

TFS Financial CORP  
Form 10-Q  
August 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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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the Quarterly Period Ended June 30, 2015

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 checked="" 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 August 4, 2015 there were 292,653,308 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 227,119,132 shares, or 77.6% 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	LIHTC: Low Income Housing Tax Credit
CLTV: Combined Loan-to-Value	LIP: Loans-in-Process
Company: TFS Financial Corporation and its subsidiaries	LTV: Loan-to-Value
DFA: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	MGIC: Mortgage Guaranty Insurance Corporation
DIF: Depository Insurance Fund	MOU: Memorandum of Understanding
EaR: Earnings at Risk	NOW: Negotiable Order of Withdrawal
ESOP: Third Federal Employee (Associate) Stock Ownership Plan	OCC: Office of the Comptroller of the Currency
EVE: Economic Value of Equity	OCI: Other Comprehensive Income
FASB: Financial Accounting Standards Board	OTS: Office of Thrift Supervision
FDIC: Federal Deposit Insurance Corporation	PMI: Private Mortgage Insurance
FHFA: Federal Housing Finance Agency	PMIC: PMI Mortgage Insurance Co.
FHLB: Federal Home Loan Bank	QTL: Qualified Thrift Lender
Fannie Mae: Federal National Mortgage Association	REMICs: Real Estate Mortgage Investment Conduits
FRB-Cleveland: Federal Reserve Bank of Cleveland	REIT: Real Estate Investment Trust
FRS: Board of Governors of the Federal Reserve System	SEC: United States Securities and Exchange Commission
	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)

	June 30, 2015	September 30, 2014
<b>ASSETS</b>		
Cash and due from banks	\$26,545	\$26,886
Interest-earning cash equivalents	197,658	154,517
Cash and cash equivalents	224,203	181,403
Investment securities available for sale (amortized cost \$567,946 and \$570,549, respectively)	569,352	568,868
Mortgage loans held for sale, at lower of cost or market (\$10,298 and \$4,570 measured at fair value, respectively)	10,658	4,962
Loans held for investment, net:		
Mortgage loans	11,074,210	10,708,483
Other consumer loans	3,679	4,721
Deferred loan expenses (fees), net	7,144	(1,155 )
Allowance for loan losses	(76,904 )	(81,362 )
Loans, net	11,008,129	10,630,687
Mortgage loan servicing rights, net	10,287	11,669
Federal Home Loan Bank stock, at cost	69,470	40,411
Real estate owned	19,381	21,768
Premises, equipment, and software, net	56,199	56,443
Accrued interest receivable	32,035	31,952
Bank owned life insurance contracts	194,675	190,152
Other assets	65,117	64,880
<b>TOTAL ASSETS</b>	<b>\$12,259,506</b>	<b>\$11,803,195</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits	\$8,462,059	\$8,653,878
Borrowed funds	1,899,080	1,138,639
Borrowers' advances for insurance and taxes	44,173	76,266
Principal, interest, and related escrow owed on loans serviced	44,940	54,670
Accrued expenses and other liabilities	47,979	40,285
Total liabilities	10,498,231	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; 293,595,601 and 301,654,581 outstanding at June 30, 2015 and September 30, 2014, respectively	3,323	3,323
Paid-in capital	1,705,603	1,702,441
Treasury stock, at cost; 38,723,149 and 30,664,169 shares at June 30, 2015 and September 30, 2014, respectively	(500,665 )	(379,109 )
Unallocated ESOP shares	(62,834 )	(66,084 )
Retained earnings—substantially restricted	624,263	589,678
Accumulated other comprehensive loss	(8,415 )	(10,792 )
Total shareholders' equity	1,761,275	1,839,457

