TFS Financial CORP
Form 11-K
June 26, 2014

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. [NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996].

For the fiscal year ended December 31, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. [NO FEE REQUIRED].

For the transition period from ________________ to ________________

Commission file number 001-33390

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Third Federal Savings 401(k) Savings Plan

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

TFS Financial Corporation
7007 Broadway Avenue
Cleveland, Ohio 44105

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Report of Independent Registered Public Accounting Firm

To the Administrative Committee
Third Federal 401(k) Savings Plan
Cleveland, Ohio

We have audited the accompanying statements of net assets available for benefits of the THIRD FEDERAL 401(k) SAVINGS PLAN as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets held for investment purposes (at end of year) as of December 31, 2013, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Meaden & Moore, Ltd.
Certified Public Accountants

June 26, 2014
Cleveland, Ohio

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STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

Third Federal
401(k) Savings Plan

	December 31, 2013	2012
ASSETS		
Investments, at fair value	$88,283,064	$71,855,689
Receivables:		
Employer contributions	1,266,766	1,268,863
Securities receivable	—	20,015
Notes receivable from participants	2,458,222	2,231,041
Total Receivables	3,724,988	3,519,919
Total Assets	92,008,052	75,375,608
LIABILITIES	—	—
Net Assets Available for Benefits	$92,008,052	$75,375,608

See accompanying notes.

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Third Federal
401 (k) Savings Plan

	Year Ended December 31, 2013	2012
Additions to Net Assets Attributed to:		
Contributions:		
Employer	$2,981,920	$2,941,171
Employee	3,125,656	3,052,997
Rollover	418,666	110,797
Total Contributions	6,526,242	6,104,965
Investment Income		
Interest and dividend income	533,771	644,873
Net unrealized/realized appreciation	15,173,354	6,373,833
Total Investment Income	15,707,125	7,018,706
Deductions from Net Assets Attributed to:		
Benefits paid to participants	7,126,280	6,157,671
Administrative expenses	28,073	27,603
Total Deductions	7,154,353	6,185,274
Net Increase	15,079,014	6,938,397
Transfer from ASOP	1,553,430	747,729
Net Assets Available for Benefits:		
Beginning of Year	75,375,608	67,689,482
End of Year	$92,008,052	$75,375,608

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Third Federal
401(k) Savings Plan

1 Description of Plan

The following description of the Third Federal 401(k) Savings Plan (Plan) provides only general information. Participants should refer to the Plan Document or Summary Plan Description for a complete description of the Plan's provisions.

General:

The Plan is a profit sharing plan and provides for employee contributions under Section 401(k) of the Internal Revenue Code. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). A portion of the administrative costs related to the Plan are absorbed by the Company.

The Plan was restated effective January 1, 2013 and amended effective March 1, 2012 to include standard language in the Plan document as required by the IRS.

Eligibility:

Employees of Third Federal Savings and Loan Association of Cleveland (Third Federal) with at least one year of eligible service are entitled to participate in the Plan following the completion of the eligibility requirements. A participant is credited with one year of eligible service after completion of 1,000 hours of service during an eligibility period. A participant must also be at least 18 years of age to become eligible for matching contributions (Tier I) and discretionary profit sharing contributions (Tier II) and at least 21 years of age for discretionary contributions (Tier III).

Contributions:

Employee Contributions: The Plan allows participants to contribute up to 75% of their eligible compensation to the Plan. The Plan allows participants who have attained age 50 by the end of the Plan year to make catch-up contributions in accordance with Code Section 414(v). Participants may also contribute amounts representing distributions from other qualified plans.

Employer Matching Contributions: Third Federal makes a matching contribution (Tier I) equal to 100% of 401(k) deferrals up to the first 4% of compensation deferred.

Employer Discretionary Contributions: Third Federal may make a discretionary profit sharing contribution (Tier II) or a discretionary contribution (Tier III) to eligible participants. There were no Tier II profit sharing contributions made in 2013 or 2012. For 2013 and 2012, Tier III contributions of 2.5% of eligible wages were made.

1 Description of Plan, Continued

Contributions, Continued:

Individuals who were accruing benefits under the Third Federal Savings Retirement Plan were not eligible to receive a Tier III discretionary contribution prior to December 31, 2011. Effective December 31, 2011, benefit accruals under the Third Federal Savings Retirement Plan were frozen and these individuals became eligible for Tier III contributions effective January 1, 2012.

Contributions are subject to limitations on annual additions and other limitations imposed by the Internal Revenue Code as defined in the Plan agreement.

Participants' Accounts:

Each participant's account is credited with the participant's contribution, an allocation of Third Federal's contributions, if eligible, and Plan earnings net of administrative expenses. Allocations are based on participant contributions, participant earnings, or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting:

Participants are 100% vested in their own contributions and income thereon, at all times. Amounts contributed to a participant's Tier I and Tier II will be immediately 100% vested. Vesting of Tier III contributions is based on years of service in accordance with the table below:

Years of Service	%
Less than 2	—%
2	25%
3	50%
4	75%
5 or more	100%

Retirement, Death and Disability:

A participant is entitled to 100% of his or her vested account balance upon retirement, death or disability.

Forfeitures:

At December 31, 2013 and 2012, forfeited non-vested accounts totaled $10,934 and $5,231, respectively. Forfeitures used to reduce contributions were $481 in 2013 and $5,154 in 2012. The Plan also allows forfeitures to be used to pay administrative expenses. For the plan years ended December 31, 2013 and 2012, $0 and $5,383, respectively, were used to pay administrative expenses.

1 Description of Plan, Continued

Payment of Benefits:

On termination of service due to death, disability or retirement, a participant may elect to receive an amount equal to the value of the participant's vested interest in his or her account in a lump-sum amount. For termination of service due to other reasons, a participant may transfer the value of the vested interest in his or her account to the trustee or custodian of another qualified retirement plan or receive a lump-sum distribution.

Plan Termination:

Although it has not expressed any intent to do so, Third Federal has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA and its related regulations. In the event of Plan termination, participants will become 100% vested in their accounts.

Investment Options:

Upon enrollment in the Plan, a participant may direct employee and employer contributions to any of the investment options offered by the Plan. Participants are allowed to change their investment options once per day.

Investments in TFS Financial Corporation stock, the employer stock of Third Federal Savings, are based upon each employee's investment allocation. Purchases of stock occur when the custodian receives the employee and employer contributions. These purchases are conducted through a broker at the prevailing market price of the stock on the exchange in which these shares trade.

Notes Receivables from Participants:

Participants may borrow from their Tier I fund accounts up to the lesser of $50,000 or 50% of their vested account balance. Loan transactions are treated as a transfer to (from) the investment fund from (to) the Loan Fund. The term of the loan shall not exceed five years unless the loan is for the purchase of a primary residence. The loan must bear interest at a reasonable prevailing rate. Participant loans are categorized as notes receivable from participants. These loans are valued at unpaid principal balance plus any accrued but unpaid interest.

The Plan considers a loan in default when the participant fails to comply with the loan note and security agreement for a period of 90 days. In the event of default, the Plan Administrator may declare the loan payable due in full immediately. At that time, there shall be a "deemed distribution" from the participant's account in the amount of the outstanding loan balance. Participant loans continue to accrue interest until the loan is settled by repayment or distribution from participant's account, including "deemed distribution". There were no participant loans in non-accrual status at December 31, 2013 or 2012.

Transfer from Associate Stock Ownership Plan (ASOP):

Participants in the ASOP who are at least age 55 with at least five years of vested service may elect to transfer all or any portion of their accounts in the ASOP to the Plan under the diversification provision of the ASOP. During 2013 and 2012, participants elected to transfer $1,553,430 and $747,729, respectively, from their accounts in the ASOP to their accounts in the Plan.

2 Summary of Significant Accounting Policies

The policies and principles which significantly affect the determination of net assets and results of operations are summarized below.

Accounting Method:

The Plan's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Valuation of Investments and Income Recognition:

The Plan's investments are stated at fair value. Quoted market prices are used to value investments in registered investment companies and TFS Financial Corporation stock. Units of pooled separate accounts are valued by the asset custodian at the daily net asset value, which represents the cumulative market values of the pooled separate accounts' underlying investments. The Third Federal CD Portfolio is valued at the original cost plus the accrued interest which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts and disclosures, and actual results could differ from these estimates.

Risks and Uncertainties:

The Plan provides for various investment options including any combination of mutual funds, pooled separate accounts, and other investment securities. The investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in the statements of net assets available for benefits and participants individual account balances.

Payment of Benefits:

Benefits are recorded when paid.

3 Investments

The following presents investments that represent 5% or more of the Plan's net assets.

	2013	2012
Investments at fair value:		
American Funds American Balanced R4 Fund	$9,171,489	$7,211,976
American Funds Fundamental Investment R4 Fund	$7,642,480	$5,888,476
American Funds Growth Fund of America R4 Fund	$6,439,129	$4,841,702
Principal Bond and Mortgage Separate Account	N/A	$3,928,825
Third Federal Savings & Loan CD Portfolio	$14,240,731	$14,425,345
TFS Financial Corporation common stock	$15,700,395	$12,675,954

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $15,173,354 in 2013 and $6,373,833 in 2012 as follows:

	2013	2012
Pooled separate accounts	$5,661,809	$2,301,163
Shares of Registered Investment Companies	6,233,063	3,192,231
TFS Financial Corporation common stock	3,278,482	880,439
	$15,173,354	$6,373,833

In 2013 and 2012, the Plan's investments earned interest and dividend income of $533,771 and $644,873, respectively. Of these amounts, $108,504 (2013) and $202,256 (2012) was interest earned on the Third Federal CD portfolio. There were no dividends earned on TFS Financial Corporation common stock in 2013 and 2012.

Fair Value Measurements:

Under generally accepted accounting standards, a framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

3 Investments, Continued

Fair Value Measurements, Continued:

Level 2

Inputs to the valuation methodology include:

* Quoted prices for similar assets or liabilities in active markets;
* Quoted prices for identical or similar assets or liabilities in inactive markets;
* Inputs other that quoted prices that are observable for the asset or liability;
* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Pooled separate accounts and the CD portfolio can be redeemed on a daily basis with no redemption restrictions. If the Plan were to initiate a full redemption of the pooled separate account, the investment adviser reserves the right to temporarily delay disbursements from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner. Mutual funds and common stock trade within industry standard settlement periods with no redemption restrictions. As of December 31, 2013 and 2012, there are no unfunded commitments related to the Plan's investments.

The investment strategies for the Plan's investments are varied and include long term growth of capital and income, market capitalization, high level of current income consistent with preservation of principal and maintenance of liquidity. They may invest in a broad range of domestic and foreign equities, real estate investments and fixed income funds with the objective of matching or exceeding the total return of certain market indices.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common stock and Registered Investment Companies: Valued using the market approach at the closing price reported on the active market on which the individual securities were traded.
Pooled Separate Accounts: Valued at the net asset value ("NAV") of shares held by the Plan at the year-end.
CD Portfolio: Valued at the original cost plus accrued interest.

There were no changes to the valuation techniques used in fair value measurements at December 31, 2013 or 2012.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

3 Investments, Continued

Fair Value Measurements, Continued:

The following table sets forth by level on a recurring basis, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012.

	Investments at Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Pooled Separate Accounts				
Balanced/Asset funds	$—	$5,512,887	$—	$5,512,887
Fixed income funds	—	2,979,897	—	$2,979,897
Large U.S. equity funds	—	7,718,591	—	$7,718,591
Small/Mid U.S. equity funds	—	10,995,104	—	$10,995,104
Total Pooled Separate Accounts	$—	$27,206,479	$—	$27,206,479
Registered Investment Companies				
Balanced/Asset funds	$9,171,489	$—	$—	$9,171,489
International equity funds	6,242,008	—	—	6,242,008
Large U.S. equity funds	15,721,962	—	—	15,721,962
Total Registered Investment Companies	$31,135,459	$—	$—	$31,135,459
Common Stocks				
Financial	$15,700,395	$—	$—	$15,700,395
Total Common Stocks	$15,700,395	$—	$—	$15,700,395
CD Portfolio	$—	$14,240,731	$—	$14,240,731
Total Investments at Fair Value	$46,835,854	$41,447,210	$—	$88,283,064

3 Investments, Continued

Fair Value Measurements, Continued:

	Investments at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Pooled Separate Accounts				
Balanced/Asset funds	$—	$4,134,700	$—	$4,134,700
Fixed income funds	—	3,928,825	—	3,928,825
Large U.S. equity funds	—	5,010,088	—	5,010,088