

# **BOFI HOLDING, INC.**

## **Investor Presentation**

**February 2017**

NASDAQ: BOFI

# Safe Harbor



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

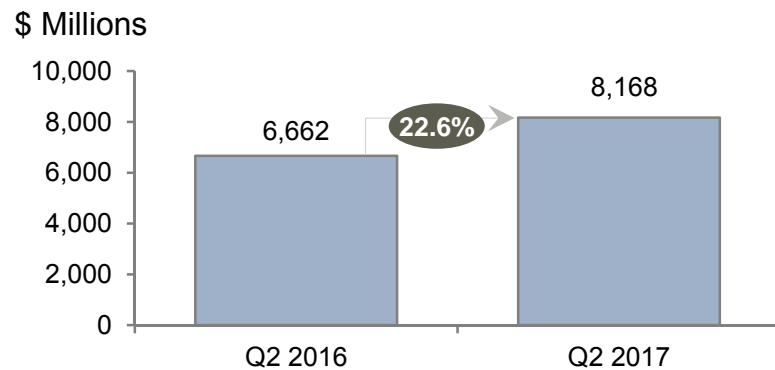


statements involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company and its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a discussion 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.

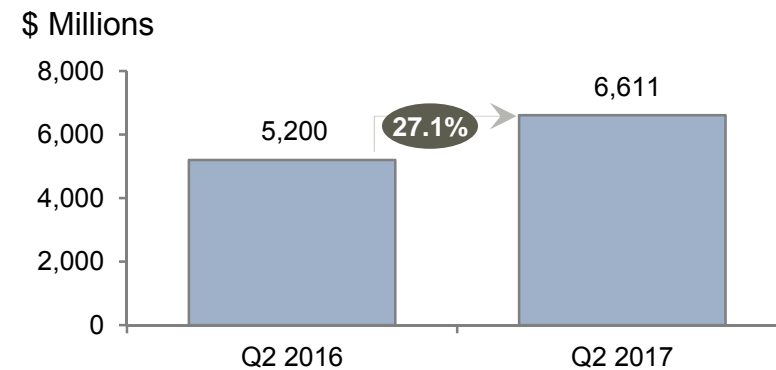
# Fiscal 2017 Second Quarter Highlights Compared with Fiscal 2016 Second Quarter



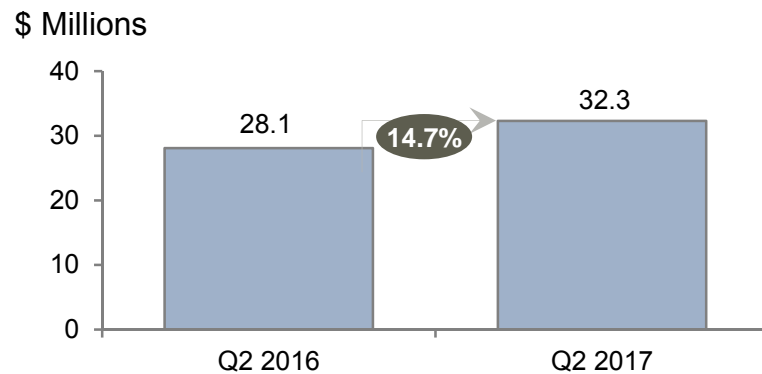
## Asset Growth



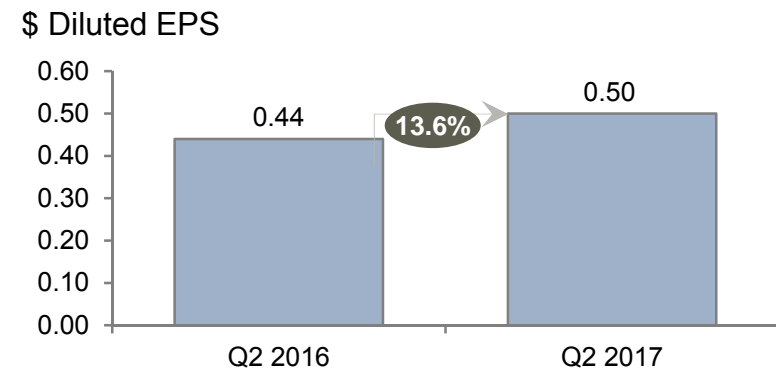
## Deposit Growth



## Net Income



## Diluted EPS



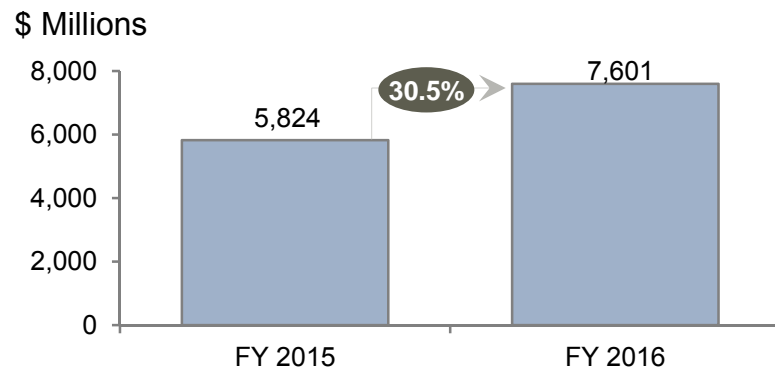
**Return on Equity = 17.49%**

**Return on Assets = 1.66%**

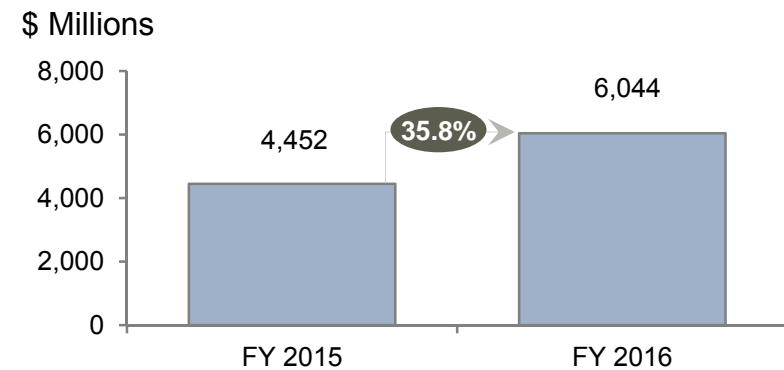
# Fiscal 2016 Highlights Compared with Fiscal 2015



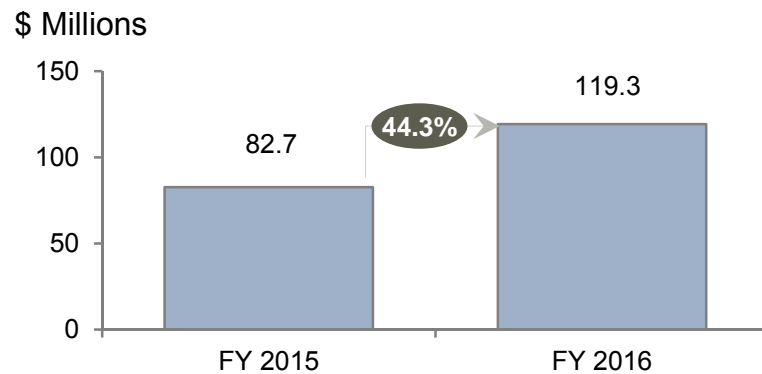
## Asset Growth



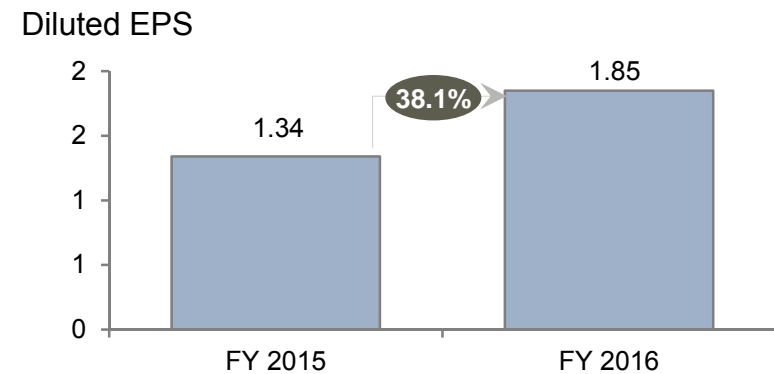
## Deposit Growth



## Net Income



## Diluted EPS



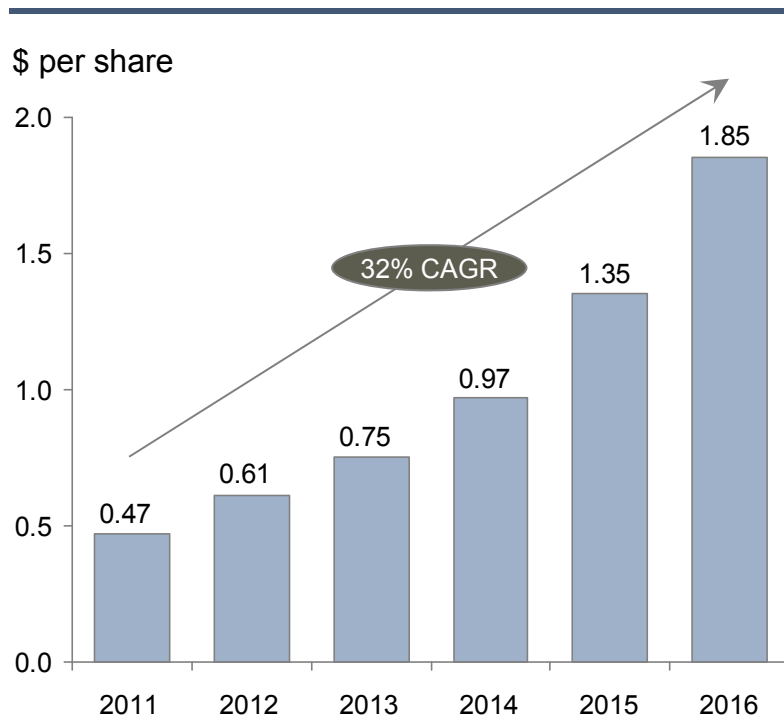
**Return on Equity = 19.43%**

**Return on Assets = 1.75%**

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



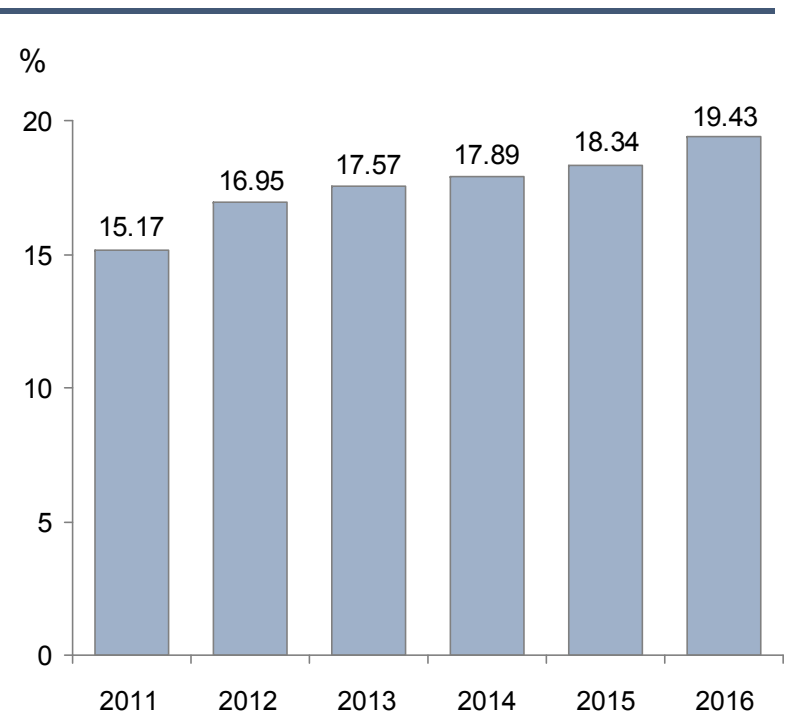
### Diluted EPS (FY)



**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

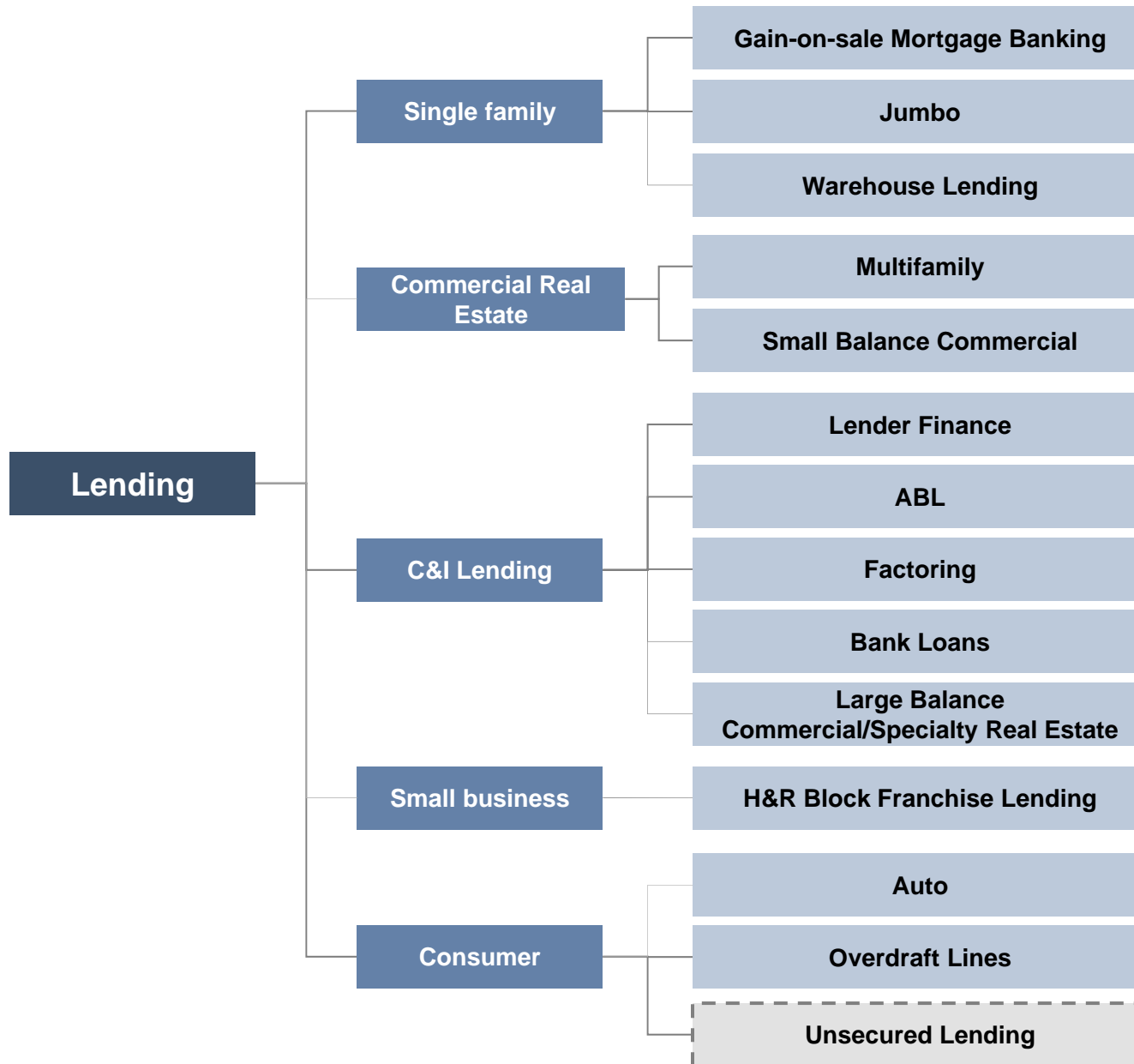
The 95% on ROE means that the Bank outperformed 95% of all banks. The 15% G&A ranking means that only 15% of banks spend less on G&A than Bofl. Peer group includes savings banks greater than \$1 billion.


	<b>Bofl Federal Bank</b>	<b>Peer Group</b>	<b>Percentile</b>
ROAA	1.81%	0.78%	93%
Return on equity	20.84%	7.00%	95%
G&A	1.49%	2.58%	15%
Efficiency ratio	31.46%	66.82%	5%

Source: Uniform Bank Performance Report (UBPR) as of 12/31/16

Note: Peer group is all savings banks with assets greater than \$1 billion for quarter ended 12/31/16

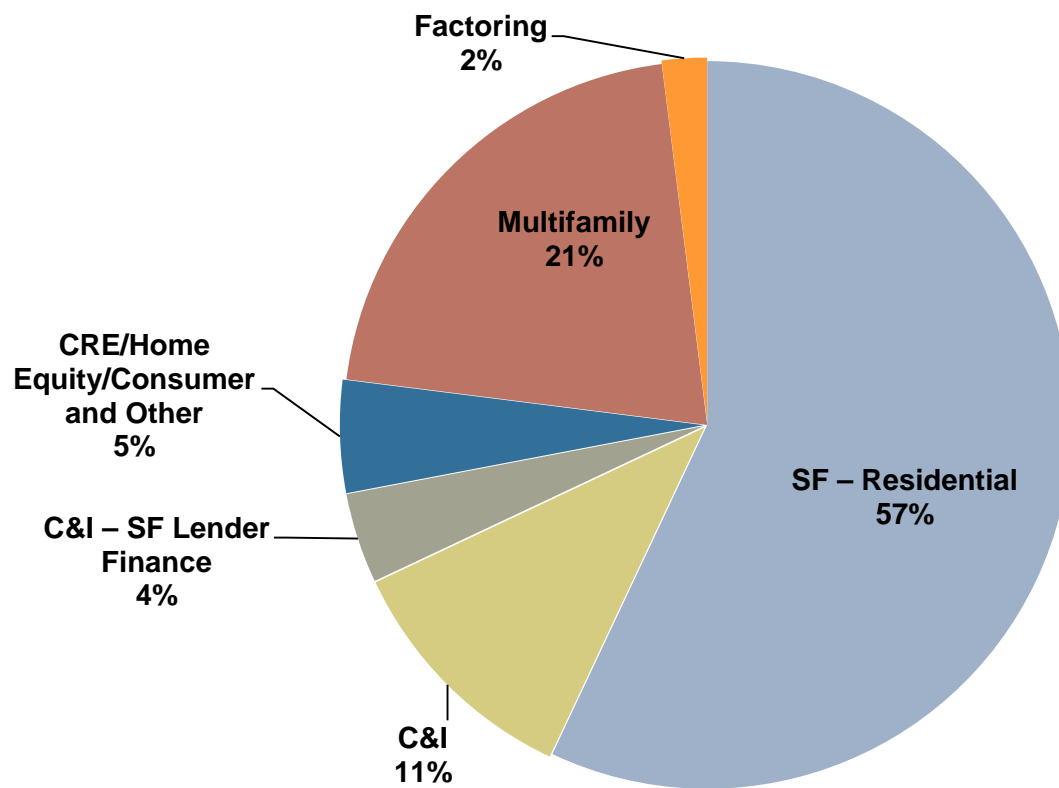
# Diverse Lending Business



 Pilot to be launched in January 2017

# Loan Diversity – December 31, 2016

**Loan Portfolio<sup>1</sup>**  
**100% = \$6,878 Million**

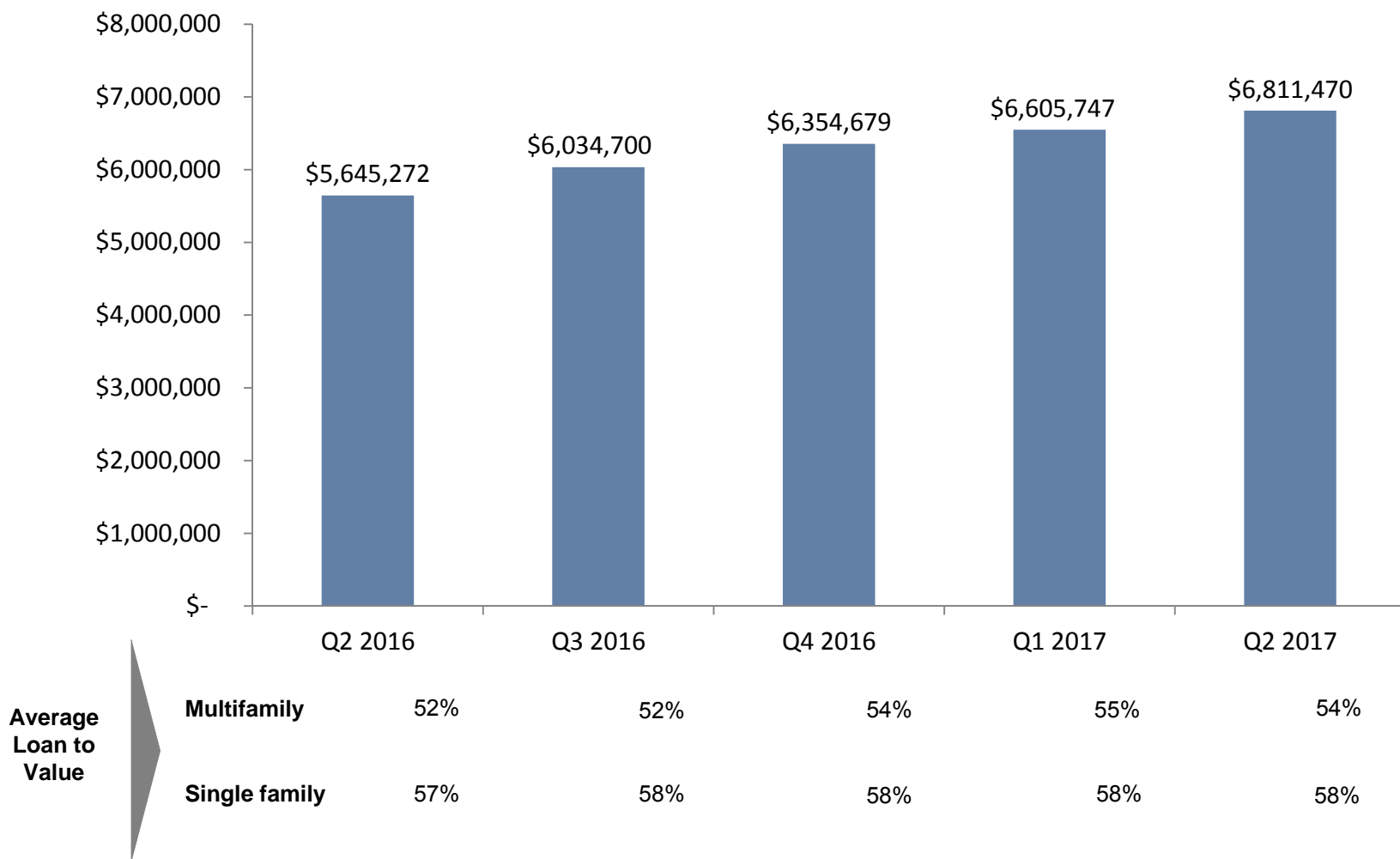


1. Gross loans and leases before premiums, discounts and allowances



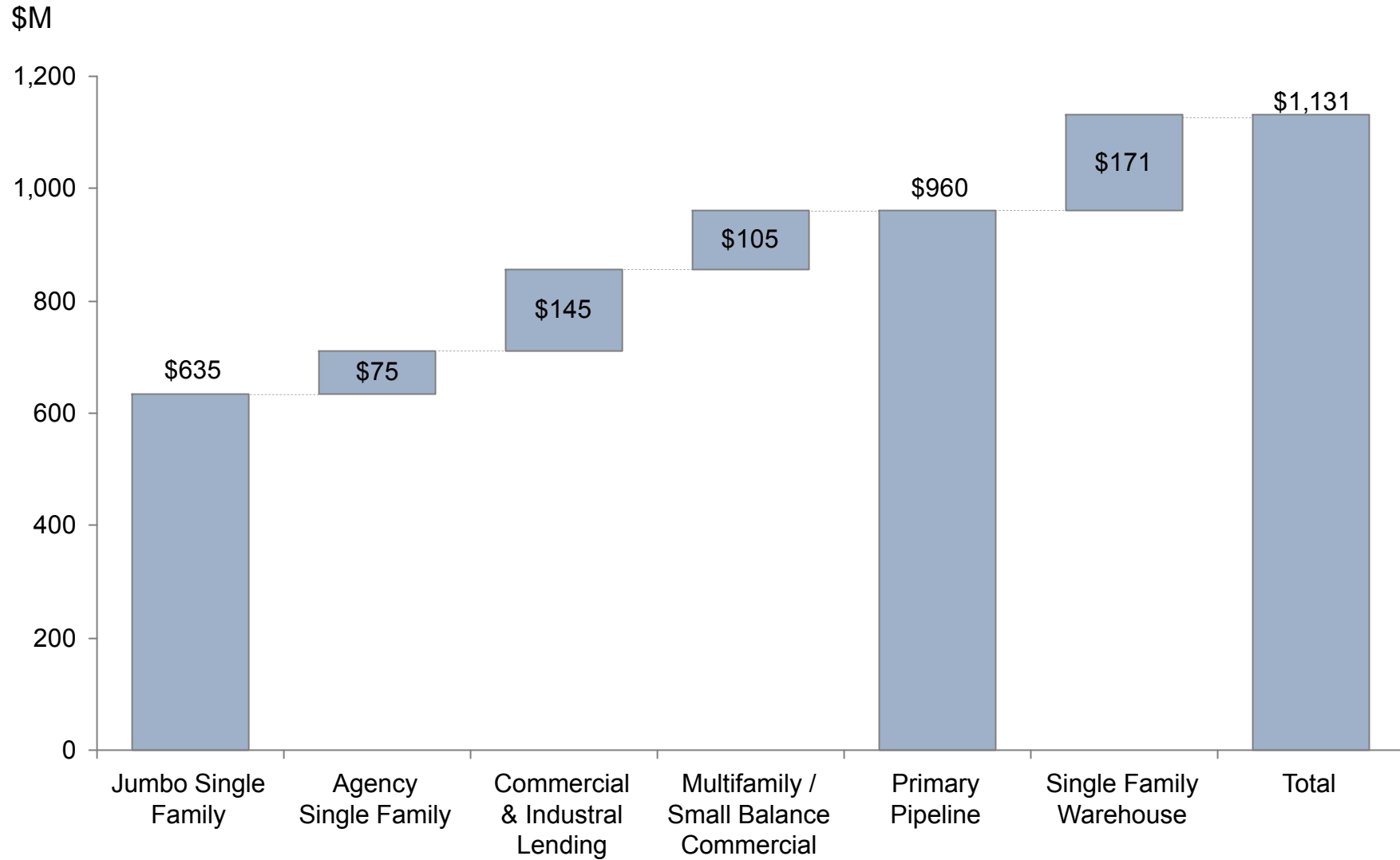
# Our Asset Growth has been Driven by Strong and Profitable Organic Loan Production

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



# Loan Pipeline Remains Strong

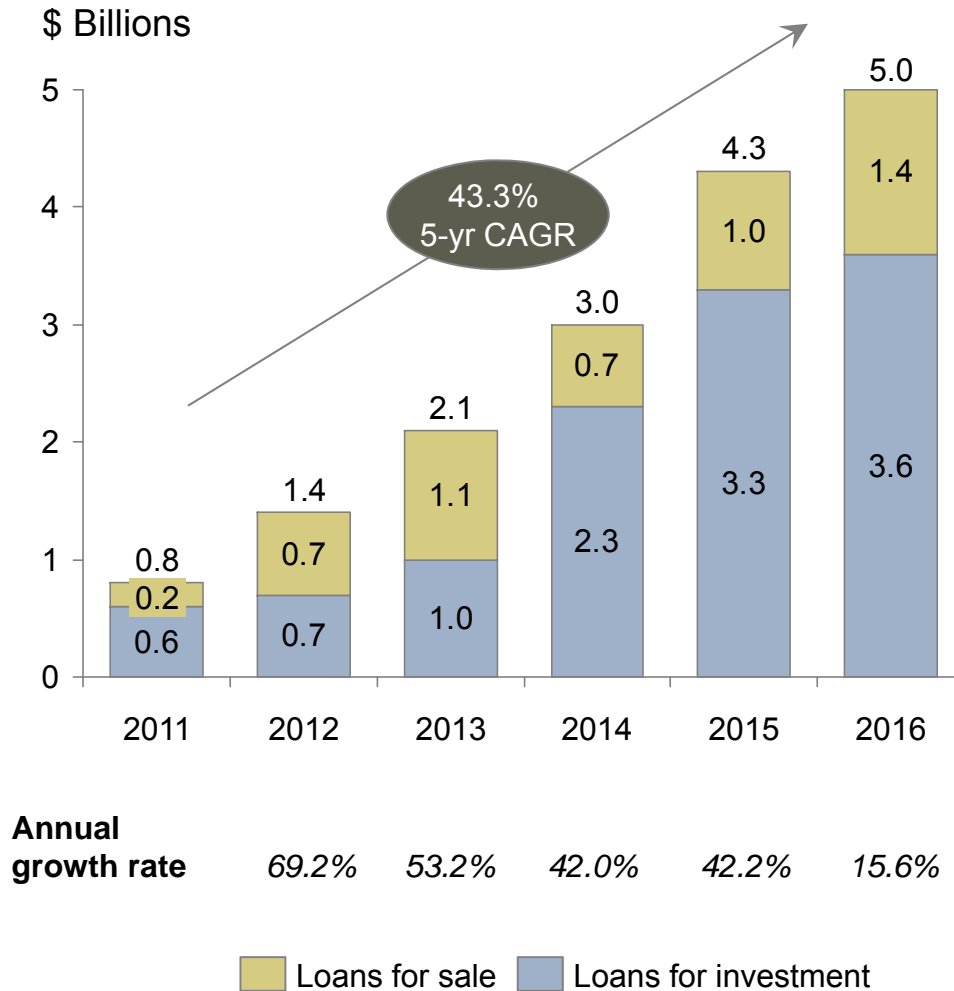
## FY 2017 Q2



# Loan Origination Growth



## Fiscal Year Loan Originations



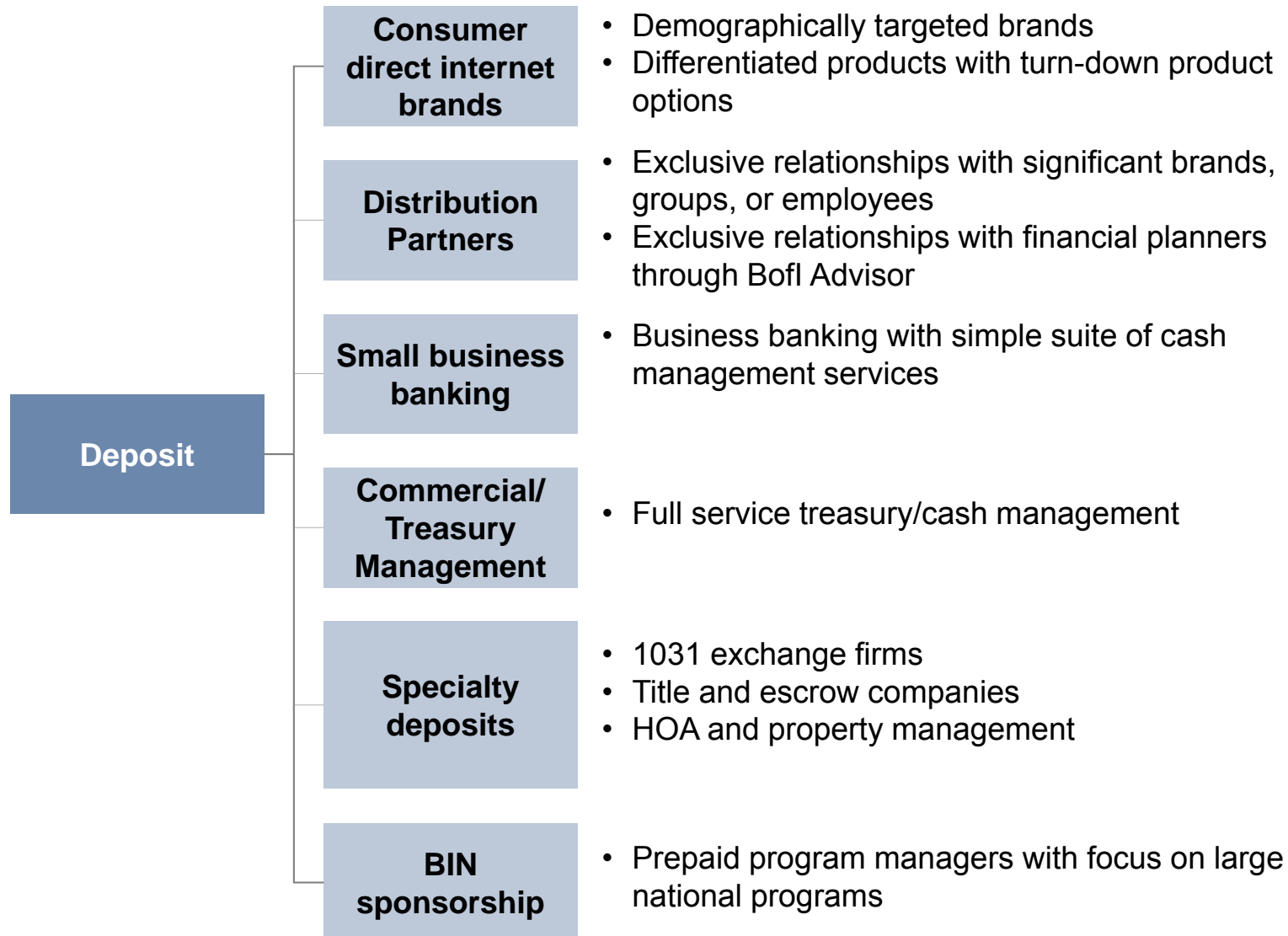
## Future Plans

- 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

# Diversified Branchless Deposit Businesses



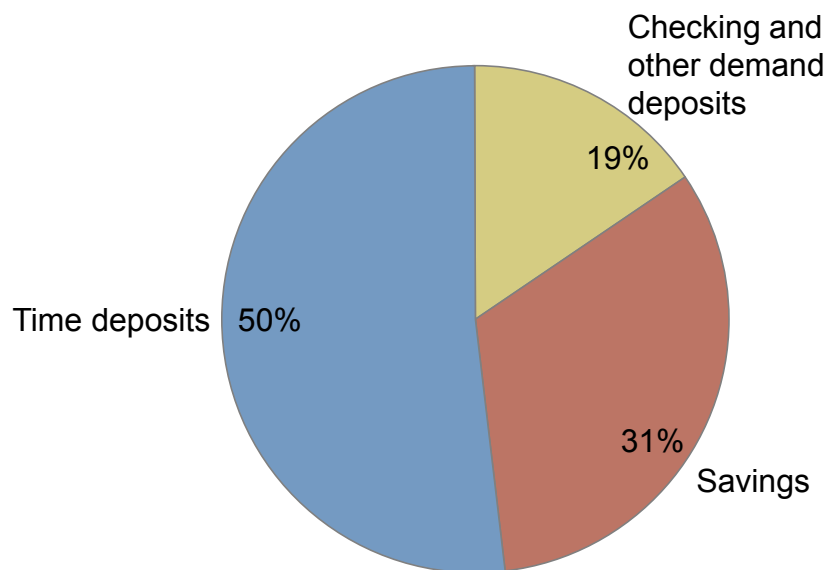
## Key Elements



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

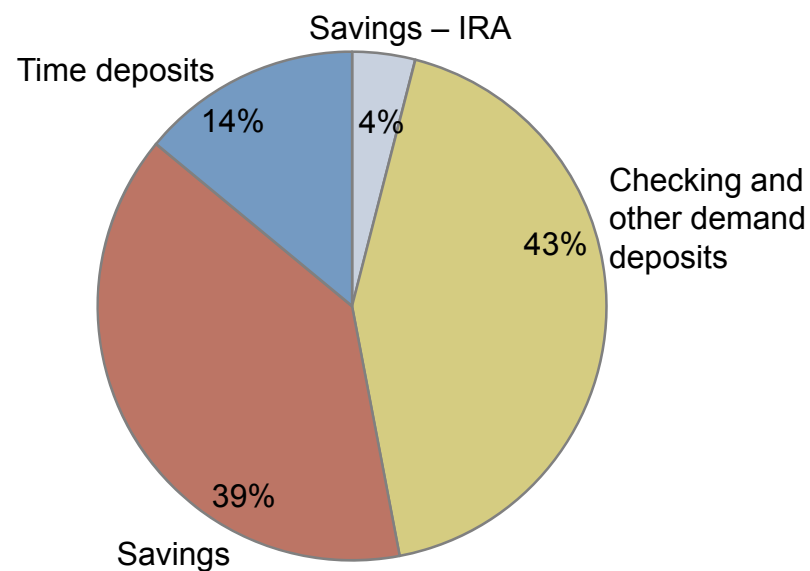
**June 30, 2013**

100% of Deposits = \$2.1 billion



**December 31, 2016**

100% of Deposits = \$6.6 billion



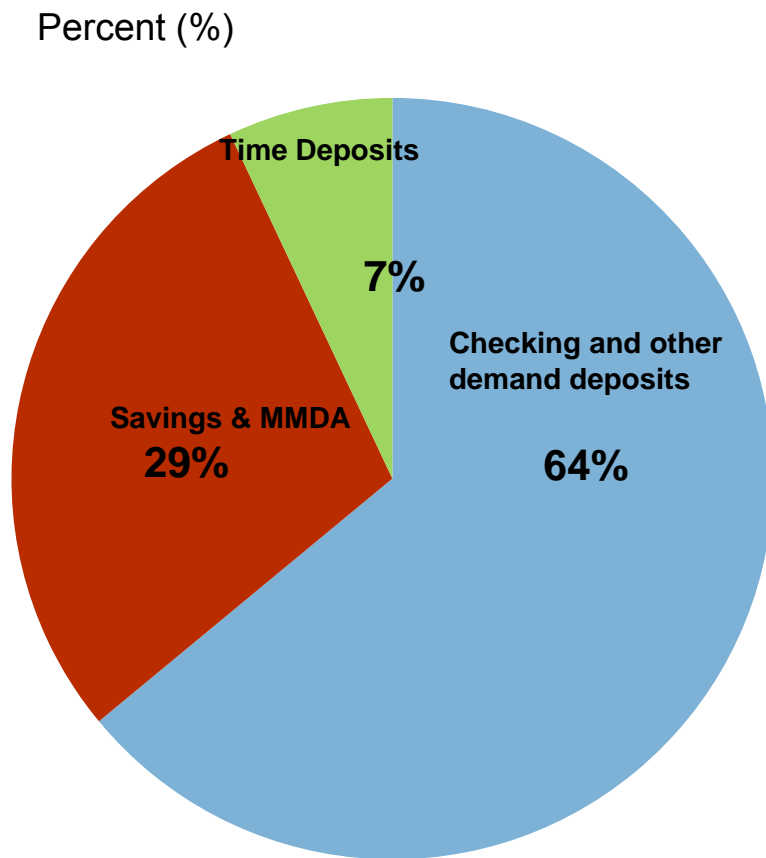
**Checking Growth (6/2013-12/2016) = 616%**

**Savings Growth (6/2013-12/2016) = 302%**

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

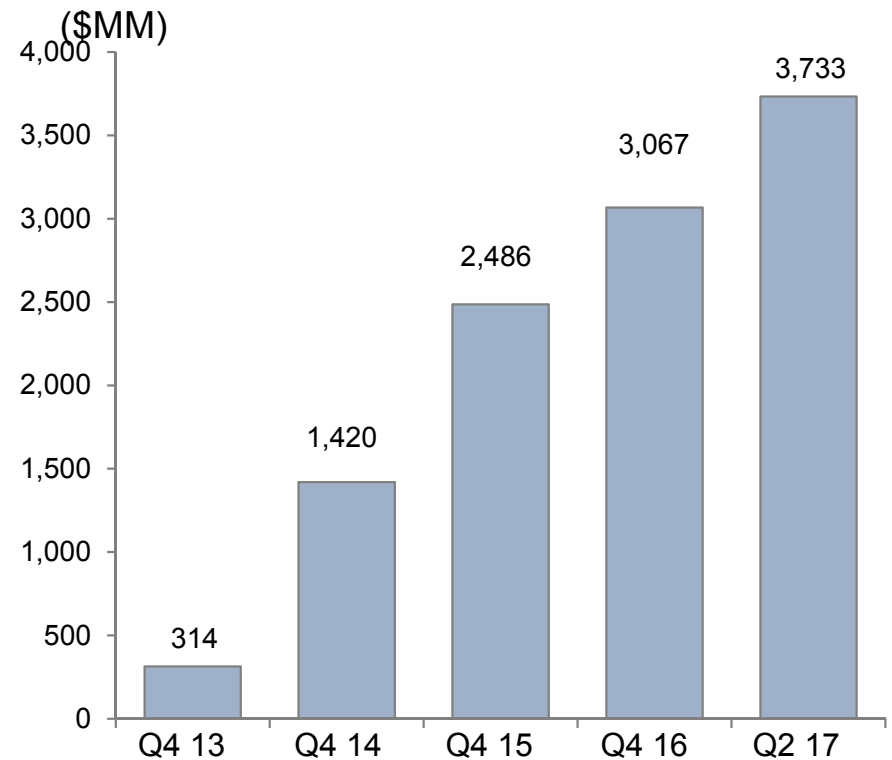


## Business Deposits by Account Type\*

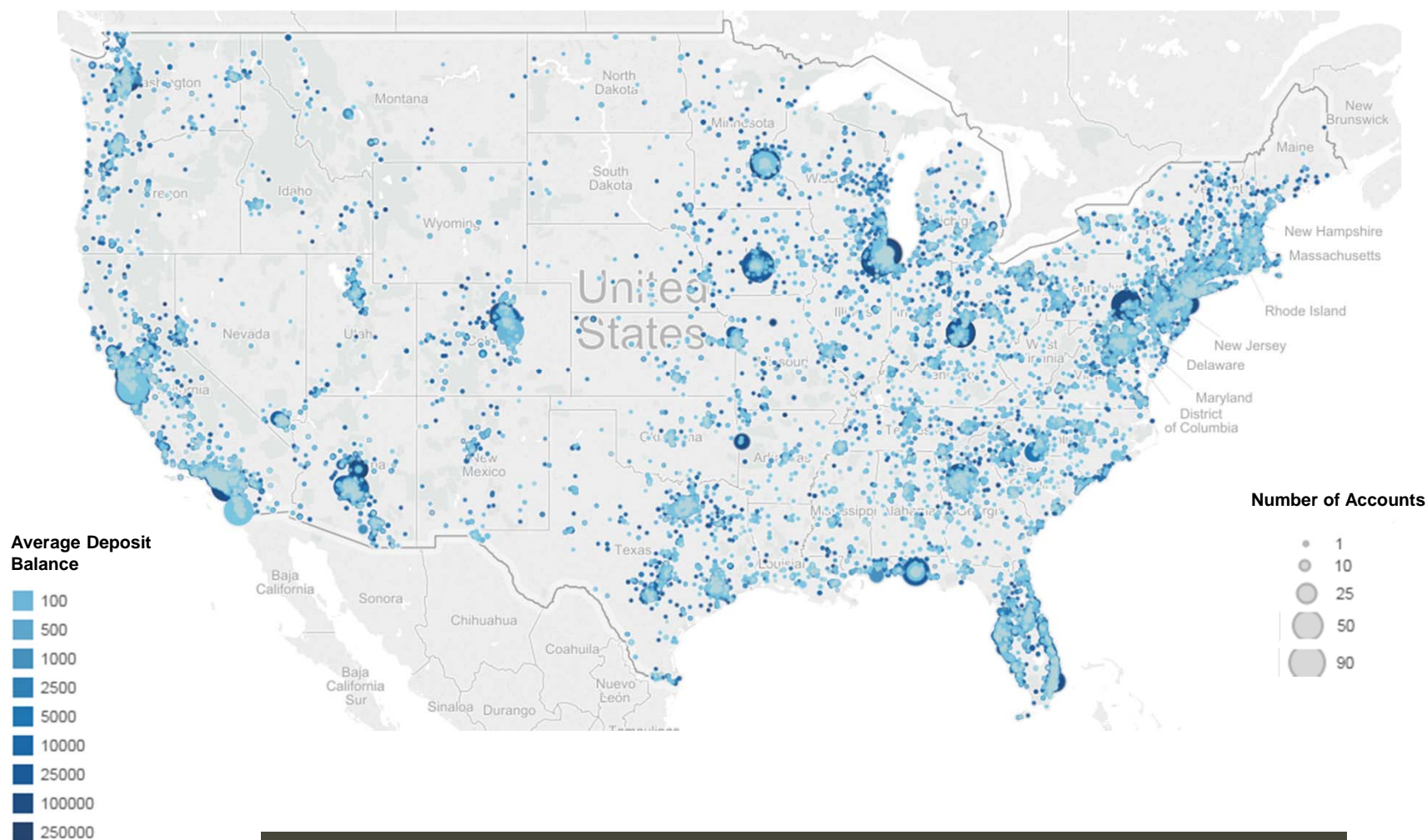


\* As of quarter end 12/31/16

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

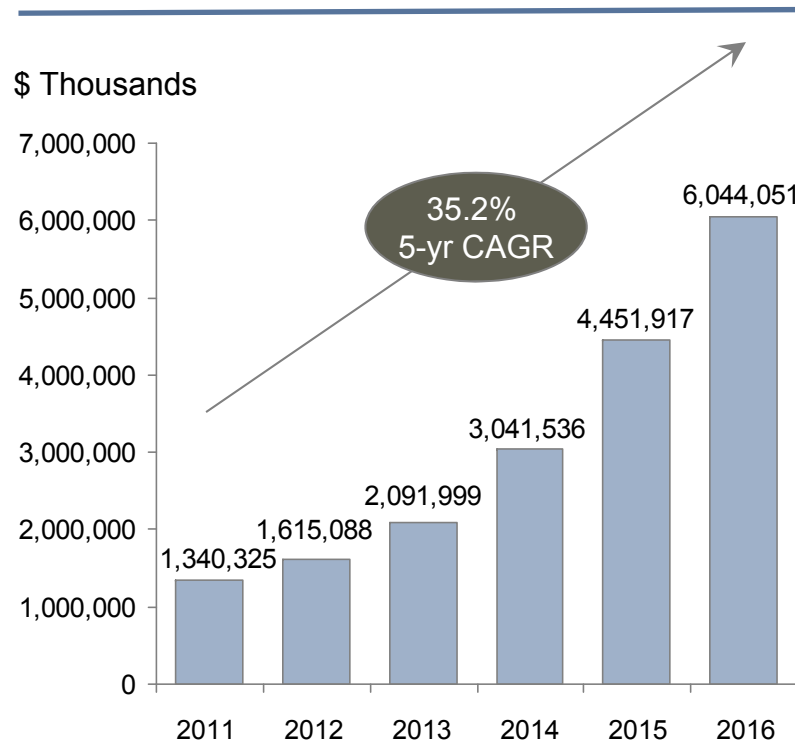
**64% of Population or 94% of Balance are Overall High Engagement**



# 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

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

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

# 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>	

# Bofi's Business Model Is Differentiated From Other Banks



- Digital Marketing
- Affinity and Distribution Partners
- Data mining/target feeding direct marketing
- Cross-sell

- Automated fulfillment
- Inbound call center sales
- Outbound call center sales
- Minimal outside sales
- Significant inside sales

- Self-service
- Digital journey
- Direct banker (call center)

- Balance sheet
- Whole loan sales options
- Securitization

## Core Digital Capabilities

**Data Driven Insight**

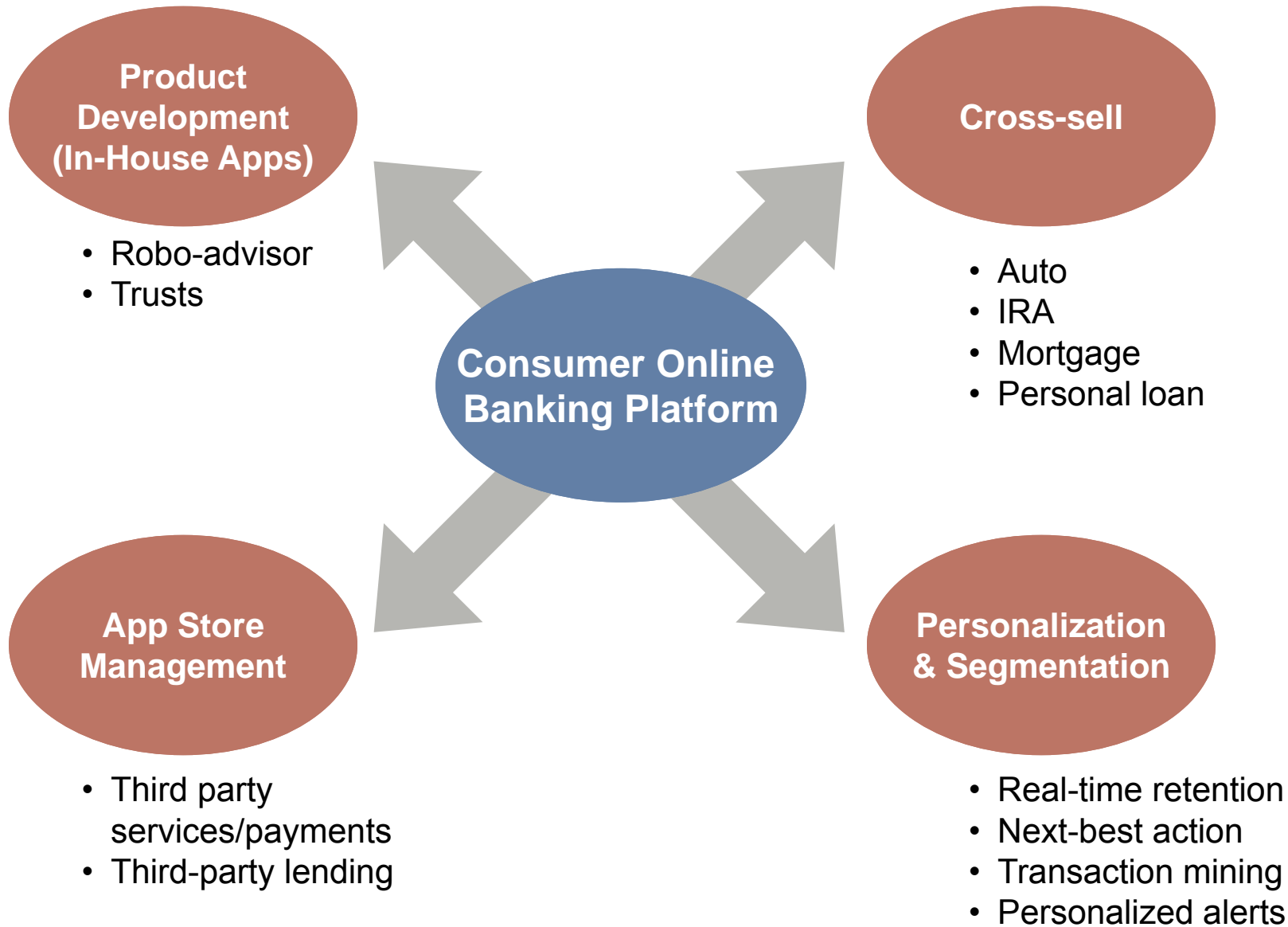
**Integrated Customer Experience**

**Digital Marketing**

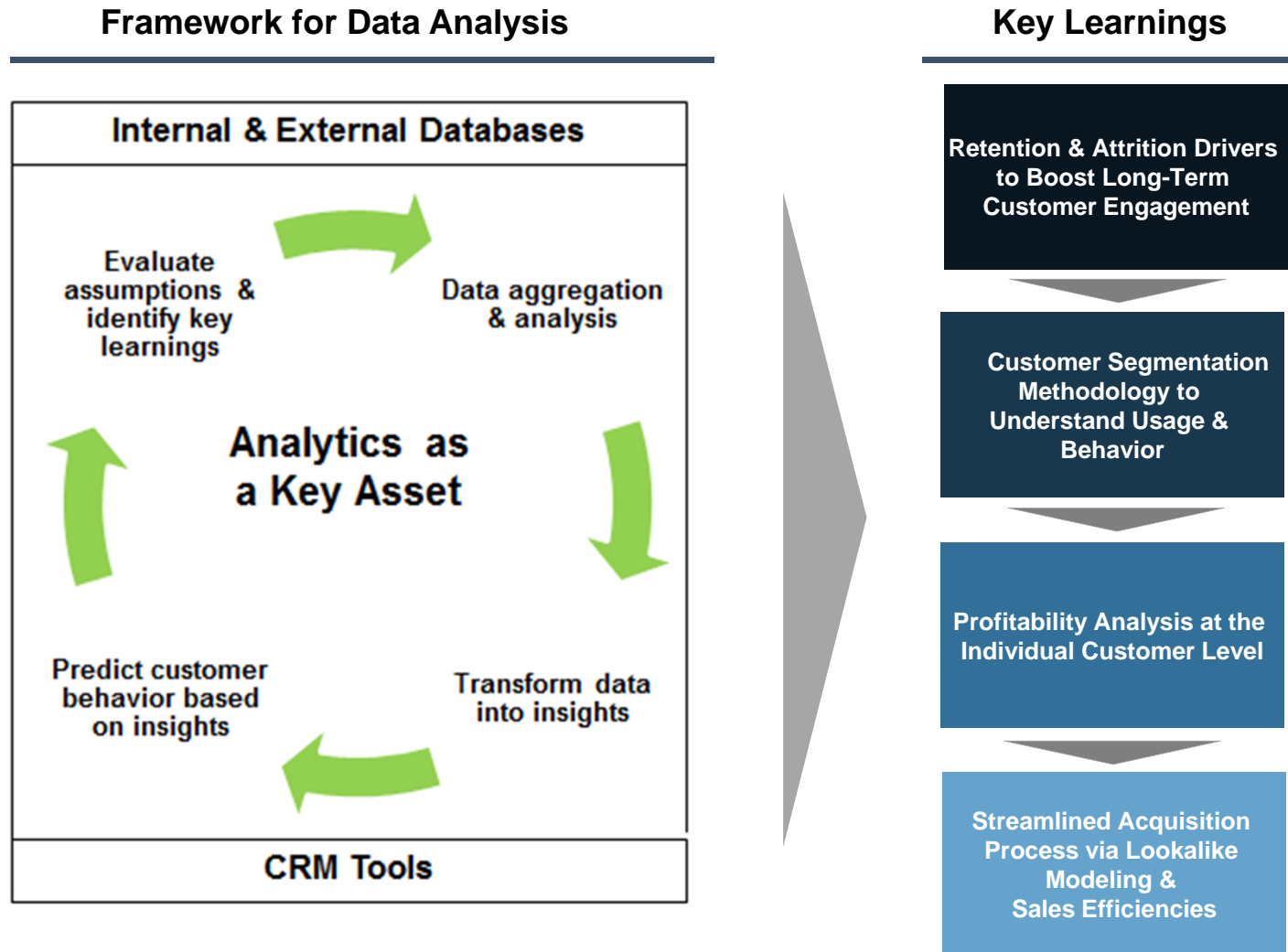
**Digitally Enabled Operations**

**Next-Gen Technology**

# Universal Digital Bank Consumer Platform



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



# 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)

SPANISH

### IRA contributions could lower your taxes.

DID YOU KNOW:

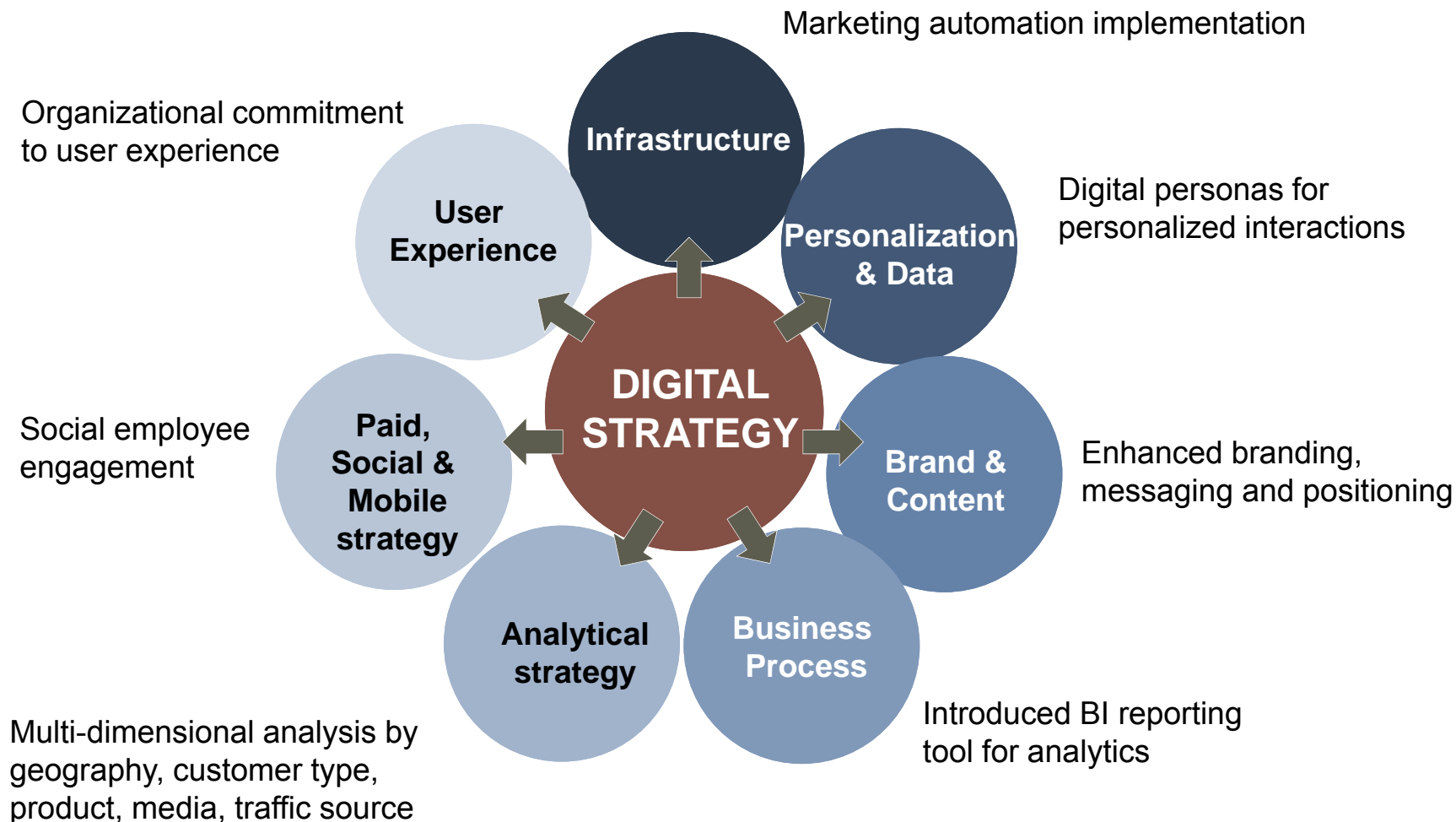
- Roth IRA allows savers a tax-free stream of income in retirement**
- \$1000 to a traditional IRA could lower your taxes by up to \$250**
- Depending on your income and filing status you could qualify for the Saver's Credit**

**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

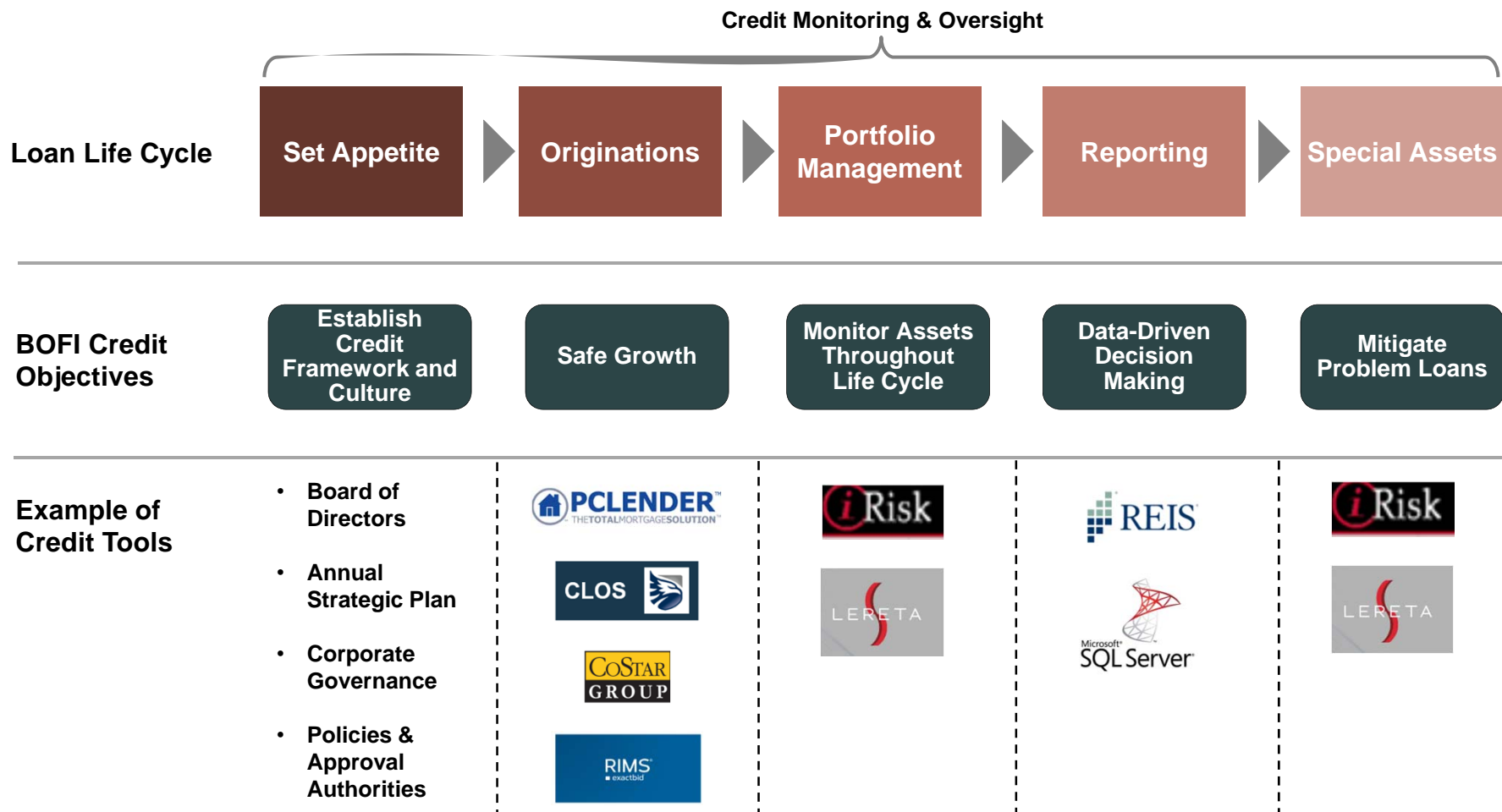
- IRA offer on HRB website and datamining on HRB database

# 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



Credit Tools List is a sampling and is not meant to be comprehensive



# 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

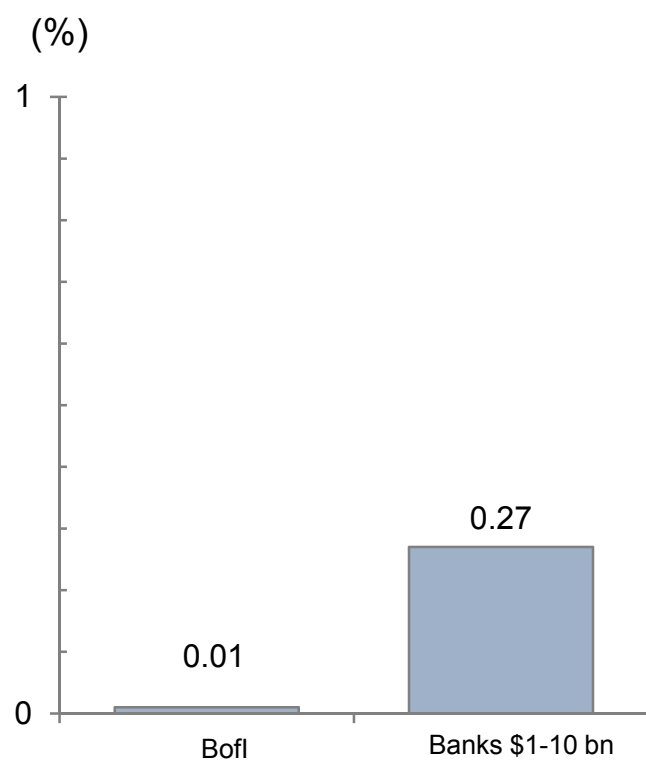
- Loan reviews at least quarterly
- Project updates at least quarterly
- Updated financials at least annually
- Site visits & inspections for development projects

## C&I – Lender Finance

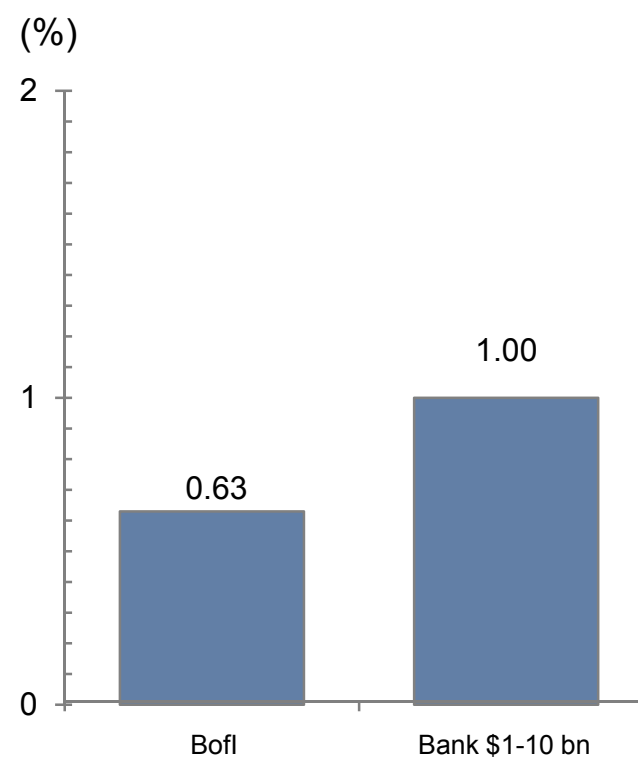
- Loan reviews at least quarterly
- Updated financials at least quarterly
- Borrowing base / custodial reports at least monthly
- Continuous collateral analytics, with quarterly validation

# 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 09/30/16. 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

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