

# TFS Financial Corporation

**ThirdFederal**<sup>®</sup>  
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For the quarter ended  
June 30, 2018

# Forward-Looking Statements

This presentation contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include, among other things:

- statements of our goals, intentions and expectations;
- statements regarding our business plans and prospects and growth and operating strategies;
- statements concerning trends in our provision for loan losses and charge-offs;
- statements regarding the trends in factors affecting our financial condition and results of operations, including asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- significantly increased competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments;
- general economic conditions globally, nationally or in our market areas, including employment prospects, real estate values and conditions that are worse than expected;
- decreased demand for our products and services and lower revenue and earnings because of a recession or other events;
- adverse changes and volatility in the securities markets, credit markets or real estate markets;
- legislative or regulatory changes that adversely affect our business, including changes in regulatory costs and capital requirements and changes related to our ability to pay dividends and the ability of Third Federal Savings, MHC to waive dividends;
- our ability to enter new markets successfully and take advantage of growth opportunities, and the possible short-term dilutive effect of potential acquisitions or de novo branches, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board or the Public Company Accounting Oversight Board;
- future adverse developments concerning Fannie Mae or Freddie Mac;
- changes in monetary and fiscal policy of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve and changes in the level of government support of housing finance;
- changes in policy and/or assessment rates of taxing authorities that adversely affect us;
- changes in our organization, or compensation and benefit plans and changes in expense trends (including, but not limited to trends affecting non-performing assets, charge-offs and provisions for loan losses);
- the inability of third-party providers to perform their obligations to us;
- a slowing or failure of the moderate economic recovery;
- changes in accounting and tax estimates;
- the strength or weakness of the real estate markets and of the consumer and commercial credit sectors and its impact on the credit quality of our loans and other assets; and
- the ability of the U.S. Government to manage federal debt limits.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by any forward-looking statements. Any forward-looking statement made by us in this report speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise, except as may be required by law.



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# TFS Financial Corporation Overview

**1938** Founded by Ben and Gerome Stefanski, parents of our current Chairman and CEO, Marc Stefanski

**1997** Organized as a mid-tier stock holding company to own 100% of Third Federal Savings and Loan

**2007** First step minority stock offering. Listed as TFSL on NASDAQ April 23

**2018** Marks 80<sup>th</sup> year of service

## TFSL Shareholder Ownership

	# of shares	% of Ownership
<b><u>Shares at Apr 20, 2007 Minority Offering</u></b>		
Owned by Third Federal MHC	227,119,132	68.3%
Owned by Minority Shareholders	105,199,618	31.7%
<b>Total shares outstanding</b>	<b>332,318,750</b>	<b>100.0%</b>
<b><u>Shares as of Jun 30, 2018</u></b>		
Owned by Third Federal MHC	227,119,132	81.0%
Owned by Minority Shareholders	53,330,930	19.0%
<b>Total shares outstanding</b>	<b>280,450,062</b>	<b>100.0%</b>

## Financial Summary

	At or For Quarter Ended	
	Jun 30, 2018	Mar 31, 2018
Assets	\$13.94B	\$13.96B
Deposits	\$8.41B	\$8.35B
Shareholder's Equity	\$1.75B	\$1.73B
Equity as % of Assets	12.5%	12.4%
Market Capitalization	\$4.42B	\$4.12B
Net Income for Fiscal Quarter	\$20.9M	\$23.3M



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# Our Mission and Values Drive our Success

Our mission is to help people achieve the dream of home ownership and financial security while creating value for our shareholders, our customers, our communities and our Associates.

## Customer trust

- No associates on commission
- Competitive rates on loans and deposits
- No risk-based pricing

## Associate engagement

- Value system of: Love (genuine concern), trust, respect, commitment to excellence and fun
- Never had a layoff
- Average associate tenure is 13 years
- Annual turnover rate of 3 percent



## Shareholder satisfaction

Focus on our 3-dimensional capital strategy:

- Increasing the shareholder dividend
- Portfolio growth
- Past use of stock buybacks

## Commitment to our communities

- Third Federal Foundation has awarded \$30 million in grants to the communities we serve since its inception in 2007
- Third Federal Foundation contributes \$1.5 million annually to the Slavic Village Broadway P-16 program, a network of partners, working together, to strengthen the community's educational programming for its impoverished youth



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# Our disciplined strategy drives our results

## Strategic Overview

- **Originate and service** first mortgage loans, and home equity loans and lines of credit. We fund our loans primarily with core retail deposits, supplemented by FHLB advances and brokered CDs.
- **Physical presence** in Ohio (21 full-service branches, 8 loan origination offices) and Florida (17 full-service branches).
- **State expansion** through internet, customer service, and direct mail marketing has brought our first mortgage loan origination and home equity loan products to 21 states\* and the District of Columbia. (\*CA, CO, CT, FL, GA, IL, IN, KY, MA, MD, MO, NC, NH, NJ, NY, OH, OR, PA, TN, VA, and WA)
- Only **non-commissioned Third Federal associates** have been, and continue to be, used to gather applications, underwrite and process the requests to generate mortgage loans and home equity products.
- First mortgage loan originations continue to be made using **stringent, conservative lending standards**. For first mortgage loans originated during the current fiscal year, the average FICO score was **772**, and the average LTV was **69%**.
- **Capital levels in excess of 10%**, combined with consistent asset growth, allow us to drive long-term, sustainable earnings, and support stock dividends and share repurchases.



# Financial Highlights

(Dollars in Thousands)

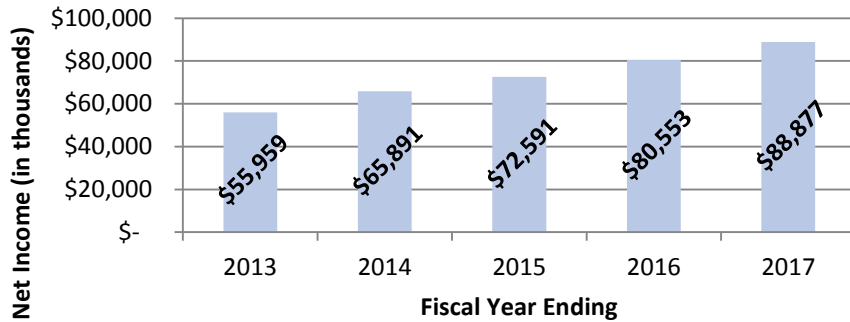
	As of and for the 3 months ended			As of and for the 9 months ended		As of and for the
	6/30/2018	3/31/2018	6/30/2017	6/30/2018	6/30/2017	year ended 9/30/2017
<b>Balance Sheet</b>						
Assets (\$)	13,936,593	13,956,028	13,525,579	13,936,593	13,525,579	13,692,563
Net loans (\$)	12,673,099	12,683,370	12,265,775	12,673,099	12,265,775	12,419,657
Deposits (\$)	8,408,288	8,350,422	8,175,859	8,408,288	8,175,859	8,151,625
Common equity (\$)	1,745,294	1,729,795	1,677,624	1,745,294	1,677,624	1,689,959
<b>Balance Sheet Ratios</b>						
Loans/Deposits (%)	150.72	151.89	150.02	150.72	150.02	152.36
Tangible Common Equity/Total Assets (%)	12.46	12.33	12.34	12.46	12.34	12.34
Return on Average Assets (%)	0.60	0.67	0.68	0.62	0.67	0.67
Return on Average Equity (%)	4.76	5.39	5.39	4.92	5.22	5.28
<b>Profitability</b>						
Net interest income (\$)	70,273	71,698	70,272	211,959	208,788	278,896
Credit for loan losses (\$)	2,000	4,000	4,000	9,000	10,000	17,000
Net interest income after credit for loan losses (\$)	72,273	75,698	74,272	220,959	218,788	295,896
Non-Interest Income (\$)	7,191	4,616	4,804	16,651	14,724	19,849
Non-interest Expense (\$)	(51,429)	(49,688)	(44,669)	(146,893)	(135,225)	(182,404)
Income before income taxes (\$)	28,035	30,626	34,407	90,717	98,287	133,341
Income tax expense (\$)	(7,160)	(7,312)	(11,619)	(26,915)	(32,428)	(44,464)
Net income (\$)	20,875	23,314	22,788	63,802	65,859	88,877
Net interest margin (%)	2.09	2.13	2.16	2.10	2.17	2.16
Non-interest expense to average assets (%)	1.49	1.44	1.33	1.42	1.37	1.37
<b>Asset Quality</b>						
Non-Performing Assets/Assets (%)	0.53	0.59	0.60	0.53	0.60	0.62
Reserves/Loans (%)	0.34	0.34	0.45	0.34	0.45	0.39



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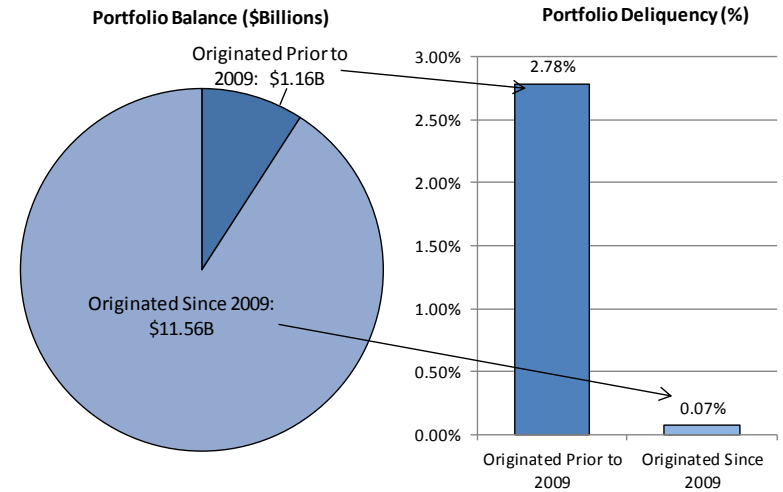
# Strong Performance Trends

## Net Income continues to rise



■ Fiscal Year (ending 9/30) Net Income

## Loan Performance continues to improve.....



\*As of 6/30/2018 entire \$12.7B Loan Portfolio carries a 0.32% Delinquency Rate

## Loan portfolio continues to grow in targeted regions.....



	2013 as of 9/30	2014 as of 9/30	2015 as of 9/30	2016 as of 9/30	2017 as of 9/30	2018 as of 6/30
<b>Ohio</b>	Balance \$ 6,916,417	\$ 6,871,511	\$ 6,732,677	\$ 6,715,600	\$ 6,835,976	\$ 6,758,265
	% of Portfolio 68%	64%	60%	57%	55%	53%
<b>Florida</b>	Balance \$ 2,012,885	\$ 2,052,371	\$ 2,049,717	\$ 2,054,323	\$ 2,084,552	\$ 2,108,625
	% of Portfolio 19%	19%	18%	17%	17%	17%
<b>All Other</b>	Balance \$ 1,302,490	\$ 1,817,907	\$ 2,500,419	\$ 3,017,447	\$ 3,551,312	\$ 3,850,450
	% of Portfolio 13%	17%	22%	26%	28%	30%
<b>Full Footprint</b>	Balance \$ 10,231,792	\$ 10,741,789	\$ 11,282,813	\$ 11,787,370	\$ 12,471,840	\$ 12,717,340
	% of Portfolio 100%	100%	100%	100%	100%	100%

\*Dollars in thousands



# Capital Highlights

	-----Fiscal Year End (as of 09/30)-----/				9 Months as of 06/30/18
	2014	2015	2016	2017	
Net Income (in 000s)	\$ 65,891	\$ 72,591	\$ 80,553	\$ 88,877	\$ 63,802
Dividends Paid (in 000s) <sup>1,2</sup>	\$ 4,886	\$ 19,490	\$ 23,414	\$ 27,709	\$ 25,288
Repurchase of Common Stock (in 000s)	\$ 103,085	\$ 172,366	\$ 128,427	\$ 52,549	\$ 13,034
Total Usage of Capital (in 000s)	\$ 107,971	\$ 191,856	\$ 151,841	\$ 80,258	\$ 38,322
Asset Growth (in 000s)	\$ 533,849	\$ 565,691	\$ 537,176	\$ 786,501	\$ 244,030
Equity as % of assets:					
- TFS Financial Corporation	15.6%	14.0%	12.9%	12.3%	12.5%
- Third Federal Savings (thirft)	13.4%	13.0%	11.5%	11.0%	10.9%
Shares of TFSL stock held by:					
Third Federal Savings, MHC <sup>1</sup>	227,119,132	227,119,132	227,119,132	227,119,132	227,119,132
Minority Shareholders <sup>2</sup>	74,535,449	63,763,247	57,099,887	54,172,618	53,330,930
Total Shareholders	301,654,581	290,882,379	284,219,019	281,291,750	280,450,062
Earnings per share:					
-GAAP	\$ 0.22	\$ 0.25	\$ 0.28	\$ 0.32	\$ 0.23
-Non-GAAP per minority share only <sup>3</sup>	\$ 0.88	\$ 1.14	\$ 1.41	\$ 1.64	\$ 1.20
-Dividends paid per minority share	\$ 0.07	\$ 0.31	\$ 0.425	\$ 0.545	\$ 0.51
Total Dividends paid as % of net income	7%	27%	29%	31%	40%
Book Value per share:					
-GAAP	\$ 6.10	\$ 5.95	\$ 5.84	\$ 6.01	\$ 6.22
-Non-GAAP per minority share only <sup>3</sup>	\$ 24.68	\$ 27.12	\$ 29.08	\$ 31.20	\$ 32.73

1 - Third Federal Savings, MHC waived its right to receive cash dividends.

2 - Shares held by ESOP that are not allocated to participants (approximately 5,200,000 shares at 6/30/2018) do not receive dividends.

3 - Non-GAAP calculation uses minority shares at end of respective period.



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# Capital Uses and Performance

- **Dividends and portfolio growth** will represent a larger focus for future capital deployment actions
- MHC member vote on 7/11/18 **approved dividend waiver** up to \$1.00 for four quarters ending 06/30/19
- **8<sup>th</sup> buyback program** (for 10M shares) began Jan. 2017, and 3,363,021 have been purchased through June, 2018. Over 50% of original minority shares have been repurchased since 2007 IPO
- **Total capital of \$228M** at TFS Financial Corporation at 6/30/18, which is separate from thrift. Assets include cash and short-term investments of \$141M

## 10%

Average annual increase in profits  
(Fiscal years 2014-2017)

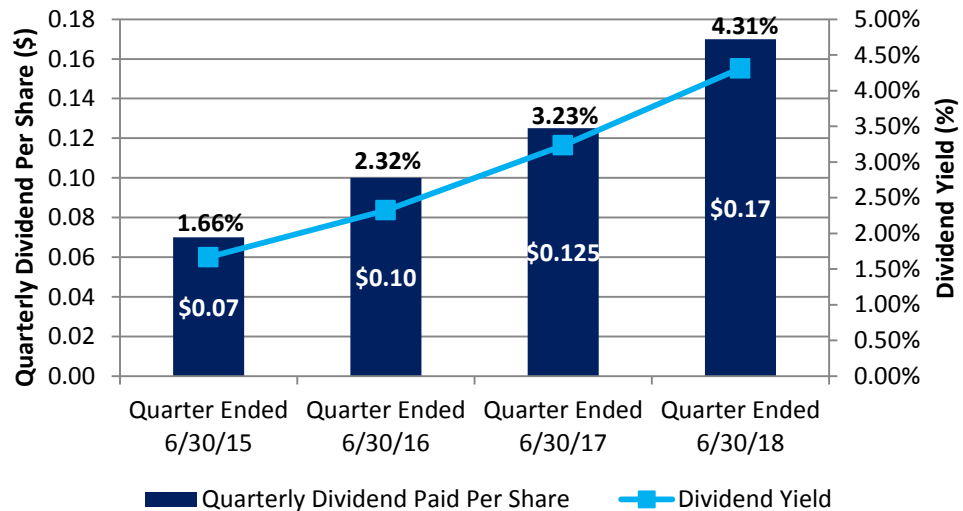
## 7% → 40%

Increase in dividends paid as a % of  
Net Income from Fiscal Year 2014 (7%)  
to YTD Fiscal Year 2018 (40%)

## 12.5%

Equity to Assets ratio at TFS  
Fin Corp (as of Jun 30, 2018)

## Dividend Payment and Yield



\*Dividend Yield based on June 30 quarter-end stock price



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