,851)	164,140	(1,851)	164,140
Equity securities	(5)	495	—	—	(5)	495
Agency pass-through certificates	(8,768)	583,301	(48,442)	1,428,150	(57,210)	2,011,451
	$(8,785)	$587,525	$(52,337)	$1,690,246	$(61,122)	$2,277,771

September 30, 2017	Less than 12 months		12 months or more		Total	
	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value
	(In thousands)					
Corporate debt securities	$—	$—	$(577)	$49,423	$(577)	$49,423
U.S. government and agency securities	(759)	24,400	(697)	96,195	(1,456)	120,595
Agency pass-through certificates	(17,683)	1,163,358	(2,577)	249,304	(20,260)	1,412,662
	$(18,442)	$1,187,758	$(3,851)	$394,922	$(22,293)	$1,582,680

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NOTE G – Derivatives and Hedging Activities

The Company periodically enters into certain interest rate swap agreements in order to provide commercial loan customers the ability to convert from variable to fixed interest rate payments, while the Company retains a variable rate loan. Under these agreements, the Company enters into a variable rate loan agreement and a swap agreement with the client. The swap agreement effectively converts the client's variable rate loan into a fixed rate. The Company enters into a corresponding swap agreement with a third party in order to offset its exposure on the variable and fixed components of the client's swap agreement. The Company had $808,981,000 and $1,035,573,000 notional in interest rate swaps to hedge this exposure as of March 31, 2018 and September 30, 2017, respectively. The interest rate swaps are derivatives under FASB ASC 815, Derivatives and Hedging, with changes in fair value recorded in earnings. There was no net impact to the statement of operations for the six months ended March 31, 2018 and 2017 as the changes in value for the asset and liability side of the swaps offset each other.

The Company has entered into interest rate swaps to convert certain existing and future short-term borrowings to fixed rate payments. The primary purpose of these hedges is to mitigate the risk of rising interest rates, specifically LIBOR rates, which are a benchmark for the short-term borrowings. The hedging program qualifies as a cash flow hedge under ASC 815, which provides for offsetting of the recognition of gains and losses of the interest rate swaps and the hedged items. The hedged item is the LIBOR portion of the series of existing or future short-term fixed rate borrowings over the term of the interest rate swap. The change in the fair value of the interest rate swaps is recorded in other comprehensive income. The Company had $700,000,000 notional in interest rate swaps to hedge existing and anticipated future borrowings as of March 31, 2018 and September 30, 2017.

The Company also enters into interest rate swaps to hedge the interest rate risk of individual fixed rate commercial loans and these relationships qualify as fair value hedges under ASC 815, which provides for offsetting of the recognition of gains and losses of the respective interest rate swap and the hedged item. The interest rate swaps in these hedging relationships had a notional amount of $97,927,000 and $52,936,000 as of March 31, 2018 and September 30, 2017, respectively.

The following table presents the fair value and balance sheet classification of derivatives at March 31, 2018 and September 30, 2017:

Asset Derivatives		Liability Derivatives	
March 31, 2018	September 30, 2017	March 31, 2018	September 30, 2017
Balance Sheet	Balance Sheet	Balance Sheet	Balance Sheet