Third Federal Savings and Loan Association of Cleveland (Association)
and
Third Federal Savings and Loan Association of Cleveland, MHC (MHC)

Annual Company-Run Stress Test Results

Dodd-Frank Act Stress Test Disclosure

Supervisory Severely Adverse Scenario

October 27, 2017

Third Federal Savings and Loan Association of Cleveland (the "Association"), the wholly owned subsidiary of TFS Financial Corporation (NASDAQ: TFSL) (the "Company"), and Third Federal Savings and Loan Association of Cleveland, MHC (“MHC”), the Mutual Holding Company that owns approximately 81% of the outstanding shares of the Company, reported today the results of its 2017 company-run stress tests conducted in accordance with regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Office of the Comptroller of the Currency (“OCC”) under the Dodd-Frank Wall Street Reform and Consumer Protection Act. These company-run stress tests are designed to help assess whether financial institutions have sufficient capital to absorb losses and support operations using a hypothetical stressed scenario described by the Federal Reserve, over a nine-quarter projection period from December 31, 2016 to March 31, 2019. The stress testing requirements and expectations for financial institutions with assets between $10 billion and $50 billion, are significantly reduced compared to those with assets of $50 billion or more. The medium-sized companies, including the Association and MHC, are not subject to the Federal Reserve’s annual Comprehensive Capital Assessment and Review (CCAR), are not required to submit an annual capital plan, and are not subject to a supervisory approval or denial of their stress test results. The 2017 public disclosure marks the third disclosure for the Association’s stress test results and also includes the stress test results for the MHC, which became subject to file Dodd-Frank Act Stress Test (DFAST) results for the first time. The Association’s primary regulator is the OCC and the MHC’s primary regulator is the Federal Reserve. Accordingly, separate stress testing results and filings are required for each entity, but are memorialized in one public disclosure.

The supervisory severely adverse scenario for the 2017 company-run test was released by the Federal Reserve on February 3, 2017. The hypothetical scenario involves economic conditions that are more adverse than currently expected by the Federal Reserve or the Association and therefore investors should not rely on these results as forecasts of expected or most likely financial results or capital ratios for the Association, the Company, or the MHC. In this scenario, economic factors in the United States reflect a contracting economy marked with rising unemployment, widening credit spreads, declining asset prices, historically low treasury yields and more generally low interest rates. While the Association does not believe this economic environment has a high probability of occurrence, the test demonstrates our ability to remain well-capitalized after absorbing anticipated losses during a period of deep recessionary effects in the economy.

The Association utilizes a systematic approach to modeling the financial projections in our stress testing iterations. The loan portfolio was stressed at a note-level after refining selected macro-economic variables to reflect regionalized levels that are more closely aligned with those of our operating footprint. Balance sheet growth projections and product composition are quantitatively determined based on the stated economic factors using a subjective level of judgement in regards to product mix and funding composition. The barometers for assessing the viability of the projections were our historical performance and the strategic planning processes. A description of the risks included in the company-run stress test follows:

- Credit- The risk that an extension of credit to a borrower will result in the inability of the borrower to meet the terms of the obligation.
- Liquidity- The risk that attrition of the retail deposit base would result in an inability to fund lending activity through alternative channels.
- Market- The risk that market interest rates would adversely affect fair market valuation assessments to our available-for-sale securities portfolio and our derivatives portfolio.
- Operational- The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Strategic – The risk of failing to achieve anticipated earnings and growth related to a severely adverse operating environment.

ThirdFederal
SAVINGS & LOAN

The following table sets forth the projected financial results (in millions) using the supervisory severely adverse scenario:

Cumulative Hypothetical Results Over 9 Quarters

	MHC	Association	Comments
Loan Losses	$106[A]	$106[A]	Losses modeled at loan level from econometric model derived from historical industry observation and actual macro-economic experience.
Pre-Provision Net Revenue (PPNR)	$142	$165	PPNR represents projected net interest income (NII) plus non-interest income less non-interest expense.
Provision Expense	$200[A]	$200[A]	Projected provision expense exceeds actual losses experienced in the 9-quarter period in order to build the reserve to cover future expected loan losses.
Net Income(loss)	($38)	($23)	Net loss results from the after-tax impact of provision expense exceeding PPNR.

[A] Association & MHC's loan portfolios are the same

The following table sets forth projected stressed capital ratios using the supervisory severely adverse scenario, as well as the required regulatory ratios to be considered well-capitalized, to be effective as of March 31, 2019:

Capital Ratios: Beginning, Ending, Minimum Values

	Actual Ratio 12/31/2016	Ending Projected Ratio 3/31/2019	Minimum Projected Ratio 12/31/16 - 3/31/19	Regulatory Minimum for Well-Capitalized
Association (Third Federal Savings and Loan Association of Cleveland)				
Common Equity Tier 1 Capital (CET1) Ratio	20.32%	20.81%	19.98%	7.00%
Tier 1 Risk Based Capital Ratio	20.32%	20.81%	19.98%	8.50%
Tier 1 Leverage Ratio	11.08%	11.13%	10.71%	5.00%
Total Risk Based Capital Ratio	21.17%	22.06%	21.23%	10.50%
MHC (Third Federal Savings and Loan Association of Cleveland, MHC)				
Common Equity Tier 1 Capital (CET1) Ratio[B]	19.56%[C]	21.30%	21.20%	7.00%
Tier 1 Risk Based Capital Ratio[B]	21.02%[C]	21.30%	21.20%	8.50%
Tier 1 Leverage Ratio[B]	11.49%[C]	11.72%	11.69%	5.00%
Total Risk Based Capital Ratio[B]	22.22%[C]	22.55%	22.45%	10.50%

[B] For the MHC, the projected stressed capital ratios through March 31, 2019, reflect the inclusion of the minority shareholder interest attributable to the Company's shares outstanding at December 31, 2016 that are not owned by the MHC, which equates to 56.4 million shares or additional capital of $285 million. The MHC is the mutual holding company that, as of December 31, 2016, owned approximately 80% of the outstanding stock of the Company, while the remaining 20% of outstanding shares were publicly held. The Company includes both the portion of capital owned by the MHC and the minority shareholders as part of its total equity capital for regulatory reporting. However, even though the MHC fully consolidates the results of the Company due to its 80% ownership interest, for Federal Reserve regulatory reporting purposes the MHC must exclude from its total holding company equity capital, the portion of capital owned by the 20% minority shareholders, which distorts the resulting regulatory capital ratios for the MHC. As the MHC has no stand-alone operations and simply owns the Company shares as its only investment, recognizing all available capital from the Company was determined to be appropriate for the above reporting. Additionally, excluding minority shareholder interest from MHC capital would also dilute the applied stresses or loan losses which would reduce the stress impact. Based on pro forma calculations with the minority interest deducted from capital, MHC's capital ratios continued to exceed the regulatory targets above.

[C] For the MHC, the actual ratios as of December 31, 2016 are consistent with regulatory filings and do not reflect the inclusion of minority shareholder interest as part of total holding company capital. For the reasons described above in footnote [B], the projected stressed capital ratios through March 31, 2019, however, do reflect the inclusion of the minority shareholder interest as part of total holding company capital.

The significant drivers of change in the projected regulatory capital ratios are:

- The impact of losses within the loan portfolio based on borrowers' strained ability to meet obligations.
- The impact of planned intercompany dividends from the Association to the Company.
- The impact of a combination of a compressed net interest margin, increased operational expenses, adjustments to other comprehensive income from fair value changes in the derivatives and investment portfolios, and a lack of loan portfolio growth.

FORWARD LOOKING STATEMENTS

This document contains forward-looking statements as defined in the Securities Exchange Act of 1934 and is subject to the safe harbors created therein. The forward-looking statements contained herein include, but are not limited to, the Company's plans regarding its financial results and condition and capital ratios under a hypothetical scenario that incorporates a set of assumed economic and financial conditions prescribed by our regulators, which are more adverse than expected. These forward-looking statements involve risks and uncertainties that could cause the Company's results to differ materially from management's current expectations. The Company's risks and uncertainties are detailed in its filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Forward-looking statements are based on the beliefs and assumptions of our management and on currently available information. The Company undertakes no responsibility to publicly update or revise any forward-looking statement.