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BofI Holding, Inc.

Form 10-K

August 23, 2018

0.006250.006250.006255P10YP1YP7YP3Y5000.3480.2610.4870.0000.1000.0521.0000.4240.7980.3480.0610.2420.0000.000

Accelerated

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0001299709 2017-07-01 2018-06-30 0001299709 2017-12-31 0001299709 2018-08-17 0001299709 2018-06-30

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us-gaap:SeriesAPreferredStockMember 2017-06-30 0001299709 2016-07-01 2017-06-30 0001299709 2015-07-01

2016-06-30 0001299709 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-07-01 2017-06-30

0001299709 us-gaap:TreasuryStockMember 2016-06-30 0001299709 us-gaap:AdditionalPaidInCapitalMember

2017-06-30 0001299709 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-07-01 2018-06-30

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2018-06-30 0001299709 us-gaap:PreferredStockMember 2016-06-30 0001299709 us-gaap:RetainedEarningsMember

2016-07-01 2017-06-30 0001299709 2015-06-30 0001299709 us-gaap:CommonStockMember 2017-07-01

2018-06-30 0001299709 us-gaap:RetainedEarningsMember 2017-07-01 2018-06-30 0001299709

us-gaap:CommonStockMember 2016-06-30 0001299709 us-gaap:CommonStockMember 2015-06-30 0001299709

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2015-07-01 2016-06-30 0001299709 us-gaap:RestrictedStockMember us-gaap:TreasuryStockMember 2016-07-01

2017-06-30 0001299709 us-gaap:RetainedEarningsMember 2018-06-30 0001299709

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stpr:CA us-gaap:LoansMember us-gaap:GeographicConcentrationRiskMember 2017-07-01 2018-06-30 0001299709

bofi:EmeraldAdvanceMember bofi:HandRBlockBankDepositsMember bofi:OtherLoanMember 2017-07-01

2018-06-30 0001299709 srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201609Member

2016-07-01 2017-06-30 0001299709 2015-10-31 0001299709 srt:RestatementAdjustmentMember

us-gaap:AccountingStandardsUpdate201609Member 2015-07-01 2016-06-30 0001299709 2015-11-30 0001299709

srt:ScenarioPreviouslyReportedMember 2015-07-01 2016-06-30 0001299709 srt:RestatementAdjustmentMember

2016-07-01 2017-06-30 0001299709 srt:ScenarioPreviouslyReportedMember 2016-07-01 2017-06-30 0001299709

srt:RestatementAdjustmentMember us-gaap:RestrictedStockUnitsRSUMember 2016-07-01 2017-06-30 0001299709

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0001299709 us-gaap:EmployeeStockOptionMember 2015-07-01 2016-06-30 0001299709

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bofi:ImmaterialErrorCorrectionMember 2015-07-01 2016-06-30 0001299709 srt:RestatementAdjustmentMember
bofi:ImmaterialErrorCorrectionMember 2016-07-01 2017-06-30 0001299709 2017-07-01 2017-09-30 0001299709
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bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:IncomeApproachValuationTechniqueMember
2017-06-30 0001299709 bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
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2017-06-30 0001299709 us-gaap:DerivativeFinancialInstrumentsAssetsMember
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2018-06-30 0001299709 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:MortgageBankingMember 2017-07-01 2018-06-30 0001299709
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2018-06-30 0001299709 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
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2018-06-30 0001299709 bofi:NonperformingFinancingReceivableCommercialandIndustrialMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-06-30
0001299709 bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
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0001299709 bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember 2018-06-30 0001299709
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember 2018-06-30 0001299709
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2018-06-30 0001299709 bofi:NonAgencyResidentialMortgageBackedSecuritiesMember
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2018-06-30 0001299709 bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
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us-gaap:FairValueMeasurementsNonrecurringMember 2018-06-30 0001299709
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel2Member
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us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
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bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-06-30
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us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30
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us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
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us-gaap:RealEstateAcquiredInSatisfactionOfDebtMember 2017-07-01 2018-06-30 0001299709
us-gaap:RealEstateAcquiredInSatisfactionOfDebtMember 2016-07-01 2017-06-30 0001299709 srt:MaximumMember
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MeasurementInputDefaultRateMember us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30
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2017-07-01 2018-06-30 0001299709 srt:MaximumMember
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2018-05-31 0001299709 us-gaap:DerivativeFinancialInstrumentsAssetsMember
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2017-06-30 0001299709 bofi:NonAgencyResidentialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2016-07-01 2017-06-30
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bofi:SaleOfMortgagebackedSecuritiesMember 2016-07-01 2017-06-30 0001299709
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us-gaap:MeasurementInputDefaultRateMember us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30
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us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MaximumMember
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputLossSeverityMember
us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MinimumMember
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputConstantPrepaymentRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MaximumMember
us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember bofi:ProjectedProfitofUnderlyingLoansMember
us-gaap:MarketApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MaximumMember
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputLossSeverityMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MinimumMember
bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputConstantPrepaymentRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:MeasurementInputDefaultRateMember us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30
0001299709 srt:MaximumMember bofi:NonAgencyResidentialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember

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us-gaap:MeasurementInputDiscountRateMember us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MaximumMember
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MinimumMember
bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MaximumMember
bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MinimumMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MinimumMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputConstantPrepaymentRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:WeightedAverageMember
bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MaximumMember
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MaximumMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MaximumMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MaximumMember
bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MaximumMember

bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember
bofi:MeasurementInputAppraisedValueandComparabilityAdjustmentMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2018-06-30 0001299709
srt:WeightedAverageMember bofi:NonperformingFinancingReceivableCommercialandIndustrialMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputDiscountRateMember us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30
0001299709 srt:WeightedAverageMember bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MaximumMember bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputDefaultRateMember us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30
0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputDiscountRateMember us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30
0001299709 srt:WeightedAverageMember bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableHomeEquityMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2018-06-30 0001299709 srt:MaximumMember
bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MinimumMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDefaultRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDefaultRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MinimumMember
bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:WeightedAverageMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:IncomeApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MaximumMember bofi:OtherRealEstateOwnedSingleFamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:WeightedAverageMember bofi:NonperformingFinancingReceivableHomeEquityMember

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us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableOtherLoansMember
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us-gaap:MeasurementInputDiscountRateMember us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30
0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableSingleFamilyMember
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2017-06-30 0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableHomeEquityMember
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us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MinimumMember
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputLossSeverityMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MaximumMember
bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:WeightedAverageMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:IncomeApproachValuationTechniqueMember
2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableMultifamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
bofi:MeasurementInputAppraisedValueandComparabilityAdjustmentMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2018-06-30 0001299709
srt:MinimumMember bofi:NonperformingFinancingReceivableCommercialandIndustrialMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputDiscountRateMember us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30
0001299709 srt:MinimumMember bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MinimumMember bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
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us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableSingleFamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableMultifamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
bofi:MeasurementInputAppraisedValueandComparabilityAdjustmentMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2017-06-30 0001299709

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srt:MaximumMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputDefaultRateMember us-gaap:IncomeApproachValuationTechniqueMember 2018-06-30
0001299709 srt:WeightedAverageMember bofi:OtherRealEstateOwnedSingleFamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputLossSeverityMember us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30
0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableMultifamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
bofi:MeasurementInputAppraisedValueandComparabilityAdjustmentMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2017-06-30 0001299709
srt:MaximumMember bofi:NonperformingFinancingReceivableSingleFamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputLossSeverityMember us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30
0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableMultifamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
bofi:MeasurementInputAppraisedValueandComparabilityAdjustmentMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2018-06-30 0001299709
srt:MinimumMember bofi:NonperformingFinancingReceivableHomeEquityMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2017-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MinimumMember
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputDefaultRateMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-06-30 0001299709 srt:MinimumMember
bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MeasurementInputComparabilityAdjustmentMember
us-gaap:MarketApproachValuationTechniqueMember 2018-06-30 0001299709 srt:WeightedAverageMember
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember
bofi:MeasurementInputAppraisedValueandComparabilityAdjustmentMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2017-06-30 0001299709
srt:MaximumMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:IncomeApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MaximumMember bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:IncomeApproachValuationTechniqueMember
2017-06-30 0001299709 srt:MinimumMember
bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember

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us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableHomeEquityMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MeasurementInputComparabilityAdjustmentMember us-gaap:MarketApproachValuationTechniqueMember
2018-06-30 0001299709 srt:MinimumMember bofi:NonperformingFinancingReceivableOtherLoansMember
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us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:IncomeApproachValuationTechniqueMember
2018-06-30 0001299709 bofi:OtherNonAgencyResidentialMortgageBackedSecuritiesMember 2018-06-30
0001299709 us-gaap:MunicipalBondsMember 2018-06-30 0001299709
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2018-06-30 0001299709
bofi:AgencyResidentialMortgageBackedSecuritiesMember 2018-06-30 0001299709
bofi:AssetbackedSecuritiesandStructuredNotesMember 2018-06-30 0001299709
us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-06-30 0001299709
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2015-06-30 0001299709
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2017-07-01 2018-06-30 0001299709
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bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2017-06-30 0001299709
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2015-07-01 2016-06-30 0001299709
us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-06-30 0001299709
bofi:OtherNonAgencyResidentialMortgageBackedSecuritiesMember 2017-06-30 0001299709
us-gaap:MunicipalBondsMember 2017-06-30 0001299709
bofi:AgencyResidentialMortgageBackedSecuritiesMember 2017-06-30 0001299709
bofi:AssetbackedSecuritiesandStructuredNotesMember 2017-06-30 0001299709
bofi:NonAgencyRmbsMezzanineZTrancheSecuritiesMember 2017-07-01 2018-06-30 0001299709
bofi:NonAgencyRmbsMezzanineZTrancheSecuritiesMember 2018-06-30 0001299709
bofi:NonAgencyRmbsSeniorSupportSecuritiesMember 2018-06-30 0001299709
bofi:NonAgencyRmbsSuperSeniorSecuritiesMember 2018-06-30 0001299709 bofi:CommercialandIndustrialMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2017-06-30 0001299709
bofi:CommercialandIndustrialMember 2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember
us-gaap:HomeEquityLoanMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-06-30
0001299709 bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember 2017-06-30 0001299709
bofi:PurchasedLoansMember us-gaap:ResidentialMortgageMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2017-06-30 0001299709
bofi:OtherLoanMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember bofi:ResidentialMultifamilyLoanMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2017-06-30 0001299709
bofi:PurchasedLoansMember us-gaap:ResidentialMortgageMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:AutomobileLoanMember 2017-06-30 0001299709
bofi:OtherLoanMember 2017-06-30 0001299709 us-gaap:FinancingReceivables60To89DaysPastDueMember
2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-06-30 0001299709
bofi:CommercialandIndustrialMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-06-30
0001299709 bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2017-06-30 0001299709
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember bofi:ResidentialMultifamilyLoanMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-06-30 0001299709 bofi:OtherLoanMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2017-06-30 0001299709

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bofi:InHouseOriginatedLoansMember us-gaap:HomeEquityLoanMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2017-06-30 0001299709
bofi:CommercialandIndustrialMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-06-30
0001299709 bofi:PurchasedLoansMember us-gaap:ResidentialMortgageMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember bofi:ResidentialMultifamilyLoanMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:AutomobileLoanMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:HomeEquityLoanMember 2017-06-30 0001299709
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us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-06-30 0001299709
us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-06-30 0001299709 bofi:PurchasedLoansMember
us-gaap:ResidentialMortgageMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2017-06-30
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0001299709 bofi:InHouseOriginatedLoansMember bofi:ResidentialMultifamilyLoanMember
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bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709 bofi:InHouseOriginatedLoansMember
us-gaap:HomeEquityLoanMember 2018-06-30 0001299709 bofi:PurchasedLoansMember
us-gaap:ResidentialMortgageMember 2018-06-30 0001299709 bofi:InHouseOriginatedLoansMember
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bofi:ResidentialMultifamilyLoanMember 2017-06-30 0001299709 bofi:PurchasedLoansMember
bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709 us-gaap:AutomobileLoanMember 2017-06-30
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us-gaap:PerformingFinancingReceivableMember bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709
us-gaap:RealEstateMember 2018-06-30 0001299709 us-gaap:NonperformingFinancingReceivableMember
us-gaap:ResidentialMortgageMember 2018-06-30 0001299709 us-gaap:PerformingFinancingReceivableMember
bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709 bofi:PurchasedLoansMember
us-gaap:RealEstateMember 2018-06-30 0001299709 bofi:InHouseOriginatedLoansMember
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bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709 bofi:PurchasedLoansMember
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2018-06-30 0001299709 bofi:PurchasedLoansMember us-gaap:NonperformingFinancingReceivableMember
us-gaap:ResidentialMortgageMember 2018-06-30 0001299709 bofi:ResidentialMultifamilyLoanMember 2018-06-30
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us-gaap:NonperformingFinancingReceivableMember bofi:ResidentialMultifamilyLoanMember 2018-06-30
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us-gaap:ResidentialMortgageMember 2018-06-30 0001299709 us-gaap:ResidentialMortgageMember 2018-06-30

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0001299709 us-gaap:PerformingFinancingReceivableMember us-gaap:RealEstateMember 2018-06-30 0001299709
bofi:PurchasedLoansMember us-gaap:NonperformingFinancingReceivableMember
bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709 bofi:InHouseOriginatedLoansMember
us-gaap:NonperformingFinancingReceivableMember us-gaap:ResidentialMortgageMember 2018-06-30 0001299709
bofi:PurchasedLoansMember us-gaap:PerformingFinancingReceivableMember
bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709 us-gaap:PerformingFinancingReceivableMember
us-gaap:ResidentialMortgageMember 2018-06-30 0001299709 us-gaap:NonperformingFinancingReceivableMember
bofi:ResidentialMultifamilyLoanMember 2017-06-30 0001299709 bofi:PurchasedLoansMember
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bofi:ResidentialMultifamilyLoanMember 2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember
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us-gaap:HomeEquityLoanMember 2017-06-30 0001299709 bofi:FactoringMember 2017-06-30 0001299709
bofi:WarehouseAndOtherMember 2017-06-30 0001299709 us-gaap:ResidentialMortgageMember 2016-07-01
2017-06-30 0001299709 us-gaap:HomeEquityLoanMember 2016-07-01 2017-06-30 0001299709
bofi:FactoringMember 2016-07-01 2017-06-30 0001299709 us-gaap:AutomobileLoanMember 2016-07-01
2017-06-30 0001299709 us-gaap:RealEstateMember 2016-07-01 2017-06-30 0001299709 bofi:OtherLoanMember
2016-07-01 2017-06-30 0001299709 bofi:CommercialandIndustrialMember 2016-07-01 2017-06-30 0001299709
bofi:WarehouseAndOtherMember 2016-07-01 2017-06-30 0001299709 bofi:ResidentialMultifamilyLoanMember
2016-07-01 2017-06-30 0001299709 bofi:FactoringMember 2015-07-01 2016-06-30 0001299709
us-gaap:RealEstateMember 2016-06-30 0001299709 bofi:FactoringMember 2016-06-30 0001299709
us-gaap:HomeEquityLoanMember 2016-06-30 0001299709 bofi:CommercialandIndustrialMember 2016-06-30
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us-gaap:AutomobileLoanMember 2015-07-01 2016-06-30 0001299709 bofi:OtherLoanMember 2015-07-01
2016-06-30 0001299709 bofi:ResidentialMultifamilyLoanMember 2015-07-01 2016-06-30 0001299709
bofi:ResidentialMultifamilyLoanMember 2016-06-30 0001299709 bofi:CommercialandIndustrialMember 2015-07-01
2016-06-30 0001299709 us-gaap:ResidentialMortgageMember 2016-06-30 0001299709
us-gaap:AutomobileLoanMember 2016-06-30 0001299709 us-gaap:RealEstateMember 2015-07-01 2016-06-30
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2015-07-01 2016-06-30 0001299709 us-gaap:ResidentialMortgageMember 2015-07-01 2016-06-30 0001299709
bofi:LoanToValueRatioRange7680Member bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709
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bofi:LoanToValueRatio6170Member us-gaap:ResidentialMortgageMember 2018-06-30 0001299709
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bofi:ResidentialMultifamilyLoanMember 2018-06-30 0001299709 bofi:FicoScoreLessThan660Member
us-gaap:AutomobileLoanMember 2018-06-30 0001299709 bofi:AdjustableInterestRateMember 2018-06-30
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srt:MaximumMember us-gaap:CommercialRealEstateMember 2018-06-30 0001299709
bofi:FixedInterestRateMember 2018-06-30 0001299709 srt:MaximumMember us-gaap:AutomobileLoanMember
2017-07-01 2018-06-30 0001299709 srt:SingleFamilyMember 2018-06-30 0001299709
bofi:FicoScore715769Member us-gaap:AutomobileLoanMember 2018-06-30 0001299709 str:CA
us-gaap:LoansMember us-gaap:GeographicConcentrationRiskMember 2016-07-01 2017-06-30 0001299709
bofi:WarehouseLoansMember 2017-06-30 0001299709 srt:MaximumMember srt:SingleFamilyMember 2017-07-01
2018-06-30 0001299709 srt:MinimumMember srt:SingleFamilyMember 2017-07-01 2018-06-30 0001299709
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bofi:WarehouseAndOtherMember 2015-06-30 0001299709 us-gaap:HomeEquityLoanMember 2015-06-30
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us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-06-30 0001299709 bofi:OtherLoanMember
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bofi:CommercialandIndustrialMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember
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bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-06-30 0001299709 bofi:OtherLoanMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-06-30 0001299709
bofi:PurchasedLoansMember us-gaap:ResidentialMortgageMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:AutomobileLoanMember

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us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-06-30 0001299709
bofi:InHouseOriginatedLoansMember bofi:ResidentialMultifamilyLoanMember
us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:HomeEquityLoanMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-06-30 0001299709
bofi:CommercialandIndustrialMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-06-30
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bofi:InHouseOriginatedLoansMember us-gaap:HomeEquityLoanMember
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bofi:InHouseOriginatedLoansMember us-gaap:HomeEquityLoanMember
us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-06-30 0001299709 bofi:PurchasedLoansMember
us-gaap:ResidentialMortgageMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-06-30
0001299709 bofi:CommercialandIndustrialMember us-gaap:FinancingReceivables60To89DaysPastDueMember
2018-06-30 0001299709 bofi:InHouseOriginatedLoansMember us-gaap:AutomobileLoanMember 2018-06-30
0001299709 bofi:OtherLoanMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-06-30
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us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-06-30 0001299709
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us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-06-30 0001299709
bofi:InHouseOriginatedLoansMember bofi:ResidentialMultifamilyLoanMember
us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-06-30 0001299709
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us-gaap:ResidentialMortgageMember 2017-07-01 2018-06-30 0001299709 us-gaap:HomeEquityLoanMember
2017-07-01 2018-06-30 0001299709 bofi:FactoringMember 2017-07-01 2018-06-30 0001299709
us-gaap:AutomobileLoanMember 2017-07-01 2018-06-30 0001299709 us-gaap:HomeEquityLoanMember
2018-06-30 0001299709 bofi:OtherLoanMember 2017-07-01 2018-06-30 0001299709
bofi:WarehouseAndOtherMember 2018-06-30 0001299709 us-gaap:RealEstateMember 2017-07-01 2018-06-30
0001299709 bofi:CommercialandIndustrialMember 2017-07-01 2018-06-30 0001299709
bofi:ResidentialMultifamilyLoanMember 2017-07-01 2018-06-30 0001299709 bofi:WarehouseAndOtherMember
2017-07-01 2018-06-30 0001299709 bofi:FactoringMember 2018-06-30 0001299709 bofi:PurchasedLoansMember
us-gaap:ResidentialMortgageMember us-gaap:PassMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:AutomobileLoanMember us-gaap:DoubtfulMember 2017-06-30
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us-gaap:PassMember 2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember
us-gaap:ResidentialMortgageMember us-gaap:SpecialMentionMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember us-gaap:DoubtfulMember 2017-06-30
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us-gaap:SpecialMentionMember 2017-06-30 0001299709 bofi:OtherLoanMember us-gaap:SpecialMentionMember
2017-06-30 0001299709 bofi:FactoringMember us-gaap:SubstandardMember 2017-06-30 0001299709
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2017-06-30 0001299709 us-gaap:SubstandardMember 2017-06-30 0001299709 bofi:OtherLoanMember
us-gaap:DoubtfulMember 2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember
us-gaap:ResidentialMortgageMember us-gaap:SubstandardMember 2017-06-30 0001299709 bofi:OtherLoanMember
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2017-06-30 0001299709 us-gaap:DoubtfulMember 2017-06-30 0001299709 bofi:PurchasedLoansMember
bofi:ResidentialMultifamilyLoanMember us-gaap:SpecialMentionMember 2017-06-30 0001299709
bofi:InHouseOriginatedLoansMember bofi:WarehouseAndOtherMember us-gaap:DoubtfulMember 2017-06-30

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us-gaap:EmployeeStockOptionMember 2017-07-01 2018-06-30 0001299709 2017-08-10 0001299709 2015-12-01
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bofi:claim bofi:stock_incentive_plan

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2018

.. TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-51201

Bofl Holding, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

33-0867444

(I.R.S. Employer
Identification No.)

4350 La Jolla Village Drive, Suite 140, San Diego, CA

(Address of principal executive offices)

92122

(Zip Code)

Registrant's telephone number, including area code: (858) 350-6200

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common stock, \$.01 par value

Name of each exchange on which registered

NASDAQ Global Select Market

NASDAQ Global Select Market

6.25% Subordinated Notes Due 2026

Securities registered pursuant to Section 12(g) of the Act:

None

Indicated by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based upon the closing sales price of the common stock on the NASDAQ Global Select Market of \$29.90 on December 31, 2017 was \$1,523,473,172.

The number of shares of the registrant's common stock outstanding as of August 17, 2018 was 62,776,754.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the period ended June 30, 2018 are incorporated by reference into Part III.

BOFI HOLDING, INC.
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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K may contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include projections, statements of the plans, goals and objectives of management for future operations, statements of future economic performance, assumptions underlying these statements, and other statements that are not statements of historical facts. Words such as “anticipates,” “expects,” “intends,” “plans,” “predicts,” “potential,” “believes,” “seeks,” “estimates,” “should,” “may,” “will” and variations or similar expressions are intended to identify forward-looking statements. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Forward-looking statements are subject to significant business, economic and competitive risks, uncertainties and contingencies, many of which are difficult to predict and beyond the control of BofI or the Bank, which could cause our actual results to differ materially from the results expressed or implied in such forward-looking statements. These and other risks, uncertainties and contingencies are described in this Annual Report on Form 10-K, including under “Item 1A. Risk Factors”, and the Company’s other reports filed with the Securities and Exchange Commission (the “SEC”) from time to time, including but are not limited to the following:

- Changes in interest rates;*
- General economic and market conditions, including the risk of a significant economic downturn;*
- The soundness of other financial institutions;*
- Changes in laws, regulation or regulatory oversight;*
- Policies and regulations enacted by the Consumer Financial Protection Bureau;*
- Changes in real estate values;*
- Possible defaults on our mortgage loans;*
- Mortgage buying activity of Fannie Mae and Freddie Mac;*
- The adequacy of our allowance for loan and lease losses;*
- Changes in the value of goodwill and other intangible assets;*
- Our ability to acquire and integrate acquired companies;*
- Changes in our relationship with H&R Block, Inc. and the financial benefits of that relationship;*
- The outcome or impact of current or future litigation involving the Company;*
- Our ability to access the equity capital markets;*
- Access to adequate funding;*
- Our ability to manage our growth and deploy assets profitably;*
- Competition for customers from other banks and financial services companies;*
- Our ability to maintain and enhance our brand;*
- A natural disaster, especially in California;*
- Our ability to retain the services of key personnel and attract, hire and retain other skilled managers;*
- Possible exposure to environmental liability;*
- Our dependence on third-party service providers for core banking technology;*
- Privacy concerns relating to our technology that could damage our reputation or deter customers from using our products and services;*
- Risk of systems failure and security breaches, including “hacking” and “identity theft”; and*
- Our reliance on continued and unimpeded access to the internet.*

The forward-looking statements contained in this Annual Report are made on the basis of the views and assumptions of management regarding future events and business performance as of the date this Annual Report is filed with the SEC. We do not undertake any obligation to update these statements to reflect events or circumstances occurring after the date this report is filed.

References in this report to the “Company,” “us,” “we,” “our,” “BofI Holding,” or “Boff” are all to BofI Holding, Inc. on a consolidated basis. References in this report to “Bank of Internet,” the “Bank,” or “our bank” are to BofI Federal Bank, our consolidated subsidiary.

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PART I

ITEM 1. BUSINESS

Overview

BofI Holding, Inc., is the holding company for BofI Federal Bank, a diversified financial services company with over \$9.5 billion in assets that provides consumer and business banking products through its online, low-cost distribution channels and affinity partners. The Bank has deposit and loan customers nationwide including consumer and business checking, savings and time deposit accounts and financing for single family and multifamily residential properties, small-to-medium size businesses in target sectors, and selected specialty finance receivables. The Bank generates fee income from consumer and business products including fees from loans originated for sale and transaction fees earned from processing payment activity. BofI Holding, Inc.'s common stock is listed on the NASDAQ Global Select Market and is a component of the Russell 2000[®] Index, the S&P SmallCap 600[®] Index and the KBW Nasdaq Financial Technology Index.

At June 30, 2018, we had total assets of \$9,539.5 million, loans of \$8,470.1 million, mortgage-backed and other investment securities of \$180.3 million, total deposits of \$7,985.4 million and borrowings of \$511.6 million. Because we do not incur the significantly higher fixed operating costs inherent in a branch-based distribution system, we are able to rapidly grow our deposits and assets by providing a better value to our customers and by expanding our low-cost distribution channels.

We distribute our deposit products through a wide range of retail distribution channels, and our deposits consist of demand, savings and time deposits accounts. We distribute our loan products through our retail, correspondent and wholesale channels, and the loans we retain are primarily first mortgages secured by single family real property and by multifamily real property as well as commercial & industrial loans to businesses. Our mortgage-backed securities consist of mortgage pass-through securities issued by government-sponsored entities, non-agency collateralized mortgage obligations, and asset-backed mortgage-backed securities issued by private sponsors. We believe our flexibility to adjust our asset generation channels has been a competitive advantage allowing us to avoid markets and products where credit fundamentals are poor or risks and rewards are not sufficient to support our required return on equity.

Our distribution channels for our deposit and lending products include:

- Multiple national online banking brands with tailored products targeted to specific consumer segments;
- Affinity groups where we gain access to the affinity group's members, and our exclusive relationships with financial advisory firms;
- A business banking division focused on providing deposit products and loans to specific nationwide industry verticals (e.g., Homeowners' Associations) and small and medium size businesses;
- A commission-based lending sales force that operates from home offices focusing primarily on the origination of single family and multifamily mortgage loans;
- A commission-based lending sales force that operates from the corporate office focusing on commercial and industrial loans to businesses;
- A commission-based leasing sales force that operates from our Salt Lake City office focusing on commercial and industrial leases to businesses;
- A bankruptcy and non-bankruptcy trustee and fiduciary services team that operates from our Kansas City location focusing on specialized software and consulting services that provide deposits; and
- Inside sales teams that originate loans and deposits from self-generated internet leads, third-party purchase leads, and from our retention and cross-sell of our existing customer base.

Our business strategy is to grow our loan and lease originations and our deposits to achieve increased economies of scale and reduce the cost of products and services to our customers by leveraging our distribution channels and technology. We have designed our online banking platform and our workflow processes to handle traditional banking functions with elimination of duplicate and unnecessary paperwork and human intervention. Our charter allows us to operate in all fifty states, and our online presence allows us increased flexibility to target a large number of loan and

deposit customers based on demographics, geography and price. Our low-cost distribution channels provide opportunities to increase our core deposits and increase our loan originations by attracting new customers and developing new and innovative products and services.

Our long-term business plan includes the following principal objectives:

- ♣ Maintain an annualized return on average common stockholders' equity of 17.0% or better;
- ♣ Annually increase average interest-earning assets by 15% or more; and
- ♣ Maintain annualized efficiency ratio to a level 40% or lower.

ASSET ORIGINATION AND FEE INCOME BUSINESSES

We have built diverse loan origination and fee income businesses that generate attractive financial returns through our online distribution channels. We believe the diversity of our businesses and our online distribution channels provide us with increased flexibility to manage through changing market and operating environments.

Single Family Mortgage Secured Lending

We generate earning assets and fee income from our mortgage lending activities, which consist of originating and servicing mortgages secured primarily by first liens on single family residential properties for consumers and for lender-finance businesses. We divide our single family mortgage originations between loans we retain and loans we sell. Our mortgage banking business generates fee income and gains from sales of those consumer single family mortgage loans we sell. Our loan portfolio generates interest income and fees from loans we retain. We also provide home equity loans for consumers secured by second liens on single family mortgages. Our lender-finance loans are secured by our first lien on single family mortgages and include warehouse lines for third-party mortgage companies. We originate fixed and adjustable rate prime residential mortgage loans using a paperless loan origination system and centralized underwriting and closing process. We warehouse our mortgage banking loans and sell to investors prime conforming and jumbo residential mortgage loans. Our mortgage servicing business includes collecting loan payments, applying principal and interest payments to the loan balance, managing escrow funds for the payment of mortgage-related expenses, such as taxes and insurance, responding to customer inquiries, counseling delinquent mortgagors and supervising foreclosures.

We originate single family mortgage loans for consumers through multiple channels on a retail, wholesale and correspondent basis.

Retail. We originate single family mortgage loans directly through i) our multiple national online banking brand websites, where our customers can view interest rates and loan terms, enter their loan applications and lock in interest rates directly over the internet, ii) our relationships with large affinity groups and iii) our call center which uses self-generated internet leads, third-party purchased leads, and cross-selling to existing customer base.

Wholesale. We have developed relationships with independent mortgage companies, cooperatives and individual loan brokers and we manage these relationships and our wholesale loan pipeline through our originations systems and websites. Through our secure website, our approved brokers can compare programs, terms and pricing on a real time basis and communicate with our staff.

Correspondent. We acquire closed loans from third-party mortgage companies that originate single family loans in accordance with our portfolio specifications or the specifications of our investors. We may purchase pools of seasoned, single-family loans originated by others during economic cycles when those loans have more attractive risk-adjusted returns than those we may originate.

We originate lender-finance loans to businesses secured by first liens on single family mortgage loans from cross selling, retail direct and through third-parties. Our warehouse customers are primarily generated through cross selling to our network of third-party mortgage companies approved to wholesale our consumer mortgage loans. Other lender-finance customers are generated by our commissions-based sales force dedicated to commercial & industrial lending who contact businesses directly or through individual loan brokers.

Multifamily Mortgage Secured Lending

We originate adjustable rate multifamily residential mortgage loans and project-based multifamily real estate secured loans with interest rates that adjust based on U.S. Treasury security yields and London Interbank Offered Rate (“LIBOR”). Many of our loans have initial fixed rate periods (three, five or seven years) before starting a regular adjustment period (annually, semi-annually or monthly) as well as prepayment protection clauses, interest rate floors, ceilings and rate change caps.

We divide our multifamily residential mortgage originations between the loans we retain and the loans we sell. Our mortgage banking business generates gains from those multifamily mortgage loans we sell. Our loan portfolio generates interest income and fees from the loans we retain.

We originate multifamily mortgage loans using a commission-based commercial lending sales force that operates from home offices across the United States or from our headquarters location. Customers are targeted through origination techniques such as direct mail marketing, personal sales efforts, email marketing, online marketing and

print advertising. Loan applications are submitted electronically to centralized employee teams who underwrite, process and close loans. The sales force team members operate regionally both as retail originators for apartment owners and wholesale representatives to other mortgage brokers.

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Commercial Real Estate Secured and Commercial Lending

Our commercial real estate secured lending consists of mortgages secured by first liens on commercial real estate. Historically, we have limited our exposure to commercial real estate and have primarily purchased seasoned mortgages on small commercial properties when they were offered as a part of a residential mortgage loan pool. In fiscal 2015, we began to originate adjustable rate small balance commercial real estate loans with interest rates that adjust based on U.S. Treasury security yields and LIBOR. Many of our loans have initial fixed rate periods (three, five or seven years) before starting a regular adjustment period (annually, semi-annually or monthly) as well as prepayment protection clauses, interest rate floors, ceilings and rate change caps.

Our commercial and industrial lending (“C&I”) is primarily comprised of real estate-backed and asset-backed loans and leases to businesses and non-bank lenders. We started our C&I lending in 2010 with a focus on business cash flow lending and subsequently have moved to providing financing to non-bank lenders that originate lending products secured by residential and commercial real estate assets. Our C&I lending has also expanded to other specialty commercial real estate lending types, as well as to other asset-based lending secured by non-real estate-related collateral.

Our C&I group also provides leases to small businesses and middle market companies that use the funds to purchase machinery, equipment and software essential to their operations. The lease terms are generally between two and ten years and amortize primarily to full repayment, or in some cases, to a residual balance that is expected to be collected through the sale of the collateral to the lessee or to a third party. The leases are offered nationwide to companies in targeted industries through a direct sales force and through independent third party sales referrals.

Specialty Finance Factoring

Our specialty finance division engages in the wholesale and retail purchase of state lottery prize and structured settlement annuity payments. These payments are high credit quality deferred payment receivables having a state lottery commission or primarily highly rated insurance company payor. Purchases of state lottery prize or structured settlement annuity payments are governed by specific state statutes requiring judicial approval of each transaction. No transaction is funded before an order approving such transaction has been entered by a court of competent jurisdiction. Our commission-based sales force originates contracts for the retail purchase of such payments from leads generated by our dedicated research department through the use of proprietary research techniques. The Specialty Finance Division also utilizes direct mail and online marketing to generate leads. Since 2013, pools of structured settlement receivables have been originated for sale depending upon management’s assessment of interest rate risk, liquidity, and offers containing favorable terms.

Prepaid Cards and Refund Transfer

Our prepaid cards division provides card issuing and bank identification number (“BIN”) sponsorship services to companies who have developed payroll, general purpose reloadable, incentive and gift card programs. BIN Sponsorship includes issuing debit and prepaid cards from BINs licensed to the Bank by the various payment networks, managing risk for all programs, overseeing compliance with network and government regulations, and functioning as liaison between program managers and the payment networks. These programs generate recurring fee income and low cost deposits.

We are also responsible for the primary oversight and control of a refund transfer program under an agreement with Emerald Financial Services, LLC (“EFS”), a wholly owned subsidiary of H&R Block, Inc. (“H&R Block”). Under this program, the Bank opens a temporary bank account for each H&R Block customer who is receiving an income tax refund and elects to defer payment of his or her tax preparations fees. After the Internal Revenue Service and any state income tax authorities transfer the refund into the customer’s account, the net funds are transferred to the customer and the temporary deposit account is closed. We earn a fixed fee paid by H&R Block for each of the H&R Block customers electing a refund transfer.

Automobile Lending

Our automobile lending division originates prime loans to customers secured by new and used automobiles (“autos”). In 2015 and 2016 we added systems and personnel to increase our auto lending portfolio. We hold all of the auto loans that we have originated and perform the loan servicing functions for these loans.

Other Consumer and Business Lending

We originate fixed rate term unsecured personal loans to individual borrowers in all fifty states. We offer loans between \$5,000 and \$35,000 with terms of twelve, twenty-four, thirty-six, forty-eight and sixty months to well qualified borrowers. The minimum credit score is 680. All applicants apply digitally and are required to supply proof of income, identity and bank account documentation. One hundred percent of loans are manually underwritten by a seasoned underwriter with a telephone interview conducted in respect of every approved loan prior to funding. We source our unsecured personal loans organically through current bank customers, lead aggregators and additional marketing efforts.

Through our strategic partnerships division, our Bank establishes contractual relationships with third-party service providers (“Program Managers”) possessing demonstrated expertise in managing programs involving marketing and processing financial products such as credit, debit, and prepaid cards, and small business and consumer loans. These relationships include our relationships with H&R Block, Netspend and BFS Capital, among others. As delineated by the related contracts, a Program Manager provides program management services in its areas of expertise subject to our Bank’s continuing control and active supervision of the subject program. Underwriting standards and credit decisioning remain with our Bank in all cases. Each of these relationships is designed to allow our Bank to leverage the Program Manager’s knowledge and experience to distribute program-related financial products to a broad and increasing base of customers. With respect to credit products, our Bank generally originates the resulting receivable for sale, but may, in its discretion, retain such receivable. Our Bank performs extensive due diligence with respect to each Program Manager and program, and maintains a regimen of comprehensive risk management and strict compliance oversight with respect to all programs. Under agreements with EFS and H&R Block, our Bank uses our underwriting guidelines and credit policies to offer and fund unsecured lines of credit to consumers primarily through the H&R Block tax preparation offices and earns interest income and fee income. Our Bank retains 10% of these lines of credit and sells the remainder to H&R Block. Our Bank also originates or purchases interest-free loans to consumers that are offered primarily through H&R Block tax preparation offices. Our Bank has a limited guarantee from H&R Block that reduces our Bank’s credit exposure on these interest-free loans. Our Bank also provides overdraft lines of credit for our qualifying deposit customers with checking accounts.

Portfolio Management

Our investment analysis capabilities are a core competency of our organization. We decide whether to hold originated assets for investment or to sell them in the capital markets based on our assessment of the yield and risk characteristics of these assets as compared to other available opportunities to deploy our capital. Because risk-adjusted returns available on acquisitions may exceed returns available through retaining assets from our origination channels, we have elected to purchase loans and securities (see discussion below) from time to time. Some of our loans and security acquisitions were purchased at discounts to par value, which enhance our effective yield through accretion into income in subsequent periods.

Loan Portfolio Composition. The following table sets forth the composition of our loan and lease portfolio in amounts and percentages by type of loan at the end of each fiscal year-end for the last five years:

	At June 30,									
	2018		2017		2016		2015		2014	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Single family real estate secured:										
Mortgage	\$4,198,941	49.3 %	\$3,901,754	52.4 %	\$3,678,520	57.5 %	\$2,980,795	59.6 %	\$1,918,626	53.4 %
Home equity	2,306	— %	2,092	— %	2,470	— %	3,604	0.1 %	12,690	0.4 %
Warehouse and other	412,085	4.8 %	452,390	6.1 %	537,714	8.4 %	385,413	7.7 %	370,717	10.3 %
Multifamily real estate secured	1,800,919	21.1 %	1,619,404	21.7 %	1,373,216	21.5 %	1,185,531	23.7 %	978,511	27.2 %
Commercial real estate secured	220,379	2.6 %	162,715	2.2 %	121,746	1.9 %	61,403	1.2 %	24,061	0.7 %
Auto and RV secured	213,522	2.5 %	154,246	2.1 %	73,676	1.2 %	13,140	0.3 %	14,740	0.4 %
Factoring	169,885	2.1 %	160,674	2.1 %	98,275	1.5 %	122,200	2.4 %	118,945	3.3 %
Commercial & Industrial	1,481,051	17.4 %	992,232	13.3 %	514,300	8.0 %	248,584	5.0 %	152,619	4.2 %
Other	18,598	0.2 %	3,754	0.1 %	2,542	— %	601	— %	1,971	0.1 %
Total loans and leases held for investment	8,517,686	100.0 %	7,449,261	100.0 %	6,402,459	100.0 %	5,001,271	100.0 %	3,592,880	100.0 %
Allowance for loan and lease losses	(49,151)		(40,832)		(35,826)		(28,327)		(18,373)	
Unamortized premiums/discounts, net of deferred loan fees	(36,246)		(33,936)		(11,954)		(44,326)		(41,666)	
Net loans and leases held for investment	\$8,432,289		\$7,374,493		\$6,354,679		\$4,928,618		\$3,532,841	

The following table sets forth the amount of loans maturing in our total loans held for investment based on the contractual terms to maturity:

(Dollars in thousands)	Term to Contractual Maturity				
	Less Than Three Months	Over Three Months Through One Year	Over One Year Through Five Years	Over Five Years	Total
June 30, 2018	\$363,626	\$628,659	\$1,370,582	\$6,154,819	\$8,517,686

The following table sets forth the amount of our loans at June 30, 2018 that are due after June 30, 2019 and indicates whether they have fixed, floating or adjustable interest rates:

<i>(Dollars in thousands)</i>	Fixed	Floating or Adjustable	Total
Single family real estate secured:			
Mortgage	\$ 59,366	\$ 4,080,062	\$ 4,139,428
Home equity	727	1,573	2,300
Warehouse and other	142,960	41,131	184,091
Multifamily real estate secured	25,328	1,609,521	1,634,849
Commercial real estate secured	7,751	210,297	218,048
Auto and RV secured	213,429	—	213,429
Factoring	167,909	—	167,909
Commercial & Industrial	175,224	770,640	945,864
Other	19,483	—	19,483
Total	\$ 812,177	\$ 6,713,224	\$ 7,525,401

Our mortgage loans are secured by properties primarily located in the western United States. The following table shows the largest states and regions ranked by location of these properties:

At June 30, 2018
Percentage of Loan Principal Secured by Real Estate Located in State or Region

State or Region	Single family					
	Total Real Estate Mortgage Loans	Mortgage	Home Equity	Multifamily real estate secured	Commercial real estate secured	
California—south	53.34 %	52.17 %	41.13 %	56.24 %	55.29 %	%
California—north	7.74 %	15.98 %	11.58 %	21.16 %	27.03 %	%
New York	7.89 %	10.35 %	11.58 %	2.16 %	1.71 %	%
Florida	5.76 %	7.50 %	0.90 %	1.59 %	2.17 %	%
Arizona	2.43 %	3.31 %	2.93 %	0.39 %	— %	%
Washington	1.61 %	1.08 %	6.11 %	3.09 %	1.24 %	%
Illinois	1.41 %	0.21 %	— %	4.13 %	4.94 %	%
Hawaii	1.41 %	1.91 %	— %	0.22 %	0.41 %	%
Colorado	1.14 %	0.78 %	— %	2.09 %	1.08 %	%
Texas	0.90 %	0.54 %	— %	1.80 %	1.52 %	%
All other states	6.37 %	6.17 %	25.77 %	7.13 %	4.61 %	%
	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	%

¹ Consists of mortgage loans secured by real property in California with ZIP Code ranges from 90000 to 92999.

² Consists of mortgage loans secured by real property in California with ZIP Code ranges from 93000 to 96999.

The ratio of the loan amount to the value of the property securing the loan is called the loan-to-value ratio (“LTV”). The following table shows the LTVs of our loan portfolio on weighted-average and median bases at June 30, 2018. The LTVs were calculated by dividing (a) the loan principal balance less principal repayments by (b) the appraisal value of the property securing the loan.

	Single family					
	Total Real Estate Mortgage Loans	Mortgage	Home Equity ¹	Multifamily real estate secured	Commercial real estate secured	
Weighted Average LTV	55.35 %	56.61 %	30.69 %	52.80 %	49.58 %	%
Median LTV	56.40 %	58.12 %	54.87 %	51.40 %	46.82 %	%

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¹ Amounts represent combined LTV calculated by adding the current balances of both the first and second liens of the borrower and dividing that sum by an independent estimated value of the property at the time of origination.

Our effective weighted-average LTV of 56.04% for real estate mortgage loans originated during the fiscal year ended June 30, 2018 has resulted, and we believe will continue to result, in relatively low average loan defaults and favorable write-off experience.

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Loan Underwriting Process and Criteria. We individually underwrite the loans that we originate and all loans that we purchase. For our brand partnership lending products, we construct or validate loan origination models to meet our minimum standards as further described below. Our loan underwriting policies and procedures are written and adopted by our board of directors and our credit committee. Credit extensions generated by the Bank conform to the intent and technical requirements of our lending policies and the applicable lending regulations of our federal regulators.

In the underwriting process we consider all relevant factors including the borrower's credit score, credit history, documented income, existing and new debt obligations, the value of the collateral, and other internal and external factors. For all multifamily and commercial loans, we rely primarily on the cash flow from the underlying property as the expected source of repayment, but we also endeavor to obtain personal guarantees from all material owners or partners of the borrower. In evaluating a multifamily or commercial credit, we consider all relevant factors including the outside financial assets of the material owners or partners, payment history at the Bank or other financial institutions, and the management / ownership experience with similar properties or businesses. In evaluating the borrower's qualifications, we consider primarily the borrower's other financial resources, experience in owning or managing similar properties and payment history with us or other financial institutions. In evaluating the underlying property, we consider primarily the recurring net operating income of the property before debt service and depreciation, the ratio of net operating income to debt service and the ratio of the loan amount to the appraised value.

Lending Limits. As a savings association, we are generally subject to the same lending limit rules applicable to national banks. With limited exceptions, the maximum amount that we may lend to any borrower, including related entities of the borrower, at any one time may not exceed 15% of our unimpaired capital and surplus, plus an additional 10% of unimpaired capital and surplus for loans fully secured by readily marketable collateral. See "Regulation of BofI Federal Bank" for further information. At June 30, 2018, the Bank's loans-to-one-borrower limit was \$133.1 million, based upon the 15% of unimpaired capital and surplus measurement. At June 30, 2018, our largest loan and single lending relationship was \$100.0 million.

Loan and Lease Quality and Credit Risk. Historically, our level of non-performing mortgage loans as a percentage of our loan and lease portfolio has been relatively low compared to the overall residential lending market. The economy and the mortgage and consumer credit markets have stabilized. Additionally, we have recently increased our efforts to make loans to businesses through lending programs that are not as seasoned as our mortgage lending. Therefore, we anticipate that our rate of non-performing loans and leases may increase in the future, and we have provided an allowance for estimated loan and lease losses.

Non-performing assets are defined as non-performing loans and leases, real estate acquired by foreclosure or deed-in-lieu thereof and repossessed vehicles. Generally, non-performing loans and leases are defined as nonaccrual loans and leases and loans and leases 90 days or more overdue. Troubled debt restructurings ("TDRs") are defined as loans that we have agreed to modify by accepting below market terms either by granting interest rate concessions or by deferring principal or interest payments due to financial difficulty of the customer. Our policy with respect to non-performing assets is to place such assets on nonaccrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. When a loan or lease is placed on nonaccrual status, previously accrued but unpaid interest will be deducted from interest income. Our general policy is to not accrue interest on loans and leases past due 90 days or more, unless the individual borrower circumstances dictate otherwise.

See Management's Discussion and Analysis — "Asset Quality and Allowance for Loan and Lease Losses" for a history of non-performing assets and allowance for loan and lease losses.

Investment Securities Portfolio. We classify each investment security according to our intent to hold the security to maturity, trade the security at fair value or make the security available-for-sale. We invest available funds in government and high-grade non-agency securities. Our investment policy, as established by our Board of Directors, is designed to maintain liquidity and generate a favorable return on investment without incurring undue interest rate risk, credit risk or portfolio asset concentration risk. Under our investment policy, we are currently authorized to invest in agency mortgage-backed obligations issued or fully guaranteed by the United States government, non-agency mortgage-backed obligations, specific federal agency obligations, municipal obligations, specific time deposits,

negotiable certificates of deposit issued by commercial banks and other insured financial institutions, investment grade corporate debt securities and other specified investments. We also buy and sell securities to facilitate liquidity and to help manage our interest rate risk. During the quarter ended September 30, 2016, the Company elected to reclassify all of its held-to-maturity securities to available-for-sale. See Note 4 – “Securities” to the Consolidated Financial Statements for further information.

The following table sets forth the dollar amount of our securities portfolio by intent at the end of each of the last five fiscal years:

Fiscal year end	Available-for-Sale	Held-to-maturity	Trading	Total
	Fair Value	Carrying Amount	Fair Value	
June 30, 2018	\$ 180,305	\$ —	\$ —	\$ 180,305
June 30, 2017	264,470	—	8,327	272,797
June 30, 2016	265,447	199,174	7,584	472,205
June 30, 2015	163,361	225,555	7,832	396,748
June 30, 2014	214,778	247,729	8,066	470,573

The following table sets forth the expected maturity distribution of our mortgage-backed securities and the contractual maturity distribution of our Non-RMBS securities and the weighted-average yield for each range of maturities:

At June 30, 2018

(Dollars in thousands)	Total Amount		Due Within One Year		Due After One but within Five Years		Due After Five but within Ten Years		Due After Ten Years	
	Amount	Yield¹	Amount	Yield¹	Amount	Yield¹	Amount	Yield¹	Amount	Yield¹
Available-for-sale										
Mortgage-backed securities:										
U.S. Agency ²	\$ 13,102	0.18 %	\$ 1,371	1.54 %	\$ 4,004	1.68 %	\$ 3,008	1.84 %	\$ 4,719	(2.55) %
Non-Agency ³	19,384	4.67 %	3,012	4.97 %	8,902	4.84 %	5,583	4.46 %	1,887	3.96 %
Total Mortgage-Backed Securities	\$ 32,486	2.86 %	\$ 4,383	3.90 %	\$ 12,906	3.86 %	\$ 8,591	3.54 %	\$ 6,606	(0.69) %
Non-RMBS										
Municipal	\$ 20,953	2.85 %	\$ 6,089	1.20 %	\$ 1,033	1.30 %	\$ —	— %	\$ 13,831	3.70 %
Asset-backed securities and structured notes	127,558	6.04 %	69,611	6.06 %	57,947	6.01 %	—	— %	—	— %
Total Non-RMBS	\$ 148,511	5.59 %	\$ 75,700	5.67 %	\$ 58,980	5.93 %	\$ —	— %	\$ 13,831	3.70 %
Available-for-sale—Amortized Cost	\$ 180,997	5.10 %	\$ 80,083	5.58 %	\$ 71,886	5.56 %	\$ 8,591	3.54 %	\$ 20,437	2.28 %
Available-for-sale—Fair Value	\$ 180,305	5.10 %	\$ 81,029	5.58 %	\$ 71,969	5.56 %	\$ 7,939	3.54 %	\$ 19,368	2.28 %
Total securities	\$ 180,305	5.10 %	\$ 81,029	5.58 %	\$ 71,969	5.56 %	\$ 7,939	3.54 %	\$ 19,368	2.28 %

¹ Weighted-average yield is based on amortized cost of the securities. Residential mortgage-backed security yields and maturities include impact of expected prepayments and other timing factors such as interest rate forward curve. Yields presented in this table are adjusted for OTTI, which is non-accretable.

² U.S. government-backed or government-sponsored enterprises including Fannie Mae, Freddie Mac and Ginnie Mae.

³ Private sponsors of securities collateralized primarily by pools of 1-4 family residential first mortgages. Primarily super senior securities and secured by prime, Alt-A or pay-option ARM mortgages.

⁴ Collateralized debt obligations secured by pools of bank trust preferred securities.

Our securities portfolio of \$180.3 million at June 30, 2018 is composed of approximately 7.2% U.S. agency residential mortgage-backed securities (“RMBS”) and other debt securities issued by the government-sponsored enterprises Fannie Mae and Freddie Mac (each, a “GSE” and, together, the “GSEs”), primarily Freddie Mac and Fannie Mae; 1.1% Alt-A, private-issue super senior, first-lien RMBS; 8.6% Pay-Option ARM, private-issue super senior first-lien RMBS; 11.2% Municipal securities and 71.9% other residential mortgage-backed, asset-backed and whole business securities. We had no commercial mortgage-backed securities (“CMBS”), sub-prime RMBS, or bank pooled trust preferred securities at June 30, 2018.

We manage the credit risk of our non-agency RMBS by purchasing those securities which we believe have the most favorable blend of historic credit performance and remaining credit enhancements including subordination, over collateralization, excess spread and purchase discounts. Substantially all of our non-agency RMBS are super senior tranches protected against realized loss by subordinated tranches. The amount of structural subordination available to protect each of our securities (expressed as a percentage of the current face value) is known as credit enhancement. At June 30, 2018, the weighted-average credit enhancement in our entire non-agency RMBS portfolio was 18.9%. The credit enhancement percentage and the ratings agency grade (e.g. “AA”) do not consider additional credit protection available to the Bank, if needed, from its purchase discount. All of the Bank’s non-agency RMBS purchases were at a discount to par and we do not solely rely upon nationally recognized statistical rating organizations (“NRSRO”) ratings when determining classification. This change in Bank policy was brought about by changes in regulatory stance regarding classification of securities as mandated by Congress under section 939A of the Dodd-Frank Act, which required any reference to, or reliance on, NRSROs to be removed when determining the creditworthiness of securities. We have experienced personnel monitor the performance and measure the security for impairment in accordance with regulatory guidance. As of June 30, 2018, 27.4% of our non-agency RMBS securities have been downgraded from investment grade at acquisition to below investment grade. See Management’s Discussion and Analysis—“Critical Accounting Policies—Securities.”

DEPOSIT GENERATION

We offer a full line of deposit products, which we source through our online distribution channels using an operating platform and marketing strategies that emphasize low operating costs and are flexible and scalable for our business. Our full featured products and platforms, 24/7 customer service and our affinity relationships result in customer accounts with strong retention characteristics. We continuously collect customer feedback and improve our processes to satisfy customer needs.

At June 30, 2018, we had \$7,985.4 million in deposits of which \$6,017.6 million, or 75.4% were demand and savings accounts and \$1,967.7 million, or 24.6% were time deposits. We generate deposit customer relationships through our distribution channels including websites, sales teams, online advertising, print and digital advertising, financial advisory firms, affinity partnerships and lending businesses which generate escrow deposits and other operating funds. Our distribution channels include:

- A business banking division, which focuses on providing deposit products nationwide to industry verticals (e.g., Homeowners’ Associations and Non-Profit) as well as cash management products to a variety of businesses through a dedicated sales team;

- A national online banking brand with tailored products targeted to specific consumer segments. For example, one tailored product is designed for customers who are looking for full-featured demand accounts and very competitive fees and interest rates, while another product targets primarily tech-savvy, Generation X and Generation Y customers that are seeking a low-fee cost structure and a high-yield savings account;

- A concierge banking offer through Virtus Bank serving the needs of high net worth individuals with premium products and dedicated service;

- Financial advisory firms who introduce their clients to our deposit products through *BofI Advisor*;

- Relationships with affinity groups where we gain access to the affinity group’s members;

- A call center that opens accounts through self-generated internet leads, third-party purchased leads, affinity relationships, and our retention and cross-sell efforts to our existing customer base;

- A prepaid card division, which provides card issuing and BIN sponsorship services to companies and generate low cost deposits; and

- A bankruptcy and non-bankruptcy trustee and fiduciary service business who introduce their clients to our deposit products.

Our online consumer banking platform is full-featured requiring only single sign-in with quick and secure access to activity, statements and other features including:

- *Purchase Rewards.* Customers can earn cash back by using their VISA® Debit Card at select merchants.

- *Mobile Banking.* Customers can access with Touch ID on eligible devices, review account balances, transfer funds, deposit checks and pay bills from the convenience of their mobile phone.

Mobile Deposit. Customers can instantly deposit checks from their smart phones using our Mobile App.

Online Bill Payment Service. Customers can automatically pay their bills online from their account.

Peer to Peer payments. Customers can securely send money via email or text messaging through this service.

My Deposit. Customers can scan checks with this remote deposit solution from their home computers. Scanned images will be electronically transmitted for deposit directly to their account.

Text Message Banking. Customers can view their account balances, transaction history, and transfer funds between their accounts via these text message commands from their mobile phones.

Unlimited ATM reimbursements. With certain checking accounts, Customers are reimbursed for any fees incurred using an ATM (excludes international ATM transactions). This gives them access to any ATM in the nation, for free.

Secure Email. Customers can send and receive secure emails from our customer service department without concern for the security of their information.

InterBank Transfer. Customers can transfer money to their accounts at other financial institutions from their online banking platform.

VISA® Debit Cards or ATM Cards. Customers may choose to receive either a free VISA® Debit or an ATM card upon account opening. Customers can access their accounts worldwide at ATMs and any other locations that accept VISA® Debit cards.

Overdraft Protection. Eligible Customers can enroll in one of our overdraft protection programs.

Digital Wallets. Our Apple Pay™, Samsung Pay™ and Android Pay™ solutions provide the same ease to pay as a debit card with an eligible device. The mobile experience is easy and seamless.

Cash Deposit through Reload @ the Register. Customers can visit any Walmart, Safeway, ACE Cash Express, CVS Pharmacy, Dollar General, Dollar Tree, Family Dollar, Kroger, Rite Aid, 7-Eleven and Walgreens, and ask to load cash into their account at the register. A fee is applied.

Our consumer and business deposit balances consisted of 52.9% and 47.1% of total deposits at June 30, 2018, respectively. Our business deposit accounts feature a full suite of treasury and cash management products for our business customers including online and mobile banking, remote deposit capture, analyzed business checking and money market accounts. We service our business customers by providing them with a dedicated relationship manager and an experienced business banking operations team.

Our deposit operations are conducted through a centralized, scalable operating platform which supports all of our distribution channels. The integrated nature of our systems and our ability to efficiently scale our operations create competitive advantages that support our value proposition to customers. Additionally, the features described above such as online account opening and online bill-pay promote self-service and further reduce our operating expenses. We believe our deposit franchise will continue to provide lower all-in funding costs (interest expense plus operating costs) with greater scalability than branch-intensive banking models because the traditional branch model with high fixed operating costs will experience continued declines in consumer traffic due to the decline in paper check deposits and due to growing consumer preferences to bank online.

The number of deposit accounts at the end of each of the last five fiscal years is set forth below:

	At June 30,				
	2018	2017	2016	2015	2014
Non-interest-bearing, prepaid and other	3,535,904	3,113,128	1,816,266	553,245	182,011
Checking and savings accounts	270,082	274,962	292,012	31,461	24,098
Time deposits	2,309	2,748	4,807	5,515	7,571
Total number of deposit accounts	3,808,295	3,390,838	2,113,085	590,221	213,680

The net increase of 422,776 of non-interest bearing, prepaid and other accounts for the fiscal year ended June 30, 2018 was primarily the result of new H&R Block-branded products. Our non-interest bearing, prepaid and other accounts contain two omnibus accounts that when condensed for regulatory reporting purposes result in 7,368 accounts as of June 30, 2018.

Deposit Composition. The following table sets forth the dollar amount of deposits by type and weighted average interest rates at the end of each of the last five fiscal years:

	At June 30,									
	2018		2017		2016		2015		2014	
(Dollars in thousands)	Amount	Rate ¹	Amount	Rate ¹	Amount	Rate ¹	Amount	Rate ¹	Amount	Rate ¹
Non-interest-bearing	\$ 1,015,355	—	\$ 848,544	—	\$ 588,774	—	\$ 309,339	—	\$ 186,786	—
Interest-bearing:										
Demand	2,519,845	1.60 %	2,593,491	0.89 %	1,916,525	0.63 %	1,224,308	0.48 %	1,129,535	0.63 %
Savings	2,482,430	1.31 %	2,651,176	0.81 %	2,484,994	0.69 %	2,126,792	0.67 %	935,973	0.73 %
Total demand and savings	5,002,275	1.46 %	5,244,667	0.85 %	4,401,519	0.66 %	3,351,100	0.60 %	2,065,508	0.67 %
Time deposits	1,967,720	2.32 %	806,296	2.46 %	1,053,758	1.96 %	791,478	1.99 %	789,242	1.61 %
Total interest-bearing	6,969,995	1.70 %	6,050,963	1.06 %	5,455,277	0.91 %	4,142,578	0.87 %	2,854,750	0.93 %
Total deposits	\$ 7,985,350	1.48 %	\$ 6,899,507	0.93 %	\$ 6,044,051	0.82 %	\$ 4,451,917	0.81 %	\$ 3,041,536	0.88 %

¹ Based on weighted-average stated interest rates at the end of the period.

The following tables set forth the average balance, the interest expense and the average rate paid on each type of deposit at the end of each of the last five fiscal years:

	For the Fiscal Year Ended June 30,									
	2018			2017			2016			
(Dollars in thousands)	Average Balance	Interest Expense	Avg. Rate Paid	Average Balance	Interest Expense	Avg. Rate Paid	Average Balance	Interest Expense	Avg. Rate Paid	
Demand	\$ 2,381,000	\$ 28,807	1.21 %	\$ 2,197,000	\$ 16,049	0.73 %	\$ 1,460,266	\$ 8,750	0.60 %	%
Savings	2,325,238	25,206	1.08 %	2,422,769	18,507	0.76 %	2,189,157	15,861	0.72 %	%
Time deposits	990,635	25,838	2.61 %	941,919	21,938	2.33 %	852,590	18,056	2.12 %	%
Total interest-bearing deposits	\$ 5,696,873	\$ 79,851	1.40 %	\$ 5,561,688	\$ 56,494	1.02 %	\$ 4,502,013	\$ 42,667	0.95 %	%
Total deposits	\$ 6,749,817	\$ 79,851	1.18 %	\$ 6,336,099	\$ 56,494	0.89 %	\$ 5,241,777	\$ 42,667	0.81 %	%

	For the Fiscal Year Ended June 30,									
	2015			2014						
(Dollars in thousands)	Average Balance	Interest Expense	Avg. Rate Paid	Average Balance	Interest Expense	Avg. Rate Paid				
Demand	\$ 1,549,207	\$ 10,165	0.66 %	\$ 869,673	\$ 5,736	0.66 %				
Savings	1,313,088	10,544	0.80 %	653,211	4,987	0.76 %				
Time deposits	790,661	14,024	1.77 %	876,621	14,094	1.61 %				
Total interest-bearing deposits	\$ 3,652,956	\$ 34,733	0.95 %	\$ 2,399,505	\$ 24,817	1.03 %				
Total deposits	\$ 3,908,277	\$ 34,733	0.89 %	\$ 2,523,364	\$ 24,817	0.98 %				

The following table shows the maturity dates of our certificates of deposit at the end of each of the last five fiscal years:

	At June 30,				
	2018	2017	2016	2015	2014
Within 12 months	\$ 1,259,119	\$ 187,536	\$ 497,825	\$ 373,999	\$ 363,879
13 to 24 months	97,226	14,149	41,668	73,118	137,647
25 to 36 months	11,118	74,631	5,463	36,991	61,491
37 to 48 months	35,981	3,305	71,518	4,605	31,867
49 months and thereafter	564,276	526,675	437,284	302,765	194,358
Total	\$ 1,967,720	\$ 806,296	\$ 1,053,758	\$ 791,478	\$ 789,242

The following table shows maturities of our time deposits having principal amounts of \$100,000 or more at the end of each of the last five fiscal years:

	Term to Maturity				Total
	Within Three Months	Over Three Months to Six Months	Over Six Months to One Year	Over One Year	
Fiscal year end					
June 30, 2018	\$96,837	\$ 75,464	\$ 33,125	\$41,569	\$246,995
June 30, 2017	71,771	21,137	71,266	606,892	771,066
June 30, 2016	100,048	133,603	228,532	539,726	1,001,909
June 30, 2015	37,842	189,604	106,826	386,837	721,109
June 30, 2014	74,741	107,997	115,127	384,083	681,948

Borrowings. In addition to deposits, we have historically funded our asset growth through advances from the Federal Home Loan Bank of San Francisco (“FHLB”). Our bank can borrow up to 40% of its total assets from the FHLB, and borrowings are collateralized by mortgage loans and mortgage-backed securities pledged to the FHLB. At June 30, 2018, the Company had \$457.0 million advances outstanding with another \$1.6 billion available immediately, which represents a fully collateralized position, for advances from the FHLB for terms up to ten years.

The Bank has federal funds lines of credit with two major banks totaling \$35.0 million. At June 30, 2018, the Bank had no outstanding balance on either line.

The Bank can also borrow from the Federal Reserve Bank of San Francisco (“FRB”), and borrowings may be collateralized by commercial, consumer and mortgage loans as well as securities pledged to the FRB. Based on loans and securities pledged at June 30, 2018, we had a total borrowing capacity of approximately \$917.0 million, none of which was outstanding. The Bank has additional unencumbered collateral that could be pledged to the FRB Discount Window to increase borrowing liquidity.

On December 16, 2004, we completed a transaction in which we formed a trust and issued \$5.0 million of trust-preferred securities. The net proceeds from the offering were used to purchase approximately \$5.2 million of junior subordinated debentures of our Company with a stated maturity date of February 23, 2035. The debentures are the sole assets of the trust. The trust preferred securities are mandatorily redeemable upon maturity, or upon earlier redemption as provided in the indenture. We have the right to redeem the debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indenture plus any accrued but unpaid interest through the redemption date. Interest accrues at the rate of three-month LIBOR plus 2.4%, for a rate of 4.73% as of June 30, 2018, and is paid quarterly.

In March 2016, we completed the sale of \$51.0 million aggregate principal amount of our 6.25% Subordinated Notes due February 28, 2026 (the “Notes”). We received \$51.0 million in gross proceeds as a part of this transaction, before the 3.15% underwriting discount and other offering expenses. The Notes mature on February 28, 2026 and accrue interest at a rate of 6.25% per annum, with interest payable quarterly. The Notes may be redeemed on or after March 31, 2021, which date may be extended at our discretion, at a redemption price equal to principal plus accrued and unpaid interest, subject to certain conditions.

The table below sets forth the amount of our borrowings, the maximum amount of borrowings in each category during any month-end during each reported period, the approximate average amounts outstanding during each reported period and the approximate weighted average interest rate thereon at or for the last five fiscal years:

<i>(Dollars in thousands)</i>	At or For The Fiscal Years Ended June 30,					
	2018	2017	2016	2015	2014	
Advances from the FHLB:						
Average balance outstanding	\$ 1,296,120	\$ 798,982	\$ 855,029	\$ 700,805	\$ 576,307	
Maximum amount outstanding at any month-end during the period	\$ 2,240,000	\$ 1,317,000	\$ 1,129,000	\$ 1,075,000	\$ 910,000	
Balance outstanding at end of period	\$ 457,000	\$ 640,000	\$ 727,000	\$ 753,000	\$ 910,000	
Average interest rate at end of period	2.14	% 1.79	% 1.53	% 1.36	% 0.97	%
Average interest rate during period	1.76	% 1.55	% 1.31	% 1.27	% 1.21	%
Securities sold under agreements to repurchase:						
Average balance outstanding	\$ 5,575	\$ 33,068	\$ 35,000	\$ 36,562	\$ 85,726	
Maximum amount outstanding at any month-end during the period	\$ 20,000	\$ 35,000	\$ 35,000	\$ 45,000	\$ 110,000	
Balance outstanding at end of period	\$—	\$ 20,000	\$ 35,000	\$ 35,000	\$ 45,000	
Average interest rate at end of period	—	% 4.25	% 4.38	% 4.38	% 4.46	%
Average interest rate during period	4.11	% 4.43	% 4.44	% 4.47	% 4.48	%
Subordinated notes and debentures and other:						
Average balance outstanding	\$ 54,522	\$ 55,873	\$ 22,025	\$ 5,155	\$ 5,155	
Maximum amount outstanding at any month-end during the period	\$ 54,552	\$ 56,511	\$ 58,185	\$ 5,155	\$ 5,155	
Balance outstanding at end of period	\$ 54,552	\$ 54,463	\$ 58,066	\$ 5,155	\$ 5,155	
Average interest rate at end of period	6.55	% 6.57	% 6.27	% 2.68	% 2.63	%
Average interest rate during period	6.70	% 6.62	% 5.90	% 2.77	% 2.77	%

MERGERS AND ACQUISITIONS

From time to time we undertake acquisitions or similar transactions consistent with our operating and growth strategies. During the fiscal years ended June 30, 2018 and 2017, there were transactions that are discussed further in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Mergers and Acquisitions."

TECHNOLOGY

Our technology is built on a collection of enterprise and client platforms that have been purchased, developed in-house or integrated with software systems to provide products and services to our customers. The implementation of our technology has been conducted using industry best-practices and using standardized approaches in system design, software development, testing and delivery. At the core of our infrastructure, we have designed and implemented secure and scalable hardware solutions to ensure we meet the needs of our business. Our customer experiences were designed to address the needs of an internet-only bank and its customers. Our websites and technology platforms drive our customer-focused and self-service engagement model, reducing the need for human interaction while increasing our overall operating efficiencies. Our focus on internal technology platforms enable continuous automation and secure and scalable processing environments for increased transaction capacity. We intend to continue to improve and adapt technology platforms to meet business objectives and implement new systems with the goal of efficiently enabling our business.

SECURITY

We recognize that information is a critical asset. How information is managed, controlled and protected has a significant impact on the delivery of services. Information assets, including those held in trust, must be protected from unauthorized use, disclosure, theft, loss, destruction and alteration.

We employ an information security program to achieve our security objectives. The program is designed to identify, measure, manage and control the risks to system and data availability, integrity, and confidentiality, and to ensure accountability for system actions.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

We register our various Internet URL addresses with service companies, and work actively with bank regulators to identify potential naming conflicts with competing financial institutions. Policing unauthorized use of proprietary information is difficult and litigation may be necessary to enforce our intellectual property rights. We own certain Internet domain names. Domain names in the United States and in foreign countries are regulated, and the laws and regulations governing the Internet are continually evolving. Additionally, the relationship between regulations governing domain names and laws protecting intellectual property rights is not entirely clear. As a result, in the future, we may be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademark and other intellectual property rights.

EMPLOYEES

At June 30, 2018, we had 801 full-time equivalent employees. None of our employees are represented by a labor union or are subject to a collective bargaining agreement. We have not experienced any work stoppage and consider our relations with our employees to be satisfactory.

COMPETITION

The market for banking and financial services is intensely competitive, and we expect competition to continue to intensify in the future. The Bank attracts deposits through its online acquisition channels. Competition for those deposits comes from a wide variety of other banks, savings institutions, and credit unions. The Bank competes for these deposits by offering superior service and a variety of deposit accounts at competitive rates.

In real estate lending, we compete against traditional real estate lenders, including large and small savings banks, commercial banks, mortgage bankers and mortgage brokers. Many of our current and potential competitors have greater brand recognition, longer operating histories, larger customer bases and significantly greater financial, marketing and other resources and are capable of providing strong price and customer service competition. In order to compete profitably, we may need to reduce the rates we offer on loans and investments and increase the rates we offer on deposits, which may adversely affect our overall financial condition and earnings. We may not be able to compete successfully against current and future competitors.

REGULATION

GENERAL

BofI Holding, Inc. (the “Company”) is regulated as a savings and loan holding company by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). The Company is required to file reports with, and otherwise comply with the rules and regulations of, the Federal Reserve. The Bank, as a federal savings bank, is subject to regulation, examination and supervision by the Office of the Comptroller of the Currency (“OCC”) as its primary regulator, and the Federal Deposit Insurance Corporation (“FDIC”) as its deposit insurer. The Bank must file reports with the OCC and the FDIC concerning its activities and financial condition. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), enacted on July 21, 2010, created a new Consumer Financial Protection Bureau (“CFPB”) as an independent bureau of the Federal Reserve that has broad authority to issue regulations implementing numerous consumer laws, to which we are subject.

The regulation of savings and loan holding companies and savings associations is intended primarily for the protection of depositors and not for the benefit of our stockholders. The following information describes aspects of the material laws and regulations applicable to the Company and the Bank. The information below does not purport to be complete and is qualified in its entirety by reference to all applicable laws and regulations. In addition, new and amended legislation, rules and regulations governing the Company and the Bank are introduced from time to time by the U.S. government and its various agencies. Any such legislation, regulatory changes or amendments could adversely affect the Company or the Bank, and no assurance can be given as to whether, or in what form, any such changes may occur.

REGULATION OF BOFI HOLDING, INC.

General. The Company is a unitary savings and loan holding company within the meaning of the Home Owners’ Loan Act (“HOLA”). Accordingly, the Company is registered as a savings and loan holding company with the Federal Reserve and is subject to the Federal Reserve’s regulations, examinations, supervision and reporting requirements. In addition, the Federal Reserve has enforcement authority over the Company and its subsidiaries. Among other things,

this authority permits the Federal Reserve to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution. The Company recently elected to be treated as a “financial holding company” under Federal Reserve rules.

Capital. Savings and loan holding companies, such as the Company, were historically not subject to specific regulatory capital requirements. However, pursuant to the Dodd-Frank Act, savings and loan holding companies are now subject to the same capital and activity requirements as those applicable to bank holding companies. Moreover, the Dodd-Frank Act required that the Federal Reserve promulgate consolidated capital requirements for depository institution holding companies that are not less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves.

In July 2013, the Company's primary federal regulator, the Federal Reserve, and the Bank's primary federal regulator, the OCC, published final rules (the "New Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 capital framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The New Capital Rules substantially revise the capital requirements applicable to depository institutions and their holding companies, including the Company and the Bank, and are discussed in more detail below under "Regulation of Bofl Federal Bank – Regulatory Capital Requirements and Prompt Corrective Action".

Source of Strength. The Dodd-Frank Act extends the Federal Reserve "source of strength" doctrine to savings and loan holding companies. Such policy requires holding companies to act as a source of financial strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of an institution's financial distress. The regulatory agencies have yet to issue joint regulations implementing this policy.

Change in Control. The federal banking laws require that appropriate regulatory approvals must be obtained before an individual or company may take actions to "control" a bank or savings association. The definition of control found in the HOLA is similar to that found in the Bank Holding Company Act of 1956 ("BHCA") for bank holding companies. Both statutes apply a similar three-prong test for determining when a company controls a bank or savings association. Specifically, a company has control over either a bank or savings association if the company:

- directly or indirectly or acting in concert with one or more persons, owns, controls, or has the power to vote 25% or more of the voting securities of a company;
- controls in any manner the election of a majority of the directors (or any individual who performs similar functions in respect of any company, including a trustee under a trust) of the board; or
- directly or indirectly exercises a controlling influence over the management or policies of the bank.

Regulation LL, which was implemented in 2011 by the Federal Reserve, includes a specific definition of "control" similar to the statutory definition, with certain additional provisions. Additionally, Regulation LL modifies the regulations for purposes of determining when a company or natural person acquires control of a savings association or savings and loan holding company under the HOLA or the Change in Bank Control Act ("CBCA"). In light of the similarity between the statutes governing bank holding companies and savings and loan holding companies, the Federal Reserve uses its established rules and processes with respect to control determinations under HOLA and the CBCA to ensure consistency between equivalent statutes administered by the same agency.

Furthermore, the Federal Reserve may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions; (i) the approval of interstate supervisory acquisitions by savings and loan holding companies and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

In August 2018 the Company received approval from the Federal Reserve Bank of San Francisco and became a savings and loan holding company that is treated as a financial holding company under the rules and regulations of the Federal Reserve. Financial holding companies are generally permitted to affiliate with securities firms and insurance companies and engage in other activities that are "financial in nature." Such activities include, among other things, securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve has determined to be closely related to banking. No regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve.

REGULATION OF BOFI FEDERAL BANK

General. As a federally-chartered savings and loan association whose deposit accounts are insured by FDIC, BofI Federal Bank is subject to extensive regulation by the FDIC and the OCC. Under the Dodd-Frank Act, the examination, regulation and supervision of savings associations, such as BofI Federal Bank, were transferred from the OTS to the OCC, the federal regulator of national banks under the National Bank Act. The following discussion summarizes some of the principal areas of regulation applicable to the Bank and its operations.

Insurance of Deposit Accounts. The FDIC administers a deposit insurance fund (the “DIF”) that insures depositors in certain types of accounts up to a prescribed amount for the loss of any such depositor’s respective deposits due to the failure of an FDIC member depository institution. As the administrator of the DIF, the FDIC assesses its member depository institutions and determines the appropriate DIF premiums to be paid by each such institution. The FDIC is authorized to examine its member institutions and to require that they file periodic reports of their condition and operations. The FDIC may also prohibit any member institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the DIF. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the primary federal regulator the opportunity to take such action. The FDIC may terminate an institution’s access to the DIF if it determines that the institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition. We do not know of any practice, condition or violation that might lead to termination of our access to the DIF.

BofI Federal Bank is a member depository institution of the FDIC and its deposits are insured by the DIF up to the applicable limits, which are backed by the full faith and credit of the U.S. Government. Effective with the passing of the Dodd-Frank Act, the basic deposit insurance limit was permanently raised to \$250,000, instead of the \$100,000 limit previously in effect.

Effective July 1, 2016, the FDIC revised the deposit insurance premium assessment method for banks with less than \$10 billion in assets that have been insured by the FDIC for at least five years. This revision changed the assessment method to the financial ratios method, which is based on a statistical model estimating the probability of failure of a bank over three years. The FDIC also updated the financial measures used in the financial ratios method consistent with the statistical model, eliminated risk categories for established small banks, and used the financial ratios method to determine assessment rates for all such banks (subject to minimum or maximum initial assessment rates based upon a bank’s composite examination rating). The initial base assessment rates for all insured institutions were reduced from 5 to 35 basis points to 3 to 30 basis points. Total base assessment rates after possible adjustments were reduced from 2.5 to 45 basis points to 1.5 to 40 basis points. Management cannot predict what insurance assessment rates will be in the future.

Regulatory Capital Requirements and Prompt Corrective Action. The prompt corrective action regulation of the OCC requires mandatory actions and authorizes other discretionary actions to be taken by the OCC against a savings association that falls within undercapitalized capital categories specified in OCC regulations.

The New Capital Rules narrow the definition of regulatory capital and establish higher minimum risk-based capital ratios that, when fully phased in, will require banking organizations to maintain a minimum “common equity Tier 1” (or “CET1”) ratio of 4.5%, a Tier 1 risk-based capital ratio of 6.0% (increased from 4.0%), a total risk-based capital ratio of 8.0%, and a minimum leverage ratio of 4.0% (calculated as Tier 1 capital to average consolidated assets). The effective date of these requirements for the Company and the Bank was January 1, 2015.

A capital conservation buffer of 2.5% above each of these levels (to be phased in over three years which began in 2016, beginning at 0.625% and increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019) will be required for banking institutions to avoid restrictions on their ability to make capital distributions, including the payment of dividends.

The New Capital Rules provide for a number of new deductions from and adjustments to CET1. These include, for example, the requirement that deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and will be phased in over three years for the Bank.

The implementation of certain regulations and standards relating to regulatory capital could disproportionately affect our regulatory capital position relative to that of our competitors, including those that may not be subject to the same regulatory requirements as the Bank. Various aspects of Basel III will be subject to multi-year transition periods ending December 31, 2018 and Basel III generally continues to be subject to further evaluation and interpretation by the U.S. banking regulators. As of June 30, 2018, the Company and the Bank remain well-capitalized under the currently enacted capital adequacy requirements of Basel III, and would remain well-capitalized when including implementation of the deductions and other adjustments to CET1 on a fully phased-in basis.

In general, the prompt corrective action regulation prohibits an FDIC member institution from declaring any dividends, making any other capital distribution, or paying a management fee to a controlling person if, following the distribution or payment, the institution would be within any of the three undercapitalized categories. In addition, adequately capitalized institutions may accept brokered deposits only with a waiver from the FDIC, but are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll-over brokered deposits.

If the OCC determines that an institution is in an unsafe or unsound condition, or if the institution is deemed to be engaging in an unsafe and unsound practice, the OCC may, if the institution is well-capitalized, reclassify it as adequately capitalized. If the institution is adequately capitalized, but not well-capitalized, the OCC may require it to comply with restrictions applicable to undercapitalized institutions. If the institution is undercapitalized, the OCC may require it to comply with restrictions applicable to significantly undercapitalized institutions. Finally, pursuant to an interagency agreement, the FDIC can examine any institution that has a substandard regulatory examination score or is considered undercapitalized without the express permission of the institution's primary regulator.

Capital regulations applicable to savings associations such as the Bank also require savings associations to meet the additional capital standard of tangible capital equal to at least 1.5% of total adjusted assets.

The Bank's capital requirements are viewed as minimum standards and most financial institutions are expected to maintain capital levels well above the minimum. In addition, OCC regulations provide that minimum capital levels greater than those provided in the regulations may be established by the OCC for individual savings associations upon a determination that the savings association's capital is or may become inadequate in view of its circumstances. BofI Federal Bank is not subject to any such individual minimum regulatory capital requirement and the Bank's regulatory capital exceeded all minimum regulatory capital requirements as of June 30, 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

In connection with the approval of the acquisition of the H&R Block Bank deposits on September 1, 2015, the Bank executed a letter agreement with the OCC to maintain its Tier 1 leverage capital ratio at a minimum of 8.50% for the quarters ended in June, September and December and a minimum of 8.00% for the quarter ended in March, subject to certain adjustments. At June 30, 2018 the Bank is in compliance with this letter agreement. As of August 2018, due to the Bank's satisfactory operational performance under the letter agreement the OCC has removed the additional capital maintenance requirements required in the letter agreement.

Standards for Safety and Soundness. The federal banking regulatory agencies have prescribed, by regulation, guidelines for all insured depository institutions relating to: (i) internal controls, information systems and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate risk exposure; (v) asset growth; (vi) asset quality; (vii) earnings; and (viii) compensation, fees and benefits. The guidelines set forth safety and soundness standards that the federal banking regulatory agencies use to identify and address problems at FDIC member institutions before capital becomes impaired. If the OCC determines that the Bank fails to meet any standard prescribed by the guidelines, the OCC may require us to submit to it an acceptable plan to achieve compliance with the standard. OCC regulations establish deadlines for the submission and review of such safety and soundness compliance plans in response to any such determination. We are not aware of any conditions relating to these safety and soundness standards that would require us to submit a plan of compliance to the OCC.

Loans-to-One-Borrower Limitations. Savings associations generally are subject to the lending limits applicable to national banks. With limited exceptions, the maximum amount that a savings association or a national bank may lend to any borrower, including related entities of the borrower, at one time may not exceed 15% of the unimpaired capital and surplus of the institution, plus an additional 10% of unimpaired capital and surplus for loans fully secured by readily marketable collateral. Savings associations are additionally authorized to make loans to one borrower by order of its regulator, in an amount not to exceed the lesser of \$30.0 million or 30% of unimpaired capital and surplus for the purpose of developing residential housing, if the following specified conditions are met:

- ☑ The savings association is in compliance with its fully phased-in capital requirements;
- ☑ The loans comply with applicable loan-to-value requirements; and
- ☑ The aggregate amount of loans made under this authority does not exceed 150% of unimpaired capital and surplus.

Qualified Thrift Lender Test. Savings associations must meet a qualified thrift lender, or "QTL," test. This test may be met either by maintaining a specified level of portfolio assets in qualified thrift investments as specified by the HOLA, or by meeting the definition of a "domestic building and loan association" under the Internal Revenue Code of 1986, as amended, or the "Code". Qualified thrift investments are primarily residential mortgage loans and related investments, including mortgage related securities. Portfolio assets generally mean total assets less specified liquid assets, goodwill and other intangible assets and the value of property used in the conduct of the Bank's business. The required percentage of qualified thrift investments under the HOLA is 65% of "portfolio assets" (defined as total assets less: (i)

specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business). An association must be in compliance with the QTL test or the definition of domestic building and loan association on a monthly basis in nine out of every 12 months. Savings associations that fail to meet the QTL test will generally be prohibited from engaging in any activity not permitted for both a national bank and a savings association. At June 30, 2018, the Bank was in compliance with its QTL requirement and met the definition of a domestic building and loan association.

Liquidity Standard. Savings associations are required to maintain sufficient liquidity to ensure safe and sound operations. As of June 30, 2018, BofI Federal Bank was in compliance with the applicable liquidity standard.

Volcker Rule. Effective April 15, 2014, the federal banking agencies have adopted regulations with a conformance period for certain features that lasted until July 21, 2017, to implement the provisions of the Dodd-Frank Act known as the Volcker Rule. Under the regulations, FDIC-insured depository institutions, their holding companies, subsidiaries and affiliates (collectively, “banking entities”), are generally prohibited, subject to certain exemptions, from proprietary trading of securities and other financial instruments and from acquiring or retaining an ownership interest in a “covered fund.” The term “covered fund” can include, in addition to many private equity and hedge funds and other entities, certain collateralized mortgage obligations, collateralized debt obligations and collateralized loan obligations, and other items, but does not include wholly owned subsidiaries, certain joint ventures, or loan securitizations generally if the underlying assets are solely loans.

Trading in certain government obligations is not prohibited by the Volcker Rule, including obligations of or guaranteed by the United States or an agency or government-sponsored entity of the United States, obligations of a State of the United States or a political subdivision thereof, and municipal securities. Proprietary trading generally does not include transactions under repurchase and reverse repurchase agreements, securities lending transactions and purchases and sales for the purpose of liquidity management if the liquidity management plan meets specified criteria; nor does it generally include transactions undertaken in a fiduciary capacity. In addition, activities eligible for exemption include, among others, certain brokerage, underwriting and marketing activities, and risk-mitigating hedging activities with respect to specific risks and subject to specified conditions. As of June 30, 2018, BofI Federal Bank was in compliance with the Volcker Rule.

Transactions with Related Parties. The authority of the Bank to engage in transactions with “affiliates” (i.e., any company that controls or is under common control with it, including the Company and any non-depository institution subsidiaries) is limited by federal law. The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of a savings institution’s capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in federal law. The purchase of low quality assets from affiliates is generally prohibited. Transactions with affiliates must be on terms and under circumstances that are at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies, and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The Sarbanes-Oxley Act generally prohibits loans by public companies to their executive officers and directors. However, there is a specific exception for loans by financial institutions, such as the Bank, to its executive officers and directors that are made in compliance with federal banking laws. Under such laws, our authority to extend credit to executive officers, directors, and 10% or more shareholders (“insiders”), as well as entities such persons control, is limited. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on its capital position and requires certain board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and cannot involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees.

Capital Distribution Limitations. Regulations applicable to the Bank impose limitations upon all capital distributions by savings associations, like cash dividends, payments to repurchase or otherwise acquire its shares, payments to stockholders of another institution in a cash-out merger and other distributions charged against capital. Under these regulations, a savings association may, in circumstances described in those regulations:

• Be required to file an application and await approval from the OCC before it makes a capital distribution;

• Be required to file a notice 30 days before the capital distribution; or

• Be permitted to make the capital distribution without notice or application to the OCC.

Community Reinvestment Act and the Fair Lending Laws. Savings associations have a responsibility under the Community Reinvestment Act and related regulations of the OCC to help meet the credit needs of their communities,

including low- and moderate-income neighborhoods. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. An institution's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in regulatory restrictions on its activities and the denial of applications. In addition, an institution's failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in the OCC, other federal regulatory agencies or the Department of Justice, taking enforcement actions against the institution. To the best of our knowledge, BofI Federal Bank is in full compliance with each of the Community Reinvestment Act, the Equal Credit Opportunity Act and the Fair Housing Act and we do not anticipate the Bank becoming the subject of any enforcement actions.

Federal Home Loan Bank (“FHLB”) System. The Bank is a member of the FHLB system. Among other benefits, each FHLB serves as a reserve or central bank for its members within its assigned region. Each FHLB is financed primarily from the sale of consolidated obligations of the FHLB system. Each FHLB makes available loans or advances to its members in compliance with the policies and procedures established by the board of directors of the individual FHLB. As an FHLB member, the Bank is required to own capital stock in a Federal Home Loan Bank in specified amounts based on either its aggregate outstanding principal amount of its residential mortgage loans, home purchase contracts and similar obligations at the beginning of each calendar year or its outstanding advances from the FHLB.

Federal Reserve System. The Federal Reserve requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, negotiable order of withdrawal (“NOW”), and Super NOW checking accounts) and non-personal time deposits. At June 30, 2018, the Bank was in compliance with these requirements.

Activities of Subsidiaries. A savings association seeking to establish a new subsidiary, acquire control of an existing company or conduct a new activity through a subsidiary must provide 30 days prior notice to the FDIC and the OCC and conduct any activities of the subsidiary in compliance with regulations and orders of the OCC. The OCC has the power to require a savings association to divest any subsidiary or terminate any activity conducted by a subsidiary that the OCC determines to pose a serious threat to the financial safety, soundness or stability of the savings association or to be otherwise inconsistent with sound banking practices.

Consumer Laws and Regulations. The Dodd-Frank Act established the CFPB in order to regulate any person who offers or provides personal, family or household financial products or services. The CFPB is an independent “watchdog” within the Federal Reserve System to enforce and create “Federal consumer financial laws.” Banks as well as nonbanks are subject to any rule, regulation or guideline created by the CFPB. Congress established the CFPB to create one agency in charge of protecting consumers by overseeing the application and implementation of “Federal consumer financial laws,” which includes (i) rules, orders and guidelines of the CFPB, (ii) all consumer financial protection functions, powers and duties transferred from other federal agencies, such as the Federal Reserve, the OCC, the FDIC, the Federal Trade Commission, and the Department of Housing and Urban Development, and (iii) a long list of consumer financial protection laws enumerated in the Dodd-Frank Act, such as the Electronic Fund Transfer Act, the Consumer Leasing Act of 1976, the Alternative Mortgage Transaction Parity Act of 1982, the Equal Credit Opportunity Act, the Expedited Funds Availability Act, the Truth in Lending Act and the Truth in Savings Act, among many others. The CFPB has broad examination and enforcement authority, including the power to issue subpoenas and cease and desist orders, commence civil actions, hold investigations and hearings and seek civil penalties, as well as the authority to regulate disclosures, mandate registration of any covered person and to regulate what it considers unfair, deceptive, abusive practices.

Depository institutions with \$10 billion or less in assets, such as the Bank, will continue to be examined for compliance with the consumer protection laws and regulations by their primary bank regulators (the OCC for the Bank), rather than the CFPB. Such laws and regulations and the other consumer protection laws and regulations to which the Bank has been subject have historically mandated certain disclosure requirements and regulated the manner in which financial institutions must deal with customers when taking deposits from, making loans to, or engaging in other types of transactions with, such customers. The effect of the CFPB on the development and promulgation of consumer protection rules and guidelines and the enforcement of federal “consumer financial laws” on the Bank, if any, cannot be determined with certainty at this time.

Depository institutions with more than \$10 billion in assets and their affiliates are subject to direct supervision by the CFPB, including any applicable examination, enforcement and reporting requirements the CFPB may establish. As of June 30, 2018, we had \$9.5 billion in total assets. If the Bank continues to grow and has assets in excess of \$10 billion in the future, the Bank and its operations will become subject to the direct supervision and oversight of the CFPB. In addition, if our total assets equal or exceed \$10 billion, we will become subject to certain enhanced prudential standards established by FRB regulations promulgated under the Dodd-Frank Act for larger institutions, including additional risk management policies and practices and annual stress tests using various scenarios established by the FRB, designed to determine whether our capital planning, assessment of capital adequacy and risk management

practices adequately protect the Company in the event of an economic downturn.

Privacy Standards. The Gramm-Leach-Bliley Act (“GLBA”) modernized the financial services industry by establishing a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms and other financial service providers. The Bank is subject to OCC regulations implementing the privacy protection provisions of the GLBA. These regulations require the Bank to disclose its privacy policy, including informing consumers of its information sharing practices and informing consumers of their rights to opt out of certain practices.

Anti-Money Laundering and Customer Identification. The U.S. government enacted the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “USA PATRIOT Act”) on October 26, 2001 in response to the terrorist events of September 11, 2001. The USA PATRIOT Act gives the federal government broad powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. In February 2010, Congress re-enacted certain expiring provisions of the USA PATRIOT Act.

AVAILABLE INFORMATION

BofI Holding, Inc. files reports, proxy and information statements and other information electronically with the SEC. You may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information may be obtained on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC’s website site address is <http://www.sec.gov>. Our web site address is <http://www.bofiholding.com>, and we make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments thereto available on our website free of charge.

ITEM 1A. RISK FACTORS

Risks Relating to Our Industry

Changes in interest rates could adversely affect our performance.

Our results of operations depend to a great extent on our net interest income, which is the difference between the interest rates earned on interest-earning assets such as loans and leases and investment securities, and the interest rates paid on interest-bearing liabilities such as deposits and borrowings. We are exposed to interest rate risk because our interest-earning assets and interest-bearing liabilities do not react uniformly or concurrently to changes in interest rates, as the two have different time periods for adjustment and can be tied to different measures of rates. Interest rates are sensitive to factors that are beyond our control, including general economic conditions and the policies of various governmental and regulatory agencies, including the FRB. The monetary policies of the FRB, implemented through open market operations and regulation of the discount rate and reserve requirements, affect prevailing interest rates. Loan and lease originations and repayment rates tend to increase with declining interest rates and decrease with rising interest rates. On the deposit side, increasing interest rates generally lead to interest rate increases on our deposit accounts. In the past few years prevailing interest rates have begun to increase and the financial markets are anticipating further increases in interest rates by the FRB. We manage the sensitivity of our assets and liabilities; however a large or rapid increase in market interest rates would likely have an adverse impact on our net interest income and a decrease in our refinancing business and related fee income, and could cause an increase in delinquencies and non-performing loans and leases in our adjustable-rate loans. In addition, changes in interest rates can affect the value of our loans and leases, investments and other interest-rate sensitive assets and our ability to realize gains on the sale or resolution of these assets.

A significant economic downturn could result in increases in our level of non-performing loans and leases and/or reduce demand for our products and services, which could have an adverse effect on our results of operations.

Our business and results of operations are affected by the financial markets and general economic conditions, including factors such as the level and volatility of interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income and consumer spending. While the national economy and most regions have improved since the financial crisis of 2008 and subsequent economic recession, we continue to operate in an uncertain economic environment due to a variety of reasons, including but not limited to trade wars, geopolitical tensions, rising oil prices and emerging market crises. The risks associated with our business become more acute in periods of a slowing economy or slow growth. A return or continuation of recessionary conditions or negative events in the housing markets, including significant and continuing home price declines and increased delinquencies and foreclosures, would adversely affect our mortgage and construction loans and result in increased asset write-downs. In addition, poor economic conditions, including continued high unemployment in the United States, have contributed to increased volatility in the financial and capital markets and diminished expectations for the

U.S. economy. While we are continuing to take steps to decrease and limit our exposure to problem loans, we nonetheless retain direct exposure to the residential and commercial real estate markets. Declines in real estate values, an economic downturn or continued high unemployment levels may result in higher than expected loan and lease delinquencies and a decline in demand for our products and services. These negative events may cause us to incur losses and may adversely affect our capital, financial condition and results of operations.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, mutual and hedge funds, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

Changes in laws, regulation or oversight may increase our costs and adversely affect our business and operations.

We operate in a highly regulated industry and are subject to oversight, regulation and examination by federal and/or state governmental authorities under various laws, regulations and policies, which impose requirements or restrictions on our operations, capitalization, payment of dividends, mergers and acquisitions, investments, loans and interest rates charged and interest rates paid on deposits. We must also comply with federal anti-money laundering, tax withholding and reporting, and consumer protection statutes and regulations. A considerable amount of management time and resources is devoted to oversight of, and development and implementation of controls and procedures relating to, compliance with these laws, regulations and policies. In addition, in August 2018, the Company became a savings and loan holding company that is treated as a financial holding company by the Federal Reserve Board.

The laws, regulation and supervisory policies are subject to regular modification and change. New or amended laws, rules and regulations could impact our operations, increase our capital requirements or substantially restrict our growth and adversely affect our ability to operate profitably by making compliance much more difficult or expensive, restricting our ability to originate or sell loans, or further restricting the amount of interest or other charges or fees earned on loans or other products. In addition, further regulation could increase the assessment rate we are required to pay to the FDIC, adversely affecting our earnings. It is very difficult to predict future changes in regulation or the competitive impact that any such changes would have on our business.

The Dodd-Frank Act (“Dodd-Frank”), enacted in 2010, instituted major changes to the banking and financial institutions regulatory regimes. A section of Dodd-Frank commonly referred to as the Durbin amendment, reduced the level of interchange fees that could be charged by institutions with greater than \$10 billion in assets. If we continue to grow so that our total assets exceed \$10 billion, the Durbin amendment could adversely affect or reduce our ability to earn interchange fees and maintain our fee-sharing prepaid card partnerships, such as with H&R Block. Other changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect us in substantial and unpredictable ways including subjecting us to additional costs, limiting the types of financial services and products we may offer, and increasing the ability of non-banks to offer competing financial services and products. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and/or reputational damage, which could have a material and adverse effect on our business, financial condition, results of operations and the value of our common stock.

The Tax Reform Act of 2017, enacted in December 2017, resulted in certain changes that may affect our business. Beginning on January 1, 2018, the ceiling on the mortgage interest deduction was reduced from \$1,000,000 to \$750,000 for indebtedness incurred in acquiring, constructing, or improving a residence. For mortgage indebtedness incurred before December 15, 2017, the Tax Reform Act permits homeowners to maintain the current \$1,000,000 ceiling. The Tax Reform Act also prohibits the deduction of interest on home equity indebtedness, and limits annual itemized deductions for state and local taxes (including state and local income, property, and sales taxes) to \$10,000. The Bank originates and holds a large amount of mortgage loans and mortgage backed securities. The reduction or elimination of these tax benefits and other changes in federal income tax policies could have a material adverse effect on the demand for the Bank’s loan products and the pricing and liquidity of the mortgage securities which the Bank holds. The reduction in the mortgage interest deduction and limitation of itemized deductions for property taxes,

particularly in higher priced states in which we operate, such as California, could adversely affect the ability of some potential borrowers to obtain credit, otherwise reduce the demand for home purchases and construction, and increase delinquencies or defaults on our mortgage assets, which could have a material adverse effect on our business and results of operations.

Policies and regulations enacted by the Consumer Financial Protection Bureau may negatively impact our residential mortgage loan business and compliance risk.

Our consumer business, including our mortgage and deposit businesses, may be adversely affected by the policies enacted or regulations adopted by the CFPB which under the Dodd-Frank Act has broad rule-making authority over consumer financial products and services. The CFPB is in the process of reshaping consumer financial protection laws through rule-making and enforcement against unfair, deceptive and abusive acts or practices. The CFPB has broad rule-making authority to administer and carry out the provisions of the Dodd-Frank Act with respect to financial institutions that offer covered financial products and services to consumers. The CFPB has also been directed to write rules identifying practices or acts that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The prohibition on “abusive” acts or practices is being clarified each year by CFPB enforcement actions and opinions from courts and administrative proceedings. In January 2014, a series of final rules issued by the CFPB to implement provisions in the Dodd-Frank Act related to mortgage origination and servicing went into effect and caused an increase in the cost of originating and servicing residential mortgage loans. While it is difficult to quantify any future increases in our regulatory compliance burden, the costs associated with regulatory compliance, including the need to hire additional compliance personnel, may continue to increase.

Possible replacement of the LIBOR benchmark interest rate may have an impact on our business, financial condition or results of operations.

On July 27, 2017, the Financial Conduct Authority (FCA), a regulator of financial services firms in the United Kingdom, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board. Other financial services regulators and industry groups are evaluating the possible phase-out of LIBOR and the development of alternate reference rate indices or reference rates. Many of our assets and liabilities are indexed to LIBOR. We are evaluating the potential impact of the possible replacement of the LIBOR benchmark interest rate, but are not able to predict whether LIBOR will cease to be available after 2021, whether the alternative rates the Federal Reserve Board proposes to publish will become market benchmarks in place of LIBOR, or what the impact of such a transition will have on our business, financial condition, or results of operations.

Risks Relating to Mortgage Loans and Mortgage-Backed Securities

Declining real estate values, particularly in California, could reduce the value of our loan and lease portfolio and impair our profitability and financial condition.

The majority of the loans in our portfolio are secured by real estate. At June 30, 2018, approximately 71.1% of our mortgage portfolio was secured by real estate located in California. In recent years, there has been significant volatility in real estate values in California and in some cases the collateral for our real estate loans has become less valuable. If real estate values decrease or more of our borrowers experience financial difficulties, we will experience increased charge-offs, as the proceeds resulting from foreclosure may be significantly lower than the amounts outstanding on such loans. In addition, declining real estate values frequently accompany periods of economic downturn or recession and increasing unemployment, all of which can lead to lower demand for mortgage loans of the types we originate. A decline of real estate values or decline of the credit position of our borrowers in California would have a material adverse effect on our business, prospects, financial condition and results of operations.

Many of our mortgage loans are unseasoned and defaults on such loans would harm our business.

At June 30, 2018, our multifamily residential loans were \$1,800.9 million or 28.9% of our mortgage loans and our commercial real estate loans were \$220.4 million, or 3.5% of our mortgage loans. The payment on such loans is typically dependent on the cash flows generated by the projects, which are affected by the supply and demand for multifamily residential units and commercial property within the relative market. If the market for multifamily residential units and commercial property experiences a decline in demand, multifamily and commercial borrowers may suffer losses on their projects and be unable to repay their loans. If residential housing values were to decline and

nationwide unemployment were to increase, we are likely to experience increases in the level of our non-performing loans and foreclosed and repossessed vehicles in future periods.

We could recognize other-than-temporary impairment on securities held in our available-for-sale portfolio.

We analyze securities held in our portfolio for other-than-temporary impairment on a quarterly basis. The process for determining whether impairment is other-than-temporary can involve difficult, subjective judgments about the future financial performance of the issuer, market conditions, and the value of any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers and the performance of the underlying collateral, we may be required to recognize other-than-temporary impairment in future periods reducing future earnings and capital levels.

A decrease in the mortgage buying activity of Fannie Mae, Freddie Mac and Ginnie Mae or a failure by Fannie Mae, Ginnie Mae and Freddie Mac to satisfy their obligations with respect to their RMBS could have a material adverse effect on our business, financial condition and results of operations.

During the last three fiscal years we have sold over \$1,385.8 million of residential mortgage loans to Fannie Mae, Freddie Mac and Ginnie Mae and, as of June 30, 2018, approximately 7.2% of our securities portfolio consisted of RMBS issued or guaranteed by these GSEs. Since 2008, Fannie Mae and Freddie Mac have been in conservatorship, with its primary regulator, the Federal Housing Finance Agency, acting as conservator. The United States government may enact structural changes to one or more of the GSEs, including privatization, consolidation and/or a reduction in the ability of GSEs to purchase mortgage loans or guarantee mortgage obligations. We cannot predict if, when or how the conservatorships will end, or what associated changes (if any) may be made to the structure, mandate or overall business practices of either of the GSEs. Accordingly, there continues to be uncertainty regarding the future of the GSEs, including whether they will continue to exist in their current form and whether they will continue to meet their obligations with respect to their RMBS. A substantial reduction in mortgage purchasing activity by the GSEs could result in a material decrease in the availability of residential mortgage loans and the number of qualified borrowers, which in turn may lead to increased volatility in the residential housing market, including a decrease in demand for residential housing and a corresponding drop in the value of real property that secures current residential mortgage loans, as well as a significant increase in interest rates. In a rising or higher interest rate environment, our originations of mortgage loans may decrease, which would result in a decrease in mortgage loan revenues and a corresponding decrease in non-interest income. Any decision to change the structure, mandate or overall business practices of the GSEs and/or the relationship among the GSEs, the government and the private mortgage loan markets, or any failure by the GSEs to satisfy their obligations with respect to their RMBS, could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Company

If our allowance for loan and lease losses, particularly in growing areas of lending such as commercial and industrial (“C&I”) is not sufficient to cover actual loan and lease losses, our earnings, capital adequacy and overall financial condition may suffer materially.

Our loans are generally secured by single family, multifamily and commercial real estate properties, each initially having a fair market value generally greater than the amount of the loan secured. Although our loans and leases are typically secured, the risk of default, generally due to a borrower’s inability to make scheduled payments on his or her loan, is an inherent risk of the banking business. In determining the amount of the allowance for loan and lease losses, we make various assumptions and judgments about the collectibility of our loan and lease portfolio, including the creditworthiness of our borrowers, the value of the real estate serving as collateral for the repayment of our loans and our loss history. Defaults by borrowers could result in losses that exceed our loan and lease loss reserves. We have originated or purchased many of our loans and leases recently, so we do not have sufficient repayment experience to be certain whether the established allowance for loan and lease losses is adequate. We may have to establish a larger allowance for loan and lease losses in the future if, in our judgment, it becomes necessary. Any increase in our allowance for loan and lease losses would increase our expenses and consequently may adversely affect our profitability, capital adequacy and overall financial condition.

In addition, we continue to increase our emphasis on non-residential lending, particularly in C&I lending, and these types of loans and leases are expected to comprise a larger portion of our originations and loan and lease portfolio in future periods. To the extent that we fail to adequately address the risks associated with C&I lending, we may

experience increases in levels of non-performing loans and leases and be forced to take additional loan and lease loss reserves, which would adversely affect our net interest income and capital levels and reduce our profitability. For further information about our C&I lending business, please refer to “Business – Asset Origination and Fee Income Businesses – Commercial Real Estate Secured and Commercial Lending.”

Our results of operations could vary as a result of the methods, estimates, and judgments that we use in applying our accounting policies.

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on our results of operations. Such methods, estimates, and judgments, include methodologies to value our securities, evaluate securities

for other-than-temporary impairment and estimate our allowance for loan and lease losses. These methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations.

Changes in the value of goodwill and other intangible assets could reduce our earnings.

The Company accounts for goodwill and other intangible assets in accordance with generally accepted accounting principles (“GAAP”), which, in general, requires that goodwill not be amortized, but rather that it be tested for impairment at least annually at the reporting unit level using the two step approach. Testing for impairment of goodwill and other intangible assets is performed annually and involves the identification of reporting units and the estimation of fair values. The estimation of fair values involves a high degree of judgment and subjectivity in the assumptions used. Changes in the local and national economy, the federal and state legislative and regulatory environments for financial institutions, the stock market, interest rates and other external factors (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability, and may materially impact the fair value of publicly traded financial institutions and could result in an impairment charge at a future date.

Our acquisitions involve integration and other risks.

From time to time we undertake acquisitions of assets, deposits, lines of business and other companies consistent with our operating and growth strategies. Our recent acquisitions are discussed below under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Mergers and Acquisitions.” Acquisitions involve a number of risks and challenges, including our ability to integrate the acquired operations and the associated internal controls and regulatory functions into our current operations, our ability to retain key personnel of the acquired operations, our ability to limit the outflow of acquired deposits and successfully retain and manage acquired assets, our ability to attract new customers and generate new assets in areas not previously served, and the possible assumption of risks and liabilities related to litigation or regulatory proceedings involving the acquired operations. Additionally, no assurance can be given that the operation of acquisitions would not adversely affect our existing profitability, that we would be able to achieve results in the future similar to those achieved by the acquired operations, that we would be able to compete effectively in the markets served by the acquired operations, or that we would be able to manage any growth resulting from the transaction effectively. We also face the risk that the anticipated benefits of any acquisition may not be realized fully or at all, or within the time period expected.

As a public company, we face the risk of shareholder lawsuits and other related or unrelated litigation, particularly if we experience declines in the price of our common stock. We have been named as a party to purported class action and derivative lawsuits, and we may be named in additional litigation, all of which could require significant management time and attention and result in significant legal expenses.

As described in detail below in “Item 3 – Legal Proceedings,” putative class action lawsuits have been filed in the United States District Court, Southern District of California, alleging, among other things, that our Company, Chief Executive Officer and Chief Financial Officer violated the federal securities laws by failing to disclose the wrongful conduct that is alleged by a former employee in a complaint, and that as a result the Company’s statements regarding its internal controls, and portions of its financial statements, were false and misleading. Derivative lawsuits have also been filed against our management arising from the same events, alleging breach of fiduciary duty, mismanagement, abuse of control and unjust enrichment. Regardless of the merits, the expense of defending such litigation may have a substantial impact if our insurance carriers fail to cover the full cost of the litigation, and the time required to defend the actions could divert management’s attention from the day-to-day operations of our business, which could adversely affect our business, results of operations and cash flows. An unfavorable outcome in such litigation could have a material adverse effect on our business, financial condition, results of operations and cash flows. The Company and its management deny any wrongdoing and are vigorously defending the referenced lawsuits.

We may seek additional capital but it may not be available when it is needed and limit our ability to execute our strategic plan. In addition, raising additional equity capital would dilute existing shareholders’ equity interests and may cause our stock price to decline.

We are required by regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support the growth of our business or to finance acquisitions, if any, or we elect to raise additional capital for other reasons. We may seek to do so through the issuance of, among other things, our common stock or securities convertible into our common stock, which could dilute existing shareholders' interests in the Company.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot provide assurance on our ability to raise additional capital if needed or if it can be raised on terms acceptable to us. If we cannot

raise additional capital when needed or on terms acceptable to us, it may have a material adverse effect on our financial condition, results of operations and prospects. In addition, raising equity capital will have a dilutive effect on the equity interests of our existing shareholders and may cause our stock price to decline.

Access to adequate funding cannot be assured.

We have significant sources of liquidity as a result of our federal thrift structure, including deposits, brokered deposits, the FHLB, repurchase lending facilities, and the FRB discount window. We rely primarily upon deposits and FHLB advances. Our ability to attract deposits could be negatively impacted by a public perception of our financial prospects or by increased deposit rates available at troubled institutions suffering from shortfalls in liquidity. The FHLB is subject to regulation and other factors beyond our control. These factors may adversely affect the availability and pricing of advances to members such as the Bank. Selected sources of liquidity may become unavailable to the Bank if it were to no longer be considered “well-capitalized.”

Our inability to manage our growth or deploy assets profitably could harm our business and decrease our overall profitability, which may cause our stock price to decline.

Our assets and deposit base have grown substantially in recent years, and we anticipate that we will continue to grow over time, perhaps significantly. To manage the expected growth of our operations and personnel, we will be required to manage multiple aspects of the business simultaneously, including among other things: (i) improve existing and implement new transaction processing, operational and financial systems, procedures and controls; (ii) maintain effective credit scoring and underwriting guidelines; (iii) maintain sufficient levels of regulatory capital; and (iv) expand our employee base and train and manage this growing employee base. In addition, acquiring other banks, asset pools or deposits may involve risks such as exposure to potential asset quality issues, disruption to our normal business activities and diversion of management’s time and attention due to integration and conversion efforts. If we are unable to manage growth effectively or execute integration efforts properly, we may not be able to achieve the anticipated benefits of growth and our business, financial condition and results of operations could be adversely affected.

In addition, we may not be able to sustain past levels of profitability as we grow, and our past levels of profitability should not be considered a guarantee or indicator of future success. If we are not able to maintain our levels of profitability by deploying growth in our deposits in profitable assets or investments, our net interest margin and overall level of profitability will decrease and our stock price may decline.

We face strong competition for customers and may not succeed in implementing our business strategy.

Our business strategy depends on our ability to remain competitive. There is strong competition for customers from existing banks and other types of financial institutions, including those that use the Internet as a medium for banking transactions or as an advertising platform. Our competitors include large, publicly-traded, Internet-based banks, as well as smaller Internet-based banks; “brick and mortar” banks, including those that have implemented websites to facilitate online banking; and traditional banking institutions such as thrifts, finance companies, credit unions and mortgage banks. Some of these competitors have been in business for a long time and have name recognition and an established customer base. Most of our competitors are larger and have greater financial and personnel resources. In order to compete profitably, we may need to reduce the rates we offer on loans and leases and investments and increase the rates we offer on deposits, which actions may adversely affect our business, prospects, financial condition and results of operations.

To remain competitive, we believe we must successfully implement our business strategy. Our success depends on, among other things:

- Having a large and increasing number of customers who use our bank for their banking needs;
- Our ability to attract, hire and retain key personnel as our business grows;
- Our ability to secure additional capital as needed;
- The relevance of our products and services to customer needs and demands and the rate at which we and our competitors introduce or modify new products and services;
- Our ability to offer products and services with fewer employees than competitors;
- The satisfaction of our customers with our customer service;
- Ease of use of our websites; and

Our ability to provide a secure and stable technology platform for financial services that provides us with reliable and effective operational, financial and information systems.

If we are unable to implement our business strategy, our business, prospects, financial condition and results of operations could be adversely affected.

We recently changed the branding of the Bank. Our business depends on a strong brand, and failing to maintain and enhance our brand could hurt our ability to maintain or expand our customer base.

The brand identities that we have developed will significantly contribute to the success of our business. Commencing October 1, 2018, we will change the name of the Bank and the branding of most of our banking products to “Axos Bank”. Maintaining and enhancing the “Axos Bank” brands (including our other trade styles and trade names) is critical to expanding our customer base. We believe that the importance of brand recognition will increase due to the relatively low barriers to entry for our “brick and mortar” competitors in the internet-based banking market. Our brands could be negatively impacted by a number of factors, including data privacy and security issues, service outages, and product malfunctions. If our name change is not widely accepted by customers or proves to be less popular than anticipated, if we fail to maintain and enhance our brands generally, or if we incur excessive expenses in these efforts, our business, financial condition and results of operations may be adversely affected. In addition, maintaining and enhancing our brand will depend on our ability to continue to provide high-quality products and services, which we may not do successfully.

A natural disaster, especially in California, could harm our business.

We are based in San Diego, California, and approximately 71.1% of our mortgage loan portfolio was secured by real estate located in California at June 30, 2018. In addition, some of our computer systems that operate our internet websites and their back-up systems are located in San Diego, California. Historically, California has been vulnerable to natural disasters. Therefore, we are susceptible to the risks of natural disasters, such as earthquakes, wildfires, floods and mudslides. Natural disasters could harm our operations directly through interference with communications, including the interruption or loss of our websites, which would prevent us from gathering deposits, originating loans and leases and processing and controlling our flow of business, as well as through the destruction of facilities and our operational, financial and management information systems. A natural disaster or recurring power outages may also impair the value of our largest class of assets, our loan and lease portfolio, which is comprised substantially of real estate loans. Uninsured or under-insured disasters may reduce borrowers’ ability to repay mortgage loans. Disasters may also reduce the value of the real estate securing our loans, impairing our ability to recover on defaulted loans through foreclosure and making it more likely that we would suffer losses on defaulted loans. Although we have implemented several back-up systems and protections (and maintain standard business interruption insurance), these measures may not protect us fully from the effects of a natural disaster. The occurrence of natural disasters in California could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our success depends in large part on the continuing efforts of a few individuals. If we are unable to retain these key personnel or attract, hire and retain others to oversee and manage our company, our business could suffer.

Our success depends substantially on the skill and abilities of our senior management team, including our Chief Executive Officer and President, Gregory Garrabrants, our Chief Financial Officer, Andrew J. Micheletti, and other employees that perform multiple functions that might otherwise be performed by separate individuals at larger banks. The loss of the services of any of these individuals or other key employees, whether through termination of employment, disability or otherwise, could have a material adverse effect on our business. In addition, our ability to grow and manage our growth depends on our ability to continue to identify, attract, hire, train, retain and motivate highly skilled executive, technical, managerial, sales, marketing, customer service and professional personnel. The implementation of our business plan and our future success will depend on such qualified personnel. Competition for such employees is intense, and there is a risk that we will not be able to successfully attract, assimilate or retain sufficiently qualified personnel. If we fail to attract and retain the necessary personnel, our business, prospects, financial condition and results of operations could be adversely affected.

We are exposed to risk of environmental liability with respect to properties to which we take title.

In the course of our business, we may foreclose and take title to real estate and could be subject to environmental liabilities with respect to those properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In

addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we become subject to significant environmental liabilities, our business, prospects, financial condition and results of operations could be adversely affected.

Technology Risks in our Online Business

We depend on third-party service providers for our core banking technology, and interruptions in or terminations of their services could materially impair the quality of our services.

We rely substantially upon third-party service providers for our core banking technology and to protect us from bank system failures or disruptions. This reliance may mean that we will not be able to resolve operational problems internally or on a timely basis, which could lead to customer dissatisfaction or long-term disruption of our operations. Our operations also depend upon our ability to replace a third-party service provider if it experiences difficulties that interrupt operations or if an essential third-party service terminates. If these service arrangements are terminated for any reason without an immediately available substitute arrangement, our operations may be severely interrupted or delayed. If such interruption or delay were to continue for a substantial period of time, our business, prospects, financial condition and results of operations could be adversely affected.

Privacy concerns relating to our technology could damage our reputation and deter current and potential customers from using our products and services.

Generally speaking, concerns have been expressed about whether internet-based products and services compromise the privacy of users and others. Concerns about our practices with regard to the collection, use, disclosure or security of personal information of our customers or other privacy related matters, even if unfounded, could damage our reputation and results of operations. While we strive to comply with all applicable data protection laws and regulations, as well as our own posted privacy policies, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, or could cause us to lose customers, which could potentially have an adverse effect on our business.

In addition, as nearly all of our products and services are internet-based, the amount of data we store for our customers on our servers (including personal information) has been increasing and will continue to increase. Any systems failure or compromise of our security that results in the release of our customers' data could seriously limit the adoption of our products and services, as well as harm our reputation and brand and, therefore, our business. We may also need to expend significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we add more customers and expand the number of internet-based products and services we offer.

We have risks of systems failure and security risks, including "hacking" and "identity theft."

The computer systems and network infrastructure utilized by us and others could be vulnerable to unforeseen problems. This is true of both our internally developed systems and the systems of our third-party service providers. Our operations are dependent upon our ability to protect computer equipment against damage from fire, power loss, telecommunication failure or similar catastrophic events.

Any damage or failure that causes an interruption in our operations or security breaches such as hacking or identity theft could adversely affect our business, prospects, financial condition and results of operations.

If our security measures are breached, or if our services are subject to attacks that degrade or deny the ability of customers to access our products and services, our products and services may be perceived as not being secure, customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure.

Our products and services involve the storage and transmission of customers' proprietary information, and security breaches could expose us to a risk of loss of this information, litigation, and potential liability. Our security measures may be breached due to the actions of outside parties, employee error, malfeasance, or otherwise and, as a result, an unauthorized party may obtain access to our data or our customers' data. Additionally, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our data or our customers' data. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our products and services that could potentially have an adverse effect on our business. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and, as a

result, we could lose customers, which may have a material adverse effect on our business, financial condition and results of operations.

Our business depends on continued and unimpeded access to the internet by us and our customers. Internet access providers may be able to block, degrade, or charge for access to our website, which could lead to additional expenses and the loss of customers.

Our products and services depend on the ability of our customers to access the internet and our website. Currently, this access is provided by companies that have significant market power in the broadband and internet access marketplace, including incumbent telephone companies, cable companies and mobile communications companies. Some of these providers have the ability to take measures that could degrade, disrupt, or increase the cost of customer access to our products and services by restricting or prohibiting the use of their infrastructure to access our website or by charging fees to us or our customers to provide access to our website. Such interference could result in a loss of existing customers and/or increased costs and could impair our ability to attract new customers, which could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices, which also serve as our bank's main office and branch, are located at 4350 La Jolla Village Drive, Suite 140, San Diego, California 92122, and our telephone number is (858) 350-6200. Our San Diego facilities consist of a total of approximately 158,000 square feet under leases that expire June 30, 2030.

ITEM 3. LEGAL PROCEEDINGS

We may from time to time become a party to other claims or litigation that arise in the ordinary course of business, such as claims to enforce liens, claims involving the origination and servicing of loans, and other issues related to the business of the Bank. None of such matters are expected to have a material adverse effect on the Company's financial condition, results of operations or business.

Litigation. On October 15, 2015, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a putative class action lawsuit styled *Golden v. BofI Holding, Inc., et al*, and brought in United States District Court for the Southern District of California (the "Golden Case"). On November 3, 2015, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a second putative class action lawsuit styled *Hazan v. BofI Holding, Inc., et al*, and also brought in the United States District Court for the Southern District of California (the "Hazan Case"). On February 1, 2016, the Golden Case and the Hazan Case were consolidated as *In re BofI Holding, Inc. Securities Litigation, Case #: 3:15-cv-02324-GPC-KSC* (the "Class Action"), and the Houston Municipal Employees Pension System was appointed lead plaintiff. The plaintiffs allege that the Company and other named defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by failing to disclose wrongful conduct that was alleged in a complaint filed in connection with a wrongful termination of employment lawsuit filed on October 13, 2015 (the "Employment Matter") and that as a result the Company's statements regarding its internal controls, as well as portions of its financial statements, were false and misleading. On March 21, 2018, the Court entered a final order dismissing the Class Action with prejudice. On March 28, 2018, the plaintiff filed a notice of appeal.

On April 3, 2017, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a putative class action lawsuit styled *Mandalevy v. BofI Holding, Inc., et al*, and brought in United States District Court for the Southern District of California (the "Mandalevy Case"). The Mandalevy Case seeks monetary damages and other relief on behalf of a putative class that has not been certified by the Court. The complaint in the Mandalevy Case (the "Mandalevy Complaint") alleges a class period that differs from that alleged in the First Class Action, and that the Company and other named defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by failing to disclose wrongful conduct that was alleged in a March 2017 media article. The Mandalevy Case has not been consolidated into the First Class Action.

The Company and the other named defendants dispute the allegations of wrongdoing advanced by the plaintiffs in the Class Action, the Mandalevy Case, and in the Employment Matter, as well as those plaintiffs' statement of the

underlying factual circumstances, and are vigorously defending each case.

In addition to the Class Action and the Mandalevy Case, two separate shareholder derivative actions were filed in December, 2015, purportedly on behalf of the Company. The first derivative action, Calcaterra v. Garrabrants, et al, was filed in the United States District Court for the Southern District of California on December 3, 2015. The second derivative action, Dow

v. Micheletti, et al, was filed in the San Diego County Superior Court on December 16, 2015. A third derivative action, DeYoung v. Garrabrants, et al, was filed in the United States District Court for the Southern District of California on January 22, 2016, a fourth derivative action, Yong v. Garrabrants, et al, was filed in the United States District Court for the Southern District of California on January 29, 2016, a fifth derivative action, Laborers Pension Trust Fund of Northern Nevada v. Allrich et al, was filed in the United States District Court for the Southern District of California on February 2, 2016, and a sixth derivative action, Garner v. Garrabrants, et al, was filed in the San Diego County Superior Court on August 10, 2017. Each of these six derivative actions names the Company as a nominal defendant, and certain of its officers and directors as defendants. Each complaint sets forth allegations of breaches of fiduciary duties, gross mismanagement, abuse of control, and unjust enrichment against the defendant officers and directors. The plaintiffs in these derivative actions seek damages in unspecified amounts on the Company's behalf from the officer and director defendants, certain corporate governance actions, and an award of their costs and attorney's fees.

The United States District Court for the Southern District of California ordered the four above-referenced derivative actions pending before it to be consolidated and appointed lead counsel in the consolidated action. On June 7, 2018, the Court entered an order granting defendant's motion for judgment on the pleadings, but giving the plaintiffs limited leave to amend by June 28, 2018. The plaintiffs failed to file an amended complaint, and instead plaintiffs filed on June 28, 2018 a motion to stay the case pending resolution of the securities class action and Employment Matter. On August 10, 2018, defendants filed an opposition to plaintiffs' motion.

The two derivative actions pending before the San Diego County Superior Court have been consolidated and have been stayed by agreement of the parties. All defendants dispute, and intend to vigorously defend against, the allegations raised in the Consolidated Action and the state court derivative actions.

In view of the inherent difficulty of predicting the outcome of each legal action, particularly since claimants seek substantial or indeterminate damages, it is not possible to reasonably predict or estimate the eventual loss or range of loss, if any, related to each legal action.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock began trading on the NASDAQ Global Select Market on March 15, 2005 under the symbol "BOFI." There were 62,776,754 shares of common stock outstanding held by approximately 45,000 shareholders as of August 17, 2018. The following table sets forth, for the calendar quarters indicated, the range of high and low sales prices for the common stock of Bofl Holding, Inc. for each quarter during the last two fiscal years. Sales prices represent actual sales of which our management has knowledge. The transfer agent and registrar of our common stock is Computershare.

Quarter ended:	Bofl Holding, Inc. Common Stock Price Per Share	
	High	Low
September 30, 2016	\$22.98	\$15.34
December 31, 2016	\$29.78	\$18.29
March 31, 2017	\$32.11	\$26.13
June 30, 2017	\$26.43	\$21.91
September 30, 2017	\$28.59	\$23.44
December 31, 2017	\$29.90	\$24.61
March 31, 2018	\$42.15	\$29.86
June 30, 2018	\$44.65	\$38.50

DIVIDENDS

The holders of record of our Series A preferred stock, which was issued in 2003 and 2004, are entitled to receive annual dividends at the rate of six percent (6%) of the stated value per share, which stated value is \$10,000 per share. Dividends on the Series A preferred stock accrue and are payable quarterly. Dividends on the preferred stock must be paid prior and in preference to any declaration or payment of any distribution on any outstanding shares of junior stock, including our common stock.

Other than dividends to be paid on our preferred stock, we currently intend to retain any earnings to finance the growth and development of our business. Our board of directors has never declared or paid any cash dividends on our common stock and does not expect to do so in the foreseeable future. Our ability to pay dividends, should our board of directors elect to do so, depends largely upon the ability of the Bank to declare and pay dividends to us. Future dividends will depend primarily upon our earnings, financial condition and need for funds, as well as government policies and regulations applicable to us and our bank that limit the amount that may be paid as dividends without prior approval.

ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Repurchases. On March 17, 2016, the Board of Directors of the Company, authorized a program to repurchase up to \$100 million of common stock. The new share repurchase authorization replaces the previous share repurchase plan approved on July 5, 2005. The Company may repurchase shares on the open market or through privately negotiated transactions at times and prices considered appropriate, at the discretion of the Company, and subject to its assessment of alternative uses of capital, stock trading price, general market conditions and regulatory factors. The repurchase program does not obligate the Company to acquire any specific number of shares. The share repurchase program will continue in effect until terminated by the Board of Directors of the Company. Shares of common stock repurchased under this plan will be held as treasury shares. During the fiscal year ended June 30, 2018, the Company has repurchased a total of \$35.2 million, or 1,233,491 common shares at an average price of \$28.49 per share with \$64.8 million remaining under the current board authorized stock repurchase program. The Company accounts for treasury stock using the cost method as a reduction of shareholders' equity in the accompanying unaudited condensed consolidated financial statements.

Net Settlement of Restricted Stock Awards. In November 2007 and October 2014, the stockholders of the Company approved an amendment to the 2004 Stock Incentive Plan and approved the 2014 Stock Incentive Plan, respectively, which among other changes permitted net settlement of stock issuances related to equity awards for purposes of

payment of a grantee's minimum income tax obligation. During the fiscal year ended June 30, 2018, there were 294,817 restricted stock unit award shares which were retained by the Company and converted to cash at the average rate of \$33.78 per share to fund the grantee's income tax obligations.

The following table sets forth our market repurchases of BofI common stock and the BofI common shares retained in connection with net settlement of restricted stock awards during the fourth fiscal quarter ended June 30, 2018.

Period	Number of Shares Purchased	Average Price Paid Per Shares	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
Stock Repurchases (dollars in thousands)				
<i>Quarter Ended June 30, 2018</i>				
April 1, 2018 to June 30, 2018	—	\$ —	—	\$ 64,817
For the Three Months Ended June 30, 2018	—	\$ —	—	\$ 64,817
Stock Retained in Net Settlement				
April 1, 2018 to April 30, 2018	85			
May 1, 2018 to May 31, 2018	15			
June 1, 2018 to June 30, 2018	144,607			
For the Three Months Ended June 30, 2018	144,707			

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information regarding the aggregate number of securities to be issued under all of our stock option and equity based compensation plans upon exercise of outstanding options, warrants and other rights and their weighted-average exercise prices as of June 30, 2018. There were no securities issued under equity compensation plans not approved by security holders.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options and units granted	(b) Weighted-average exercise price of outstanding options and units granted	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	629,755	\$ —	2,404,854
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	629,755	\$ —	2,404,854

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information should be read in conjunction with “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and footnotes included elsewhere in this Form 10-K.

<i>(Dollars in thousands, except per share amounts)</i>	At or for the Fiscal Years Ended June 30,					
	2018	2017	2016	2015	2014	
Selected Balance Sheet Data:						
Total assets	\$9,539,504	\$8,501,680	\$7,599,304	\$5,823,719	\$4,402,999	
Loans and leases, net of allowance for loan and lease losses	8,432,289	7,374,493	6,354,679	4,928,618	3,532,841	
Loans held for sale, at fair value	35,077	18,738	20,871	25,430	20,575	
Loans held for sale, at cost	2,686	6,669	33,530	77,891	114,796	
Allowance for loan and lease losses	49,151	40,832	35,826	28,327	18,373	
Securities—trading	—	8,327	7,584	7,832	8,066	
Securities—available-for-sale	180,305	264,470	265,447	163,361	214,778	
Securities—held-to-maturity	—	—	199,174	225,555	247,729	
Total deposits	7,985,350	6,899,507	6,044,051	4,451,917	3,041,536	
Securities sold under agreements to repurchase	—	20,000	35,000	35,000	45,000	
Advances from the FHLB	457,000	640,000	727,000	753,000	910,000	
Subordinated notes and debentures and other	54,552	54,463	56,016	5,155	5,155	
Total stockholders’ equity	960,513	834,247	683,590	533,526	370,778	
Selected Income Statement Data:						
Interest and dividend income	\$475,074	\$387,286	\$317,707	\$244,364	\$172,878	
Interest expense	106,580	74,059	56,696	45,419	35,781	
Net interest income	368,494	313,227	261,011	198,945	137,097	
Provision for loan and lease losses	25,800	11,061	9,700	11,200	5,350	
Net interest income after provision for loan losses	342,694	302,166	251,311	187,745	131,747	
Non-interest income	70,941	68,132	66,340	30,590	22,455	
Non-interest expense	173,936	137,605	112,756	77,478	59,933	
Income before income tax expense	239,699	232,693	204,895	140,857	94,269	
Income tax expense	87,288	97,953	85,604	58,175	38,313	
Net income	\$152,411	\$134,740	\$119,291	\$82,682	\$55,956	
Net income attributable to common stock	\$152,102	\$134,431	\$118,982	\$82,373	\$55,647	
Per Common Share Data:						
Net income:						
Basic (revised for 2017 and 2016) ¹	\$2.41	\$2.11	\$1.87	\$1.35	\$0.97	
Diluted (revised for 2017 and 2016) ¹	\$2.37	\$2.10	\$1.87	\$1.34	\$0.96	
Book value per common share	\$15.24	\$13.05	\$10.73	\$8.51	\$6.33	
Tangible book value per common share (Non-GAAP)	\$13.99	\$12.94	\$10.67	\$8.48	\$6.32	
Weighted average number of common shares outstanding:						
Basic (revised for 2017 and 2016) ^{1,2}	63,136,232	63,656,542	63,597,259	61,177,908	57,471,296	
Diluted (revised for 2017 and 2016) ^{1,2}	64,147,220	63,915,100	63,672,280	61,404,364	57,770,768	
Common shares outstanding at end of period ²	62,688,064	63,536,244	63,219,392	62,075,004	57,807,600	
Performance Ratios and Other Data:						
Loan and lease originations for investment	\$5,922,801	\$4,182,701	\$3,633,911	\$3,271,911	\$2,297,976	
Loan originations for sale	\$1,564,165	\$1,375,443	\$1,363,025	\$1,048,982	\$741,494	
Loan and lease purchases	\$—	\$276,917	\$140,493	\$2,452	\$95	
Return on average assets	1.68	% 1.68	% 1.75	% 1.61	% 1.59	%
Return on average common stockholders’ equity	17.05	% 17.78	% 19.43	% 18.34	% 17.89	%

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Interest rate spread ³	3.79	% 3.74	% 3.70	% 3.79	% 3.81	%
Net interest margin ⁴	4.11	% 3.95	% 3.91	% 3.92	% 3.95	%
Efficiency ratio ⁵	39.58	% 36.08	% 34.44	% 33.75	% 37.56	%

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<i>(Dollars in thousands, except per share amounts)</i>	At or for the Fiscal Years Ended June 30,			
	2017	2016	2015	2014
Capital Ratios:				
Equity to assets at end of period	10.0%	8.0%	9.1%	8.4%
BofI Holding, Inc:				
Tier 1 leverage (core) capital to adjusted average assets	9.4%	9.2%	9.5%	N/A
Common equity tier 1 capital (to risk-weighted assets)	13.7%	14.4%	14.9%	N/A
Tier 1 capital (to risk-weighted assets)	13.7%	14.5%	15.1%	N/A
Total capital (to risk-weighted assets)	14.4%	16.3%	16.9%	N/A
BofI Federal Bank:				
Tier 1 leverage (core) capital to adjusted average assets	8.8%	8.7%	9.2%	N/A
Tier 1 leverage (core) capital to adjusted tangible assets ⁶	N/A	N/A	N/A	8.6%
Common equity tier 1 capital (to risk-weighted assets)	12.3%	14.0%	14.5%	N/A
Tier 1 capital (to risk-weighted assets)	12.3%	14.0%	14.5%	14.4%
Total capital (to risk-weighted assets)	13.7%	14.7%	15.3%	15.1%
Asset Quality Ratios:				
Net charge-offs to average loans and leases ⁷	0.1%	0.0%	0.0%	0.0%
Non-performing loans and leases to total loans and leases	0.3%	0.5%	0.6%	0.5%
Non-performing assets to total assets	0.4%	0.4%	0.5%	0.4%
Allowance for loan and lease losses to total loans and leases held for investment at end of period	0.5%	0.5%	0.5%	0.5%
Allowance for loan and lease losses to non-performing loans and leases	15.7%	12.4%	9.1%	9.1%

¹ See Note 1 – “Organizations and Summary of Significant Accounting Policies” of the consolidated financial statements for a reconciliation to previously issued financial statements for correction of immaterial errors for fiscal years ended June 30, 2017 and 2016.

² Common stock and per share amounts have been retroactively restated for the fiscal years ended June 30, 2015 and 2014 presented to reflect the four-for-one split of the Company’s common stock effected in the form of a stock dividend that was distributed on November 17, 2015.

³ Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate paid on interest-bearing liabilities.

⁴ Net interest margin represents net interest income as a percentage of average interest-earning assets.

⁵ Efficiency ratio represents non-interest expense as a percentage of the aggregate of net interest income and non-interest income.

⁶ Reflects regulatory capital ratios of BofI Federal Bank. Effective January 1, 2015, the Bank’s capital requirements changed the tier 1 leverage ratio from using end of period adjusted tangible assets to using adjusted average assets for the quarter and added a common equity tier 1 capital ratio.

⁷ Net charge-offs do not include any amounts transferred to loans held for sale.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains forward-looking statements that are based upon current expectations. Forward-looking statements involve risks and uncertainties. Our actual results and the timing of events could differ materially from those expressed or implied in our forward-looking statements due to various important factors, including those set forth under "Risk Factors" in Item 1A. and elsewhere in this Form 10-K. The following discussion and analysis should be read together with the "Selected Financial Data" and consolidated financial statements, including the related notes included elsewhere in this Form 10-K.

OVERVIEW

BofI Holding, Inc. is the holding company for BofI Federal Bank, a diversified financial services company with approximately \$9.5 billion in assets that provides innovative banking and lending products and services to customers nationwide through scalable low cost distribution channels and affinity partners. The Bank has deposit and loan and lease customers nationwide including consumer and business checking, savings and time deposit accounts and financing for single family and multifamily residential properties, small-to-medium size businesses in target sectors, and selected specialty finance receivables. The Bank generates fee income from consumer and business products including fees from loans originated for sale and transaction fees earned from processing payment activity. BofI Holding, Inc.'s common stock is listed on the NASDAQ Global Select Market and is a component of the Russell 2000® Index, the S&P SmallCap 600® Index and the KBW Nasdaq Financial Technology Index.

Net income for the fiscal year ended June 30, 2018 was \$152.4 million compared to \$134.7 million and \$119.3 million for the fiscal years ended June 30, 2017 and 2016, respectively. Net income attributable to common stockholders for the fiscal year ended June 30, 2018 was \$152.1 million, or \$2.37 per diluted share compared to \$134.4 million, or \$2.10 per diluted share and \$119.0 million, or \$1.87 per diluted share for the years ended June 30, 2017 and 2016, respectively. Growth in our interest earning assets, particularly the loan and lease portfolio, was the primary driver of the increase in our net income from fiscal 2016 to fiscal 2018. Net interest income increased \$55.3 million for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Net interest income for the year ended June 30, 2018 was \$368.5 million compared to \$313.2 million and \$261.0 million for the years ended June 30, 2017 and 2016, respectively. The growth of net interest income from fiscal year 2016 through 2018 is primarily due to net loan and lease portfolio growth.

Provision for loan and lease losses for the year ended June 30, 2018 was \$25.8 million, compared to \$11.1 million and \$9.7 million for the years ended June 30, 2017 and 2016, respectively. The increase of \$14.7 million for fiscal year 2018 is the result of an increase in Refund Advance loan fundings from \$0.3 billion to \$1.1 billion from 2017 to 2018, respectively, combined with growth and changes in the loan and lease mix of the portfolio. The increase of \$1.4 million for fiscal year 2017 is primarily the result of growth and changes in the loan and lease mix of the portfolio.

Non-interest income was \$70.9 million compared to non-interest income of \$68.1 million and \$66.3 million for the fiscal years ended June 30, 2018, 2017 and 2016. The increase from fiscal year 2017 to fiscal year 2018 was primarily the result of an increase of \$5.7 million in banking and service fees due to increased fees from H&R Block-branded products, an increase of \$1.2 million in gain on sale-other primarily from increased sales of structured settlements, and a decrease of \$1.1 million in unrealized loss on securities partially offset by a decrease in realized gain from sale of securities of \$3.9 million, decreased levels of prepayment penalty fee income of \$0.7 million, and a mortgage banking income decrease of \$0.5 million. The increase from 2016 to 2017 was primarily due to increased banking and service fees due to increased fees from H&R Block-branded products increased mortgage banking income, gain on sale of securities, partially offset by a decrease in gain on sale-other primarily from sales of structured settlements.

Non-interest expense for the fiscal year ended June 30, 2018 was \$173.9 million compared to \$137.6 million and \$112.8 million for the years ended June 30, 2017 and 2016, respectively. The increase was primarily due to an increase of \$19.2 million in the Bank's staffing for lending, information technology infrastructure development, trustee and fiduciary services and regulatory compliance, an increase in advertising and promotions of \$6.1 million, an increase in data processing and internet of \$4.1 million, and an increase in other general and administrative costs of \$3.4 million. Our staffing rose to 801 full-time equivalents compared to 681 and 647 at June 30, 2018, 2017 and 2016, respectively.

Total assets were \$9,539.5 million at June 30, 2018 compared to \$8,501.7 million at June 30, 2017. Assets grew \$1,037.8 million or 12.2% during the last fiscal year, primarily due to an increase in the origination of single family mortgage loans and C&I loans. These loans were funded primarily with growth in deposits. Our future performance will depend on many factors: changes in interest rates, competition for deposits and quality loans, the credit performance of our assets, regulatory actions, strategic transactions, and our ability to improve operating efficiencies. See “Item 1A. Risk Factors.”

MERGERS AND ACQUISITIONS

From time to time we undertake acquisitions or similar transactions consistent with our operating and growth strategies. During the fiscal years ended June 30, 2016, 2017 and 2018 there were three acquisitions, which are discussed below.

H&R Block Bank Deposit Acquisition

On August 31, 2015, our Bank completed the acquisition of approximately \$419 million in deposits consisting of checking, individual retirement savings, and CD accounts from H&R Block Bank and its parent company, H&R Block, Inc. (“H&R Block”). In connection with the closing of this transaction: (i) our Bank and Emerald Financial Services, LLC, a Delaware limited liability company and wholly-owned subsidiary of H&R Block (“EFS”), entered into the Program Management Agreement (“PMA”), dated August 31, 2015; (ii) our Bank and H&R Block, EFS, HRB Participant I, LLC, a Delaware limited liability company and wholly-owned subsidiary of H&R Block, entered into the Emerald Receivables Participation Agreement, dated August 31, 2015; and (iii) our Bank and H&R Block entered into the Guaranty Agreement (together, the “PMA and related Agreements”), dated August 31, 2015. Through the PMA and related Agreements our Bank will provide H&R Block-branded financial services products and services. The three products and services that represent the primary focus and the majority of transactional volume that our Bank will process are described in detail below.

The first product is Emerald Prepaid Mastercard® services. The Bank entered into agreements to offer this product in August 2015. Under the agreements, the Bank is responsible for the primary oversight and control of the prepaid card programs of a wholly-owned subsidiary of H&R Block. The Bank holds the prepaid card customer deposits for those cards issued under the prepaid programs in non-interest bearing accounts and earns a fixed fee paid by H&R Block’s subsidiary for each automated clearing house (“ACH”) transaction processed through the prepaid card customer accounts. A portion of H&R Block’s customers use the Emerald Card as an option to receive federal and state income tax refunds. The prepaid customer deposits are included in non-interest bearing deposit liabilities on the balance sheet of the Company and the ACH fee income is included in the income statement under the line banking and service fees. The second product is Refund Transfer. The Bank entered into agreements to offer this product in August 2015. The Bank is responsible for the primary oversight and control of the refund transfer program of a wholly-owned subsidiary of H&R Block. The Bank opens a temporary bank account for each H&R Block customer who is receiving an income tax refund and elects to defer payment of his or her tax preparation fees. After the Internal Revenue Service and any state income tax authorities transfer the refund into the customer’s account, the net funds are transferred to the customer and the temporary deposit account is closed. The Bank earns a fixed fee paid by H&R Block for each of the H&R Block customers electing a Refund Transfer. The fees are earned primarily in the quarters ending March 31st and are included in the income statement under the line banking and service fees.

The third product is Emerald Advance. The Bank entered into agreements to offer this product in August 2015. Under the agreements the Bank is responsible for the underwriting guidelines and credit policies for unsecured consumer lines of credit offered to H&R Block customers. The Bank offers and funds unsecured lines of credit to consumers primarily through the H&R Block tax preparation offices and earns interest income and fee income. The Bank retains 10% of the Emerald Advance and sells the remainder to H&R Block. The lines of credit are included in loans and leases on the balance sheet of the Company and the interest income and fee income are included in the income statement under the line loans and leases interest and dividend income.

The fourth product is an interest-free Refund Advance loan. The Bank exclusively originated and funded all of H&R Block’s interest-free Refund Advance loans to tax preparation clients for the 2018 tax season. The Bank performed the credit underwriting, loan origination, and funding associated with the interest-free Refund Advance loans in the current tax season and received fees from H&R Block for operating the program. No fee is charged to the tax preparation client. Repayment of the Refund Advance loan is deducted from the client’s tax refund proceeds; if an insufficient refund to repay the Refund Advance loan is received, there is no recourse to the client, no negative credit reporting occurs in respect of the client and no collection efforts are made against the client. This agreement is an expansion of the services BofI provided to H&R Block in the 2017 tax season when the Bank participated through purchases of the loans with other providers in the Refund Advance loan program. During the 2017 tax season, the

Bank purchased the Refund Advance loans from a third-party bank at a discount and recorded the accretion of the loan discount as interest income, reported on the income statement under the interest and dividend income line item. During the 2018 tax season, the Bank recorded the fees received from H&R Block as interest income on loans, reported on the income statement under the interest and dividend income line item. In July 2018, the Bank has renewed its agreement with H&R Block to be the exclusive provider of interest-free Refund Advance loans to customers during the 2019 tax season.

The H&R Block-branded financial services products introduce seasonality into the Company's quarterly reports on Form 10-Q in the unaudited condensed consolidated income statements through the banking and service fees category of non-interest

income and the other general and administrative category of non-interest expense, with the peak income and expense in these categories typically occurring during the Company's third fiscal quarter ended March 31.

Pacific Western Equipment Finance Asset Acquisition

On March 31, 2016, the Bank entered into an Asset Purchase Agreement with Pacific Western Bank to acquire approximately \$140 million of equipment leases from Pacific Western Equipment Finance and assumed certain insignificant operations and related liabilities. The purchase price and total consideration paid for the assets consisted of the fair market value of the assumed liabilities plus a lease purchase price premium of approximately 2.5%.

Epiq Acquisition

On April 4, 2018, a subsidiary of the Bank acquired the bankruptcy trustee and fiduciary services business of Epiq Systems, Inc. The business provides specialized software and consulting services to bankruptcy and non-bankruptcy trustees and fiduciaries in all fifty states. This business is expected to generate fee income from bank partners and bankruptcy cases, as well as opportunities to source low cost deposits. No deposits were acquired as part of the transaction. The Company recorded an unidentified intangible asset (goodwill) incident to the acquisition of \$36.0 million and an intangible asset of \$32.7 million. The existing business has \$1 billion of Chapter 7 and non-Chapter 7 deposits currently held at seven bank partners which have contractual wind-down periods ranging from 9 to 24 months. We currently benefit from fees paid to us by partner banks and anticipate the \$1 billion of deposits held at the seven bank partners to transfer to the Bank potentially providing a lower cost of funds.

CRITICAL ACCOUNTING POLICIES

The following discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements and the notes thereto, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances. However, actual results may differ significantly from these estimates and assumptions that could have a material effect on the carrying value of assets and liabilities at the balance sheet dates and our results of operations for the reporting periods.

Securities. We classify securities as either trading, available-for-sale or held-to-maturity. Trading securities are those securities for which we have elected fair value accounting. Trading securities are recorded at fair value with changes in fair value recorded in earnings each period. Securities available-for-sale are reported at estimated fair value, with unrealized gains and losses, net of the related tax effects, excluded from operations and reported as a separate component of accumulated other comprehensive income or loss. The fair values of securities traded in active markets are obtained from market quotes. If quoted prices in active markets are not available, we determine the fair values by utilizing industry-standard tools to calculate the net present value of the expected cash flows available to the securities. For securities other than non-agency RMBS, we use observable market participant inputs and categorize these securities as Level II in determining fair value. For non-agency RMBS securities, we use a level III fair value model approach. To determine the performance of the underlying mortgage loan pools, we consider where appropriate borrower prepayments, defaults, and loss severities based on a number of macroeconomic factors, including housing price changes, unemployment rates, interest rates and borrower attributes such as credit score and loan documentation at the time of origination. We input for each security our projections of monthly default rates, loss severity rates and voluntary prepayment rates for the underlying mortgages for the remaining life of the security to determine the expected cash flows. The projections of default rates are derived by the Company from the historic default rate observed in the pool of loans collateralizing the security, increased by (or decreased by) the forecasted increase or decrease in the national unemployment rate as well as the forecasted increase or decrease in the national home price appreciation (HPA) index. The projections of loss severity rates are derived by the Company from the historic loss severity rate observed in the pool of loans, increased by (or decreased by) the forecasted decrease or increase in the

HPA index. To determine the discount rates used to compute the present value of the expected cash flows for these non-agency RMBS securities, we separate the securities by the borrower characteristics in the underlying pool. For example, non-agency RMBS “Prime” securities generally have borrowers with higher FICO scores and better documentation of income. “Alt-A” securities generally have borrowers with lower FICO and less documentation of income. “Pay-option ARMs” are Alt-A securities with borrowers that tend to pay the least amount of principal (or increase their loan balance through negative amortization). Separate discount rates are calculated for Prime, Alt-A and Pay-option ARM non-agency RMBS securities using market-participant assumptions for risk, capital and return on equity.

Securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. Amortization of purchase premiums and accretion of discounts on securities are recorded as yield

adjustments on such securities using the effective interest method. The specific identification method is used for purposes of determining cost in computing realized gains and losses on investment securities sold.

At each reporting date, we monitor our available-for-sale and held-to-maturity securities for other-than-temporary impairment. The Company measures its debt securities in an unrealized loss position at the end of the reporting period for other-than-temporary impairment by comparing the present value of the cash flows currently expected to be collected from the security with its amortized cost basis. If the calculated present value is lower than the amortized cost, the difference is the credit component of an other-than-temporary impairment of its debt securities. The excess of the present value over the fair value of the security (if any) is the noncredit component of the impairment, only if the Company does not intend to sell the security and will not be required to sell the security before recovery of its amortized cost basis. The credit component of the other-than-temporary-impairment is recorded as a loss in earnings and the noncredit component is recorded as a charge to other comprehensive income, net of the related income tax benefit.

For non-agency RMBS we determine the cash flow expected to be collected and calculate the present value for purposes of testing for other-than-temporary impairment, by utilizing the same industry-standard tool and the same cash flows as those calculated for fair values (discussed above). We compute cash flows based upon the underlying mortgage loan pools and our estimates of prepayments, defaults, and loss severities. We input our projections for the underlying mortgages for the remaining life of the security to determine the expected cash flows. The discount rates used to compute the present value of the expected cash flows for purposes of testing for the credit component of the other-than-temporary impairment are different from those used to calculate fair value and are either the implicit rate calculated in each of our securities at acquisition or the last accounting yield (ASC Topic 325-40-35). We calculate the implicit rate at acquisition based on the contractual terms of the security, considering scheduled payments (and minimum payments in the case of pay-option ARMs) without prepayment assumptions. We use this discount rate in the industry-standard model to calculate the present value of the cash flows for purposes of measuring the credit component of an other-than-temporary impairment of our debt securities.

Allowance for Loan and Lease Losses. The allowance for loan and lease losses is maintained at a level estimated to provide for probable incurred losses in the loan and lease portfolio. Management determines the adequacy of the allowance based on reviews of individual loans and leases and pools of loans, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. This evaluation is inherently subjective and requires estimates that are susceptible to significant revision as more information becomes available. The allowance is increased by the provision for loan and lease losses, which is reduced by charge-offs and recoveries of loans previously charged-off. Allocations of the allowance may be made for specific loans but the entire allowance is available for any loan that, in management's judgment, may be uncollectible or impaired.

The allowance for loan and lease losses includes specific and general reserves. Specific reserves are provided for impaired loans. All other impaired loans are written down through charge-offs to their realizable value and no specific or general reserve is provided. A loan is measured for impairment generally two different ways. If the loan is primarily dependent upon the borrower's ability to make payments, then impairment is calculated by comparing the present value of the expected future payments discounted at the effective loan rate to the carrying value of the loan. If the loan is collateral dependent, the net proceeds from the sale of the collateral is compared to the carrying value of the loan. If the calculated amount is less than the carrying value of the loan, the loan has impairment.

A general reserve is included in the allowance for loan and lease losses and is determined by adding the results of a quantitative and a qualitative analysis to all other loans not measured for impairment at the reporting date. The quantitative analysis determines the Bank's actual annual historic charge-off rates and applies the average historic rates to the outstanding loan balances in each loan class. The qualitative analysis considers one or more of the following factors: changes in lending policies and procedures, changes in economic conditions, changes in the content of the portfolio, changes in lending management, changes in the volume of delinquency rates, changes to the scope of the loan review system, changes in the underlying collateral of the loans, changes in credit concentrations and any changes in the requirements to the credit loss calculations. A loss rate is estimated and applied to those loans affected by the qualitative factors. The following portfolio segments have been identified: single family secured mortgage,

home equity secured mortgage, single family warehouse and other, multifamily secured mortgage, commercial real estate mortgage, recreational vehicles and auto secured, factoring, C&I and other.

USE OF NON-GAAP FINANCIAL MEASURES

In addition to the results presented in accordance with GAAP, this report includes non-GAAP financial measures such as tangible book value per common share. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Readers should be aware of these limitations and should be cautious as to their use of such measures. Although we believe the non-GAAP financial measures disclosed in this report enhance investors' understanding of our business and performance, these non-GAAP measures should not be considered in isolation, or as a substitute for GAAP basis financial measures.

We define book value adjusted for intangible assets and goodwill as tangible book value ("tangible book value"), a non-GAAP financial measure. Tangible book value is calculated using common shareholder equity minus mortgage servicing rights, goodwill and intangible assets, divided by common shares outstanding at the end of the period.

Tangible book value per common share, a non-GAAP financial measure, is calculated dividing tangible book value by the common shares outstanding at the end of the period. We believe tangible book value per common share is useful in evaluating the Company's capital strength, financial condition, and ability to manage potential losses.

Below is a reconciliation of total stockholders' equity tangible book value (Non-GAAP):

<i>(Dollars in thousands, except per share amounts)</i>	At the Fiscal Years Ended June 30,				
	2018	2017	2016	2015	2014
Total stockholders' equity	\$960,513	\$ 834,247	\$ 683,590	\$ 533,526	\$ 370,778
Less: preferred stock	5,063	5,063	5,063	5,063	5,063
Common stockholders' equity	955,450	829,184	678,527	528,463	365,715
Less: mortgage servicing rights, carried at fair value	10,752	7,200	3,943	2,098	562
Less: goodwill and intangible assets	67,788	—	—	—	—
Tangible common stockholders equity (Non-GAAP)	\$876,910	\$ 821,984	\$ 674,584	\$ 526,365	\$ 365,153
Common shares outstanding at end of period	62,688,064	63,536,244	63,219,392	62,075,004	57,807,600
Tangible book value per common share (Non-GAAP)	\$ 13.99	\$ 12.94	\$ 10.67	\$ 8.48	\$ 6.32

AVERAGE BALANCES, NET INTEREST INCOME, YIELDS EARNED AND RATES PAID

The following tables set forth, for the periods indicated, information regarding (i) average balances; (ii) the total amount of interest income from interest-earning assets and the weighted average yields on such assets; (iii) the total amount of interest expense on interest-bearing liabilities and the weighted average rates paid on such liabilities; (iv) net interest income; (v) interest rate spread; and (vi) net interest margin:

	For the Fiscal Years Ended June 30,									
	2018			2017			2016			
<i>(Dollars in thousands)</i>	Average Balance ¹	Interest Income / Expense	Average Yields Earned / Rates Paid	Average Balance ¹	Interest Income / Expense	Average Yields Earned / Rates Paid	Average Balance ¹	Interest Income / Expense	Average Yields Earned / Rates Paid	
Assets:										
Loans and leases ^{2,3}	\$7,893,072	\$446,991	5.66 %	\$6,819,102	\$358,849	5.26 %	\$5,680,003	\$291,058	5.12 %	
Interest-earning deposits in other financial institutions	807,348	12,450	1.54 %	658,580	5,204	0.79 %	498,483	2,070	0.42 %	
Mortgage-backed and other investment securities	209,434	11,335	5.41 %	393,334	16,889	4.29 %	442,070	18,910	4.28 %	
Stock of the FHLB, at cost	61,222	4,298	7.02 %	55,577	6,344	11.41 %	62,255	5,669	9.11 %	
Total interest-earning assets	8,971,076	475,074	5.30 %	7,926,593	387,286	4.89 %	6,682,811	317,707	4.75 %	
Non-interest-earning assets	100,380			116,545			140,066			
Total assets	\$9,071,456			\$8,043,138			\$6,822,877			
Liabilities and Stockholders' Equity:										
Interest-bearing demand and savings	\$4,706,238	\$54,013	1.15 %	\$4,619,769	\$34,556	0.75 %	\$3,649,423	\$24,611	0.67 %	
Time deposits	990,635	25,838	2.61 %	941,919	21,938	2.33 %	852,590	18,056	2.12 %	
Securities sold under agreements to repurchase	5,575	229	4.11 %	33,068	1,465	4.43 %	35,000	1,555	4.44 %	
Advances from the FHLB	1,296,120	22,848	1.76 %	798,982	12,403	1.55 %	855,029	11,175	1.31 %	
Subordinated notes and debentures and other	54,522	3,652	6.70 %	55,873	3,697	6.62 %	22,025	1,299	5.90 %	
Total interest-bearing liabilities	7,053,090	106,580	1.51 %	6,449,611	74,059	1.15 %	5,414,067	56,696	1.05 %	
Non-interest-bearing demand deposits	1,052,944			774,411			739,764			
Other non-interest-bearing liabilities	68,361			58,040			51,672			
Stockholders' equity	897,061			761,076			617,374			
Total liabilities and stockholders' equity	\$9,071,456			\$8,043,138			\$6,822,877			
Net interest income		\$368,494			\$313,227			\$261,011		
Interest rate spread ⁴			3.79 %			3.74 %			3.70 %	
Net interest margin ⁵			4.11 %			3.95 %			3.91 %	

¹ Average balances are obtained from daily data.

² Loans and leases include loans held for sale, loan and lease premiums, discounts and unearned fees.

³ Interest income includes reductions for amortization of loan and lease and investment securities premiums and earnings from accretion of discounts and loan and lease fees. Loan and lease fee income is not significant. Also includes \$29.3 million as of June 30, 2018, \$30.3 million as of June 30, 2017 and \$31.0 million as of June 30, 2016 of loans that qualify for Community Reinvestment Act credit which are taxed at a reduced rate.

⁴ Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate paid on interest-bearing liabilities.

⁵ Net interest margin represents net interest income as a percentage of average interest-earning assets.

RESULTS OF OPERATIONS

Our results of operations depend on our net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. Our net interest income has increased as a result of the growth in our interest earning assets and is subject to competitive factors in the online banking market. Our net interest income is reduced by our estimate of loss provisions for our loan and lease portfolio. We also earn non-interest income primarily from mortgage banking activities, banking products and service activity, prepaid card fee income, prepayment fee income from multifamily borrowers who repay their loans before maturity and from gains on sales of other loans and investment securities. Losses on investment securities reduce non-interest income. The largest component of non-interest expense is salary and benefits, which is a function of the number of personnel, which increased from 681 full time employees at June 30, 2017 to 801 full-time equivalent employees at June 30, 2018. We are subject to federal and state income taxes, and our effective tax rates were 36.42%, 42.10% and 41.78% for the fiscal years ended June 30, 2018, 2017, and 2016, respectively. Other factors that affect our results of operations include expenses relating to data processing, advertising, depreciation, occupancy, professional services, and other miscellaneous expenses.

COMPARISON OF THE FISCAL YEAR ENDED JUNE 30, 2018 AND JUNE 30, 2017

Net Interest Income. Net interest income totaled \$368.5 million for the fiscal year ended June 30, 2018 compared to \$313.2 million for the fiscal year ended June 30, 2017. The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to (i) effects on interest income and interest expense attributable to changes in volume (changes in volume multiplied by prior rate); and (ii) effects on interest income and interest expense attributable to changes in rate (changes in rate multiplied by prior volume). The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

<i>(Dollars in thousands)</i>	Fiscal Year Ended June 30, 2018 vs 2017		
	Volume	Rate	Total Increase (Decrease)
Increase (decrease) in interest income:			
Loans and leases	\$59,441	\$28,701	\$88,142
Federal funds sold			
Interest-earning deposits in other financial institutions	1,393	5,853	7,246
Mortgage-backed and other investment securities	(9,217)	3,663	(5,554)
Stock of the FHLB, at cost	592	(2,638)	(2,046)
Total increase (decrease) in interest income	\$52,209	\$35,579	\$87,788
Increase (decrease) in interest expense:			
Interest-bearing demand and savings	\$660	\$18,797	\$19,457
Time deposits	1,174	2,726	3,900
Securities sold under agreements to repurchase	(1,137)	(99)	(1,236)
Advances from the FHLB	8,577	1,868	10,445
Other borrowings	(90)	45	(45)
Total increase (decrease) in interest expense	\$9,184	\$23,337	\$32,521

The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

Interest Income. Interest income for the fiscal year ended June 30, 2018 totaled \$475.1 million, an increase of \$87.8 million, or 22.7%, compared to \$387.3 million in interest income for the fiscal year ended June 30, 2017 primarily due to growth in volume of interest-earning assets from loan originations, primarily from commercial & industrial lending as well as accretion from origination fees from Refund Advance loans. Fundings of Refund Advance loans increased from \$0.3 billion to \$1.1 billion for the fiscal years ended June 30, 2017 and June 30, 2018, respectively. Average interest-earning assets for the fiscal year ended June 30, 2018 increased by \$1,044.5 million compared to the fiscal year ended June 30, 2017 primarily due to loan and lease originations for investment which increased \$1,740.1 million

during the year ended June 30, 2018. Yields on loans and leases increased by 40 basis points to 5.66% for the fiscal year ended June 30, 2018, primarily due to increased yields in the single family, commercial & industrial and H&R Block-branded loan products. For the fiscal year ended June 30, 2018, the growth in average balances contributed additional interest income of \$52.2 million, which was supplemented by a \$35.6 million increase in interest income due to the increase in average rate. The average yield earned on our interest-earning assets increased to 5.30% for the fiscal year ended June 30, 2018, up from 4.89% for the same period in 2017 primarily due to the increase in rate from loans and leases. As a result of the Federal Reserve decisions to increase the Fed Funds rate over the last year we have marked up our

adjustable loans and have increased the market rates on new loans. A contributing factor to the increase of loans and leases income is the amortization of origination fees for H&R Block-branded products.

Interest Expense. Interest expense totaled \$106.6 million for the fiscal year ended June 30, 2018, an increase of \$32.5 million, or 43.9% compared to \$74.1 million in interest expense during the fiscal year ended June 30, 2017, due primarily to increased rates on deposits and advances, as a result of the Federal Reserve decisions to increase the Fed Funds rate over the last year. The average rate paid on all of our interest-bearing liabilities increased to 1.51% for the fiscal year ended June 30, 2018 from 1.15% for the fiscal year ended June 30, 2017, due primarily to increased rates on deposits and advances from FHLB. Average interest-bearing liabilities for the fiscal year ended June 30, 2018 increased \$603.5 million compared to fiscal 2017. The average rate on interest-bearing deposits increased to 1.15% from 0.75% due to increases in prevailing deposit rates across the industry. The rates on advances from the FHLB also increased to 1.76% from 1.55% due primarily to the Fed rate increases. The average rate on time deposits increased to 2.61% for the fiscal year ended June 30, 2018 from 2.33% for the fiscal year ended June 30, 2017, due to Fed rate increases. Average FHLB advances for the fiscal year ended June 30, 2018 increased \$497.1 million, or 62.2% compared to fiscal 2017. The average non-interest-bearing demand deposits were \$1,052.9 million for the fiscal year ended June 30, 2018, representing an increase of \$278.5 million.

Provision for Loan and Lease Losses. Provision for loan and lease losses was \$25.8 million for the fiscal year ended June 30, 2018 and \$11.1 million for fiscal 2017. The increase in the loan and lease loss provision was primarily due to the increase in Refund Advance loan fundings from \$0.3 billion to \$1.1 billion during fiscal 2017 and 2018, respectively, combined with overall loan portfolio growth. The provisions are made to maintain our allowance for loan and lease losses at levels which management believes to be adequate. The assessment of the adequacy of our allowance for loan and lease losses is based upon a number of quantitative and qualitative factors, including levels and trends of past due and nonaccrual loans, loss history and changes in the volume and mix of loans and collateral values. See “Asset Quality and Allowance for Loan and Lease Losses” for discussion of our allowance for loan and lease losses and the related loss provisions.

Non-interest Income. The following table sets forth information regarding our non-interest income:

<i>(Dollars in thousands)</i>	For the Fiscal Year Ended June 30,	
	2018	2017
Realized gain on securities:		
Sale of securities	\$ (18)	\$ 3,920
Total realized gain on securities	(18)	3,920
Unrealized loss on securities:		
Total impairment losses	(6,271)	(10,937)
Loss (gain) recognized in other comprehensive income	6,115	8,973
Net impairment loss recognized in earnings	(156)	(1,964)
Fair value (gain) loss on trading securities	—	743
Total unrealized loss on securities	(156)	(1,221)
Prepayment penalty fee income	3,862	4,574
Gain on sale – other	5,734	4,487
Mortgage banking income	13,755	14,284
Banking and service fees	47,764	42,088
Total non-interest income	\$ 70,941	\$ 68,132

Our relationship with H&R Block began in fiscal 2016 and introduced seasonality into banking and service fees category of non-interest income, with an increase during our second quarter and the peak income in this category typically occurring during our third fiscal quarter ended March 31. Therefore, banking and services fees for the three months ended March 31, are not indicative of results to be expected for other quarters during the fiscal year.

Historically, the primary non-interest income generating H&R Block products and services that lead to the increased banking and service fees are Emerald Prepaid Mastercard® (“EPC”) and Refund Transfer (“RT”).

Non-interest income totaled \$70.9 million for the fiscal year ended June 30, 2018 compared to non-interest income of \$68.1 million for fiscal 2017. The increase was primarily the result of an increase of \$5.7 million in banking and service fees due to H&R Block-branded products and service fee income, a \$1.2 million increase in gain on sale-other primarily from sales of structured settlements and lottery receivables, and a decrease in net unrealized loss on securities of \$1.1 million, partially offset by a decrease in realized gain from sale of securities of \$3.9 million, decreased levels of prepayment penalty fee income of \$0.7

million, and a decrease in mortgage banking income of \$0.5 million. Banking and service fees includes H&R Block-branded product fees, deposit fees, fee income from prepaid card sponsors, and certain C&I loan fees. The primary non-interest income-generating H&R Block products and services that led to the increased banking and service fees are EPC and RT. For the fiscal year ended June 30, 2018, EPC increased \$0.2 million to \$8.0 million from \$7.8 million for fiscal 2017. For the fiscal year ended June 30, 2018, RT decreased \$0.3 million to \$12.5 million from \$12.8 million for fiscal 2017.

Included in gain on sale – other are sales of unsecured and secured consumer and business loans originated through introductions from our third-party partner relationships, for example H&R Block-branded Emerald Advance, and sales of structured settlement annuity and state lottery receivables. We engage in the wholesale and retail purchase of state lottery prize and structured settlement annuity payments. These payments are high credit quality deferred payment receivables having a state lottery commission or investment grade (top two tiers) insurance company payor. The Bank originates contracts for the retail purchase of such payments and classifies these under the heading of Factoring in the loan portfolio. Factoring yields are typically higher than mortgage loan rates. Typically, the gain received upon sale of these payment streams is greater than the gain received from an equivalent amount of mortgage loan sales. Since 2013, pools of structured settlement receivables have been originated for sale depending upon management’s assessment of interest rate risk, liquidity, and offers containing favorable terms and are classified on our balance sheet as loans held for sale. Increased originations and favorable terms during fiscal 2018 resulted in an increase in gain on sale from structured settlement annuity and state lottery receivables.

Non-interest Expense. The following table sets forth information regarding our non-interest expense for the periods shown:

<i>(Dollars in thousands)</i>	For the Fiscal Year Ended June 30,	
	2018	2017
Salaries and related costs	\$ 100,975	\$ 81,821
Data processing and internet	17,400	13,323
Advertising and promotional	15,500	9,367
Depreciation and amortization	8,574	6,094
Occupancy and equipment	6,063	5,612
Professional services	5,280	4,980
FDIC and regulator fees	4,860	4,330
Real estate owned and repossessed vehicles	260	498
General and administrative expenses	15,024	11,580
Total non-interest expense	\$ 173,936	\$ 137,605

Non-interest expense totaled \$173.9 million for the fiscal year ended June 30, 2018, an increase of \$36.3 million compared to fiscal 2017. Salaries and related costs increased \$19.2 million, or 23.4%, in fiscal 2018 due to increased staffing levels to support growth in the Bank’s staffing for lending, information technology infrastructure development, regulatory compliance, and the trustee and fiduciary services. Our staff increased to 801 from 681 or 17.62% between fiscal 2018 and 2017 and increased to 681 from 647 or 5.26% between fiscal 2017 and 2016.

Data processing and internet expense increased \$4.1 million, primarily due to enhancements to customer interfaces and the Bank’s core processing system.

Advertising and promotion expense increased \$6.1 million, primarily due to additional lead generation costs, increased deposit marketing and rebranding costs.

Depreciation and amortization, increased \$2.5 million primarily due to depreciation on lending platform enhancements and infrastructure development and amortization of intangibles.

Occupancy and equipment expense increased \$0.5 million, in order to support increased production and office space for additional employees.

Professional services, which include accounting and legal fees, increased \$0.3 million in fiscal 2018 compared to 2017. The increase in professional services was primarily due to increased legal expenses, partially offset by increased insurance reimbursements.

The change in our cost of Federal Deposit Insurance Corporation (“FDIC”) and OCC standard regulatory charges increased by \$0.5 million in fiscal 2018 compared to fiscal 2017. The overall growth of the Bank’s liabilities has been offset by the generally favorable change in the FDIC deposit insurance premium calculation. As an FDIC-insured institution, the Bank is required to pay deposit insurance premiums to the FDIC.

General and administrative expenses increased by \$3.4 million in fiscal 2018 compared to 2017. The increases were primarily due to costs to support loan and deposit production.

Income Tax Expense. Income tax expense was \$87.3 million for the fiscal year ended June 30, 2018 compared to \$98.0 million for fiscal 2017. Our effective tax rates were 36.42% and 42.10% for the fiscal year ended June 30, 2018 and 2017, respectively.

As a result of legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”) that was enacted on December 22, 2017, during the quarter ended December 31, 2017, the Company revised its estimated annual effective rate to reflect a change in the federal statutory rate from 35.0% to 21.0%. The Tax Act makes broad and complex changes to the U.S. tax code that will affect our fiscal year ending June 30, 2018, including reducing the U.S. federal corporate statutory tax rate to 21.0% beginning January 1, 2018, which results in a blended federal corporate statutory tax rate of 28.1% for the Company’s fiscal year ending June 30, 2018 that is based on the applicable tax rates before and after the Tax Act and the number of days in the fiscal year.

During the quarter ended December 31, 2017, the Company revalued the deferred tax balance to reflect the new corporate tax rate, which resulted in a decrease in net deferred tax assets of \$9,189. As a result, income tax expense reported for the fiscal year ended June 30, 2018 was adjusted to reflect the effects of the change in the tax law and the application of the newly enacted rates to existing deferred balances.

Additionally, the Company received tax credits for the year ended June 30, 2018. These tax credits reduced the effective tax rate by approximately 2.38%. Lastly, the Company adopted ASU 2016-09 effective July 1, 2017. As a result of the adoption, the Company recorded \$2.4 million of income tax benefits for the fiscal year ended June 30, 2018, respectively, related to excess tax benefits from stock compensation. Prior to 2018, such excess tax benefits were generally recorded directly in stockholders’ equity. This new accounting standard may potentially increase the volatility in the Company’s effective tax rates.

COMPARISON OF THE FISCAL YEAR ENDED JUNE 30, 2017 AND JUNE 30, 2016

Net Interest Income. Net interest income totaled \$313.2 million for the fiscal year ended June 30, 2017 compared to \$261.0 million for the fiscal year ended June 30, 2016. The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to (i) effects on interest income and interest expense attributable to changes in volume (changes in volume multiplied by prior rate); and (ii) effects on interest income and interest expense attributable to changes in rate (changes in rate multiplied by prior volume). The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

(Dollars in thousands)	Fiscal Year Ended June 30, 2017 vs 2016		
	Volume	Rate	Total Increase (Decrease)
Increase/(decrease) in interest income:			
Loan and Leases	\$59,657	\$8,134	\$ 67,791
Interest-earning deposits in other financial institutions	837	2,297	3,134
Mortgage-backed and other investment securities	(2,065)	44	(2,021)
Stock of the FHLB, at cost	(652)	1,327	675
Total increase/(decrease) in interest income	\$57,777	\$ 11,802	\$ 69,579
Increase/(decrease) in interest expense:			
Interest-bearing demand and savings	\$6,863	\$3,082	\$ 9,945
Time deposits	1,996	1,886	3,882
Securities sold under agreements to repurchase	(86)	(4)	(90)
Advances from the FHLB	(758)	1,986	1,228
Other borrowings	2,221	177	2,398
Total increase/(decrease) in interest expense	\$10,236	\$7,127	\$ 17,363

The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

Interest Income. Interest income for the fiscal year ended June 30, 2017 totaled \$387.3 million, an increase of \$69.6 million, or 21.9%, compared to \$317.7 million in interest income for the fiscal year ended June 30, 2016 primarily due

to growth in volume of interest-earning assets. Average interest-earning assets for the fiscal year ended June 30, 2017 increased by \$1,243.8 million compared to the fiscal year ended June 30, 2016 primarily due to loan and lease originations for investment which increased \$548.8 million and loan and lease purchases for investment which increased \$136.4 million during the year ended June 30, 2017.

Yields on loans and leases increased by 14 basis points to 5.26% for the fiscal year ended June 30, 2017, primarily due to increased yields in the single family, commercial & industrial and H&R Block-branded loan products. For the fiscal year ended June 30, 2017, the growth in average balances contributed additional interest income of \$57.8 million, which was supplemented by a \$11.8 million increase in interest income due to the increase in average rate. The average yield earned on our interest-earning assets increased to 4.89% for the fiscal year ended June 30, 2017, up from 4.75% for the same period in 2016 primarily due to the increase in rate from loans and leases.

Interest Expense. Interest expense totaled \$74.1 million for the fiscal year ended June 30, 2017, an increase of \$17.4 million, or 30.6% compared to \$56.7 million in interest expense during the fiscal year ended June 30, 2016, due primarily to increased volumes of deposits and other borrowings as well as increased rates on deposits and advances. The average rate paid on all of our interest-bearing liabilities increased to 1.15% for the fiscal year ended June 30, 2017 from 1.05% for the fiscal year ended June 30, 2016, due primarily to increased rates on deposits and advances from FHLB. Average interest-bearing liabilities for the fiscal year ended June 30, 2017 increased \$1,035.5 million compared to fiscal 2016. The average interest-bearing balances of demand and savings increased \$970.3 million and the average interest-bearing balances increased \$1,035.5 million due to increased deposits and the full year impact of our subordinated notes issued in March 2016. The average rate on interest-bearing deposits increased to 0.75% from 0.67% due to increases in prevailing deposit rates across the industry. The rates on advances from the FHLB also increased to 1.55% from 1.31% due primarily to the Fed rate increases. The average rate on time deposits increased to 2.33% for the fiscal year ended June 30, 2017 from 2.12% for the fiscal year ended June 30, 2016, due to issuance of longer term time deposits. The average non-interest-bearing demand deposits were \$774.4 million for the fiscal year ended June 30, 2017, representing an increase of \$34.6 million.

Provision for Loan and Lease Losses. Provision for loan and lease losses was \$11.1 million for the fiscal year ended June 30, 2017 and \$9.7 million for fiscal 2016. The provisions are made to maintain our allowance for loan and lease losses at levels which management believes to be adequate. The assessment of the adequacy of our allowance for loan and lease losses is based upon a number of quantitative and qualitative factors, including levels and trends of past due and nonaccrual loans, loss history and changes in the volume and mix of loans and collateral values.

See “Asset Quality and Allowance for Loan and Lease Losses” for discussion of our allowance for loan and lease losses and the related loss provisions.

Non-interest Income. The following table sets forth information regarding our non-interest income:

<i>(Dollars in thousands)</i>	For the Fiscal Year Ended June 30,	
	2017	2016
Realized gain on securities:		
Sale of mortgage-backed securities	\$ 3,920	\$ 1,427
Total realized gain on securities	3,920	1,427
Unrealized loss on securities:		
Total impairment losses	(10,937)	(3,472)
Loss (gain) recognized in other comprehensive income	8,973	2,907
Net impairment loss recognized in earnings	(1,964)	(565)
Fair value gain (loss) on trading securities	743	(248)
Total unrealized loss on securities	(1,221)	(813)
Prepayment penalty fee income	4,574	2,914
Gain on sale-other	4,487	15,540
Mortgage banking income	14,284	11,076
Banking and service fees	42,088	36,196
Total non-interest income	\$ 68,132	\$ 66,340

Non-interest income totaled \$68.1 million for the fiscal year ended June 30, 2017 compared to non-interest income of \$66.3 million for fiscal 2016. The increase was primarily the result of an increase of \$5.9 million in banking and service fees due to H&R Block-branded products and service fee income, an increase in mortgage banking income of \$3.2 million, an increase in realized gain from sale of securities of \$2.5 million, and increased levels of prepayment penalty fee income of \$1.7 million, partially offset by a \$11.1 million decrease in gain on sale-other primarily from

reduced sales of structured settlements and lottery receivables. Banking and service fees includes H&R Block-branded product fees, deposit fees and certain C&I loan fees as well as fee income from prepaid card sponsors. The primary non-interest income-generating H&R Block products and services that led to the increased banking and service fees are EPC and RT. For the fiscal year ended June 30, 2017, EPC increased \$1.4 million to \$7.8 million from \$6.4 million for fiscal 2016. For the fiscal year ended June 30, 2017, RT increased \$0.3 million to \$12.8 million from \$12.5 million for fiscal 2016.

Included in gain on sale – other are sales of unsecured and secured consumer and business loans originated through introductions from our third-party partner relationships, for example H&R Block-branded Emerald Advance, and sales of structured settlement annuity and state lottery receivables. These payments are high credit quality deferred payment receivables having a state lottery commission or investment grade (top two tiers) insurance company payor. The Bank originates contracts for the retail purchase of such payments and classifies these under the heading of Factoring in the loan portfolio. Factoring yields are typically higher than mortgage loan rates. Typically, the gain received upon sale of these payment streams is greater than the gain received from an equivalent amount of mortgage loan sales. Since 2013, pools of structured settlement receivables have been originated for sale depending upon management’s assessment of interest rate risk, liquidity, and offers containing favorable terms and are classified on our balance sheet as loans held for sale. Decreased originations and less favorable terms during fiscal 2017 resulted in a decrease in gain on sale from structured settlement annuity and state lottery receivables.

Non-interest Expense. The following table sets forth information regarding our non-interest expense for the periods shown:

<i>(Dollars in thousands)</i>	For the Fiscal Year Ended June 30,	
	2017	2016
Salaries and related costs	\$ 81,821	\$ 66,667
Data processing and internet	13,323	10,348
Advertising and promotional	9,367	6,867
Depreciation and amortization	6,094	4,795
Occupancy and equipment	5,612	4,326
Professional services	4,980	4,700
FDIC and regulator fees	4,330	4,632
Real estate owned and repossessed vehicles	498	(46)
Other general and administrative	11,580	10,467
Total non-interest expense	\$ 137,605	\$ 112,756

Non-interest expense totaled \$137.6 million for the fiscal year ended June 30, 2017, an increase of \$24.8 million compared to fiscal 2016. Salaries and related costs increased \$15.2 million, or 22.7%, in fiscal 2017 due to increased staffing levels to support growth in the Bank’s staffing for lending, information technology infrastructure development, and regulatory compliance. Our staff increased to 681 from 647 between fiscal 2017 and 2016 and increased to 647 from 467 between fiscal 2016 and 2015.

Data processing and internet expense increased \$3.0 million, primarily due to growth in the number of customer accounts and enhancements to the Bank’s core processing system.

Advertising and promotion expense increased \$2.5 million, primarily due to additional lead generation costs and increased deposit marketing.

Depreciation, increased \$1.3 million primarily due to depreciation on lending platform enhancements and infrastructure development.

Occupancy and equipment expense increased \$1.3 million, in order to support increased production and office space for additional employees.

Professional services, which include accounting and legal fees, increased \$0.3 million in fiscal 2017 compared to 2016. The increase in professional services was primarily due to increased legal expenses, partially offset by increased insurance reimbursements.

The change in our cost of Federal Deposit Insurance Corporation (“FDIC”) and OCC standard regulatory charges decreased by \$0.3 million in fiscal 2017 compared to fiscal 2016, the nominal changes were due to a favorable change in the FDIC deposit insurance premium calculation partially offset by the overall growth of the Bank’s liabilities. As an FDIC-insured institution, the Bank is required to pay deposit insurance premiums to the FDIC.

Other general and administrative costs increased by \$1.1 million in fiscal 2017 compared to 2016. The increases were primarily due to costs supports loan and deposit production.

Income Tax Expense. Income tax expense was \$98.0 million for the fiscal year ended June 30, 2017 compared to \$85.6 million for fiscal 2016. Our effective tax rates were 42.10% and 41.78% for the fiscal year ended June 30, 2017

and 2016, respectively. The changes in the tax rates are the result of changes in state tax allocations.

COMPARISON OF FINANCIAL CONDITION AT JUNE 30, 2018 AND JUNE 30, 2017

Our total assets increased \$1,037.8 million, or 12.2%, to \$9,539.5 million, as of June 30, 2018, up from \$8,501.7 million at June 30, 2017. The loan and lease portfolio increased \$1,057.8 million on a net basis, primarily from portfolio loan and lease originations and purchases of \$5,922.8 million less principal repayments and other adjustments of \$4,865.0 million. Investment securities decreased \$92.5 million primarily due to repayments and sales, partially offset by purchases. Total liabilities increased by \$911.6 million or 11.9%, to \$8,579.0 million at June 30, 2018, up from \$7,667.4 million at June 30, 2017. The increase in total liabilities resulted primarily from growth in deposits of \$1,085.8 million partially offset by a decrease in advances from FHLB of \$183.0 million. Stockholders' equity increased by \$126.3 million, or 15.1%, to \$960.5 million at June 30, 2018, up from \$834.2 million at June 30, 2017. The increase was the result of \$152.4 million in net income for the fiscal year, \$10.4 million vesting and issuance of RSUs and stock-based compensation expense, partially offset by \$35.2 million in stock repurchases, \$1.1 million unrealized gain in other comprehensive income, net of tax, and \$0.3 million in dividends declared on preferred stock. On March 17, 2016, the Board of Directors of the Company, authorized a program to repurchase up to \$100.0 million of common stock. As of June 30, 2018, the Company has repurchased a total of \$35.2 million, or 1,233,491 common shares at an average price of \$28.49 per share with \$64.8 million remaining under the current board authorized stock repurchase program.

ASSET QUALITY AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Non-performing loans and leases and foreclosed assets or “non-performing assets” consisted of the following:

<i>(Dollars in thousands)</i>	At June 30,					
	2018	2017	2016	2015	2014	
Non-performing assets:						
Non-accrual loans and leases:						
Single family real estate secured:						
Mortgage	\$28,446	\$23,377	\$28,400	\$22,842	\$12,396	
Home equity	16	16	33	9	168	
Multifamily real estate secured	232	4,255	2,218	5,399	4,302	
Commercial real estate secured	—	—	254	2,128	2,985	
Total non-accrual loans secured by real estate	28,694	27,648	30,905	30,378	19,851	
Auto and recreational vehicle secured	60	157	278	453	534	
Commercial & Industrial	2,361	314	—	—	—	
Other	111	274	676	—	—	
Total non-performing loans and leases	31,226	28,393	31,859	30,831	20,385	
Foreclosed real estate	9,385	1,353	207	1,225	—	
Repossessed vehicles	206	60	45	15	75	
Total non-performing assets	\$40,817	\$29,806	\$32,111	\$32,071	\$20,460	
Total non-performing loans and leases as a percentage of total loans and leases	0.37	% 0.38	% 0.50	% 0.62	% 0.57	%
Total non-performing assets as a percentage of total assets	0.43	% 0.35	% 0.42	% 0.55	% 0.46	%

Our non-performing assets increased to \$40.8 million at June 30, 2018 from \$29.8 million at June 30, 2017. The increase in non-performing assets during the fiscal year ended June 30, 2018 was substantially comprised of an increase in foreclosed real estate of \$8.0 million and an increase in non-performing loans and leases of \$2.8 million. Non-performing assets as a percentage of total assets increased to 0.43% at June 30, 2018 from 0.35% at June 30, 2017. The decrease in non-performing assets during the fiscal year ended June 30, 2017 compared to June 30, 2016 was comprised of a decrease in non-performing loans and leases of \$3.5 million partially offset by an increase in foreclosed real estate of \$1.1 million.

The increase in non-performing loans and leases is primarily the result of increased single family residential and commercial and industrial loans during the year ended June 30, 2018, partially offset by a decrease in non-performing loans by multifamily real estate secured loans. The decrease in non-performing loans and leases as a percentage of total loans and leases is primarily the result of loan growth. Approximately 3.30% of our non-performing loans and leases at June 30, 2018 were considered TDRs, compared to 5.56% at June 30, 2017. Borrowers making timely payments after a troubled debt restructuring are considered non-performing for at least six months. Generally, after six months of timely payments, troubled debt restructured loans are reclassified from the non-performing loan and lease category to performing and any previously deferred interest income is recognized. Approximately 91.10% of the Bank’s non-performing loans and leases are single family first mortgages already written down in aggregate to 41.28% of the original appraisal value of the underlying properties.

At June 30, 2018, our \$28.4 million in single family non-performing loans represents 47 loans in 17 states ranging in amount from \$9,000 to \$5.0 million. At June 30, 2017, our \$23.4 million in single family non-performing loans represents 40 loans in 19 states ranging in amount from \$12,000 to \$5.0 million. The Bank has already taken impairment charge-offs of \$1.9 million on the non-performing single family loans at June 30, 2018. Our \$0.2 million in multifamily non-performing loans represents one loan in one state at June 30, 2018, with impairment charge-offs taken in the amount of \$0.1 million. At June 30, 2017 the \$4.3 million of non-performing multifamily loans represented four loans in two states, with impairment charge-offs taken in the amount of \$0.1 million. At June 30, 2017 and 2018, we had no non-performing commercial real estate loans.

The \$60,000 in non-performing automobile and recreational vehicle (“RV”) loans represents 7 loans ranging in amount from \$1,000 to \$21,000 at June 30, 2018. The \$157,000 in non-performing automobile and RV loans represented 12

loans ranging in amount from \$200 to \$40,000 at June 30, 2017. Foreclosed real estate of \$9.4 million at June 30, 2018 represents three single family properties. Foreclosed real estate of \$1.4 million at June 30, 2017 represented two single family properties. All foreclosed real estate is measured at the lower of carrying value or fair value less costs to sell. Repossessed vehicles of \$206,000 includes twenty-two vehicles with fair values ranging in amount from \$1 to \$28,000 at June 30, 2018, compared to \$60,000 at June 30, 2017, which includes five vehicles

with fair values ranging in amount from \$6,000 to \$17,000. Impaired loans are generally adjusted through charge-offs against the allowance for loan and lease losses.

The \$111,000 in non-performing other loans represents seven loans ranging in amount from \$9,000 to \$23,000 at June 30, 2018, compared to \$274,000 at June 30, 2017 which includes 8 loans ranging in amount from \$5,000 to \$70,000.

We have experienced growth in our non-performing single family mortgage loans over the last five years; however, we believe that the write-downs taken as of June 30, 2018 on these non-performing loans and the low average LTVs on the balance of our single family mortgage real estate loans in our portfolio make our future risk of loss better than other banks with significant exposure to real estate loans. If average nationwide residential housing values decline or if nationwide unemployment increases, we are likely to experience growth in the level of our non-performing loans and leases, foreclosed real estate and repossessed vehicles in future periods.

Allowance for Loan and Lease Losses. We maintain an allowance for loan and lease losses in an amount that we believe is sufficient to provide adequate protection against probable incurred losses in our loan and lease portfolio. We evaluate quarterly the adequacy of the allowance based upon reviews of individual loans and leases, recent loss experience, current economic conditions, risk characteristics of the various categories of loans and leases and other pertinent factors. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance is increased by the provision for loan and lease losses, which is charged against current period operating results. The allowance is decreased by the amount of charge-offs of loans and leases deemed uncollectible and increased by recoveries of loans and leases previously charged off.

The allowance for loan and lease losses includes specific and general reserves. Specific reserves are provided for impaired loans considered TDRs. All other impaired loans and leases are written down through charge-offs to their realizable value. A loan or lease is measured for impairment generally two different ways. If the loan or lease is primarily dependent upon the borrower to make payments, then impairment is calculated by comparing the present value of the expected future payments discounted at the effective interest rate to the carrying value of the loan or lease. If the loan or lease is collateral dependent, the net proceeds from the sale of the collateral is compared to the carrying value of the loan or lease. If the calculated amount is less than the carrying value of the loan or lease, the loan or lease has impairment.

A general reserve is included in the allowance for loan and lease losses and is determined by adding the results of a quantitative and a qualitative analysis to all other loans and leases not measured for impairment at the reporting date. The quantitative analysis determines the Bank's actual annual historic charge-off rates and applies the average historic rates to the outstanding loan and lease balances in each pool, the product of which is the general reserve amount. The qualitative analysis considers one or more of the following factors: changes in lending policies and procedures, changes in economic conditions, changes in the content of the portfolio, changes in lending management, changes in the volume of delinquency rates, changes to the scope of the loan and lease review system, changes in the underlying collateral of the loans and leases, changes in credit concentrations and any changes in the requirements to the credit loss calculations. A loss rate is estimated and applied to those loans and leases affected by the qualitative factors.

The assessment of the adequacy of the Company's allowance for loan and lease losses is based upon a range of quantitative and qualitative factors, including levels and trends of past due and nonaccrual loans and leases, change in volume and mix of loans and leases, collateral values and charge-off history.

The Company provides general loan loss reserves for its auto and RV loans based upon the borrower credit score at the time of origination and the Company's loss experience to date. The Company obtains updated credit scores for its auto and RV borrowers approximately every six months. The updated credit score will result in a higher or lower general loan loss allowance depending on the change in borrowers' FICO scores and the resulting shift in loan balances among the five FICO bands from which the Company measures and calculates its reserves. For the general loss reserve, the Company does not use individually updated credit scores or valuations for the real estate collateralizing its real estate loans.

The allowance for loan and lease losses for the auto and RV loan portfolio at June 30, 2018 was determined by classifying each outstanding loan according to the original FICO score and providing loss rates. The Company had \$213,462 (dollars in thousands) of auto and RV loan balances subject to general reserves as follows: FICO greater

than or equal to 770: \$105,612; 715 – 769: \$73,013; 700 – 714: \$18,524; 660 – 699: \$14,992 and less than 660: \$1,321. The Company provides general loan loss reserves for mortgage loans based upon the size and class of the mortgage loan and the loan-to-value ratio (“LTV”) at date of origination. The allowance for each class is determined by stratifying the outstanding unpaid balance for each loan by the LTV and applying a loss rate. At June 30, 2018, the LTV groupings for each significant mortgage class were as follows (dollars in thousands):

The Company had \$4,170,495 of single family mortgage portfolio loan balances subject to general reserves as follows: LTV less than or equal to 60%: \$2,443,303; 61% – 70%: \$1,387,807; 71% – 80%: \$339,193; and greater than 80%: \$192.

The Company had \$1,800,687 of multifamily mortgage portfolio loan balances subject to general reserves as follows: LTV less than or equal to 55%: \$957,441; 56% – 65%: \$562,928; 66% – 75%: \$269,619; 76% – 80%: \$9,499 and greater than 80%: \$1,200.

During the quarter ended March 31, 2011, the Company divided the LTV analysis into two classes, separating the purchased loans from the loans underwritten directly by the Company.

Based on historical performance, the Company concluded that multifamily loans originated by the Bank require lower estimated loss rates than multifamily loans purchased. In fiscal years 2002 through 2004 the Company originated \$137 million of primarily 30-year multifamily mortgage loans using the same basic underwriting criteria and accounting for 20%, 25% and 19% of the total average balance of the loan portfolio for fiscal year 2004, 2003 and 2002, respectively. The Company intentionally slowed its multifamily and single family origination volume in 2005 through 2009 based upon the overall loosening of credit standards by competitors and the economic downturn. Since 2009, the economy has stabilized and competitive underwriting standards have strengthened allowing the Company to resume its originations. Since 2013, our weighted average of multifamily loans is equal to 22.6% of the total loan portfolio. For these reasons, the Company believes that its historical underwriting experience originating multifamily loans allows the Company to use its historical loss rate as a reasonable indicator of risk. The historic loss or quantitative component of the Company's general loan loss allowance is supplemented with a qualitative factor including a volume-based adjustment. At June 30, 2018 and June 30, 2017, all of the qualitative components of the general loan loss allowance for multifamily loans accounted for 100% and 100% of the total multifamily allowance, respectively.

The Bank originates and purchases mortgage loans with terms that may include repayments that are less than the repayments for fully amortizing loans, including interest only loans, option adjustable-rate mortgages, and other loan types that permit payments that may be smaller than interest accruals. The Bank's lending guidelines for interest only loans are adjusted for the increased credit risk associated with these loans by requiring borrowers with such loans to borrow at LTVs that are lower than standard amortizing ARM loans and by calculating debt to income ratios for qualifying borrowers based upon a fully amortizing payment, not the interest only payment. The Company's Credit Committee monitors and performs reviews of interest only loans. Adverse trends reflected in the Company's delinquency statistics, grading and classification of interest only loans would be reported to management and the Board of Directors. As of June 30, 2018, the Company had \$1,123.1 million of interest only loans and \$2.3 million of option ARM mortgage loans. Through June 30, 2018, the net amount of deferred interest on these loan types was not material to the financial position or operating results of the Company.

The Company had \$220,379 of commercial real estate loan balances subject to general reserves as follows: LTV less than or equal to 50%: \$104,070; 51% – 60%: \$47,591; 61% – 70%: \$56,649; 71% – 80%: \$12,069 and greater than 80%: \$0.

The Company's commercial secured portfolio consists of business loans well-collateralized by real estate. The Company's other portfolio consists of receivables factoring for businesses and consumers. The Company allocates its allowance for loan and lease losses for these asset types based on qualitative factors which consider the value of the collateral and the financial position of the issuer of the receivables.

We believe the weighted average LTV percentage at June 30, 2018 of 55.35% for our entire real estate loan portfolio is lower and more conservative than most banks which has resulted, and is expected to continue to result in the future, in lower average mortgage loan charge-offs when compared to the real estate loan portfolios of other comparable banks.

Seasonal fluctuations in the *Other* loan classification and its associated allowance for loan and lease losses primarily relate to tax season H&R Block-related loan products. These products are generally short term in nature, in that they are intended to be repaid within a few weeks or months of origination; if they are not repaid timely, they are generally charged off in their entirety at 120 days delinquent, consistent with regulatory guidance for unsecured consumer loan products. The Company provides general loan loss reserves for its H&R Block-related loans based upon prior years' loss experience with consideration for current year loan performance. The increase in provision for loan and lease losses in the *Other* loan classification from \$5.3 million to \$17.1 million for the fiscal year ended June 30, 2017 and 2018, the increase in charge-offs from \$3.5 million to \$14.6 million for the fiscal year ended June 30, 2017 and 2018 and the increase in allowance transfers to held-for-sale from \$1.8 million to \$2.3 million for the fiscal year ended June 30, 2017 and 2018 were primarily due to the increase in Refund Advance loan fundings from \$0.3 billion to \$1.1 billion during the quarters ended March 31, 2017 and March 31, 2018, respectively, as well as the Company's continued funding of Emerald Advance loans. During fiscal 2018 the Company was the sole provider of the Refund

Advance product. The increase in provision for loan and lease losses in the *Other* loan classification from \$2.8 million to \$5.3 million for the fiscal year ended June 30, 2016 and 2017, respectively, and the increase in charge-offs from \$0 to \$3.5 million for the fiscal year ended June 30, 2016 and 2017 were primarily due to the Company's participation in the Refund Advance loan program during which \$0.3 billion of loans were purchased during the quarter ended March 31, 2017, as well as its continued funding of Emerald Advance loans. The increase in provision for loan and lease losses in the *Other* loan classification from a reduction of \$5,000 to a provision of \$2.8 million for the fiscal year ended June 30, 2015 and 2016, respectively, and the increase in allowance transferred to held-for-sale from \$0 to \$2.7 million for the fiscal year ended June 30, 2015 and 2016 were primarily due to the introduction of the Emerald Advance loan program. There is no long-term impact on the loan and lease portfolio credit quality, because substantially all of the tax season H&R Block-related loan products are either collected, charged-off or sold by the end of the Company's fiscal year. While they do incur higher proportional default and charge-off rates than the remainder of the Company's loan and lease portfolio, these asset quality attributes are within expectations of the design of the products.

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The following table sets forth the changes in our allowance for loan and lease losses, by portfolio class for the dates indicated:

<i>(Dollars in thousands)</i>	Single Family Real Estate Secured:									Total Allowance as a % of Total Loans	
	Mortgage	Home Equity	Warehouse and Other	Multi-family Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other		
Balance at June 30, 2013	\$4,812	\$ 183	\$ 1,250	\$ 3,186	\$ 1,378	\$ 1,536	\$ 201	\$ 1,623	\$ 13	\$14,182	0.62 %
Provision for loan losses	3,214	3	9	708	12	(142)	78	1,425	43	5,350	
Charge-offs	(125)	(98)	—	(359)	(355)	(620)	—	—	(34)	(1,591)	
Recoveries	58	46	—	250	—	38	—	—	40	432	
Balance at June 30, 2014	7,959	134	1,259	3,785	1,035	812	279	3,048	62	18,373	0.51 %
Provision for loan and lease losses	6,305	(1)	620	922	224	288	13	2,834	(5)	11,200	
Charge-offs	(747)	(43)	—	(344)	(156)	(271)	—	—	—	(1,561)	
Recoveries	147	32	—	—	—	124	—	—	12	315	
Balance at June 30, 2015	13,664	122	1,879	4,363	1,103	953	292	5,882	69	28,327	0.57 %
Provision for loan and lease losses	5,040	(134)	806	(311)	(1,056)	854	(47)	1,748	2,800	9,700	
Charge-offs	(205)	(3)	—	(114)	(147)	(339)	—	—	—	(808)	
Transfers to held for sale	—	—	—	—	—	—	—	—	(2,727)	(2,727)	
Recoveries	167	38	—	—	982	147	—	—	—	1,334	
Balance at June 30, 2016	18,666	23	2,685	3,938	882	1,615	245	7,630	142	35,826	0.56 %
Provision for loan and lease losses	2,308	(6)	(387)	323	110	990	156	2,251	5,316	11,061	
Charge-offs	(1,115)	(23)	—	—	(23)	(433)	—	—	(3,502)	(5,096)	
Transfers to held for sale	—	—	—	—	—	—	—	—	(1,828)	(1,828)	
Recoveries	113	25	—	377	39	207	—	—	108	869	
Balance at June 30, 2017	19,972	19	2,298	4,638	1,008	2,379	401	9,881	236	40,832	0.55 %
Provision for loan and lease losses	632	(18)	69	372	(159)	1,390	44	6,357	17,113	25,800	
Charge-offs	(271)	(1)	(287)	—	—	(803)	—	—	(14,617)	(15,979)	
Transfers to held for sale	—	—	—	—	—	—	—	—	(2,307)	(2,307)	
Recoveries	35	14	—	—	—	212	—	—	544	805	
Balance at June 30, 2018	\$20,368	\$ 14	\$ 2,080	\$ 5,010	\$ 849	\$ 3,178	\$ 445				