

**TFS** Financial Corporation®

**Third Federal**®  
SAVINGS & LOAN

For the quarter ended  
March 31, 2019

# 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

**2019** 81<sup>st</sup> year of service

## TFSL Shareholder Ownership

	# of shares	% of Ownership
<b>As of April 20, 2007 Minority Offering</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>As of March 31, 2019</b>		
Owned by Third Federal MHC	227,119,132	81.1%
Owned by Minority Shareholders	52,957,779	18.9%
<b>Total shares outstanding</b>	<b>280,076,911</b>	<b>100.0%</b>
<b>Cumulative Minority Shares Repurchased (net of benefit plan re-issuance)</b>	<b>52,241,839</b>	<b>49.7%</b>

## Financial Summary

	At or For Quarter Ended	
	March 31, 2019	Dec 31, 2018
Assets	\$14.21B	\$14.24B
Deposits	\$8.73B	\$8.60B
Shareholders' Equity	\$1.74B	\$1.74B
Tier I Capital to Avg Assets	12.19%	12.17%
Market Capitalization	\$4.61B	\$4.52B
Net Income for Fiscal Quarter	\$20.1M	\$20.3M

# TFSL Stock Ownership – Why Invest?

## Strong Dividend

- Projected annualized dividend of \$1 per share represents 6.07% yield based on stock price of \$16.47 at 3/31/19
- Dividend paid to minority shareholders only
- Total dividends paid represents 61% of net income for six months ended 3/31/19 and 44% for FYE 9/30/18

## MHC Structure and Value to 19% Minority Shareholders

- GAAP Book Value Per Share of \$6.20 but Book Value Per Minority Share<sup>1</sup> of \$32.78
- For last 12 months, GAAP Earnings Per Share of \$0.30 but Earnings Per Minority Share<sup>2</sup> of \$1.57

## Growth

- High-quality asset growth of 26.1%, or \$2.9 billion, last 5.5 fiscal years
- Geographical diversification by offering products in 25 states and D.C.
- Deposit growth of \$382 million last 12 months

## Minimal Credit Risk

- Total delinquency rate of 0.10% on loans originated since 2009; reported net recoveries in each of last two FY's

## High Capital Levels

- Tier I Capital to Average Assets = 12.19%
- Total Risk-Based Capital = 22.86%
- “Well-Capitalized” levels are 5% and 10%, respectively

1 - Book value per Minority Share based on Total Shareholders Equity divided by minority share count at 3/31/19.

2 - Earnings per Minority Share based on Total Net Income divided by minority share count at 3/31/19.

# 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

## Associate Engagement

- Value system of: Love (genuine concern), trust, respect, commitment to excellence and fun
- Average Associate tenure is 13 years
- Annual turnover rate of 3%; industry average is 19%



## Shareholder Focus

3-dimensional capital strategy:

- Generous shareholder dividend
- Portfolio growth
- Strategic stock buybacks

## Commitment to our Communities

- Foundation awarded over \$40 million in grants to local communities since 2007 inception
- Annual contribution of \$1.5 million to the Slavic Village Broadway P-16 program addressing impoverished youth

# Our Disciplined Strategy Drives Our Results

## Strategic Overview

- **Originate and service** first mortgage loans, and home equity loans and lines of credit, funded through retail deposits, FHLB advances and brokered CDs.
- **Loyal deposit customer base** provides stability to funding approach.
- **High average deposits per branch (\$230 million) and assets per associate (\$14 million)** generate efficiencies that keep non-interest expenses low.
- **Physical presence** in Ohio (21 full-service branches, 8 loan origination offices) and Florida (17 full-service branches), and first mortgage loan origination and home equity loan products to 25 states and the District of Columbia through our online offering and customer service center.
- **Non-commissioned Third Federal associates** underwrite and process the requests to generate mortgage loans and home equity products.
- **Stringent, conservative lending standards** used for underwriting, which reduces credit risk. For first mortgage loans originated during the current fiscal year, the average FICO score was **774**, 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 cash dividends and share repurchases.

# Capital Highlights

	-----Fiscal Year End (as of 09/30)-----/				6 months as of 3/31/2019
	2015	2016	2017	2018	
<b>Net Income (in 000s)</b>	\$ 72,591	\$ 80,553	\$ 88,877	\$ 85,407	\$ <b>40,463</b>
<b>Earnings Per Share:</b>					
-GAAP	\$ 0.25	\$ 0.28	\$ 0.32	\$ 0.30	\$ 0.14
-Non-GAAP Per Minority Share <sup>1</sup>	\$ 1.14	\$ 1.41	\$ 1.64	\$ 1.61	\$ 0.76
<b>-Dividends Paid Per Minority Share</b>	\$ 0.31	\$ 0.425	\$ 0.545	\$ 0.760	\$ <b>0.50</b>
<b>Total Dividends Paid as % of Net Income</b>	27%	29%	31%	44%	<b>61%</b>
<b>Book Value Per Share:</b>					
-GAAP	\$ 5.95	\$ 5.84	\$ 6.01	\$ 6.27	\$ 6.20
-Non-GAAP Per Minority Share <sup>1</sup>	\$ 27.12	\$ 29.08	\$ 31.20	\$ 33.06	\$ 32.78
Dividends Paid (in 000s) <sup>2,3</sup>	\$ 19,490	\$ 23,414	\$ 27,709	\$ 37,630	\$ <b>24,709</b>
Repurchase of Common Stock (in 000s)	\$ 172,366	\$ 128,427	\$ 52,540	\$ 19,674	\$ 6,208
Total Usage of Capital (in 000s)	\$ 191,856	\$ 151,841	\$ 80,249	\$ 57,304	\$ 30,917
<b>Asset Growth (in 000s)</b>	\$ 565,691	\$ 537,176	\$ 786,501	\$ 445,554 <sup>4</sup>	\$ <b>69,296</b>
<b>Tier I Leverage Capital to Net Average Assets:</b>					
- TFS Financial Corporation	13.8%	13.1%	12.4%	12.3%	12.2%
- Third Federal Savings (Thrift)	12.8%	11.7%	11.2%	10.9%	10.5%
<b>Shares of TFSL Stock Held by:</b>					
Third Federal Savings, MHC <sup>2</sup>	227,119,132	227,119,132	227,119,132	227,119,132	227,119,132
Minority Shareholders <sup>3</sup>	63,763,247	57,099,887	54,172,618	53,191,938	52,957,779
Total Shareholders	290,882,379	284,219,019	281,291,750	280,311,070	280,076,911

1 - Non-GAAP calculation uses Total Net Income or Shareholders Equity divided by minority shares at end of respective period.

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

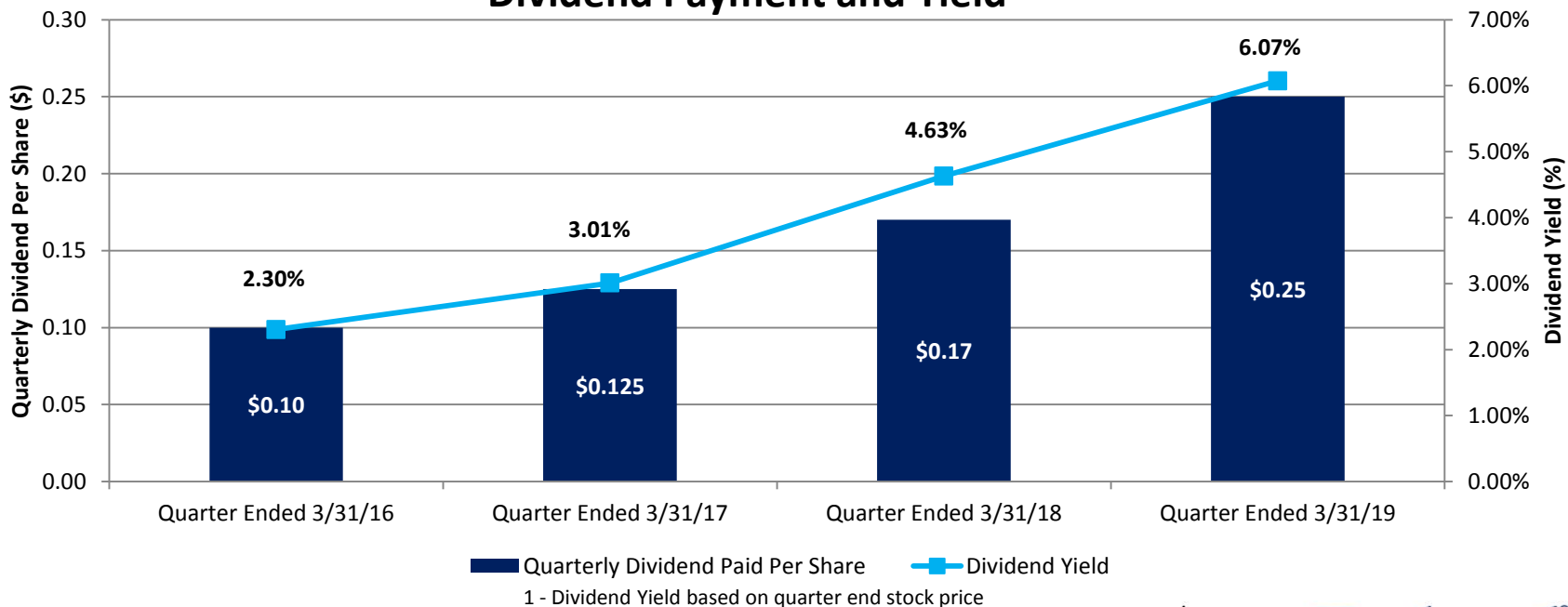
3 - Dividends from shares held by ESOP that are not allocated to participants (approximately 4,800,000 shares at 3/31/2019) are applied to the ESOP loan balance.

4 - In 2018, a private loan sale in the amount of \$277.4 million was executed. Excluding the sale, asset growth would have been \$722,954.

# Capital Uses and Performance

- **Dividends, portfolio growth, and strategic share repurchases** will represent the focus for future capital deployment.
- **Consistent Loan Growth** with a Compound Annual Growth Rate (CAGR) of 4.3% over the last 5.5 fiscal years.
- MHC member vote on 7/11/18 **approved dividend waiver** up to \$1.00 for four quarters ending 06/30/19; 97% of members voting elect "yes" in favor of the dividend waiver.
- **8<sup>th</sup> buyback program** (for 10M shares) began Jan. 2017, and 3,921,521 have been purchased through March 2019. Over 50% of original minority shares have been repurchased since 2007 IPO.
- **Additional capital of \$268M** held at TFS Financial Corporation at 3/31/19, which is separate from thrift. Assets include cash and short-term investments of \$185M.

## Dividend Payment and Yield<sup>1</sup>



# Financial Highlights

(Dollars in Thousands)

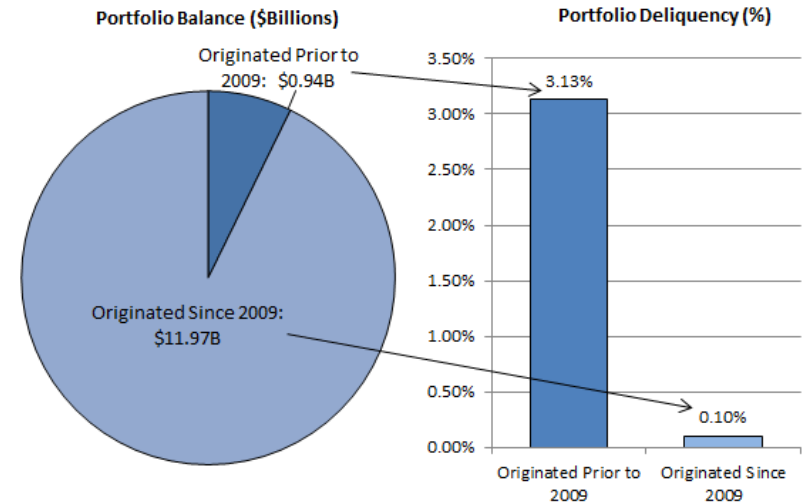
	As of and for the 3 months ended			As of and for the 6 months ended		Fiscal Year End
	3/31/2019	12/31/2018	3/31/2018	3/31/2019	3/31/2018	9/30/2018
<b>Balance Sheet</b>						
Assets (\$)	14,206,627	14,238,678	13,956,028	14,206,627	13,956,028	14,137,331
Net loans (\$)	12,885,003	12,919,526	12,683,370	12,885,003	12,683,370	12,871,953
Deposits (\$)	8,732,790	8,597,179	8,350,422	8,732,790	8,350,422	8,491,853
Common equity (\$)	1,735,985	1,743,780	1,729,795	1,735,985	1,729,795	1,758,404
<b>Balance Sheet Ratios</b>						
Loans/Deposits (%)	147.55	150.28	151.90	147.55	151.90	151.58
Common Equity/Total Assets (%)	12.22	12.26	12.30	12.22	12.30	12.44
Return on Average Assets (%)	0.57	0.58	0.67	0.57	0.62	0.62
Return on Average Equity (%)	4.58	4.59	5.39	4.58	5.00	4.91
<b>Profitability</b>						
Net interest income (\$)	67,761	67,812	71,698	135,573	141,686	280,941
Credit for loan losses (\$)	4,000	2,000	4,000	6,000	7,000	11,000
Net interest income after credit for loan losses (\$)	71,761	69,812	75,698	141,573	148,686	291,941
Non-Interest income (\$)	4,906	4,676	4,616	9,582	9,460	21,536
Non-interest expense (\$)	(50,727)	(47,980)	(49,688)	(98,707)	(95,464)	(192,313)
Income before income taxes (\$)	25,940	26,508	30,626	52,448	62,682	121,164
Income tax expense (\$)	(5,810)	(6,175)	(7,312)	(11,985)	(19,755)	(35,757)
Net income (\$)	20,130	20,333	23,314	40,463	42,927	85,407
Net interest margin (%)	1.97	1.98	2.13	1.97	2.11	2.08
Non-interest expense to average assets (%)	1.43	1.36	1.44	1.40	1.38	1.39
<b>Asset Quality</b>						
Non-Performing Assets/Assets (%)	0.56	0.56	0.59	0.56	0.59	0.57
Reserves/Loans (%)	0.31	0.32	0.34	0.31	0.34	0.33



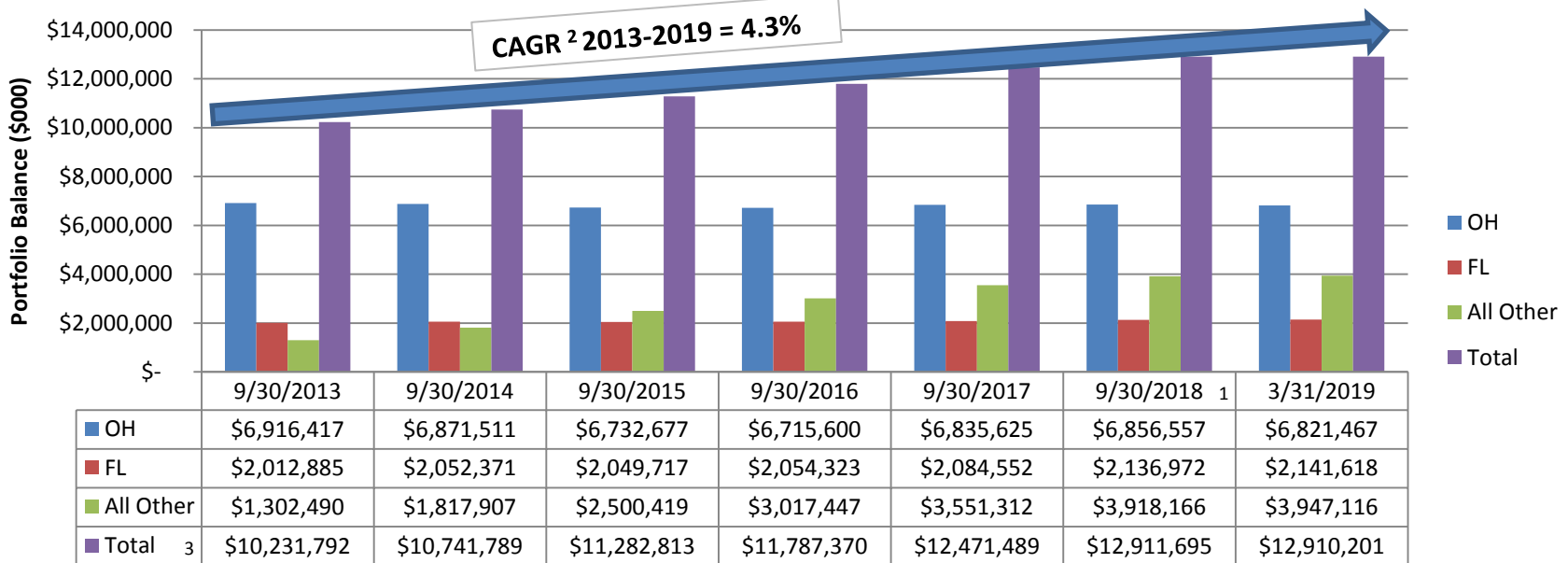
# Loan Growth & Performance

## Strong loan performance

- Delinquency rate of 0.10% on the \$11.97 billion of loans originated since 2009.
- As of 3/31/19 entire \$12.91 billion loan portfolio carries a 0.32% delinquency rate.



## Diversified, organic loan growth



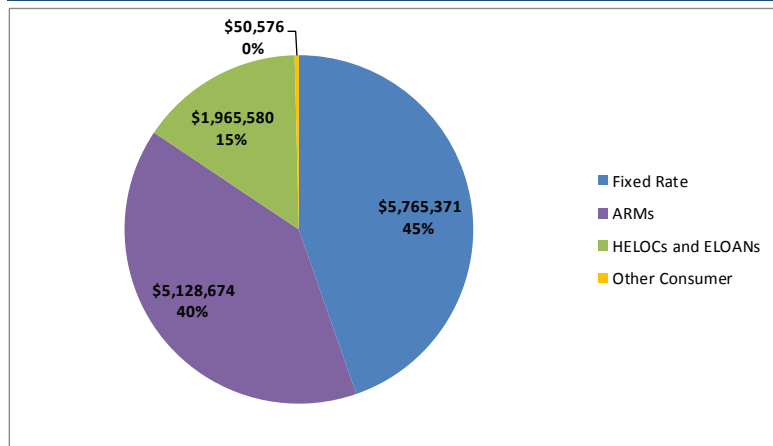
1 - Large loan sales occur periodically to manage IRR. In 2018, a private loan sale in the amount of \$277.4 million was executed.

2 - Compound Annual Growth Rate equals the mean annual growth rate over multiple periods.

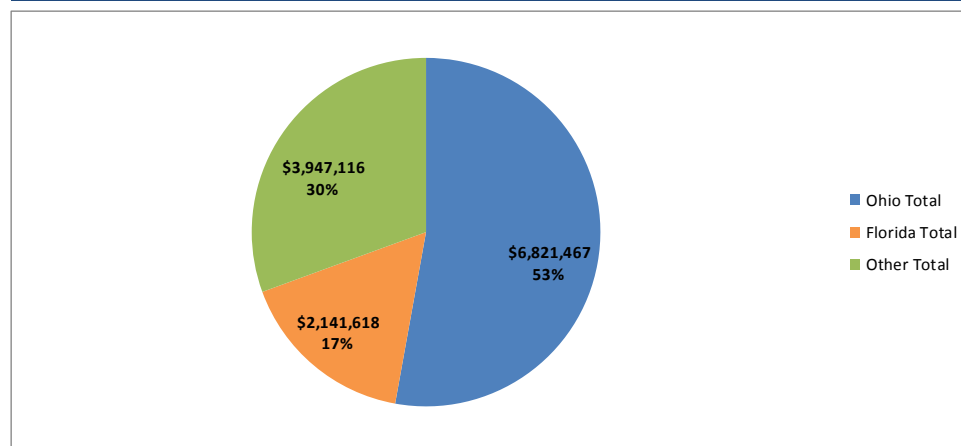
3 - Total loans receivable, excluding held for sale.

# Loan Composition by Product and State

## Loan Balances (Held for Investment)



## Geographic Breakdown of Loan Balances



Loan Balance (\$000)	Balance <sup>1</sup>	% of Total	Yield <sup>1</sup>
Fixed Rate			
Terms ≤ 10 yrs	\$ 1,651,008	12.8%	2.92%
Terms > 10 yrs	\$ 4,114,363	31.9%	4.10%
Total Fixed	\$ 5,765,371	44.7%	3.76%
ARMs	\$ 5,128,674	39.7%	3.12%
HELOCs and ELOANS	\$ 1,965,580	15.2%	4.71%
Other Consumer	\$ 50,576	0.4%	3.82%
<b>Total Loans Receivable (HFI)</b>	<b>\$ 12,910,201</b>	<b>100%</b>	<b>3.65%</b>

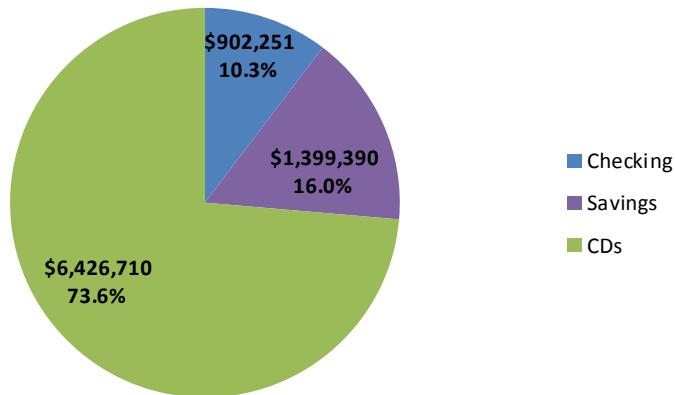
Loan Balance (\$000)	Balance <sup>1</sup>	Fixed Rate		Yield <sup>1</sup>
		Balance	% of Total	
1st Lien Residential				
Ohio	\$ 6,112,767	\$ 4,189,015	47.3%	3.68%
Florida	\$ 1,745,634	\$ 687,021	13.5%	3.44%
Other	\$ 3,035,644	\$ 889,334	23.5%	3.03%
Total 1st Lien Residential	\$ 10,894,045	\$ 5,765,370	84.4%	3.46%
HELOCs and ELOANS:				
Ohio	\$ 662,068	\$ 60,766	5.1%	4.71%
Florida	\$ 392,651	\$ 35,950	3.0%	4.57%
California	\$ 305,042	\$ 21,045	2.4%	4.78%
Other	\$ 605,819	\$ 15,461	4.7%	4.78%
Total HELOCs and ELOANS	\$ 1,965,580	\$ 133,222	15.2%	4.71%
Other Consumer	\$ 50,576	\$ 50,576	0.4%	3.73%
<b>Total Loans Receivable (HFI)</b>	<b>\$ 12,910,201</b>	<b>\$ 5,949,168</b>	<b>100%</b>	<b>3.65%</b>

<sup>1</sup>As of 3/31/19

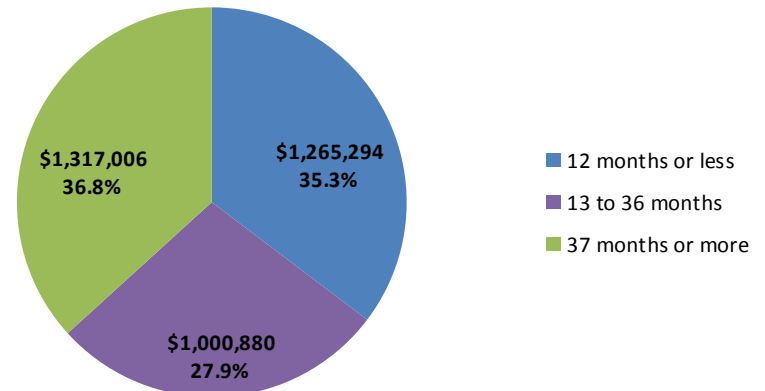
**Total 3-month Average Loan Yield as of 3/31/19 was 3.55%**

# Strong Deposit Funding Base Supplemented by Wholesale Borrowings

## Deposit Composition



## Borrowings Composition



Deposit Type (\$000)	Balance <sup>1</sup>	% of Total	Weighted Avg Cost of Funds
Interest Bearing:			
Checking	\$ 902,251	10.4%	0.40%
Savings	\$ 1,399,390	16.0%	0.88%
CDs <sup>3</sup>	\$ 6,426,710	73.6%	2.05%
<b>Total Deposits<sup>4</sup></b>	<b>\$ 8,728,351</b>	<b>100%</b>	<b>1.69%</b>

Borrowings (\$000)	Balance <sup>1,2</sup>	% of Total	Weighted Avg Cost of Funds <sup>1,2</sup>
Maturing in:			
12 months or less <sup>2</sup>	\$ 1,265,294	35.3%	2.19%
13 to 36 months	\$ 1,000,880	27.9%	1.54%
37 months or more	\$ 1,317,006	36.8%	2.33%
<b>Total Borrowings<sup>4</sup></b>	<b>\$ 3,583,180</b>	<b>100%</b>	<b>2.06%</b>

<sup>1</sup> As of 3/31/19

<sup>2</sup> The blended balance and rate include both the FHLB borrowings and swaps to show the true economics of the transactions. Swap notional was \$2.250 billion at 3/31/19.

<sup>3</sup> Weighted Average Maturity (WAM) of the CD portfolio was 18.29 months.

<sup>4</sup> Balance(s) exclude deferred repayment penalties and accrued interest.

**Total 3-month Average Interest Bearing Liabilities CoF as of 3/31/19 was 1.72%**

# 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, either 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 FRS 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 or our customer;
- 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 continuing governmental efforts to restructure the U.S. financial and regulatory system;
- the inability of third-party providers to perform their obligations to us;
- a slowing or failure of the prevailing economic recovery
- changes in accounting and tax estimates;
- the adoption of implementing regulations by a number of different regulatory bodies under the DFA, and uncertainty in the exact nature, extent and timing of such regulations and the impact they will have on us;
- 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;
- the ability of the U.S. Government to remain open, function properly and manage federal debt limits; and
- cyber attacks, computer viruses and other technological risks that may breach the security of our websites or other systems to obtain unauthorized access to confidential information, destroy data or disable our systems

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.