H&R BLOCK®
NEVER SETTLE FOR LESS℠

Fiscal 2012 Earnings Conference Call
June 26, 2012

Safe Harbor Statement

H&R BLOCK®
NEVER SETTLE FOR LESS™

Forward-Looking Statements

This presentation and various comments made in connection with it may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words or variation of words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “would,” “should,” “could” or “may.” Forward-looking statements provide management's current expectations or predictions of future conditions, events or results. They may include estimates of revenues, income, earnings per share, capital expenditures, dividends, liquidity, capital structure or other financial items, descriptions of management's plans or objectives for future operations, products or services, or descriptions of assumptions underlying any of the above. All forward-looking statements speak only as of the date they are made and reflect the company’s good faith beliefs, assumptions and expectations, but they are not guarantees of future performance. Furthermore, the company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes, except as required by federal securities laws. By their nature, forward-looking statements are subject to risks and uncertainties. For a discussion of these and other factors that could cause the company’s future results to differ materially from any forward-looking statements, see the section entitled “Risk Factors” in the company’s 2012 Annual Report on Form 10-K and in other filings by the company with the Securities and Exchange Commission.

Recent Developments

- Senior management team now complete with arrival of Greg Macfarlane
- Strategic realignment reduces cost structure and drives cohesive end-to-end client experience
- U.S. Client Services led by Jason Houseworth, Amy McAnarney, Susan Ehrlich, and Robert Turtledove
- Right management team in place to deliver better value for clients and shareholders
- Investor Conference to be held in NYC on 12/6

Recent Developments: Sand Canyon (SCC)

- As previously announced, SCC experienced higher rep and warrant (R&W) claim activity in Q4
  - Believe claim activity is being driven primarily by expiring statutes of limitations
  - No additional accrual for R&W related liabilities recorded in Q4
  - SCC is a separate legal entity from HRB; continue to believe our legal position is strong on any potential corporate veil-piercing arguments
  - Incremental claim activity has not changed our approach to capital allocation

Recent Developments: Capital Allocation

- Returned $723 mm to shareholders since becoming CEO in May 2011
  - Repurchased and retired 36 mm shares (12% of shares outstanding) at a total cost of $515 mm, or $14.38 per share, including the repurchase of 21.3 mm shares since 5/1/12
  - Increased annual dividend rate in December by 33% to $0.80 per share
  - Believe these actions demonstrate confidence in our business and that our philosophy on capital allocation is shareholder friendly

Recent Developments: CLOC Negotiations

- Committed line of credit, or “CLOC”, expires July 2013
- Current CLOC requires minimum equity of $500 mm at end of each quarter
- Expect to remove minimum equity covenant from our financing agreement; likely replaced with leverage and cash flow tests
- Although we have not yet finalized this agreement, we believe the proposed structure will serve our needs well

FY12 Recap

- Top goal in FY12 was to grow clients in both assisted and digital categories
- Total returns prepared worldwide grew 4.3%, or 1.1 mm, to record 25.6 mm
- U.S returns up 900K, or 4.2%
  - Total IRS returns up ~2%; gained an estimated 30 bps of U.S. share
  - 60% of Americans chose assisted tax preparation, essentially the same proportion since the year 2000
- **Assisted**
  - Returns up 150K, or ~1%
  - Believe category grew ~60bps; gained an estimated 10 bps of share
  - Significant improvement in client satisfaction, up ~500 bps to 87%

FY12 Recap

- **Digital**
  - Returns up 750K or 11%
  - Believe category grew by ~8%, primarily due to migration of pen and paper filers and industry growth
  - HRB gained an estimated 30 bps of share in digital and 75 bps in DIY category
  - Net promoter score up >500 bps; digital product awareness up 11 pts
- **International**
  - Revenue grew 13% to $233 mm, with solid growth in Canada and Australia
  - Revenue grew 10% in local currencies
- **Financial Services**
  - Set record in total Emerald Cards units issued and total Emerald deposits
  - Total Emerald Cards issued up 24% to 2.9 mm, with $9.5B in total deposits

FY12 Conclusion

- Pleased with client and share gains in light of competitive environment
- We were disadvantaged since refund anticipation loans (RALs) were in the marketplace
  - Having a competitive product was important: 53% of 1st half filers choose a settlement product vs. 13% in 2nd half
  - Fought aggressively for each client; invested heavily in marketing and Free Refund Anticipation Check (RAC) promotion
  - Free RAC helped level the playing field, retained early season clients, and led to significant growth in Emerald Cards issued
- Free RAC and marketing investments better position us going forward; though they pressured FY12 revenue and earnings

Significant Accomplishments in FY12

- Believe we are on pace with long-term strategy
- Many accomplishments to be proud of:
  - Assisted continues to be resilient
  - Digital outpaced our largest competitors for the 2nd consecutive year
  - Clients served better as demonstrated by improved satisfaction and net promoter scores
  - Innovative solutions such as BlockLive and Mobile solidify us as the only tax prep company capable of serving clients anywhere, anyway and anyhow
  - Resolved outstanding litigation and shed non-core assets, which should lead to higher margins
- Believe we're now running a better company; squarely focused on what we do best – Tax Preparation
- Going forward, we must generate better balance of client and earnings growth

Rationalized Cost Structure

- Identified ways to operate more efficiently
  - Important step in becoming a nimbler, more profitable and more client-centric company
  - Expect these actions will add $85 to $100 mm of pretax earnings in FY13
  - Working to eliminate additional, low-value added expenses to reinvest in future growth

Free RAC

- Believe RALs will largely lose their importance in the marketplace next tax season
  - Should create a more level playing field, which gives us a competitive advantage
  - Believe we have the industry’s best tax professionals and RAC offering
  - Expect Free RAC program will be discontinued in light of competitive landscape
  - Have not yet made a decision on appropriate pricing of RACs

International

- Fastest growing business in terms of revenue; brand continues to resonate well abroad
  - Opened several offices in India, our 4^{th} international market
  - India's current market of 30 to 35 mm taxpayers is growing rapidly
  - Indian government is updating its tax code so that it applies to more of its 1.2B citizens
- Plan to make prudent investments internationally focused on profitable and sustainable growth

Pricing

- Net retail tax preparation fees grew 1.2%; pricing up 30 bps
  - Free 1040EZ had short-term impact on pricing, but program has long-term benefits
- Reviewing our value proposition and pricing across all client segments
  - Goal is to continue serving clients in the most effective manner, while optimizing client revenue and earnings growth

H&R BLOCK®
NEVER SETTLE FOR LESS℠

Greg Macfarlane, CFO

FY12 Results

- Total revenue of $2.9B, in line with prior outlook
- GAAP EPS from continuing ops of $1.16 includes after-tax charges of $31 mm, or $0.10
  - Slightly above prior outlook of $1.09 to $1.15 per share

Tax Services

- FY12 total revenue down $50 mm, or 1.7%
- FY12 pretax income of $704 mm; down $63 mm from prior year
- Higher tax preparation revenues offset by declines in financial product revenues
  - Free RAC promotion resulted in a $49 mm decline in RAC revenue
  - Emerald Card revenue up $14 mm, or 15% due to unit and deposit volume growth
  - Emerald Advance revenues declined $35 mm due to tighter underwriting; associated credit losses fell by $71 mm
  - Increased marketing and advertising investment by $36 mm, or 15%
    - Maintain competitive presence, drive awareness of digital products, and support launch of BlockLive
  - Gains on sale of company-owned offices declined $28.5 mm
    - Sold 83 offices in FY12 vs. 280 offices in FY11
  - FY11 results included $17 mm of non-recurring RAL revenue

Corporate

- FY12 pretax loss of $128 mm; $12 mm improvement to prior year
  - Lower loss provisions on mortgages held at HRB Bank
- Principal balance of mortgage loans at HRB Bank, net of provision, continues to wind down; delinquency and loss rates have moderated
  - Net principal balance down $79 mm from prior year to $406 mm at April 30
- Charged off loans 180 days past due, which were previously reserved for in our loan loss allowance
  - Due to a change in HRB Bank's regulator from the OTS to the OCC
  - Change had no cash or income statement impact, but lowered principal amount of loans outstanding and related allowance

Financial Position

- Balance sheet and liquidity remain strong
  - Total unrestricted cash at 4/30 was $1.9B; total outstanding debt was $1.0B
  - HRB Bank paid $400 mm dividend of excess capital to parent in Q4
- ~271 mm shares outstanding at 6/26; down from ~292 mm at 4/30
- Total shareholder equity of $1.3B
- Effective tax rate of 39.9%; up 240 bps to prior year
  - Primarily due to changes in the value of investments held within company-owned life insurance (COLI) policies
  - Plan to surrender certain COLI policies over the next 12 months, which triggered a one-time tax expense in FY12 for prior year gains
  - Excluding discrete items, expect effective tax rate in FY13 to approximate 39%
- FY12 depreciation & amortization from continuing ops: $89 mm
- FY12 capital expenditures from continuing ops: $75 mm

Discontinued Operations

- FY12 net loss of $80 mm compared to net income of $14 mm in prior year
  - $37 mm net loss on sale of RSM
  - Previously announced SCC/SEC settlement of $28 mm
  - $20 mm increase in loss provision for R&W-related claims in Q2
  - FY11 includes 12 months of RSM earnings while FY12 includes only 7 months

Sand Canyon

- SCC received $543 mm of new claims for alleged breaches of R&Ws in Q4
- $618 mm of claims remained subject to review as of 4/30
- SCC reviewed $329 mm of claims in Q4
  - 4% of claims reviewed were found to be valid
  - Payments related to valid claims totaled $13 mm in Q4
  - At 4/30, SCC had GAAP equity of $265 mm in addition to a $130 mm accrual for R&W related liabilities
  - No additional accrual for R&W related liabilities recorded in Q4

Sand Canyon

- Believe R&W exposure at SCC is primarily related to ’06 and ‘07 originations
- Previously disclosed parent guarantees on certain ‘07 originations with original principal balance of $1.7B
  - Outstanding principal and liquidated balance was $1.4B at 4/30
  - $29 mm of total claims received; $4 mm deemed valid and paid by SCC
- Similar guarantees on REMIC’s issued prior to ‘05 with outstanding principal balance of $1.2B
  - Believe exposure is even more limited
  - Do not expect significant R&W claims to be asserted given underlying vintage and performance
  - Certificate holders have incurred <$1 mm of losses; no R&W claims received since ‘08
  - Believe any claims would not be viable as they are beyond applicable statutes of limitations
- SCC is a separate legal entity from HRB; believe our legal position is strong on any potential veil-piercing arguments
- Views have not changed relative to our approach to capital allocation

Closing Remarks

- Made some difficult decisions over the past year, but we believe they're the right decisions
  - Better positioned for long-term earnings growth, margin expansion, and improved shareholder returns
- Achieved our top goal of serving more clients; set records in total returns prepared, Emerald Cards issued and Emerald deposits
- Like our competitive position next tax season with a solid pipeline of clients to build upon
- Top priority this off-season is to ensure our client acquisition is profitable, while maintaining an attractive value proposition across all client segments
- Believe we'll be able to capitalize on opportunities, more quickly respond to clients' needs, and invest in our future

H&R BLOCK®

NEVER SETTLE FOR LESS℠

Fiscal 2012 Earnings Conference Call
June 26, 2012