

TFS Financial CORP
Form 10-Q
August 07, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended June 30, 2009

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

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

52-2054948
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

7007 Broadway Avenue

Cleveland, Ohio
(Address of Principal Executive Offices)

44105
(Zip Code)

(216) 441-6000

Registrant's telephone number, including area code:

Not Applicable

(Former name or former address, if changed since last report)

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

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller Reporting Company

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 3, 2009 there were 308,516,400 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 227,119,132 shares, or 73.62% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****TFS FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CONDITION**

(In thousands, except share data)

	June 30, 2009 (unaudited)	September 30, 2008
ASSETS		
Cash and due from banks	\$ 42,701	\$ 57,888
Other interest-bearing cash equivalents	130,079	74,491
Cash and cash equivalents	172,780	132,379
Investment securities:		
Available for sale (amortized cost \$25,152 and \$30,861, respectively)	25,611	31,102
Held to maturity (fair value \$630,061 and \$820,047, respectively)	619,570	817,750
Total investment securities	645,181	848,852
Mortgage loans held for sale (includes \$250,100 measured at fair value at June 30, 2009)	263,168	200,670
Loans held for investment, net:		
Mortgage loans	9,373,919	9,259,529
Other loans	7,425	7,599
Deferred loan fees, net	(10,338)	(14,596)
Allowance for loan losses	(55,868)	(43,796)
Loans, net	9,315,138	9,208,736
Mortgage loan servicing assets, net	36,603	41,526
Federal Home Loan Bank stock, at cost	35,620	35,620
Real estate owned	14,859	14,108
Premises, equipment, and software, net	66,504	68,112
Accrued interest receivable	38,813	46,371
Bank owned life insurance contracts	156,196	151,294
Other assets	38,278	38,783
TOTAL ASSETS	\$ 10,783,140	\$ 10,786,451
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 8,497,485	\$ 8,261,101
Borrowed funds	190,158	498,028
Borrowers' advances for insurance and taxes	21,974	48,439
Principal, interest, and related escrow owed on loans serviced	231,683	80,675
Accrued expenses and other liabilities	65,096	54,556

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Total liabilities	9,006,396	8,942,799
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; 308,957,900 and 316,233,550 outstanding at June 30, 2009 and September 30, 2008, respectively	3,323	3,323
Paid-in capital	1,678,141	1,672,953
Treasury Stock, at cost; 23,360,850 shares at June 30, 2009 and 16,085,200 shares at September 30, 2008	(282,368)	(192,662)
Unallocated ESOP shares	(89,250)	(93,545)
Retained earnings substantially restricted	474,966	462,190
Accumulated other comprehensive loss	(8,068)	(8,607)
Total shareholders equity	1,776,744	1,843,652
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 10,783,140	\$ 10,786,451

See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents**TFS Financial Corporation and Subsidiaries****CONSOLIDATED STATEMENTS OF INCOME (unaudited)****(In thousands, except share and per share data)**

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2009	2008	2009	2008
INTEREST AND DIVIDEND INCOME:				
Loans, including fees	\$ 110,863	\$ 118,645	\$ 347,955	\$ 363,713
Investment securities available for sale	176	388	644	1,448
Investment securities held to maturity	6,374	10,471	23,256	33,436
Federal funds sold	1	1,254	1	14,480
Other interest and dividend earning assets	456	806	1,312	3,047
Total interest and dividend income	117,870	131,564	373,168	416,124
INTEREST EXPENSE:				
Deposits	59,032	75,244	197,165	253,772
Borrowed funds	485	19	2,102	19
Total interest expense	59,517	75,263	199,267	253,791
NET INTEREST INCOME	58,353	56,301	173,901	162,333
PROVISION FOR LOAN LOSSES	20,000	18,000	58,000	25,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	38,353	38,301	115,901	136,833
NON-INTEREST INCOME:				
Fees and service charges, net of amortization	4,233	6,454	15,249	18,871
Mortgage servicing assets recovery (impairment)	3,972	67	(2,596)	32
Net gain on the sale of loans	9,413	828	28,863	3,282
Increase in and death benefits from bank owned life insurance contracts	1,646	1,659	4,917	4,921
Income (loss) on private equity investments	542	1,158	(1,028)	3,173
Other	1,721	1,780	5,176	5,420
Total non-interest income	21,527	11,946	50,581	35,699
NON-INTEREST EXPENSE:				
Salaries and employee benefits	20,330	17,931	59,105	54,422
Marketing services	900	3,525	7,952	10,578
Office property, equipment, and software	5,654	4,932	16,536	13,891
Federal insurance premium	9,771	1,964	15,528	3,258
State franchise tax	1,211	1,657	3,988	4,027
Real estate owned expense, net	1,582	2,036	5,787	4,815
Other operating expenses	6,374	7,286	17,890	18,459

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Total non-interest expense	45,822	39,331	126,786	109,450
INCOME BEFORE INCOME TAXES	14,058	10,916	39,696	63,082
INCOME TAX EXPENSE	4,022	4,126	12,411	22,653
NET INCOME	\$ 10,036	\$ 6,790	\$ 27,285	\$ 40,429
Earnings per share - basic and fully diluted	\$ 0.03	\$ 0.02	\$ 0.09	\$ 0.13
Weighted average shares outstanding				
Basic	300,245,981	320,510,396	301,741,110	321,795,514
Diluted	300,638,781	320,510,396	302,103,263	321,795,514

See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents**TFS FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)****Nine Months Ended June 30, 2009 and 2008****(In thousands, except share and per share data)**

	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss) Unrealized gains/(losses) on securities	Pension obligation	Total shareholders equity
Balance at September 30, 2007	\$ 3,323	1,668,215		(100,597)	421,503	(223)	(6,020)	\$ 1,986,201
Comprehensive Income:								
Net income					40,429			40,429
Change in unrealized losses on securities available for sale								