

TFS Financial CORP  
Form 10-Q  
February 06, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the Quarterly Period Ended December 31, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-33390

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TFS FINANCIAL CORPORATION  
(Exact Name of Registrant as Specified in its Charter)

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United States of America (State or Other Jurisdiction of Incorporation or Organization)	52-2054948 (I.R.S. Employer Identification No.)
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7007 Broadway Avenue Cleveland, Ohio (Address of Principal Executive Offices) (216) 441-6000	44105 (Zip Code)
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Registrant's telephone number, including area code:  
Not Applicable  
(Former name or former address, if changed since last report)

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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  No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
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Non-accelerated filer  (do not check if a smaller reporting company)  Smaller Reporting Company   
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

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

As of February 2, 2015 there were 298,315,471 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 227,119,132 shares, or 76.1% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

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GLOSSARY OF TERMS

TFS Financial Corporation provides the following list of acronyms as a tool for the reader. The acronyms identified below are used throughout the document.

AOCI: Accumulated Other Comprehensive Income	GAAP: Generally Accepted Accounting Principles
ARM: Adjustable Rate Mortgage	GVA: General Valuation Allowances
ASC: Accounting Standards Codification	HARP: Home Affordable Refinance Program
ASU: Accounting Standards Update	HPI: Home Price Index
Association: Third Federal Savings and Loan Association of Cleveland	IRR: Interest Rate Risk
BAAS: OCC Bank Accounting Advisory Series	IRS: Internal Revenue Service
CDs: Certificates of Deposit	IVA: Individual Valuation Allowance
CFPB: Consumer Financial Protection Bureau	LIP: Loans-in-Process
CLTV: Combined Loan-to-Value	LTV: Loan-to-Value
Company: TFS Financial Corporation and its subsidiaries	MGIC: Mortgage Guaranty Insurance Corporation
DFA: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	MOU: Memorandum of Understanding
DIF: Depository Insurance Fund	NOW: Negotiable Order of Withdrawal
EaR: Earnings at Risk	OCC: Office of the Comptroller of the Currency
ESOP: Third Federal Employee (Associate) Stock Ownership Plan	OCI: Other Comprehensive Income
EVE: Economic Value of Equity	OTS: Office of Thrift Supervision
FASB: Financial Accounting Standards Board	PMI: Private Mortgage Insurance
FDIC: Federal Deposit Insurance Corporation	PMIC: PMI Mortgage Insurance Co.
FHFA: Federal Housing Finance Agency	QTL: Qualified Thrift Lender
FHLB: Federal Home Loan Bank	REMICs: Real Estate Mortgage Investment Conduits
Fannie Mae: Federal National Mortgage Association	REIT: Real Estate Investment Trust
FRB-Cleveland: Federal Reserve Bank of Cleveland	SEC: United States Securities and Exchange Commission
FRS: Board of Governors of the Federal Reserve System	TDR: Troubled Debt Restructuring
	Third Federal Savings, MHC: Third Federal Savings and Loan Association of Cleveland, MHC

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## Item 1. Financial Statements

TFS FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CONDITION (unaudited)  
(In thousands, except share data)

	December 31, 2014	September 30, 2014
<b>ASSETS</b>		
Cash and due from banks	\$28,149	\$26,886
Interest-earning cash equivalents	247,671	154,517
Cash and cash equivalents	275,820	181,403
Investment securities available for sale (amortized cost \$581,480 and \$570,549, respectively)	580,467	568,868
Mortgage loans held for sale, at lower of cost or market (\$0 and \$4,570 measured at fair value, respectively)	1,379	4,962
Loans held for investment, net:		
Mortgage loans	10,844,202	10,708,483
Other consumer loans	4,636	4,721
Deferred loan expenses (fees), net	1,643	(1,155 )
Allowance for loan losses	(79,762 )	(81,362 )
Loans, net	10,770,719	10,630,687
Mortgage loan servicing rights, net	11,229	11,669
Federal Home Loan Bank stock, at cost	64,086	40,411
Real estate owned	21,984	21,768
Premises, equipment, and software, net	56,407	56,443
Accrued interest receivable	31,926	31,952
Bank owned life insurance contracts	191,484	190,152
Other assets	62,342	64,880
<b>TOTAL ASSETS</b>	<b>\$12,067,843</b>	<b>\$11,803,195</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits	\$8,539,214	\$8,653,878
Borrowed funds	1,504,705	1,138,639
Borrowers' advances for insurance and taxes	74,354	76,266
Principal, interest, and related escrow owed on loans serviced	49,577	54,670
Accrued expenses and other liabilities	87,300	40,285
Total liabilities	10,255,150	9,963,738
Commitments and contingent liabilities		
Preferred stock, \$0.01 par value, 100,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 299,146,837 and 301,654,581 outstanding at December 31, 2014 and September 30, 2014, respectively	3,323	3,323
Paid-in capital	1,701,982	1,702,441
Treasury stock, at cost; 33,171,913 and 30,664,169 shares at December 31, 2014 and September 30, 2014, respectively	(417,578 )	(379,109 )
Unallocated ESOP shares	(65,001 )	(66,084 )
Retained earnings—substantially restricted	600,202	589,678
Accumulated other comprehensive loss	(10,235 )	(10,792 )
Total shareholders' equity	1,812,693	1,839,457

