



H&R BLOCK[®]
NEVER SETTLE FOR LESSSM

FY 2012 Q2 Earnings Call
December 1, 2011

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 - Uncertainties regarding the Company’s ability to attract and retain clients and meet its prepared return targets
 - Uncertainties and potential contingent liabilities arising from our former mortgage loan origination and servicing business
 - Uncertainties in the residential mortgage market and its impact on loan loss provisions
 - Uncertainties pertaining to the commercial debt market
 - Competitive factors
 - The Company’s effective income tax rate
 - Litigation defense expenses and costs of judgments or settlements
 - Uncertainties regarding the level of share repurchases
 - Changes in market, economic, political or regulatory conditions
 - Other risks described from time to time in H&R Block’s press releases and Forms 10-K, Forms 10-Q, Forms 8-K and other filings with the Securities and Exchange Commission
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Q2 Results

- Net loss from continuing ops of \$0.41
 - Adjusted non-GAAP loss from continuing ops of \$0.38 per share; essentially flat to prior year
- Disposing of non-core assets (RSM / ExpressTax) to refocus on core tax business
 - Led to one-time charges over the past two quarters
 - Better positioned for long-term growth in market share and margins

Recent Developments

RSM McGladrey:

- Transaction closed Nov. 30
- Final terms consistent with those previously announced

Wal-Mart:

- Partnership with largest retailer in the U.S.
 - 300 offices in FY12; look to grow partnership in the future
 - No material impact to FY12 results

Sand Canyon

- Increased third-party activity in 2Q led to \$20 mm pretax provision
- SCC will review claims on a loan-by-loan basis, paying only valid claims
- No change in how we view exposure
- SCC is a separate legal entity; believe legal position is very strong
- Recent activity does not change how we view capital allocation
 - Repurchased 4.3% of outstanding shares at \$13.61 per share
 - Committed to returning value to shareholders through dividends and share repurchases

Financial Results

- Loss from continuing ops of \$0.41
- Adjusted loss from continuing ops of \$115 mm or \$0.38
 - Essentially flat to adjusted loss in prior year

Tax Services

- Revenue up 9% to \$121 mm led by results in Australia
- Pretax loss of \$174 mm vs. \$154 mm in prior year
 - Discontinuation of ExpressTax: ~\$9 mm pretax charge
 - Increased litigation costs: \$8 mm pretax charge

Discontinued Operations

Sale of RSM McGladrey (“RSM”):

■ Total proceeds of ~\$575 mm

- \$487 mm cash (includes \$12 mm on RSM’s closing balance sheet)
- \$54 mm note financed by HRB
- \$34 mm of additional cash expected by calendar year-end
- ~\$35 mm of cash transferred to HRB prior to closing
- Sale triggers distribution of ~\$80 mm to RSM employees who were participants in a HRB sponsored deferred comp plan

Q2 Results:

- ### ■ Net loss* of \$19 mm vs. net income of \$2 mm in prior year
- \$20 mm pretax provision at SCC

*Q2 discontinued operations results include Sand Canyon & RSM McGladrey

SCC Rep & Warranty Obligations

- SCC did not guarantee loan performance
- Obligations pertain to valid breaches of reps and warranties, demonstrating non-compliance with stated underwriting guidelines
 - Claims reviewed on a loan-by-loan basis
- SCC's sub-prime underwriting guidelines were typically broader than prime originations (e.g. stated income loans)

SCC Rep & Warranty Obligations

- Parties asserting claims must demonstrate causation
 - Must be a breach and that breach must materially and adversely effect the interest of an investor
 - Difficult to demonstrate validity and the direct adverse effect caused
- Since May 2008, SCC has reviewed claims on ~4,000 loans totaling \$772 mm in principal
 - 85% of reviewed claims invalid
 - \$70 million of losses from valid claims

SCC 2Q Claim Activity

- \$61 mm of claims reviewed resulting in a \$3 mm loss
- New claims of \$483 mm received in Q2
 - \$385 mm from private label securitization trustees on behalf of bondholders
 - \$84 mm from monoline insurers
 - \$14 mm from mortgage insurance rescissions or other parties
 - All claims are 2006/07 vintages
- SCC generally has 60 -120 days to respond to claims
 - \$537 mm of claims remain subject to review at 10/31

SCC Rep & Warranty Exposure

- Recent activity does not change view on ultimate exposure
 - 90% of claims come from 06-07 vintages
 - Valid claims relate primarily to loans defaulting within 24 months
 - ~\$9B of loans defaulted within 24 months
- Default does not imply that a breach of rep and warranty occurred
 - Bondholders and other participants understood and assumed the risk for credit loss
 - Believe significant portion of losses in SCC originated loans are due to macro-economic factors (home value decline, unemployment, etc)

SCC R&W Accrual Roll-Forward

(in millions)

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Beginning balance	\$ 126	\$ 188	\$ 207	\$ 243
Provision	20	--	--	--
Losses from loan repurchases and indemnifications	(3)	(12)	(19)	(36)
Payments under indemnity agreement dated April 2008	--	(50)	--	--
Ending balance	\$ 143	\$ 126	\$ 188	\$ 207

- Since 1997, SCC has operated completely separate from HRB
- No dividends paid to HRB
- No case to date in which HRB was held liable for the acts of SCC
- No reason to believe a court would disregard the legal separateness of SCC and HRB or the interests of HRB's shareholders and creditors



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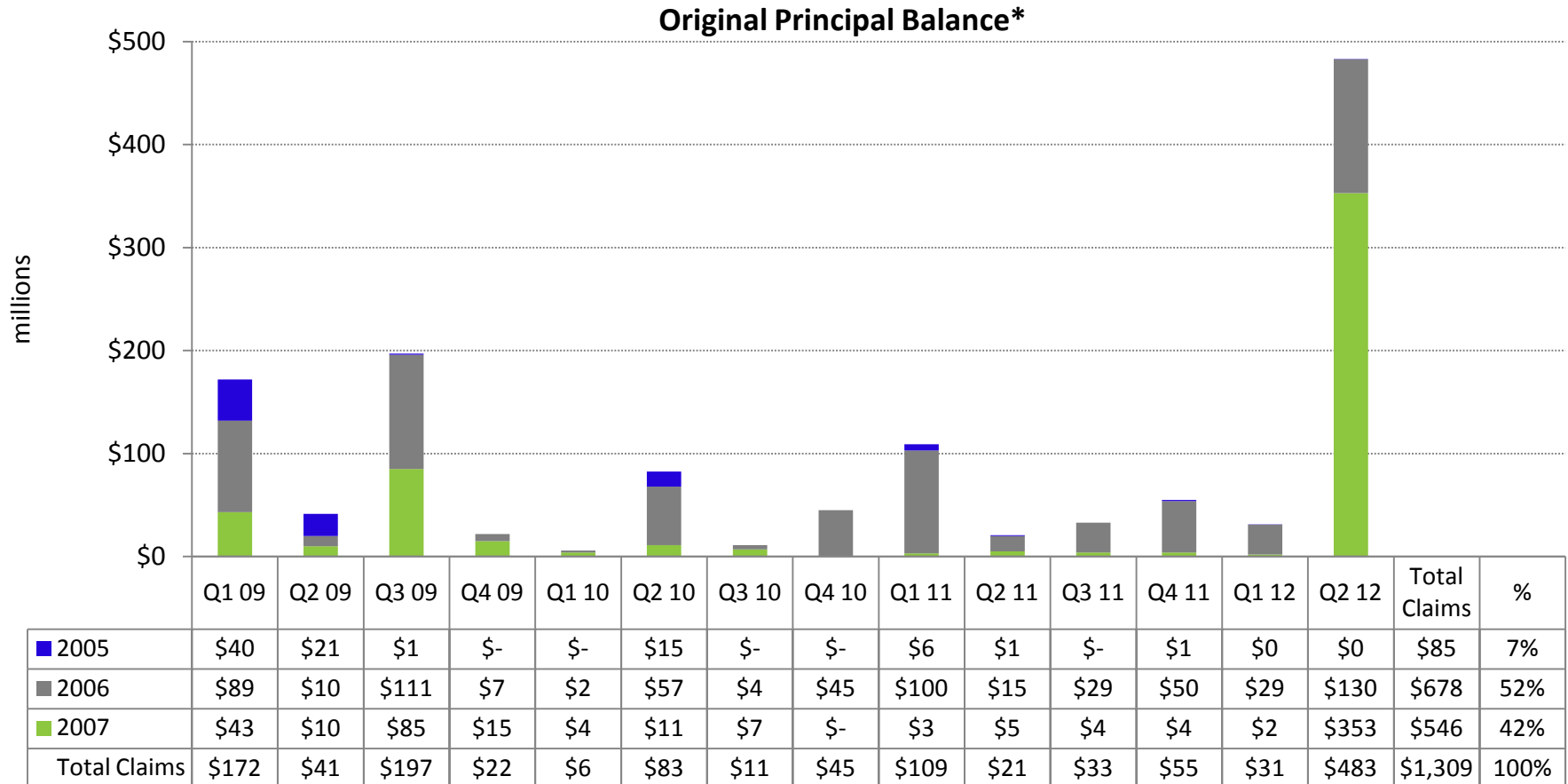


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Appendix

SCC Claims by Origination Year

- \$1.3B in asserted claims since May 2008
- SCC has reviewed claims on \$772 mm in principal; valid claims incurred \$70 mm of losses
- Substantially all asserted claims in past 12 months are from 2006/07 vintages



* Excludes loans sold with servicing released where current loan status information is unavailable