

# **BOFI HOLDING, INC.**

## **Investor Presentation**

**May 2017**

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). The words “believe,” “expect,” “anticipate,” “estimate,” “project,” or the negation thereof or similar expressions constitute forward-looking statements within the meaning of the Reform Act. These statements may include, but are not limited to, projections of revenues, income or loss, estimates of capital expenditures, plans for future operations, products or services, and financing needs or plans, as well as assumptions relating to these matters. Such



statements involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company and its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a discussion of these factors, we refer you to the Company's reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended June 30, 2016. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or by any other person or entity that the objectives and plans of the Company will be achieved. For all forward-looking statements, the Company claims the protection of the safe-harbor for forward-looking statements contained in the Reform Act.

# Our Business Model is More Profitable Because Our Costs are Lower

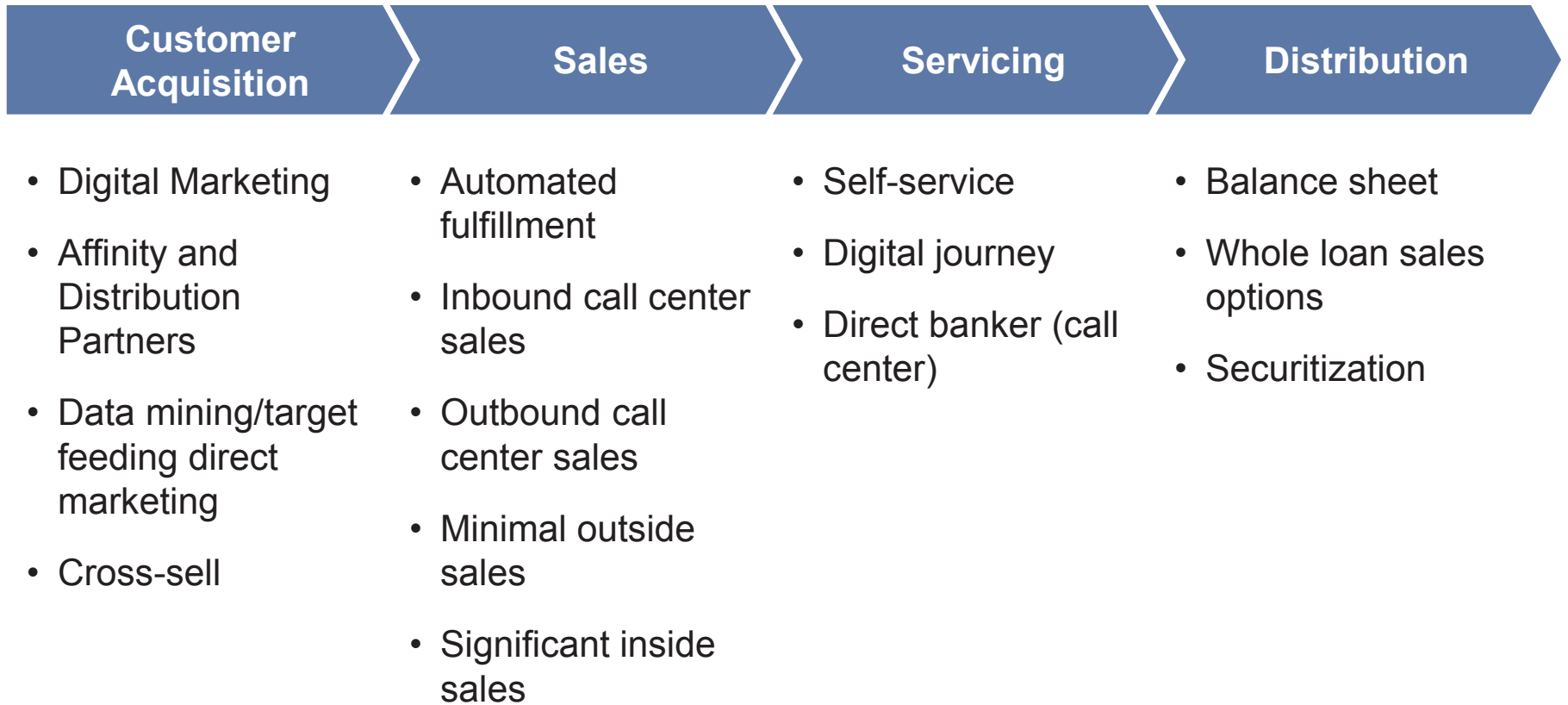
<i>As % of average assets</i>	<b>Bofl<sup>1</sup> (%)</b>	<b>Banks \$1-\$10bn<sup>2</sup> (%)</b>
Net interest income	3.93	3.44
Salaries and benefits	0.80	1.48
Premises and equipment	0.14	0.33
Other non-interest expense	0.50	1.15
<b>Total non-interest expense</b>	<b>1.44</b>	<b>2.96</b>
<b>Core business margin</b>	<b>2.49</b>	<b>0.48</b>

1. For the three months ended 12/31/16 – the most recent data on FDIC website “Statistics on Depository Institutions Report”

Bofl Federal Bank only, excludes Bofl Holding, Inc. to compare to FDIC data

2. Commercial banks by asset size. FDIC reported for three months ended 12/31/16. Total of 506 institutions \$1-\$10 billion

# Bofl's Business Model Is Differentiated From Other Banks



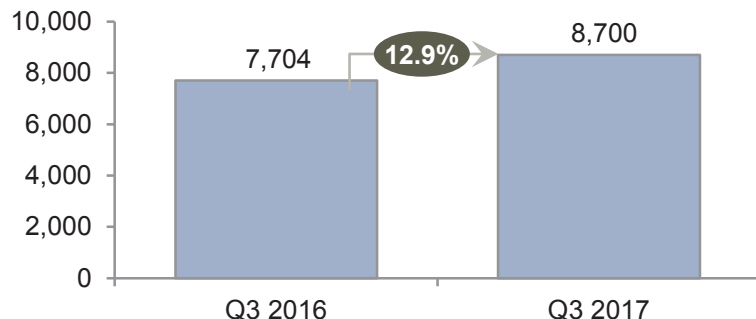
## Core Digital Capabilities



# Fiscal 2017 Third Quarter Highlights Compared with Fiscal 2016 Third Quarter

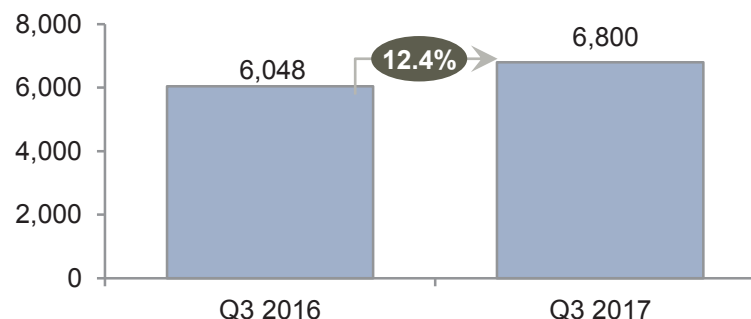
## Asset Growth

\$ Millions



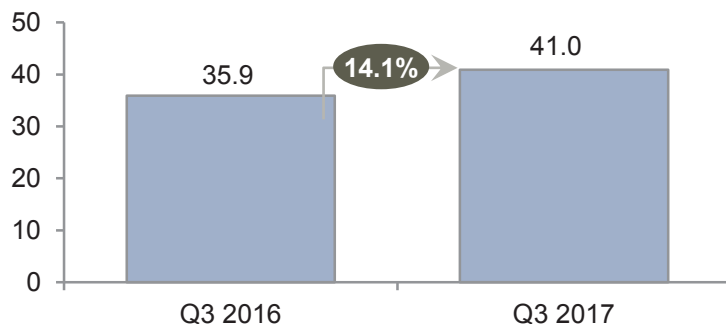
## Deposit Growth

\$ Millions



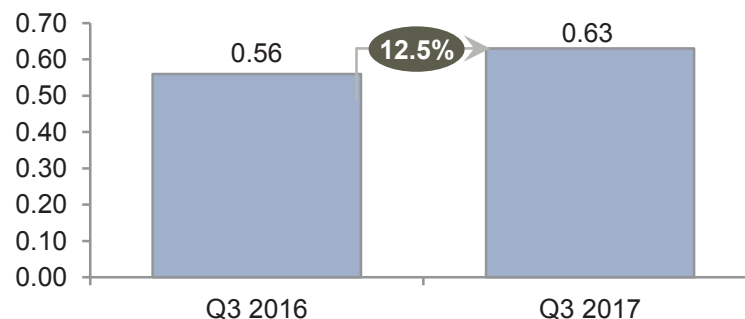
## Net Income

\$ Millions



## Diluted EPS

\$ Diluted EPS



**Return on Equity = 21.10%**

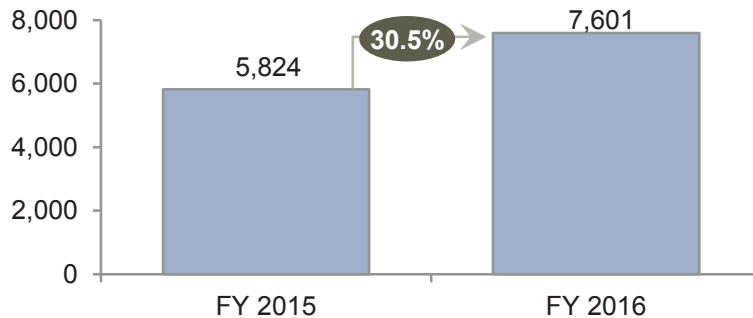
**Return on Assets = 1.94%**

# Fiscal 2016 Highlights Compared with Fiscal 2015



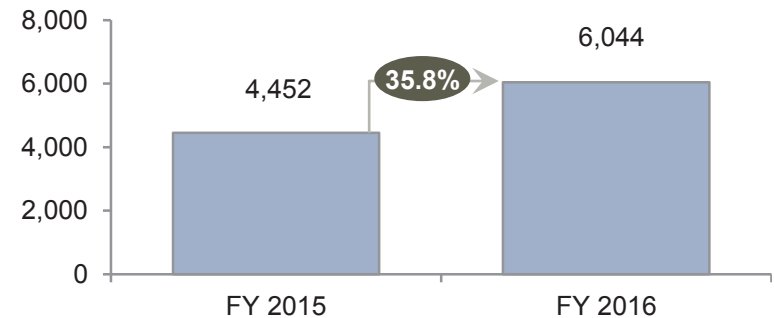
## Asset Growth

\$ Millions



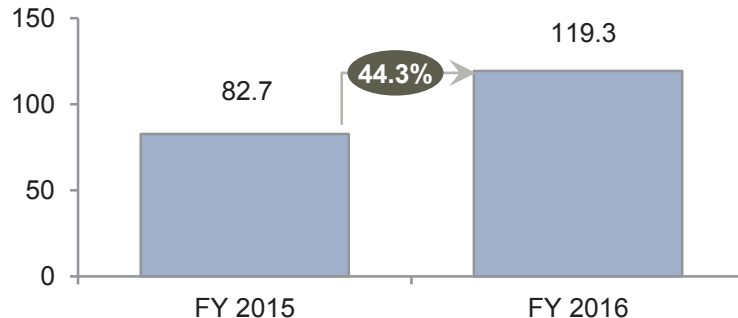
## Deposit Growth

\$ Millions



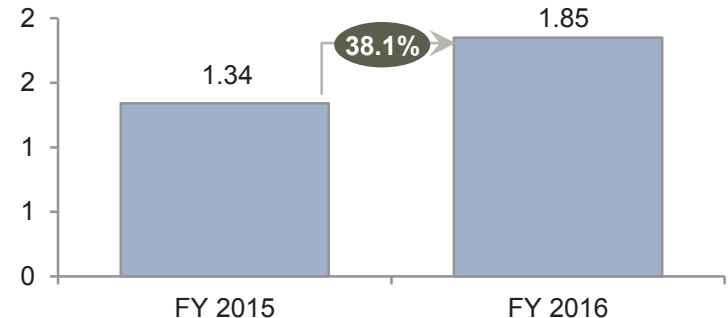
## Net Income

\$ Millions



## Diluted EPS

Diluted EPS

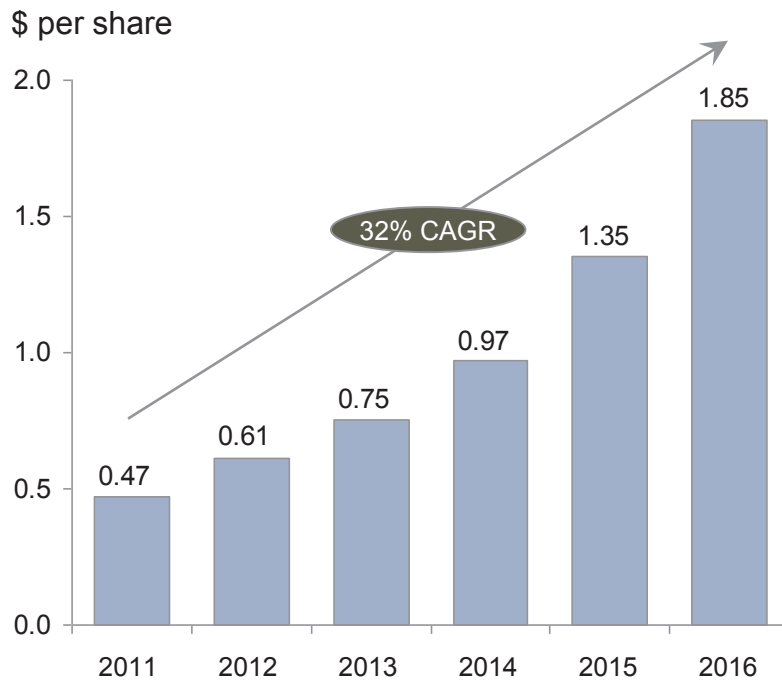


**Return on Equity = 19.43%**

**Return on Assets = 1.75%**

# Diluted EPS and Return on Equity Have Been Consistently Strong Despite Significant Increase in Tier 1 Capital Ratios

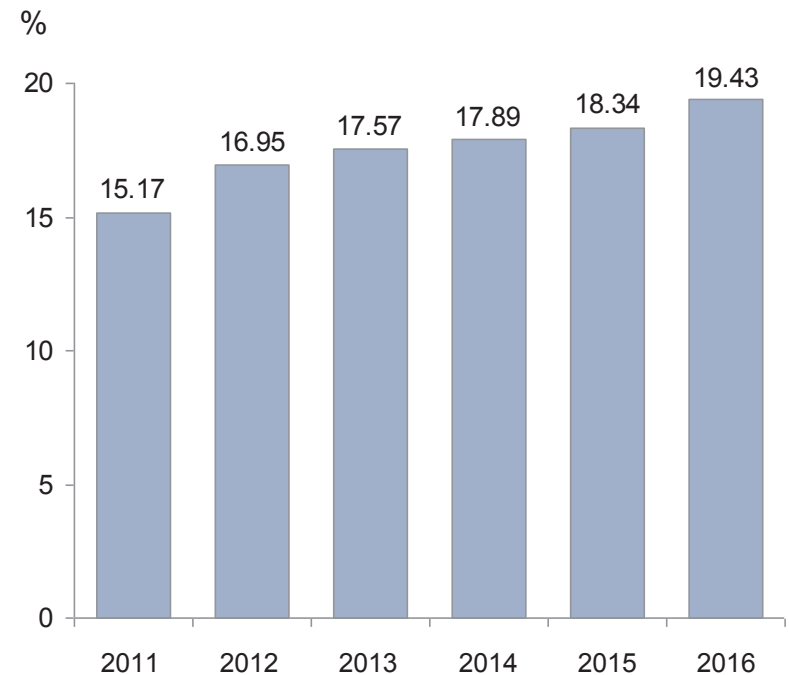
**Diluted EPS (FY)**



**Book  
value per  
share**

\$3.42   \$3.95   \$4.79   \$6.33   \$8.51   \$10.73

**Return On Average Equity (FY)**



**Tier 1  
leverage  
ratio**

8.0%   8.6%   8.6%   8.7%   9.6%   9.1%

# Bofl is a Top Quartile Performer Versus Bank Peer Group

The 96% on ROE means that the Bank outperformed 96% of all banks. The 16% G&A ranking means that only 16% of banks spend less on G&A than BoFl. Peer group includes savings banks greater than \$1 billion.

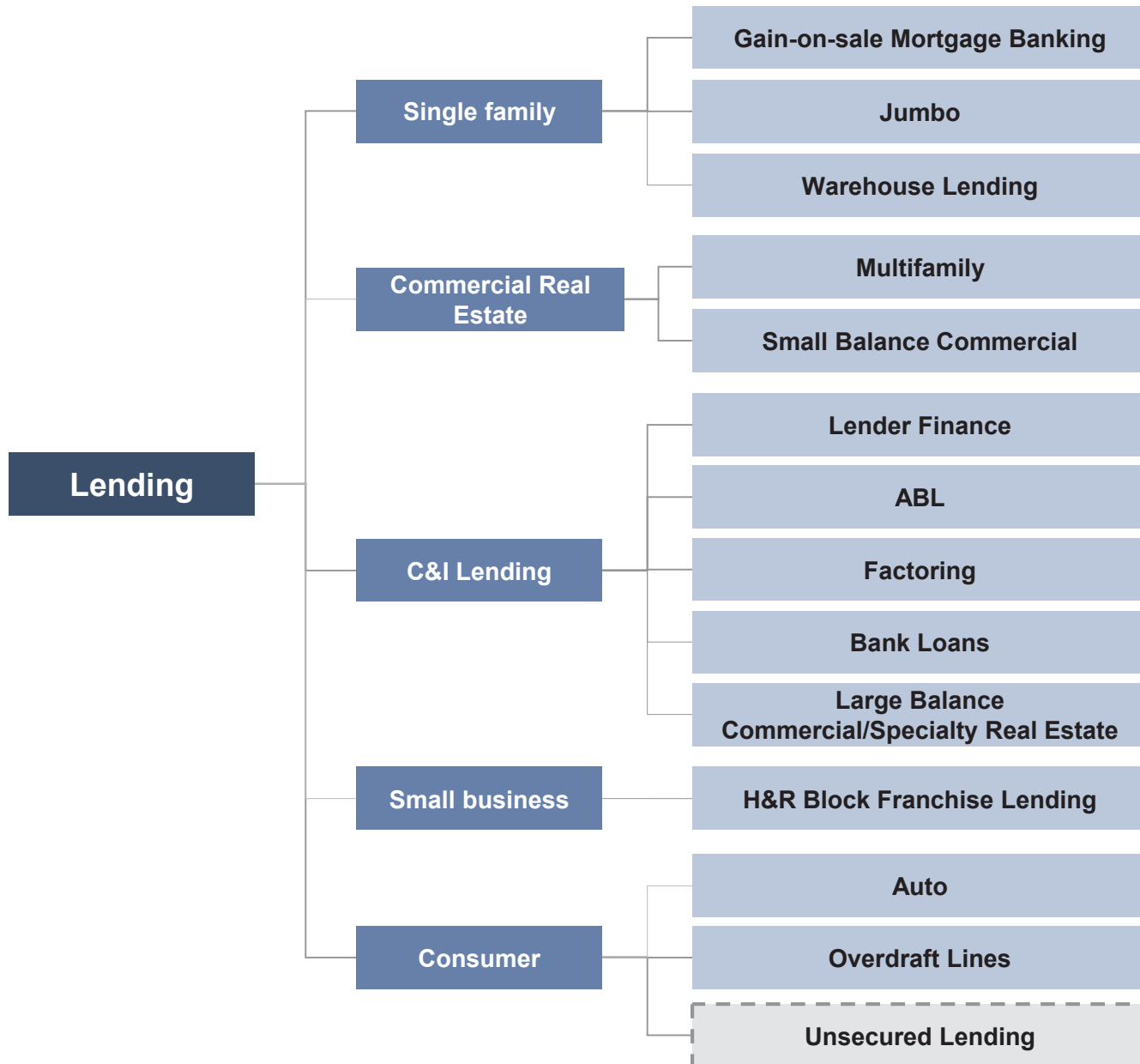
	<b>Bofl Federal Bank</b>	<b>Peer Group</b>	<b>Percentile</b>
ROAA	2.09%	0.86%	91%
Return on equity	23.66%	7.94%	96%
G&A	1.45%	2.54%	16%
Efficiency ratio	27.09%	66.39%	4%

Source: Uniform Bank Performance Report (UBPR) as of 3/31/2017

Note: Peer group is all savings banks with assets greater than \$1 billion for quarter ended 3/31/2017



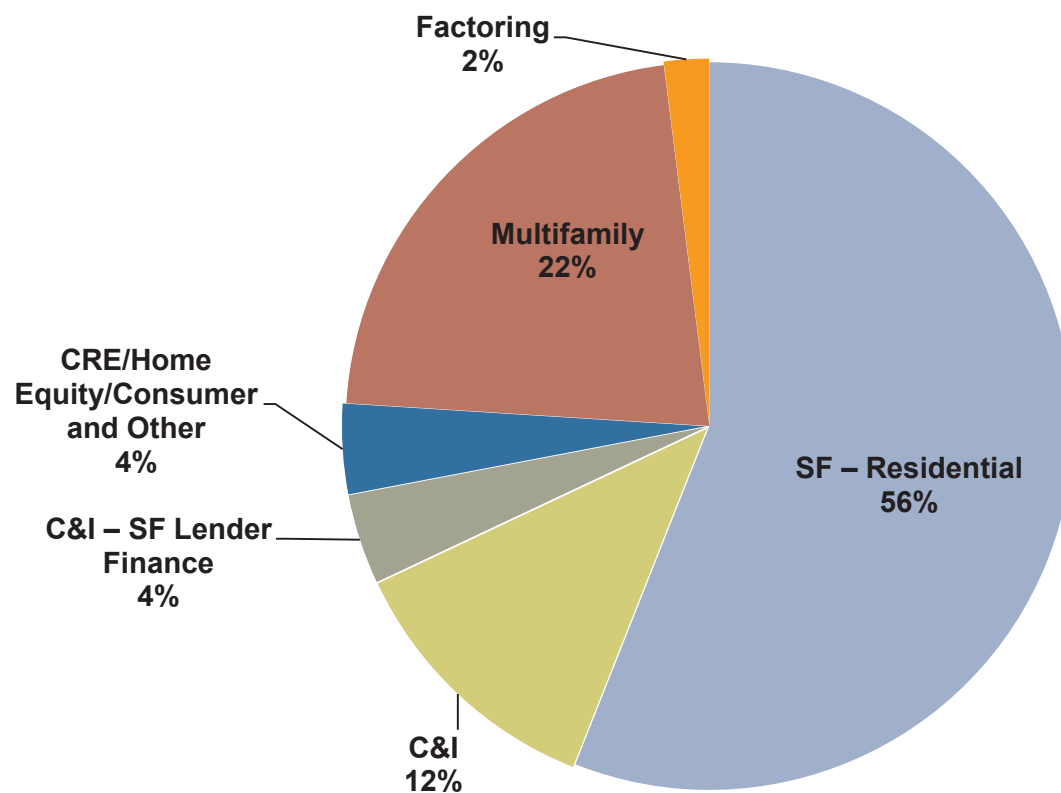
# Diverse Lending Business



 Pilot launch in January 2017

# Loan Diversity – March 31, 2017

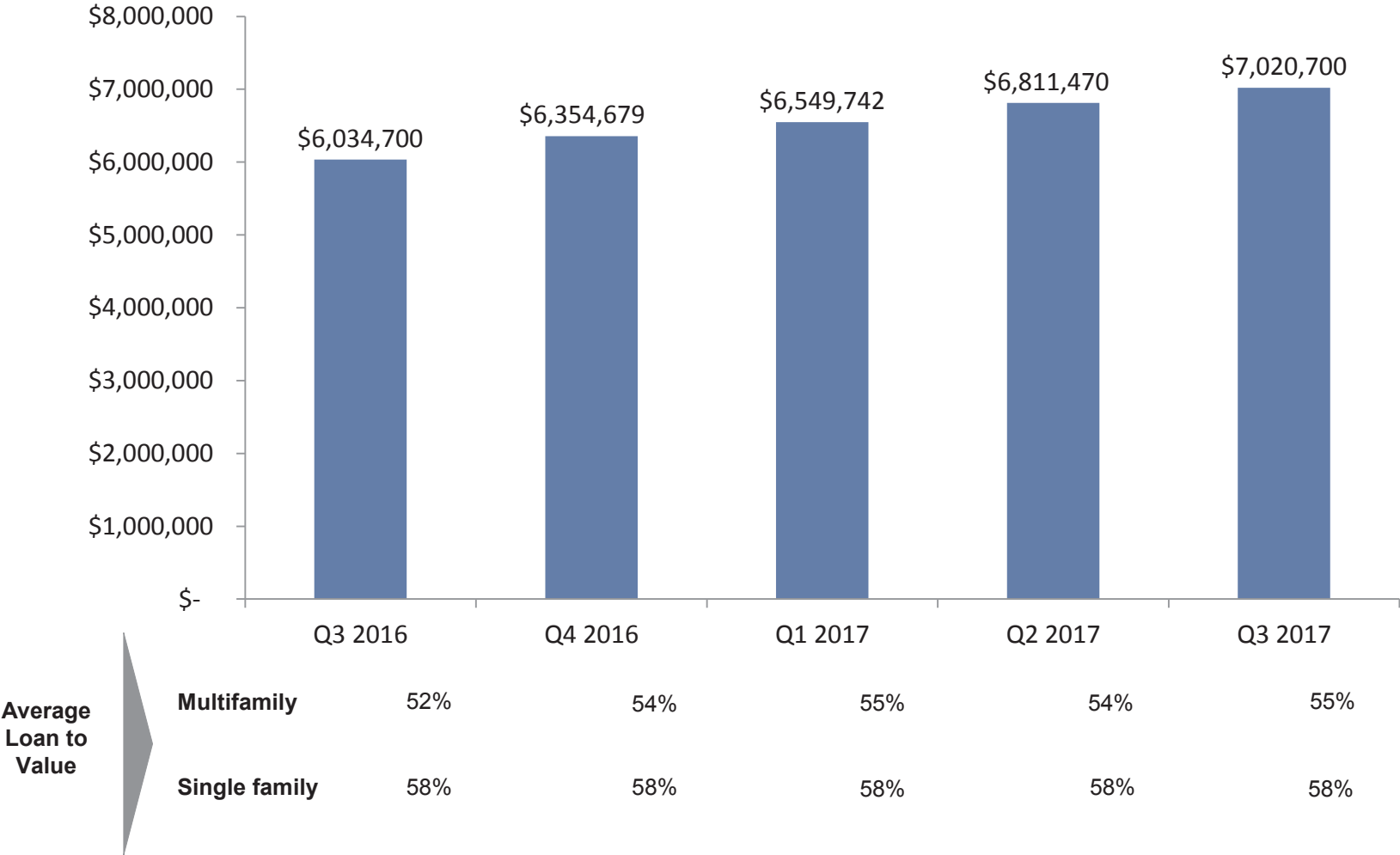
**Loan Portfolio<sup>1</sup>**  
**100% = \$7,096 Million**



1. Gross loans and leases before premiums, discounts and allowances

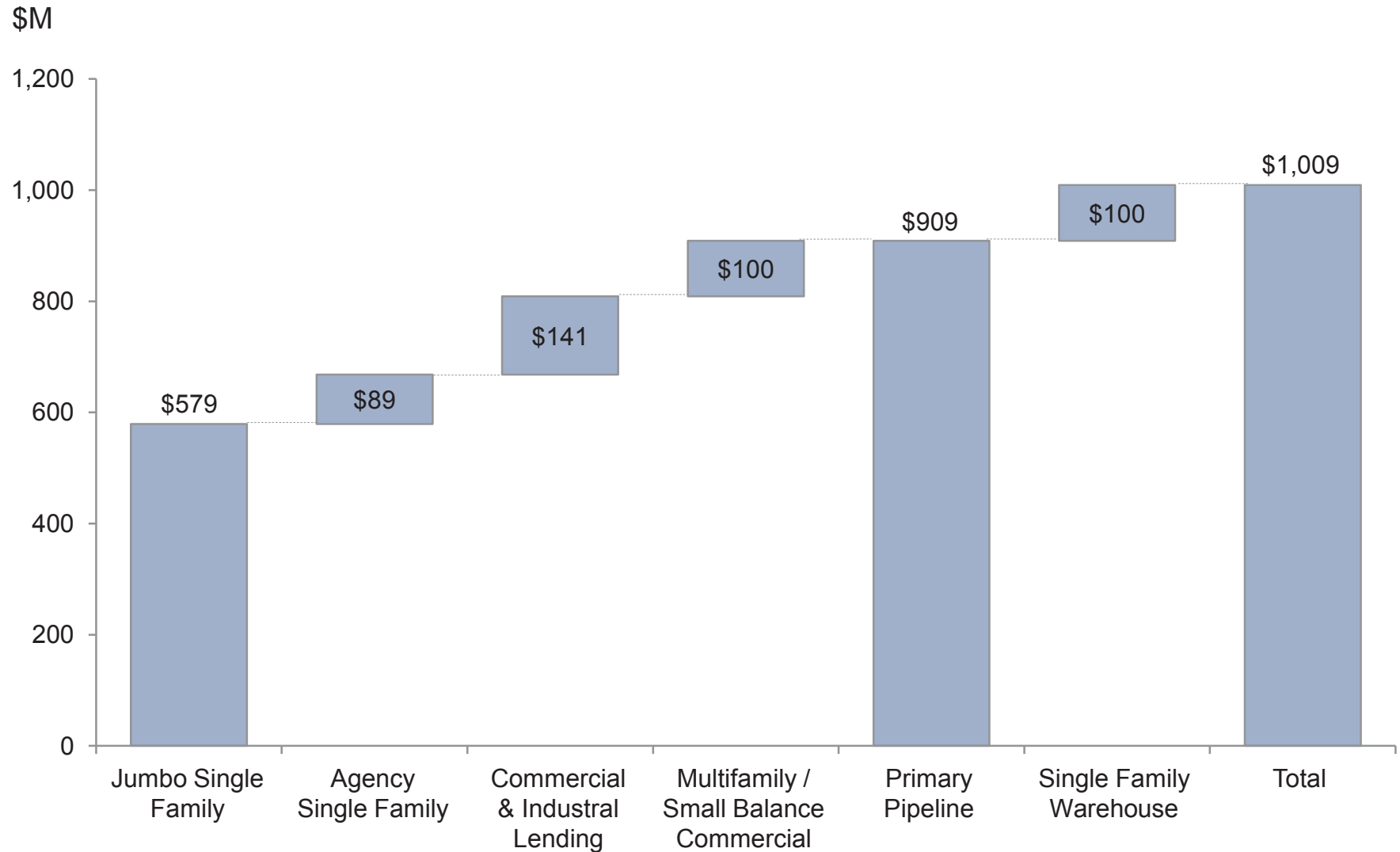
# Our Asset Growth has been Driven by Strong and Profitable Organic Loan Production

Net Loan Portfolio – End of Last Five Quarters (\$ in Thousands)



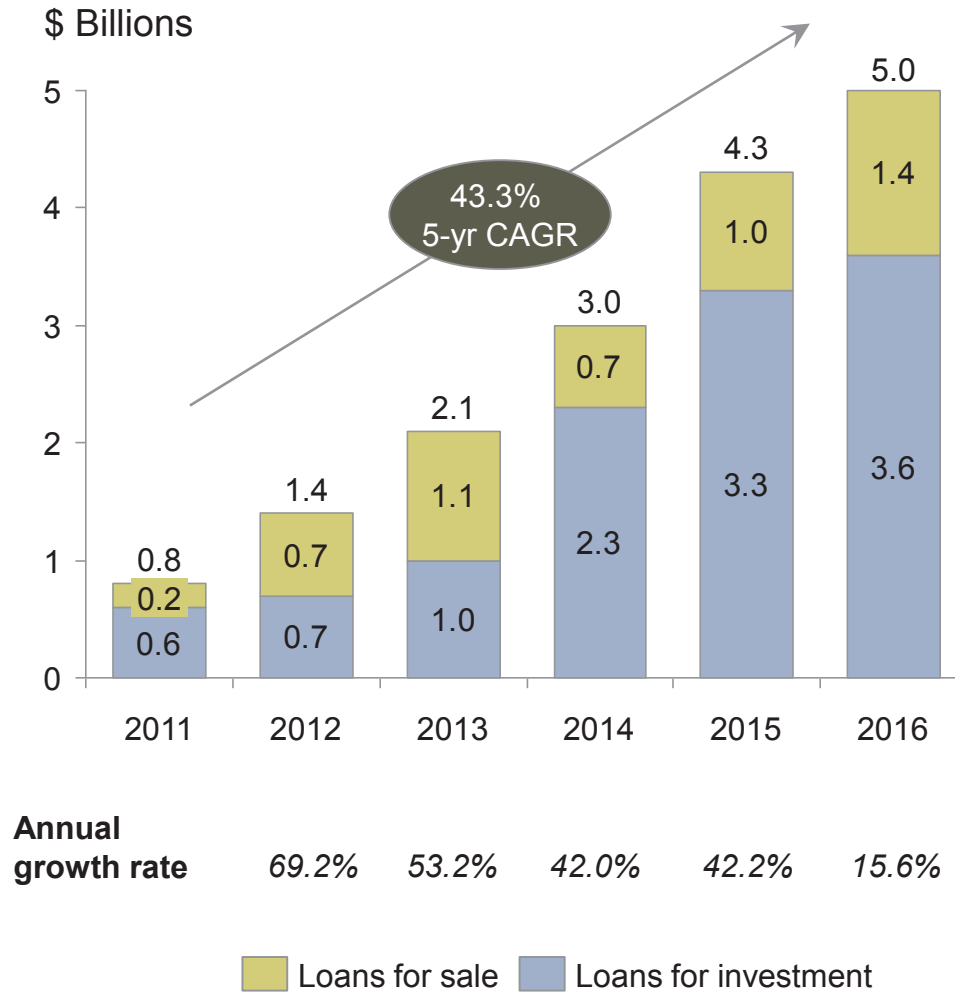
# Loan Pipeline Remains Strong

## FY 2017 Q3



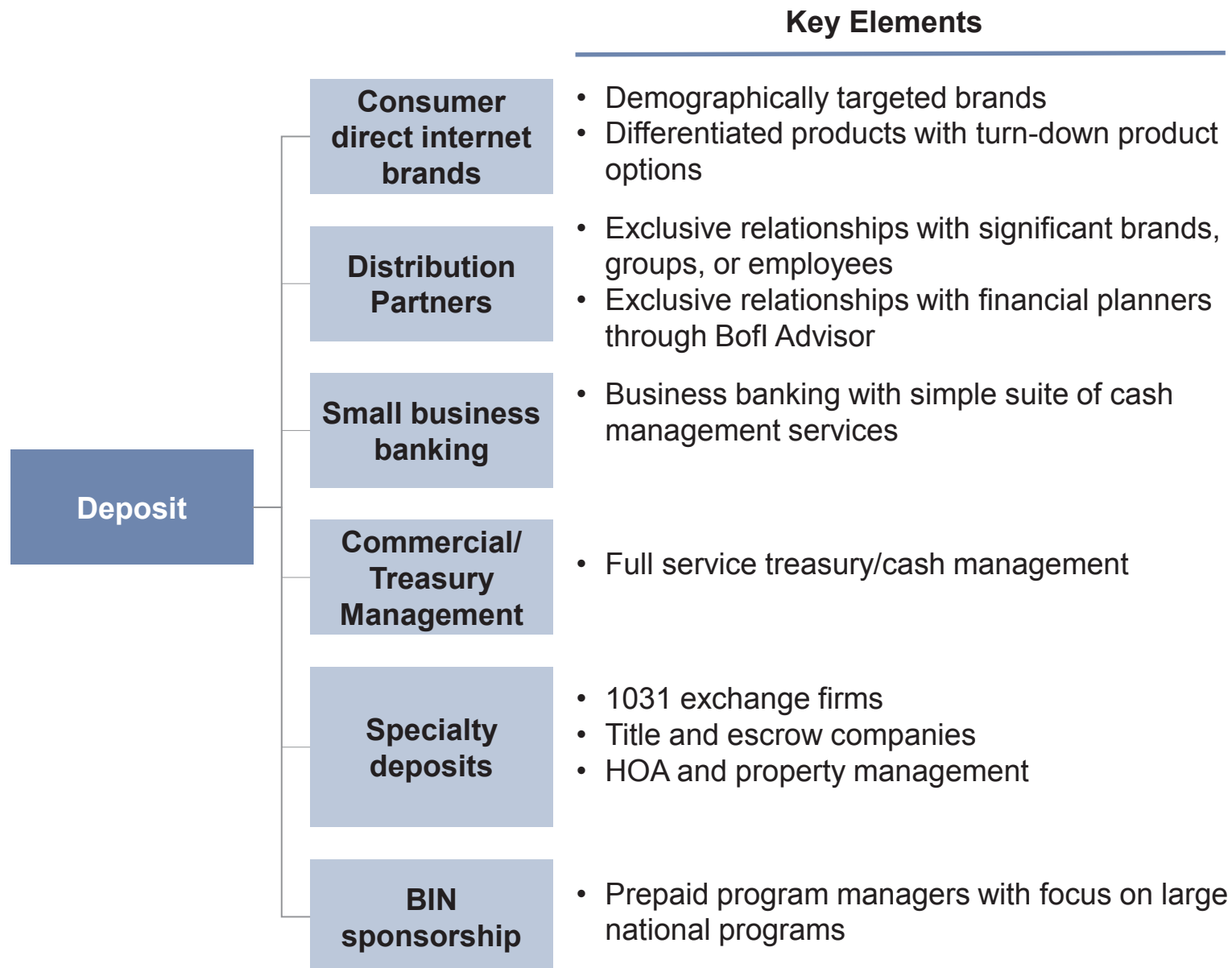
# Loan Origination Growth

## Fiscal Year Loan Originations



## Future Plans

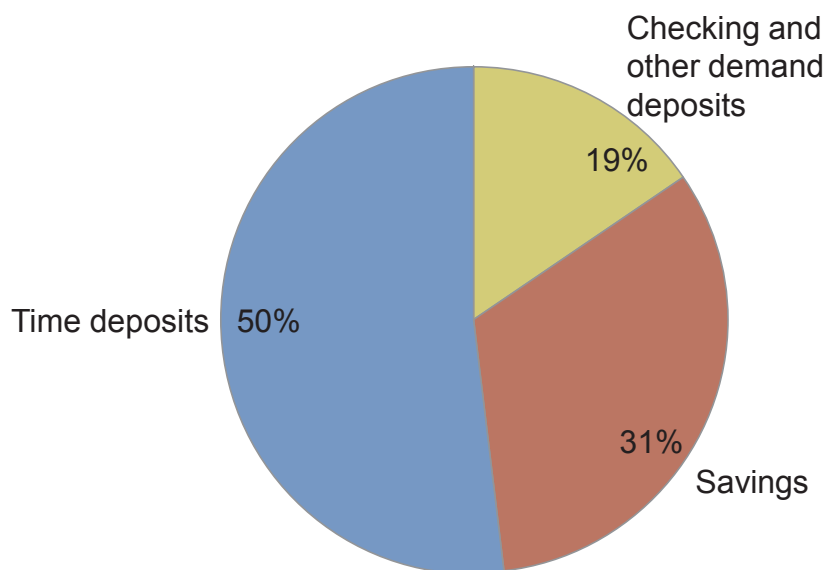
- Organic growth in existing business lines
  - Multifamily geographic expansion
  - Agency and jumbo mortgage channel expansion
  - Small Balance Commercial Real Estate expansion
  - Large Balance Commercial / Specialty Real Estate expansion
- Additional C&I verticals/product expansion
- Retail auto lending launch
- Consumer unsecured installment lending launch



# Deposit Growth in Checking, Business, and Savings Was Achieved While Transforming the Mix of Deposits

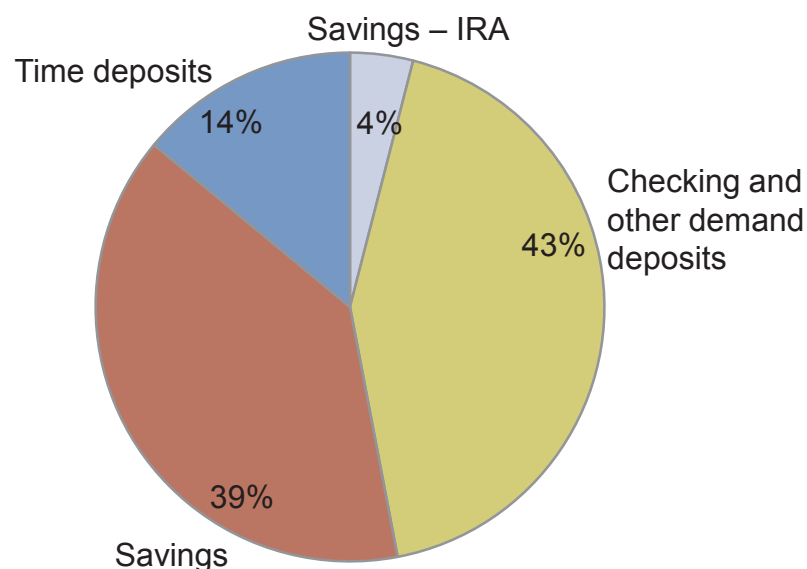
**June 30, 2013**

100% of Deposits = \$2.1 billion



**March 31, 2017**

100% of Deposits = \$6.8 billion



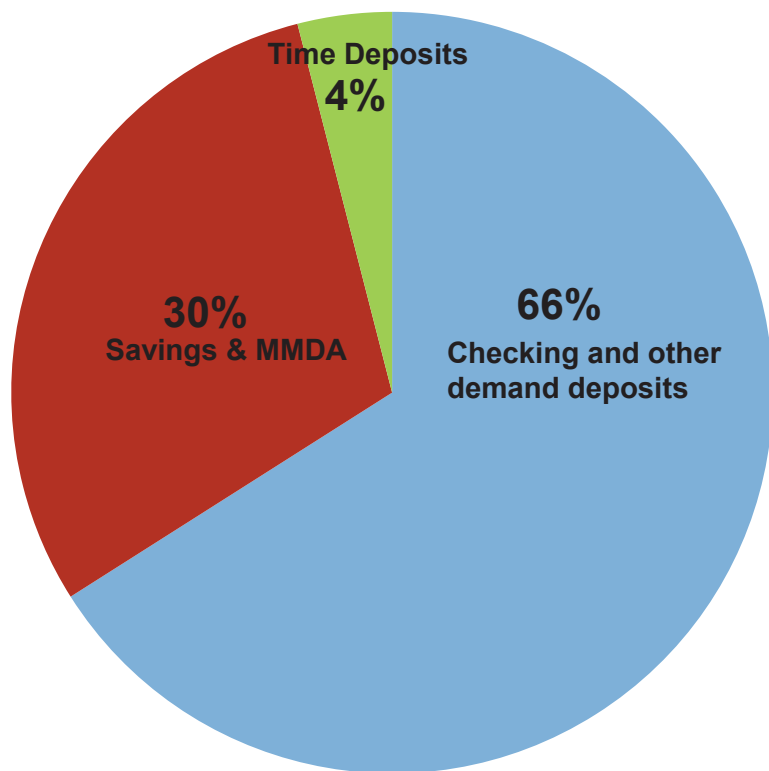
**Checking Growth (6/2013-03/2017) = 803%**

**Savings Growth (6/2013-03/2017) = 238%**

# Our Business Banking Vertical has Fueled our Deposit Growth while Generating Significant Fee Income

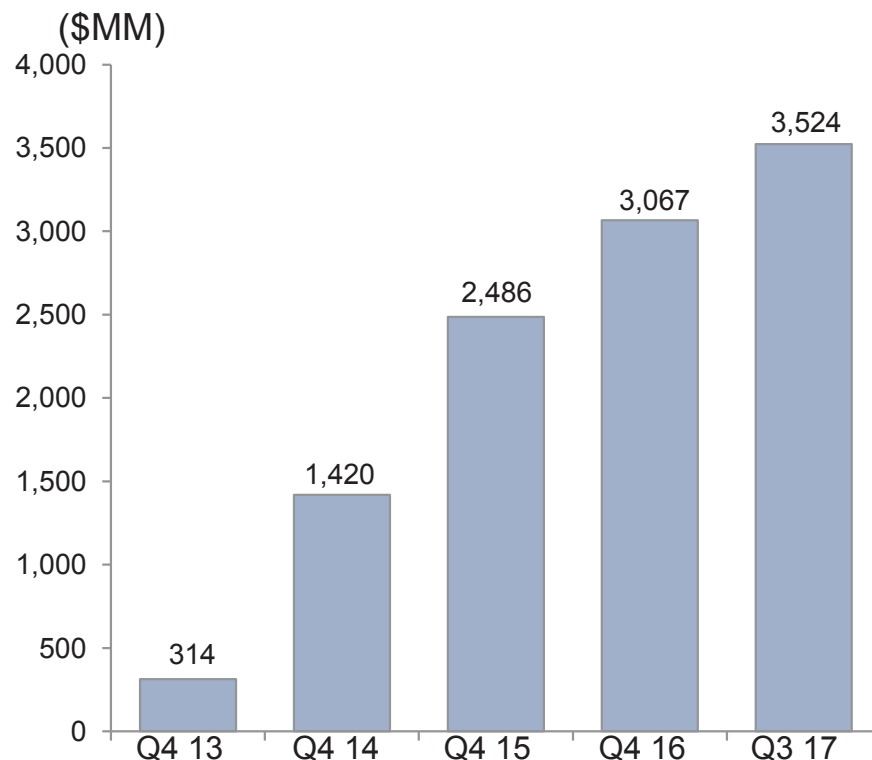
## Business Deposits by Account Type\*

Percent (%)



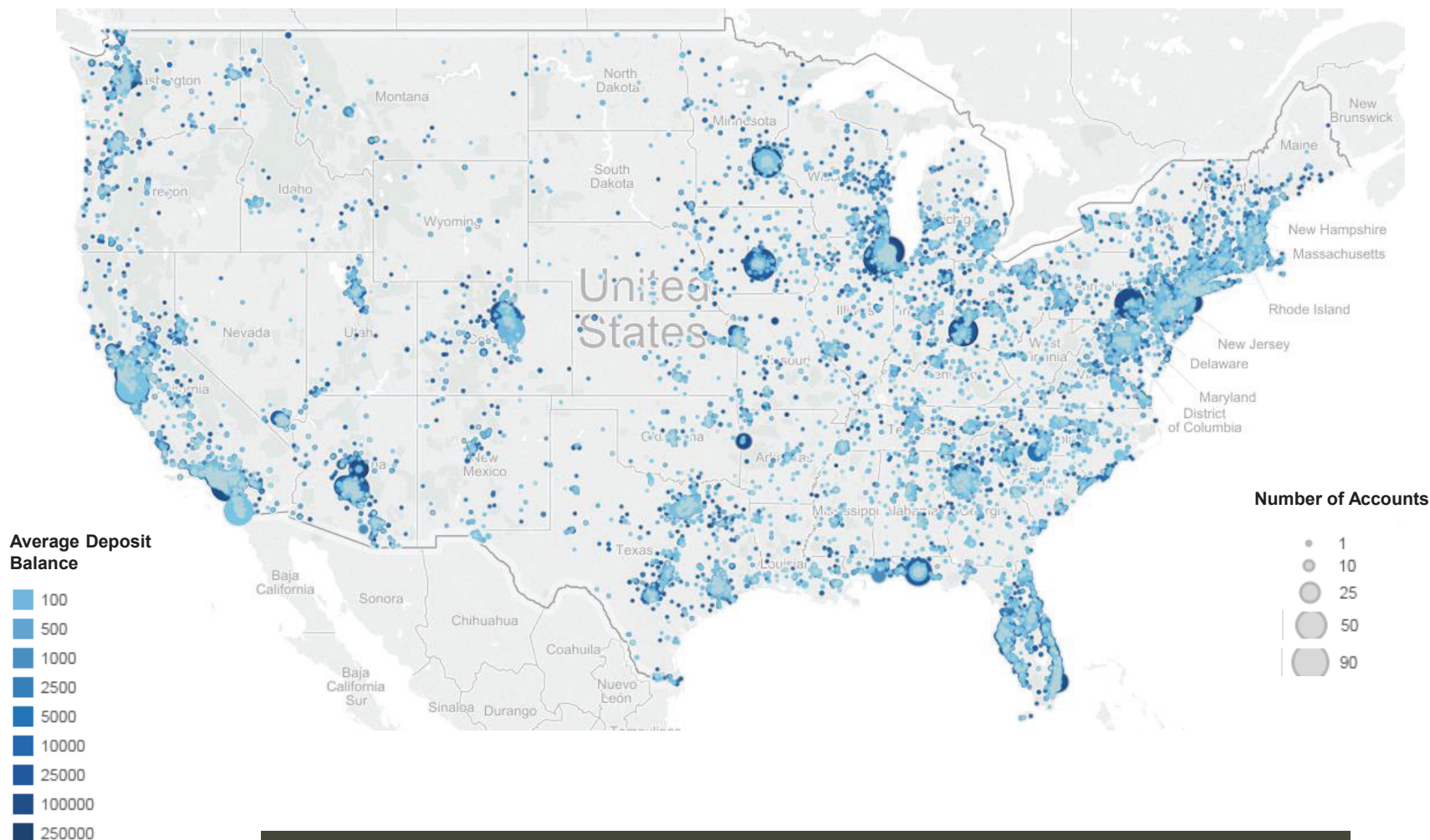
\* As of quarter end 3/31/17

## Business Banking Deposits





# BoFI Customer Base and Deposit Volume is Well Distributed Throughout the United States



**BoFI Deposits Have National Reach With Customers in Every State**

# BoFI Customers are Highly Engaged

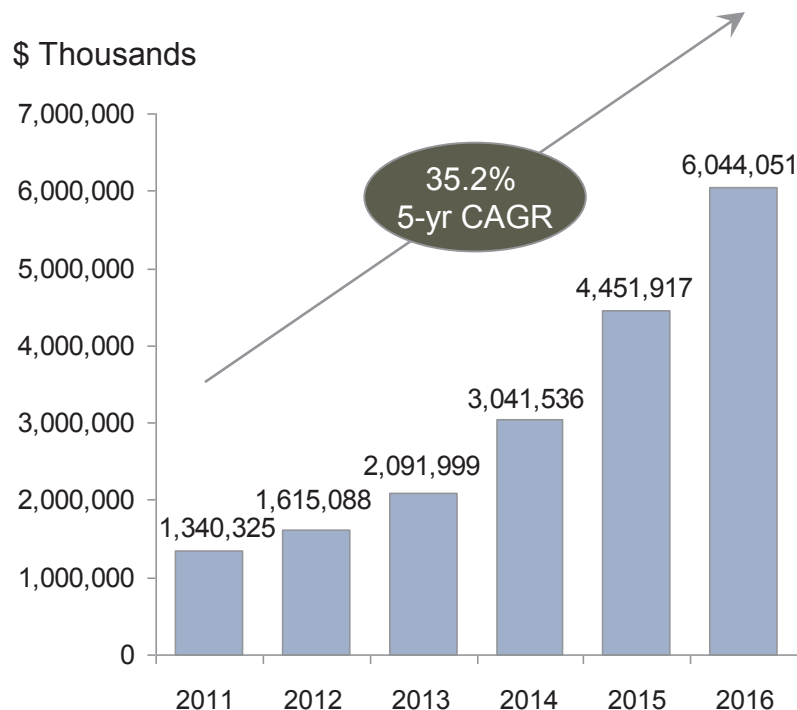
## Customer Engagement Results

Engagement	Low Activity	High Activity		
Attributes	Low Activity User	Basic User	Engaged	Elite Engaged
Engagement Score (0-100)	0s	$0 < S < 30$	$30 \leq S < 60$	$\geq 60$
Average Lifetime Balance	\$100	\$4000	\$6,000	\$50,000
Average # of Services Used	-	$< 5$	7	10
Average # of POS	-	$< 1$	10	25
% of Total Population	22%	15%	41%	23%
% of Total Balance	0%	6%	24%	70%
Retention	Moderate	Moderate	High	High

**64% of Population or 94% of Balance are Overall High Engagement**

# Core Deposit Growth Was Sufficiently Strong To Grow Overall Deposits While Changing The Deposit Mix

## Deposit Growth



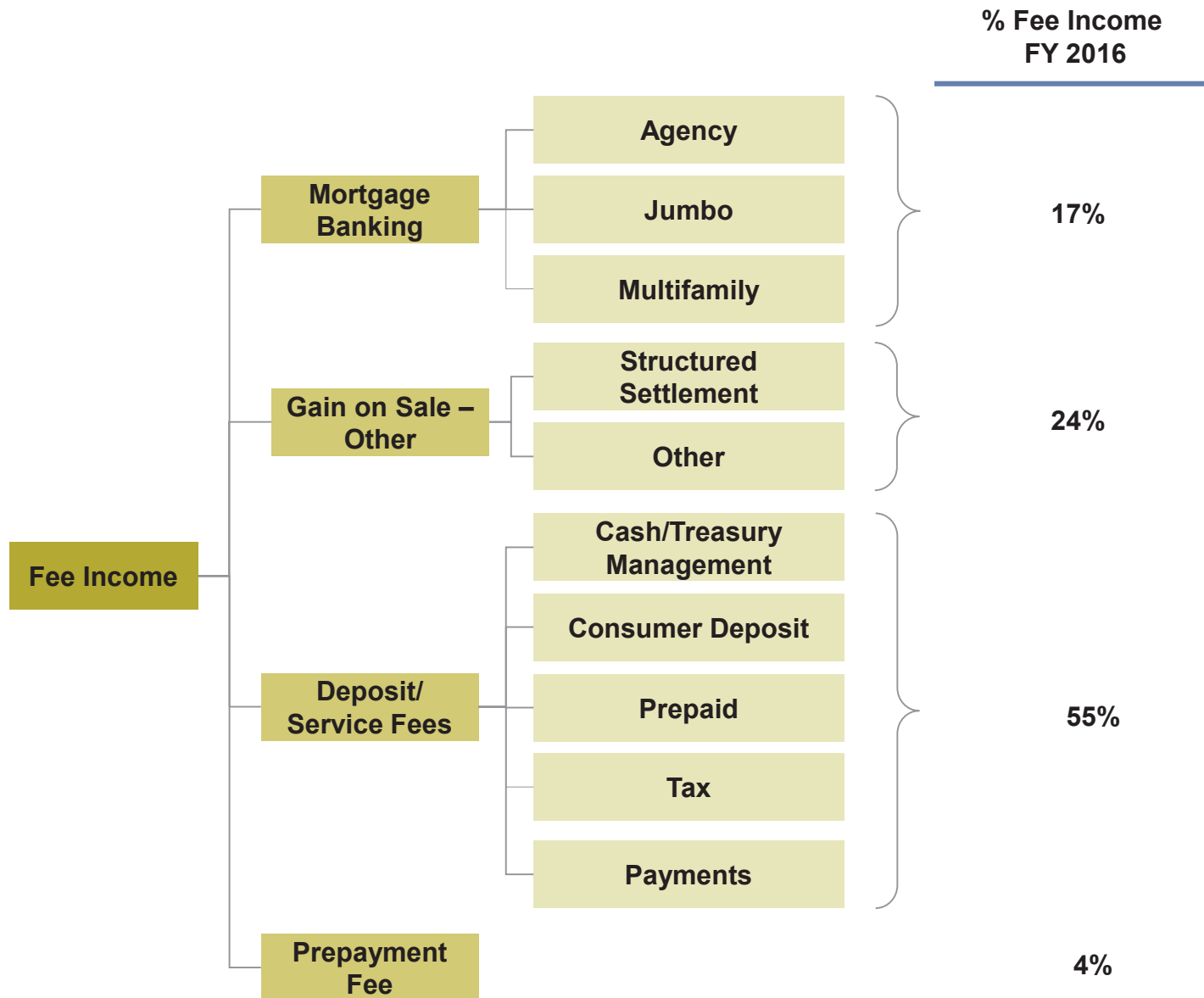
## Future Plans

- Enhanced digital marketing automation integrated to outbound sales group
- Products and technology integration targeted to specific industry groups
- Create differentiated consumer and business banking platform
- Enhanced focus on customer service and user experience
- Leverage existing and create new distribution partnerships to reduce acquisition cost and leverage external brands

% CDs <sup>1</sup>	74%	57%	50%	26%	18%	17%
% Borrowings <sup>1</sup>	23%	23%	23%	22%	14%	12%

<sup>1</sup> as a % of total liabilities

# Diversified Fee / Non-Interest Income



\* Excludes securities income

^ Assumes estimated non-Emerald Advance-related H&R Block income included in Deposit/Service Fees

# Over the Last Five Years, BofI Has Successfully Started New Products, Added Distribution Channels, and Completed Acquisitions



	2010	2011	2012	2013	2014	2015	2016	2017
New product	<ul style="list-style-type: none"> <li>• Agency mortgage</li> <li>• Structured settlement</li> </ul>	<ul style="list-style-type: none"> <li>• Business banking</li> <li>• Lottery</li> </ul>	<ul style="list-style-type: none"> <li>• Warehouse Lending</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury/cash management</li> <li>• C&amp;I</li> <li>• Prepaid</li> <li>• Agency Servicing retention</li> </ul>	<ul style="list-style-type: none"> <li>• Small balance CRE</li> </ul>	<ul style="list-style-type: none"> <li>• Auto</li> </ul>	<ul style="list-style-type: none"> <li>• HRB franchising lending</li> </ul>	<ul style="list-style-type: none"> <li>• Retail Auto</li> <li>• Refund Advance (H&amp;R Block)</li> <li>• Unsecured Lending</li> </ul>
Distribution/channel	<ul style="list-style-type: none"> <li>• Costco</li> <li>• Retail agency mortgage</li> </ul>	<ul style="list-style-type: none"> <li>• BofI advisor</li> </ul>	<ul style="list-style-type: none"> <li>• Netbank</li> <li>• Retail Structured settlement</li> </ul>	<ul style="list-style-type: none"> <li>• UFB Direct</li> <li>• Bank X</li> <li>• IRA</li> </ul>	<ul style="list-style-type: none"> <li>• Virtus</li> </ul>	<ul style="list-style-type: none"> <li>• Wholesale agency</li> </ul>		<ul style="list-style-type: none"> <li>• H&amp;R Block retail stores</li> </ul>
M&A				<ul style="list-style-type: none"> <li>• Principal Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Union Federal</li> </ul>	<ul style="list-style-type: none"> <li>• H&amp;R Block Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment leasing</li> </ul>	

# Key Goals of Universal Digital Bank

## Personalization

- Increase chance of offering right product at the right time and place
- Personalization is the right antidote for too much choice, too much content, and not enough time

## Self-Service

- Eventual artificial intelligence tools assist sale of banking products such as deposits, loans, and mortgages
- Products optimized by channel, recipient and journey
- Self service saves time and cost (e.g., activate and de-activate debit-card in platform, send wires via self-service)

## Facilitate Partnerships

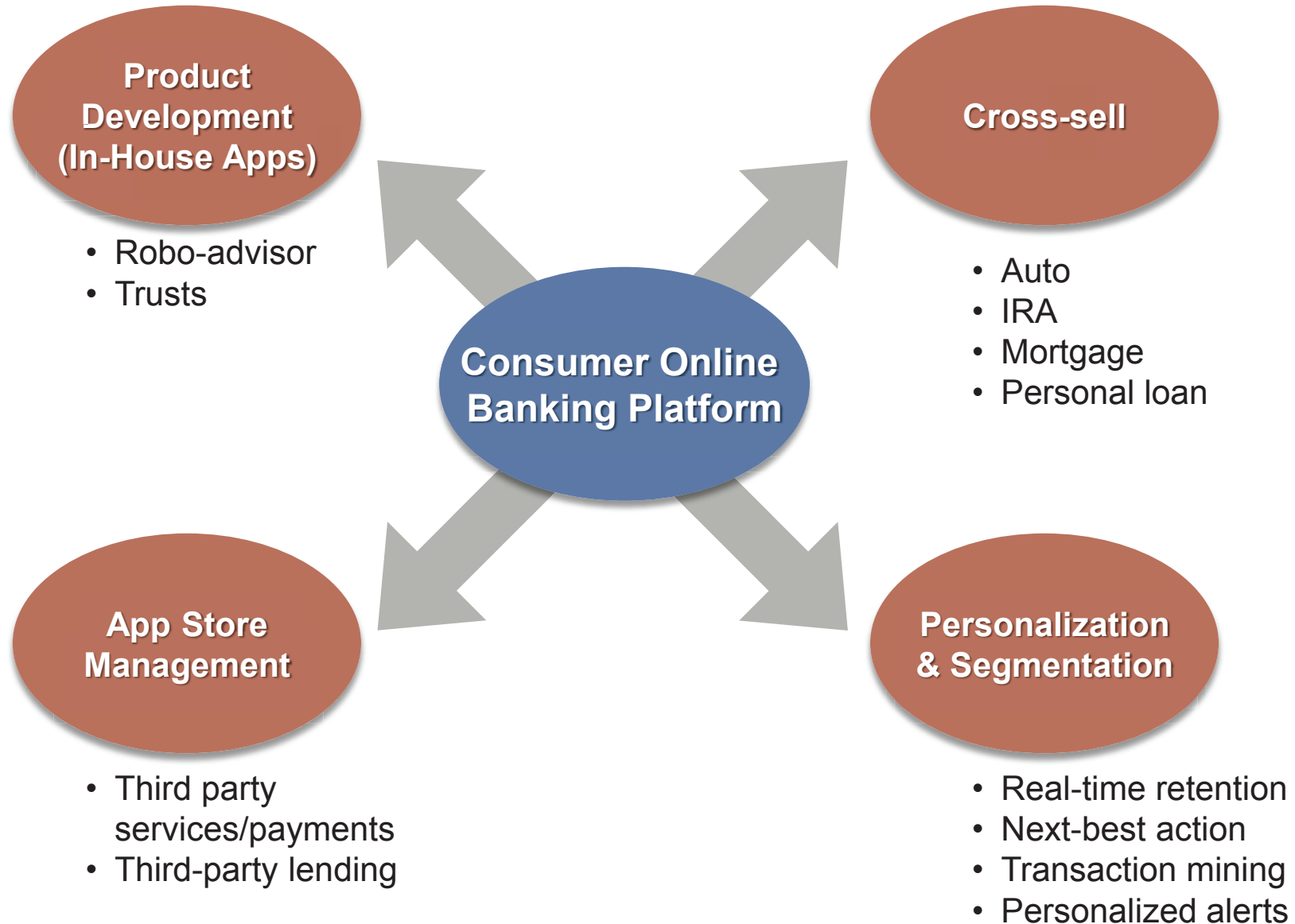
- Easy integration of third-party features (e.g., biometrics)
- Access to value added tools (e.g., robo-advisory, automated savings features) either proprietary or third party
- Enable creative customer acquisition partners

## Customizable Experience

- Provide holistic and interactive and intuitive design experience
- Integrate online experience with other channels

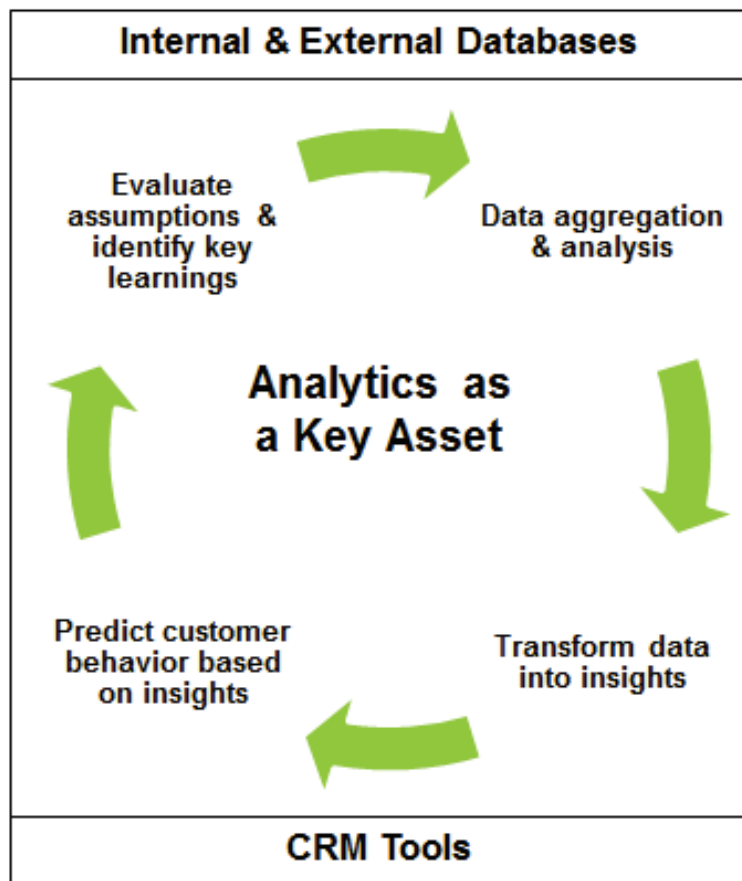
## Cross-Sell

- Artificial intelligence and big data credit models enable quick credit decisions
- Customized product recommendations based upon analytical determination of need



# Advanced Data Analytics Provides Key Insights Into Customer Engagement, Profitability, and Retention to Enhance Customer Lifetime Throughout the Bank

## Framework for Data Analysis



## Key Learnings

**Retention & Attrition Drivers to Boost Long-Term Customer Engagement**

**Customer Segmentation Methodology to Understand Usage & Behavior**

**Profitability Analysis at the Individual Customer Level**

**Streamlined Acquisition Process via Lookalike Modeling & Sales Efficiencies**



# We are Also Leveraging Our API Stack to Integrate Our Consumer Enrollment Platform into H&R Block's Tax Software

## H&R Block Overview

- Approximately 10,000 U.S. branches
- Files 1 in every 7 U.S. tax returns
- 19.7 million U.S. tax returns per year
- 83% of customers receive a refund
- 35% franchise-owned
- Approximately 2,400 employees
- 55 million visits per year on HRB website
- Social media
  - 28,600 Twitter Followers
  - 463,000 Facebook fans
  - 1.7 Million views on YouTube

## Key Steps for Tax Season 2017

- Accelerate cross-selling strategies on new and existing IRAs
- Full integration of IRAs into H&R Block's tax agency software (backend enrollment fully connected)



**IRA contributions could lower your taxes.**

SPANISH

**DID YOU KNOW:**

- Roth IRA allows savers a tax-free stream of income in retirement**
- \$1000 to a traditional IRA could lower your taxes by up to \$250**
- Depending on your income and filing status you could qualify for the Saver's Credit**

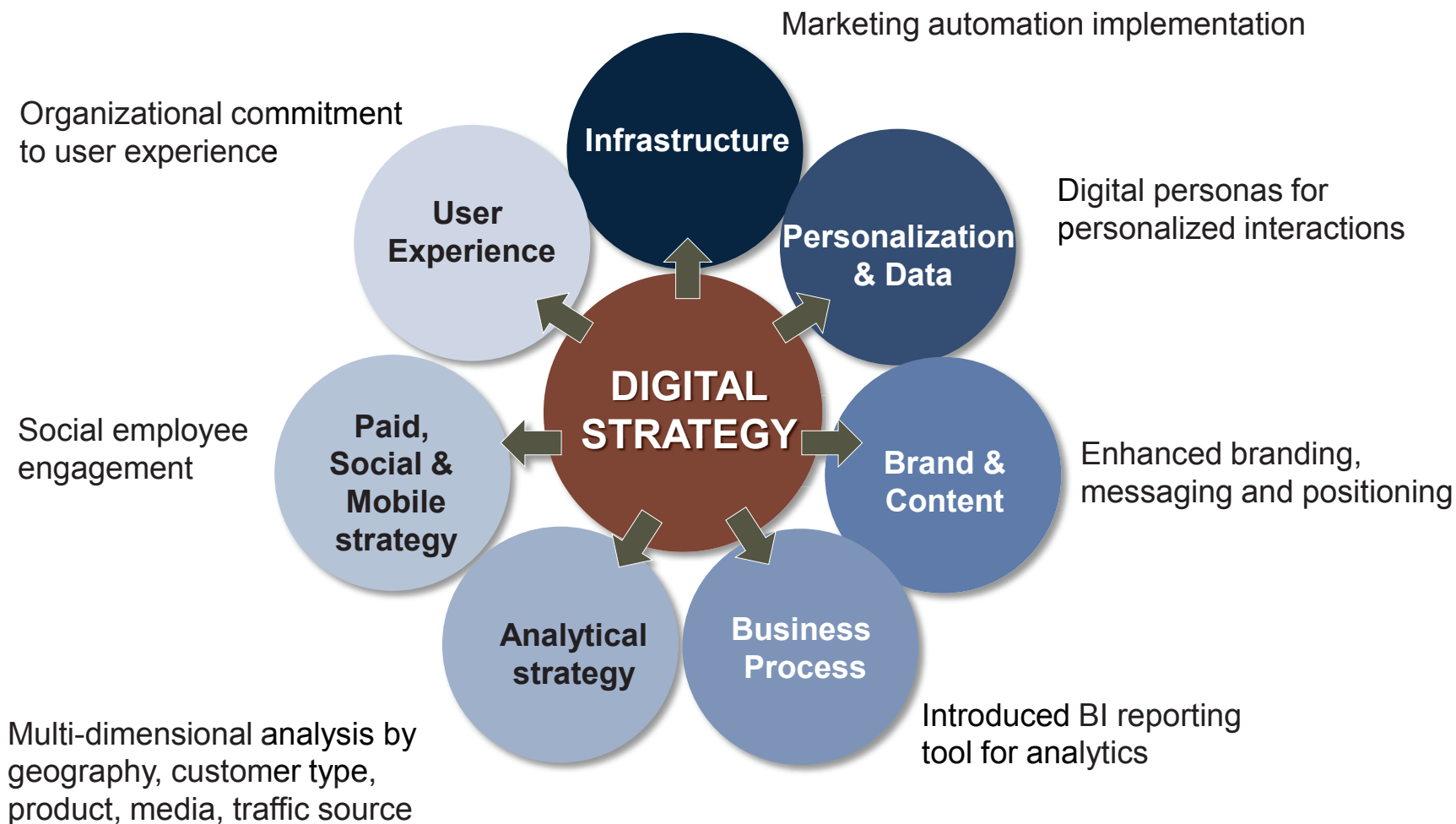
**Start saving today!**

May we use your information to determine your eligibility for an individual retirement account and provide you with more information? ☐ (Y/N)

PRODUCT FACTS & FEES

- IRA offer on HRB website and datamining on HRB database

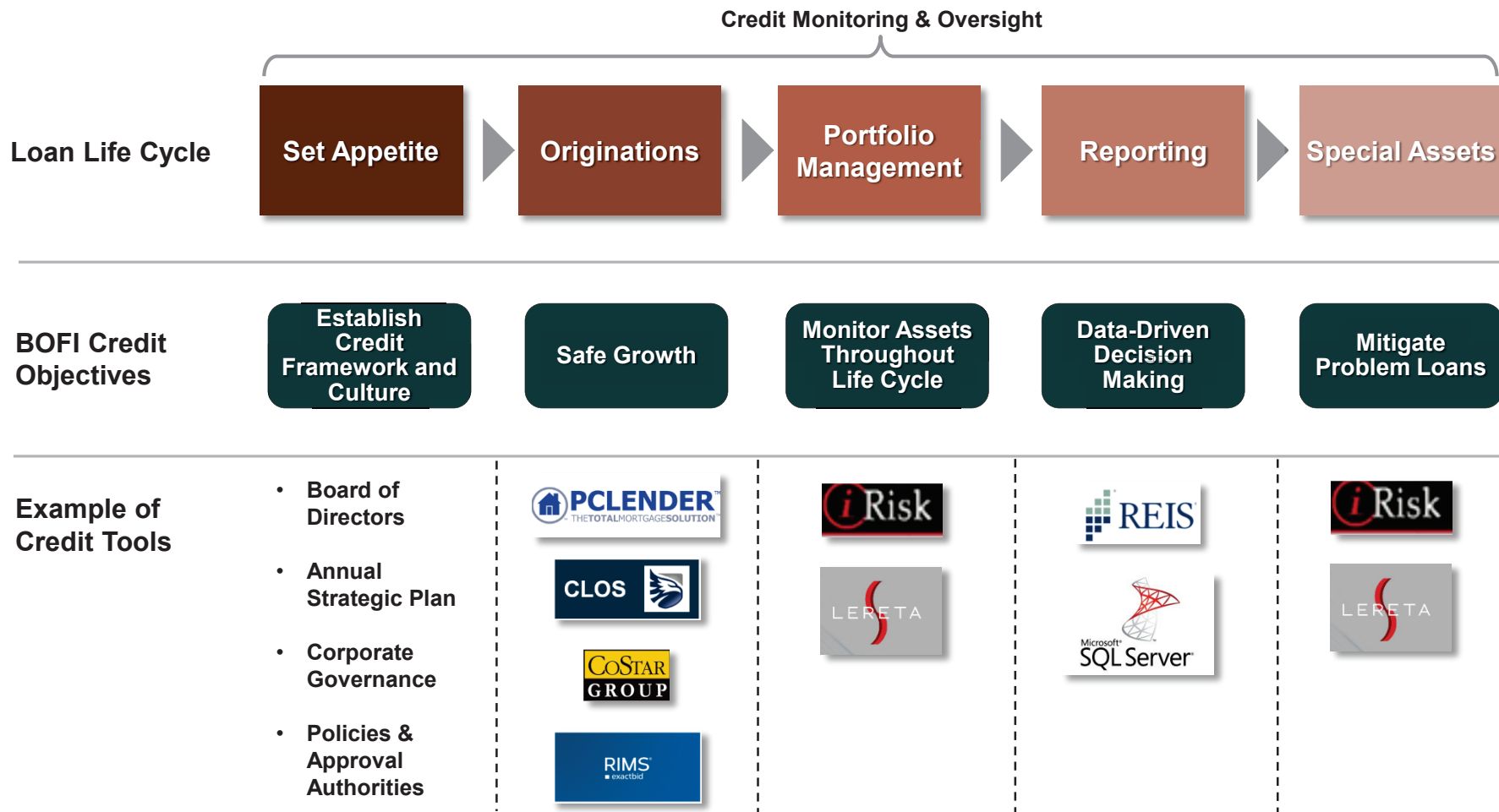
# Omni Channel Approach for Bofl's 2017 Digital Marketing Strategy



# Holistic Credit Risk Management

## What We Do

Utilize a holistic credit-risk management framework to manage and monitor credit quality at each stage of the loan life cycle, and leverage specialized Credit Tools to optimize monitoring and reporting capabilities



# Monitoring & Management Oversight: Core Products

## Single Family Residential

- Portfolio level monitoring with individual loan reviews completed on an exception basis (i.e. delinquency, FICO/LTV degradation).
- FICO pulled twice a year
- Updated AVMs twice a year
- Super jumbo loans receive complete annual loan review, including updated credit report
- Pledged assets receive refreshed CLTV ratios on a semiannual basis
- Portfolio-level review performed quarterly

## Income Property Lending

- Risk based annual loan review process, with 4 levels depending on financial performance & risk triggers
- Updated financials at least annually
- FICO pulled twice a year
- Updated AVMs twice a year
- Updated credit report and property inspections requested based on risk triggers
- Classified loans receive quarterly review
- Portfolio-level review performed quarterly
- Stress testing performed twice a year

## C&I – Bridge

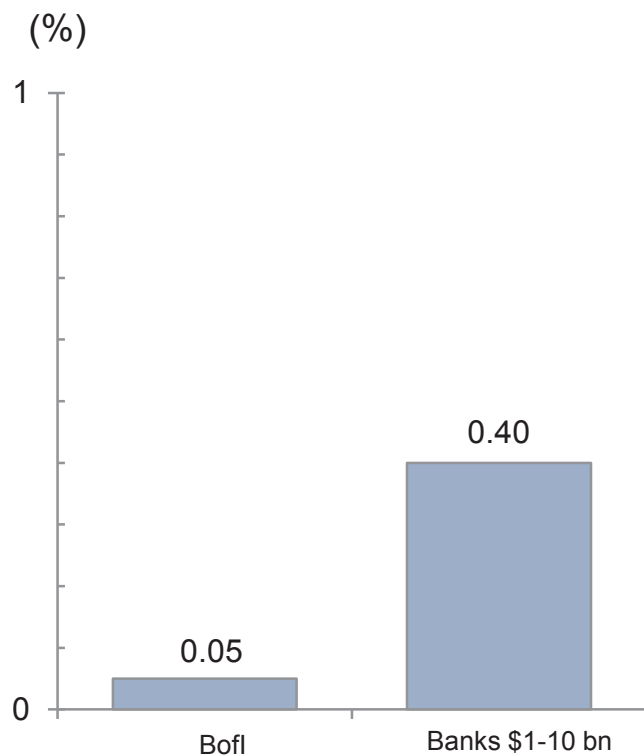
- Loan reviews at least quarterly
- Project updates at least quarterly
- Updated financials at least annually
- Site visits & inspections for development projects

## C&I – Lender Finance

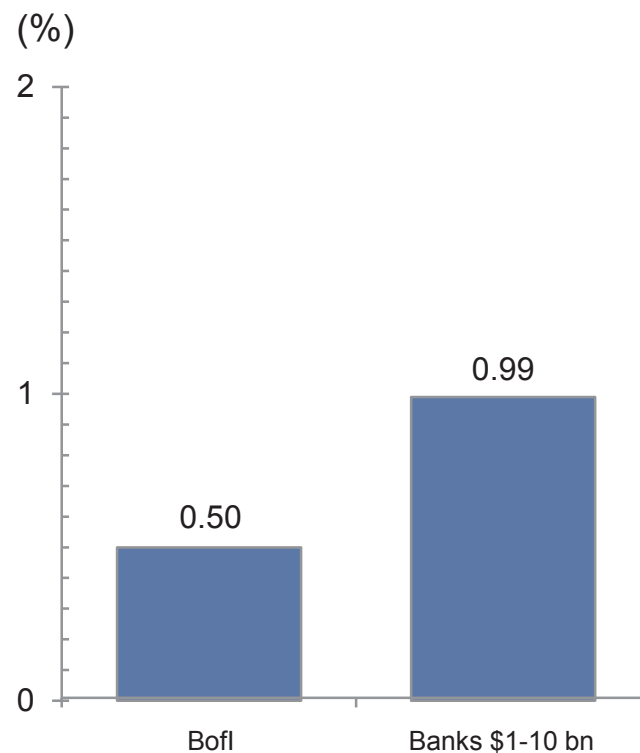
- Loan reviews at least quarterly
- Updated financials at least quarterly
- Borrowing base / custodial reports at least monthly
- Continuous collateral analytics, with quarterly validation

# Best-in-Class Loan Quality

## Total Net Charge-Offs Annualized <sup>1</sup>



## Loans in non-accrual to total loans<sup>1</sup>



1. As reported in FDIC SDI report at 12/31/16. Total of 506 institutions included in the \$1-\$10 billion group.

## Bank Provides Appropriate Resources to Manage Credit and Compliance Risk

Department FTEs	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Credit and Quality Control	27	41	57	65
Risk, Internal Asset Review, Compliance, Audit and BSA	16	26	35	44

# Investment Summary



**Full service branchless banking platform with structural cost advantages vs. traditional banks**



**Superior growth and ROE relative to large and small competitors**



**Solid track record of allocating capital to businesses with best risk-adjusted returns**



**New business initiatives will generate incremental growth in customers, loans and profits**



**Robust risk management systems and culture has resulted in lower credit, counterparty and regulatory risks**

## Contact Information

**Greg Garrabrants, President and CEO**  
**Andy Micheletti, EVP/CFO**

investors@bofi.com  
www.bofiholding.com

**Johnny Lai, VP Corporate Development and  
Investor Relations**

Phone: 858.649.2218  
Mobile: 858.245.1442  
jlai@bofi.com