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BofI Holding, Inc.

Form 10-Q

April 26, 2018

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0001299709 2017-07-01 2018-03-31 0001299709 2018-04-19 0001299709 2017-06-30 0001299709 2018-03-31

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us-gaap:SeriesAPreferredStockMember 2017-06-30 0001299709 2016-07-01 2017-03-31 0001299709 2017-01-01

2017-03-31 0001299709 2018-01-01 2018-03-31 0001299709 us-gaap:CommonStockMember 2017-06-30

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

2017-07-01 2018-03-31 0001299709 us-gaap:CommonStockMember 2017-07-01 2018-03-31 0001299709

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0001299709 us-gaap:PreferredStockMember 2017-06-30 0001299709 us-gaap:TreasuryStockMember 2017-06-30

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us-gaap:PreferredStockMember 2018-03-31 0001299709 us-gaap:AdditionalPaidInCapitalMember 2017-06-30

0001299709 us-gaap:TreasuryStockMember 2018-03-31 0001299709

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us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-03-31 0001299709

us-gaap:RetainedEarningsMember 2017-07-01 2018-03-31 0001299709 us-gaap:AdditionalPaidInCapitalMember

2018-03-31 0001299709 us-gaap:RetainedEarningsMember 2018-03-31 0001299709 2017-03-31 0001299709

2016-06-30 0001299709 bofi:HandRBlockBankDepositsMember bofi:EmeraldAdvanceMember 2017-07-01

2018-03-31 0001299709 us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

us-gaap:MunicipalBondsMember us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709 us-gaap:FairValueInputsLevel2Member

us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709 us-gaap:FairValueInputsLevel2Member

us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

bofi:AgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709 us-gaap:FairValueInputsLevel3Member

us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709 us-gaap:OtherDebtSecuritiesMember

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709

us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

bofi:AgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel2Member

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us-gaap:CollateralizedDebtObligationsMember us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709 us-gaap:MunicipalBondsMember

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member

us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709

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us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

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us-gaap:FairValueMeasurementsRecurringMember 2018-03-31 0001299709

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2018-03-31 0001299709 us-gaap:OtherDebtSecuritiesMember us-gaap:FairValueMeasurementsRecurringMember

2017-06-30 0001299709 us-gaap:MunicipalBondsMember us-gaap:FairValueInputsLevel3Member

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us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709 us-gaap:MunicipalBondsMember
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bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2017-06-30 0001299709
bofi:AgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
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us-gaap:CollateralizedDebtObligationsMember us-gaap:FairValueMeasurementsRecurringMember 2017-06-30
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2018-03-31 0001299709 us-gaap:OtherDebtSecuritiesMember us-gaap:FairValueInputsLevel2Member
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us-gaap:NonperformingFinancingReceivableMember us-gaap:FairValueMeasurementsNonrecurringMember
2017-07-01 2018-03-31 0001299709 bofi:NonAgencyResidentialMortgageBackedSecuritiesMember
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us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
us-gaap:RealEstateAcquiredInSatisfactionOfDebtMember us-gaap:FairValueMeasurementsNonrecurringMember
2018-01-01 2018-03-31 0001299709 bofi:NonAgencyResidentialMortgageBackedSecuritiesMember
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2018-03-31 0001299709 bofi:NonAgencyResidentialMortgageBackedSecuritiesMember
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bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember us-gaap:IncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MarketApproachValuationTechniqueMember 2017-06-30 0001299709

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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 bofi:NonperformingFinancingReceivableHomeEquityMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MarketApproachValuationTechniqueMember 2017-06-30 0001299709
bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MarketApproachValuationTechniqueMember
2017-06-30 0001299709 bofi:NonperformingFinancingReceivableMultifamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
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bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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2017-06-30 0001299709 bofi:NonperformingFinancingReceivableSingleFamilyMember
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us-gaap:MarketApproachValuationTechniqueMember 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:IncomeApproachValuationTechniqueMember
2017-06-30 0001299709 us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-03-31 0001299709
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2018-03-31 0001299709 bofi:NonperformingFinancingReceivableMultifamilyMember
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2018-03-31 0001299709 bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
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2018-03-31 0001299709 us-gaap:CollateralizedDebtObligationsMember us-gaap:FairValueInputsLevel3Member
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2017-06-30 0001299709 bofi:NonAgencyResidentialMortgageBackedSecuritiesMember
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bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
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2017-06-30 0001299709 us-gaap:DerivativeFinancialInstrumentsAssetsMember
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us-gaap:CollateralizedDebtObligationsMember us-gaap:FairValueInputsLevel3Member
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us-gaap:CollateralizedDebtObligationsMember us-gaap:FairValueInputsLevel3Member
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us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel3Member
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us-gaap:FairValueMeasurementsRecurringMember 2017-03-31 0001299709 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0001299709 bofi:MortgageServicingRightsMember
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bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel3Member
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2018-03-31 0001299709 us-gaap:FairValueInputsLevel3Member
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us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31
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us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel1Member
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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30
0001299709 bofi:NonperformingFinancingReceivableOtherLoansMember
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bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueMeasurementsNonrecurringMember
2017-06-30 0001299709 bofi:NonperformingFinancingReceivableSingleFamilyMember
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30
0001299709 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
2018-03-31 0001299709 bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueMeasurementsNonrecurringMember
2017-06-30 0001299709 bofi:NonperformingFinancingReceivableOtherLoansMember
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
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bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueMeasurementsNonrecurringMember
2017-06-30 0001299709 bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
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0001299709 bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
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bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel2Member
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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel2Member
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us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueMeasurementsNonrecurringMember
2017-06-30 0001299709 bofi:NonperformingFinancingReceivableSingleFamilyMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31

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0001299709 bofi:NonperformingFinancingReceivableSingleFamilyMember
us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
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bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel2Member
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bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueMeasurementsNonrecurringMember
2018-03-31 0001299709 bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
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0001299709 bofi:NonperformingFinancingReceivableCommercialandIndustrialMember
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30
0001299709 bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel1Member
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us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30
0001299709 bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel2Member
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us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30
0001299709 bofi:ForeclosedAssetsRecreationalVehicleandAutoMember
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us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
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us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
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us-gaap:FairValueMeasurementsNonrecurringMember 2018-03-31 0001299709
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us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30
0001299709 bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel1Member

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us-gaap:FairValueMeasurementsNonrecurringMember 2017-06-30 0001299709
bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:IncomeApproachValuationTechniqueMember
2018-03-31 0001299709 us-gaap:DerivativeFinancialInstrumentsAssetsMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:MarketApproachValuationTechniqueMember 2018-03-31 0001299709
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:IncomeApproachValuationTechniqueMember
2018-03-31 0001299709 us-gaap:FairValueInputsLevel3Member 2017-07-01 2018-03-31 0001299709
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2018-01-01 2018-03-31 0001299709 us-gaap:FairValueInputsLevel3Member 2016-07-01 2017-03-31 0001299709
us-gaap:FairValueInputsLevel1Member 2017-06-30 0001299709 us-gaap:FairValueInputsLevel2Member 2017-06-30
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bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
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us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
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us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
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0001299709 bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MaximumMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709

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bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MinimumMember
us-gaap:IncomeApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709
bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:WeightedAverageMember
us-gaap:MarketApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MaximumMember
us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MinimumMember
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bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
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us-gaap:WeightedAverageMember us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:WeightedAverageMember
us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
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bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MinimumMember
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bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MinimumMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MinimumMember
us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709

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bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MinimumMember us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31
0001299709 bofi:NonperformingFinancingReceivableOtherLoansMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MaximumMember
us-gaap:MarketApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember
us-gaap:MinimumMember us-gaap:MarketApproachValuationTechniqueMember 2016-07-01 2017-06-30
0001299709 bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MinimumMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableMultifamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:WeightedAverageMember
bofi:MarketApproachAndIncomeApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MinimumMember
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bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableRecreationalVehicleAndAutoMember
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us-gaap:MaximumMember us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31
0001299709 bofi:OtherRealEstateOwnedSingleFamilyMember us-gaap:FairValueInputsLevel3Member
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bofi:ForeclosedAssetsRecreationalVehicleandAutoMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:WeightedAverageMember
us-gaap:MarketApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709
bofi:NonperformingFinancingReceivableHomeEquityMember us-gaap:FairValueInputsLevel3Member
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us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:WeightedAverageMember
us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:NonperformingFinancingReceivableCommercialandIndustrialMember us-gaap:FairValueInputsLevel3Member
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bofi:NonperformingFinancingReceivableSingleFamilyMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsNonrecurringMember us-gaap:MaximumMember
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bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MaximumMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709

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bofi:NonAgencyResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:WeightedAverageMember
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bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:WeightedAverageMember
us-gaap:IncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
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us-gaap:IncomeApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel3Member
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us-gaap:MarketApproachValuationTechniqueMember 2017-07-01 2018-03-31 0001299709
bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MinimumMember
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us-gaap:FairValueMeasurementsRecurringMember us-gaap:MinimumMember
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us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel3Member
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us-gaap:DerivativeFinancialInstrumentsAssetsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MinimumMember
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us-gaap:FairValueMeasurementsRecurringMember us-gaap:WeightedAverageMember
us-gaap:IncomeApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709
us-gaap:CollateralizedDebtObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MinimumMember
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bofi:MortgageServicingRightsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MinimumMember
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us-gaap:FairValueMeasurementsRecurringMember us-gaap:MinimumMember
us-gaap:MarketApproachValuationTechniqueMember 2016-07-01 2017-06-30 0001299709

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us-gaap:CollateralizedDebtObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MaximumMember
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us-gaap:FairValueMeasurementsRecurringMember us-gaap:MaximumMember
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bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2018-03-31 0001299709
us-gaap:OtherDebtSecuritiesMember 2018-03-31 0001299709
bofi:AgencyResidentialMortgageBackedSecuritiesMember 2018-03-31 0001299709
bofi:NonAgencySecuritiesMember 2017-06-30 0001299709 us-gaap:ResidentialMortgageBackedSecuritiesMember
2018-03-31 0001299709 us-gaap:MunicipalBondsMember 2017-06-30 0001299709 us-gaap:MunicipalBondsMember
2018-03-31 0001299709 bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2017-06-30 0001299709
us-gaap:OtherDebtSecuritiesMember 2017-06-30 0001299709
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2017-06-30 0001299709 2016-12-31 0001299709 2017-12-31 0001299709
bofi:NonAgencyResidentialMortgageBackedSecuritiesMember 2018-01-01 2018-03-31 0001299709
bofi:NonAgencyRmbsMezzanineZTrancheSecuritiesMember 2018-01-01 2018-03-31 0001299709
bofi:NonAgencyRmbsSeniorSupportSecuritiesMember 2017-12-31 0001299709 2017-10-01 2017-12-31 0001299709
bofi:NonAgencyRmbsSuperSeniorSecuritiesMember 2018-03-31 0001299709
bofi:NonAgencyRmbsMezzanineZTrancheSecuritiesMember 2018-03-31 0001299709
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us-gaap:NonperformingFinancingReceivableMember us-gaap:ResidentialMortgageMember 2018-03-31 0001299709
bofi:CommercialRealEstateandLandLoanMember bofi:LoanToValueRatio5160Member 2018-03-31 0001299709
us-gaap:AutomobileLoanMember us-gaap:MinimumMember 2017-07-01 2018-03-31 0001299709
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0001299709 bofi:OtherLoanMember bofi:HRBlockRelatedProductsMember 2017-01-01 2017-03-31 0001299709
bofi:FicoScore715769Member bofi:ConsumerRecreationalVehicleLoanMember 2018-03-31 0001299709
bofi:ResidentialMultifamilyLoanMember bofi:LoanToValueRatioRange7680Member 2018-03-31 0001299709
bofi:ResidentialMultifamilyLoanMember 2018-03-31 0001299709 bofi:HRBlockRelatedProductsMember
2016-07-01 2017-03-31 0001299709 bofi:FicoScoreLessThan660Member
bofi:ConsumerRecreationalVehicleLoanMember 2018-03-31 0001299709 bofi:WarehouseLoansMember 2018-03-31
0001299709 2016-07-01 2017-06-30 0001299709 us-gaap:ResidentialMortgageMember 2018-03-31 0001299709
us-gaap:ResidentialMortgageMember bofi:LoanToValueRatio7180Member 2018-03-31 0001299709
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bofi:FicoScoreGreaterThanOrEqualTo770Member bofi:ConsumerRecreationalVehicleLoanMember 2018-03-31
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bofi:CommercialRealEstateandLandLoanMember 2018-03-31 0001299709 bofi:OtherLoanMember
bofi:HRBlockRelatedProductsMember 2018-01-01 2018-03-31 0001299709 us-gaap:ResidentialMortgageMember
bofi:LoanToValueRatioGreaterThanOrEqualTo80Member 2018-03-31 0001299709 bofi:FicoScore700714Member
bofi:ConsumerRecreationalVehicleLoanMember 2018-03-31 0001299709

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bofi:CommercialRealEstateandLandLoanMember bofi:LoanToValueRatio6170Member 2018-03-31 0001299709
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2017-07-01 2018-03-31 0001299709 bofi:OtherLoanMember 2017-07-01 2018-03-31 0001299709
us-gaap:ResidentialMortgageMember 2016-07-01 2017-03-31 0001299709 us-gaap:RealEstateMember 2016-07-01
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2016-07-01 2017-03-31 0001299709 us-gaap:ResidentialMortgageMember 2017-07-01 2018-03-31 0001299709
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bofi:ResidentialMultifamilyLoanMember 2016-07-01 2017-03-31 0001299709 bofi:InHouseOriginatedLoansMember
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2018-01-01 2018-03-31 0001299709 us-gaap:AutomobileLoanMember 2016-06-30 0001299709

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bofi:WarehouseAndOtherMember 2017-03-31 0001299709 bofi:ResidentialMultifamilyLoanMember 2017-03-31
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bofi:ResidentialMultifamilyLoanMember 2017-06-30 0001299709
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bofi:InHouseOriginatedLoansMember us-gaap:PerformingFinancingReceivableMember
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bofi:ResidentialMultifamilyLoanMember us-gaap:SpecialMentionMember 2017-06-30 0001299709
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us-gaap:SpecialMentionMember 2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember
us-gaap:RealEstateMember us-gaap:PassMember 2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember
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2017-06-30 0001299709 bofi:InHouseOriginatedLoansMember us-gaap:AutomobileLoanMember
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2018-03-31 0001299709 bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember
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2018-03-31 0001299709 bofi:PurchasedLoansMember us-gaap:ResidentialMortgageMember
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2018-03-31 0001299709 bofi:InHouseOriginatedLoansMember us-gaap:ResidentialMortgageMember
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us-gaap:ScenarioForecastMember 2017-07-01 2018-06-30 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2016-07-01 2017-06-30 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2016-06-30 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2017-06-30 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2016-07-01 2017-03-31 0001299709 us-gaap:CommonStockMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember bofi:EmployeesandDirectorsMember 2016-07-01 2017-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2018-01-01 2018-03-31 0001299709 us-gaap:CommonStockMember 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember bofi:EmployeesandDirectorsMember 2017-07-01 2018-03-31 0001299709 us-gaap:CommonStockMember 2016-03-17 0001299709 us-gaap:RestrictedStockUnitsRSUMember 2017-01-01 2017-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember bofi:EmployeesandDirectorsMember us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember bofi:EmployeesandDirectorsMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember us-gaap:ChiefExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember us-gaap:ChiefExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember us-gaap:ChiefExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember bofi:EmployeesandDirectorsMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-07-01 2018-03-31 0001299709 us-gaap:RestrictedStockUnitsRSUMember us-gaap:ChiefExecutiveOfficerMember bofi:SharebasedCompensationAwardTrancheFourMember 2017-07-01 2018-03-31 0001299709 2015-12-01 2015-12-31 0001299709 bofi:FixedInterestRateMember us-gaap:LoanOriginationCommitmentsMember 2018-03-31 0001299709 bofi:AdjustableInterestRateMember bofi:SalesCommitmentMember us-gaap:LoanOriginationCommitmentsMember 2018-03-31 0001299709 2016-06-09 0001299709 bofi:FixedInterestRateMember us-gaap:LoanOriginationCommitmentsMember 2017-07-01 2018-03-31 0001299709 bofi:SalesCommitmentMember us-gaap:LoanOriginationCommitmentsMember 2018-03-31 0001299709 bofi:FixedInterestRateMember bofi:SalesCommitmentMember us-gaap:LoanOriginationCommitmentsMember 2018-03-31 0001299709 bofi:MandalevyCaseMember us-gaap:PendingLitigationMember 2017-06-02 2017-06-02 0001299709 bofi:AdjustableInterestRateMember us-gaap:LoanOriginationCommitmentsMember 2018-03-31 0001299709 us-gaap:LoanOriginationCommitmentsMember 2018-03-31 xbrli:pure xbrli:shares iso4217:USD xbrli:shares iso4217:USD bofi:loan bofi:class bofi:security bofi:claim bofi:defendant

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended March 31, 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 92122

(Address of principal executive offices)

(Zip Code)

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

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 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 Securities Exchange Act of 1934.

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 Securities Exchange Act of 1934). Yes No

The number of shares outstanding of the registrant's common stock on the last practicable date: 62,552,983 shares of common stock, \$0.01 par value per share, as of April 19, 2018.

Table of Contents

**BOFI HOLDING, INC.
INDEX**

	Page
<u>PART I – FINANCIAL INFORMATION</u>	<u>1</u>
<u>ITEM 1. FINANCIAL STATEMENTS</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets (unaudited) as of March 31, 2018 and June 30, 2017</u>	<u>1</u>
<u>Condensed Consolidated Statements of Income (unaudited) for the three and nine months ended March 31, 2018 and 2017</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income (unaudited) for the three and nine months ended March 31, 2018 and 2017</u>	<u>3</u>
<u>Condensed Consolidated Statement of Stockholders’ Equity (unaudited) for the nine months ended March 31, 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the nine months ended March 31, 2018 and 2017</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>38</u>
<u>SELECTED FINANCIAL DATA</u>	<u>40</u>
<u>RESULTS OF OPERATIONS</u>	<u>42</u>
<u>FINANCIAL CONDITION</u>	<u>49</u>
<u>LIQUIDITY</u>	<u>55</u>
<u>OFF-BALANCE SHEET COMMITMENTS AND CONTRACTUAL OBLIGATIONS</u>	<u>55</u>
<u>CAPITAL RESOURCES AND REQUIREMENTS</u>	<u>57</u>
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>58</u>
<u>ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS</u>	<u>59</u>
<u>ITEM 4: CONTROLS AND PROCEDURES</u>	<u>59</u>
<u>PART II – OTHER INFORMATION</u>	<u>61</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>61</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>61</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>61</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>61</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>61</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>61</u>
<u>ITEM 6. EXHIBITS</u>	<u>62</u>
<u>SIGNATURES</u>	<u>63</u>

Table of Contents

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BOFI HOLDING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31,	June 30,
	2018	2017
<i>(Dollars in thousands, except per share data)</i>		
ASSETS		
Cash and due from banks	\$ 1,490,692	\$ 628,172
Federal funds sold	349	15,369
Total cash and cash equivalents	1,491,041	643,541
Securities:		
Trading	—	8,327
Available-for-sale	173,186	264,470
Stock of the Federal Home Loan Bank, at cost	66,987	63,207
Loans held for sale, carried at fair value	28,301	18,738
Loans held for sale, lower of cost or fair value	6,770	6,669
Loans and leases—net of allowance for loan and lease losses of \$62,054 as of March 31, 2018 and \$40,832 as of June 30, 2017	8,064,716	7,374,493
Accrued interest receivable	26,889	20,781
Furniture, equipment and software—net	19,290	16,659
Mortgage servicing rights, carried at fair value	10,228	7,200
Cash surrender value of life insurance	6,312	6,174
Other real estate owned and repossessed vehicles	8,326	1,413
Deferred income tax	27,087	34,341
Other assets	53,187	35,667
TOTAL ASSETS	\$9,982,320	\$8,501,680
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$ 1,513,228	\$ 848,544
Interest bearing	6,450,529	6,050,963
Total deposits	7,963,757	6,899,507
Securities sold under agreements to repurchase	—	20,000
Advances from the Federal Home Loan Bank	968,000	640,000
Subordinated notes and debentures and other	54,528	54,463
Accrued interest payable	1,677	1,284
Accounts payable and other liabilities	72,705	52,179
Total liabilities	9,060,667	7,667,433
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock—\$0.01 par value; 1,000,000 shares authorized:		
Series A—\$10,000 stated value and liquidation preference per share; 515 shares issued and outstanding as of March 31, 2018 and June 30, 2017	5,063	5,063
Common stock—\$0.01 par value; 150,000,000 shares authorized; 65,516,157 shares issued and 62,552,868 shares outstanding as of March 31, 2018; 65,115,932 shares issued and 63,536,244 shares outstanding as of June 30, 2017	655	651
Additional paid-in capital	359,299	346,117
Accumulated other comprehensive income (loss)—net of tax	(1,141)) 487

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Retained earnings	634,308	519,246
Treasury stock, at cost; 2,963,289 shares as of March 31, 2018 and 1,579,688 shares as of June 30, 2017	(76,531)	(37,317)
Total stockholders' equity	921,653	834,247
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$9,982,320	\$8,501,680

See accompanying notes to the condensed consolidated financial statements.

1

Table of Contents
BOFI HOLDING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
<i>(Dollars in thousands, except per share data)</i>				
INTEREST AND DIVIDEND INCOME:				
Loans and leases, including fees	\$ 135,901	\$ 99,391	\$ 335,510	\$ 265,849
Investments	8,979	7,571	20,666	22,894
Total interest and dividend income	144,880	106,962	356,176	288,743
INTEREST EXPENSE:				
Deposits	20,800	14,151	57,162	41,676
Advances from the Federal Home Loan Bank	6,496	2,940	14,605	8,409
Other borrowings	901	1,312	2,963	3,959
Total interest expense	28,197	18,403	74,730	54,044
Net interest income	116,683	88,559	281,446	234,699
Provision for loan and lease losses	16,900	4,862	21,900	10,862
Net interest income, after provision	99,783	83,697	259,546	223,837
NON-INTEREST INCOME:				
Realized gain (loss) on sale of securities	(101	) 312	(18	) 2,924
Other-than-temporary loss on securities:				
Total impairment (losses) gains	(173	) (754	) (6,271	) (8,981
Loss (gain) recognized in other comprehensive income	173	386	6,115	7,143
Net impairment loss recognized in earnings	—	(368	) (156	) (1,838
Fair value gain (loss) on trading securities	—	270	—	837
Total unrealized (loss) gain on securities	—	(98	) (156	) (1,001
Prepayment penalty fee income	874	1,682	3,108	3,617
Gain on sale – other	522	341	2,888	4,068
Mortgage banking income	3,089	1,430	11,852	11,400
Banking service fees and other income	19,141	19,501	36,290	33,593
Total non-interest income	23,525	23,168	53,964	54,601
NON-INTEREST EXPENSE:				
Salaries and related costs	25,871	21,268	72,310	60,608
Data processing and internet	4,216	3,298	12,191	9,411
Advertising and promotional	4,315	2,148	11,092	6,670
Depreciation and amortization	2,024	1,552	5,719	4,316
Occupancy and equipment	1,543	1,461	4,461	4,100
Professional services	1,474	1,023	3,954	3,463
FDIC and regulator fees	1,242	1,265	3,338	3,390
Real estate owned and repossessed vehicles	(142	) (2	) (49	) 503
Other general and administrative	4,891	3,435	11,247	9,165
Total non-interest expense	45,434	35,448	124,263	101,626
INCOME BEFORE INCOME TAXES	77,874	71,417	189,247	176,812
INCOME TAXES	26,621	30,423	73,953	74,621
NET INCOME	\$51,253	\$40,994	\$115,294	\$102,191
NET INCOME ATTRIBUTABLE TO COMMON STOCK	\$51,176	\$40,917	\$115,062	\$101,959
COMPREHENSIVE INCOME	\$49,746	\$42,333	\$113,666	\$108,333
Basic earnings per share	\$0.80	\$0.63	\$1.78	\$1.57

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Diluted earnings per share	\$0.80	\$0.63	\$1.78	\$1.57
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See accompanying notes to the condensed consolidated financial statements.

2

Table of Contents

BOFI HOLDING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
<i>(Dollars in thousands)</i>				
NET INCOME	\$51,253	\$40,994	\$115,294	\$102,191
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) from available-for-sale securities, net of tax expense (benefit) of \$(715) and \$1,309 for the three months ended March 31, 2018 and 2017, and \$(3,215) and \$3,075 for the nine months ended March 31, 2018 and 2017, respectively.	(1,700)	1,737	(5,661)	4,183
Other-than-temporary impairment on securities recognized in other comprehensive income, net of tax expense (benefit) of \$51 and \$(166) for the three months ended March 31, 2018 and 2017, and \$2,278 and \$2,678 for the nine months ended March 31, 2018 and 2017, respectively.	122	(220)	3,837	3,644
Reclassification of net (gain) loss from available-for-sale securities included in income, net of tax expense (benefit) of \$(30) and \$134 for the three months ended March 31, 2018 and 2017, and \$(104) and \$1,239 for the nine months ended March 31, 2018 and 2017, respectively.	71	(178)	196	(1,685)
Other comprehensive income (loss)	(1,507)	1,339	(1,628)	6,142
Comprehensive income	\$49,746	\$42,333	\$113,666	\$108,333

See accompanying notes to the condensed consolidated financial statements.

Table of Contents
BOFI HOLDING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

<i>(Dollars in thousands)</i>	Preferred Stock	Common Stock			Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss), Net of Income Tax	Retained Earnings	Treasury Stock	Total
	Share Amount	Number of Shares Issued	Treasury	Outstanding					
BALANCE—June 30, 2017	515 \$ 5,063	65,115,932	(1,579,688)	63,536,244	\$ 651 \$ 346,117	\$ 487	\$ 519,246	\$(37,317)	\$ 834,247
Net income	—	—	—	—	—	—	115,294	—	115,294
Other comprehensive income (loss)	—	—	—	—	—	(1,628)	—	—	(1,628)
Cash dividends on preferred stock	—	—	—	—	—	—	(232)	—	(232)
Purchase of treasury stock	—	—	—	(1,233,491)	(1,233,491)	—	—	(35,183)	(35,183)
Stock-based compensation expense	—	—	50,373	—	50,373	1	13,185	—	13,186
Restricted stock unit vesting and tax benefits	—	—	349,852	(150,110)	199,742	3 (3)	—	(4,031)	(4,031)
BALANCE—March 31, 2018	515 \$ 5,063	65,516,157	(2,963,289)	62,552,868	\$ 655 \$ 359,299	\$(1,141)	\$ 634,308	\$(76,531)	\$ 921,653

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

BOFI HOLDING, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	March 31,	
	2018	2017
<i>(Dollars in thousands)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 115,294	\$ 102,191
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Accretion of discounts on securities	(685)	(2,373)
Net accretion of fees, discounts and premiums on loans and leases	(28,858)	(1,490)
Amortization of borrowing costs	156	155
Stock-based compensation expense	13,185	10,964
Valuation of financial instruments carried at fair value	—	(837)
Net (gain) loss on sale of investment securities	18	(2,924)
Impairment charge on securities	156	1,838
Provision for loan and lease losses	21,900	10,862
Deferred income taxes	8,227	(3,521)
Origination of loans held for sale	(1,275,333)	(1,084,387)
Unrealized (gain) loss on loans held for sale	(145)	339
Gain on sales of loans held for sale	(14,740)	(15,468)
Proceeds from sale of loans held for sale	1,280,673	1,127,928
Change in fair value of mortgage servicing rights	(188)	(259)
(Gain) loss on sale of other real estate and foreclosed assets	(216)	(24)
Depreciation and amortization of furniture, equipment and software	5,719	4,316
Net changes in assets and liabilities which provide (use) cash:		
Accrued interest receivable	(6,242)	4,040
Other assets	(20,643)	24,200
Accrued interest payable	393	(193)
Accounts payable and other liabilities	19,907	(3,978)
Net cash provided by (used in) operating activities	118,578	171,379
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(81,908)	(193,145)
Proceeds from sale of securities	53,010	124,362
Proceeds from repayment of securities	126,993	180,180
Purchase of stock of Federal Home Loan Bank	(25,287)	(58,950)
Proceeds from redemption of stock of Federal Home Loan Bank	21,507	60,210
Origination of loans and leases for portfolio	(4,543,744)	(2,990,589)
Origination of mortgage warehouse loans, net	(17,460)	(50,401)
Proceeds from sales of other real estate owned and repossessed assets	1,654	255
Purchases of loans and leases, net of discounts and premiums	—	(269,886)
Principal repayments on loans	3,869,702	2,637,870
Net purchases of furniture, equipment and software	(8,350)	(6,252)
Net cash used in investing activities	(603,883)	(566,346)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	1,064,250	755,580
Repayment of Federal Home Loan Bank term advances	(15,000)	(85,000)
Net (repayment) proceeds of Federal Home Loan Bank other advances	343,000	319,000
Settlement of securities sold under agreements to repurchase	(20,000)	—

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Tax payments related to settlement of restricted stock units	(4,031)	(2,483)
Repurchase of treasury stock	(35,183)	—
Tax benefit from exercise of common stock options and vesting of restricted stock grants	1	132
Cash dividends on preferred stock	(232)	(232)
Net cash provided by financing activities	1,332,805	986,997
NET CHANGE IN CASH AND CASH EQUIVALENTS	847,500	592,030
CASH AND CASH EQUIVALENTS—Beginning of year	643,541	486,727
CASH AND CASH EQUIVALENTS—End of period	\$1,491,041	\$1,078,757
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid on deposits and borrowed funds	\$74,337	\$54,236
Income taxes paid	\$39,406	\$62,271
Transfers to other real estate owned and repossessed vehicles from loans	\$8,425	\$1,441
Transfers from loans held for sale to loans held for investment	\$1,034	\$2,047
Securities transferred from held-to-maturity to available-for-sale portfolio	\$—	\$194,153

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

**BOFI HOLDING, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED MARCH 31, 2018 AND 2017**

(Dollars in thousands, except per share data)

(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of BofI Holding, Inc. and its wholly owned subsidiary, BofI Federal Bank (the “Bank” and collectively with BofI Holding, Inc., the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications were made to previously reported amounts in the unaudited condensed consolidated financial statements and notes thereto to make them consistent with the current period presentation.

The accompanying interim condensed consolidated financial statements, presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”), are unaudited and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of financial condition and results of operations for the interim periods. All adjustments are of a normal and recurring nature. Results for the nine months ended March 31, 2018 are not necessarily indicative of results that may be expected for any other interim period or for the year as a whole. Certain information and note disclosures normally included in the audited annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) with respect to interim financial reporting. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended June 30, 2017 included in our Annual Report on Form 10-K.

2. SIGNIFICANT ACCOUNTING POLICIES

Securities. Debt securities are classified as held-to-maturity and carried at amortized cost when management has both the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Trading securities refer to certain types of assets that banks hold for resale at a profit or when the Company elects to account for certain securities at fair value. Increases or decreases in the fair value of trading securities are recognized in earnings as they occur. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Gains and losses on securities sales are based on a comparison of sales proceeds and the amortized cost of the security sold using the specific identification method. Purchases and sales are recognized on the trade date. Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are amortized or accreted using the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. The Company’s portfolios of held-to-maturity and available-for-sale securities are reviewed quarterly for other-than-temporary impairment. In performing this review, management considers (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) the impact of changes in market interest rates on the market value of the security and (4) how to record an impairment by assessing whether the Company intends to sell or it is more likely than not that it will be required to sell a security in an unrealized loss position before the Company recovers the security’s amortized cost. If either of these criteria for (4) is met, the entire difference between amortized cost and fair value is recognized in earnings. Alternatively, if the criteria for (4) is not met, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Loans and Leases. Loans and leases that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred purchase premiums and discounts, deferred origination fees and costs, and an allowance for loan and lease losses. Interest income is accrued on the unpaid principal balance. Premiums and discounts on loans purchased as well as origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method.

The Company provides equipment financing to its customers through a variety of lease arrangements. The most common arrangement is a direct financing (capital) lease. For direct financing leases, lease receivables are recorded on the balance sheet but the leased property is not, although the Company generally retains legal title to the leased property until the end of each lease. Direct financing leases are stated at the net amount of minimum lease payments receivable, plus any unguaranteed residual value, less the amount of unearned income and net acquisition discount at the reporting date. Direct lease origination costs are amortized over the weighted average life of the lease portfolio. Leases acquired in an acquisition are initially measured and recorded at their

Table of Contents

fair value on the acquisition date. Purchase discounts or premiums on acquired leases are recognized as an adjustment to interest income over the contractual life of the leases using the effective interest method or taken into income when the related leases are paid off. Direct financing leases are subject to the allowance for loan and lease losses.

Recognition of interest income on all portfolio segments is generally discontinued at the time the loan or lease is 90 days delinquent unless the loan or lease is well secured and in process of collection. Past due status is based on the contractual terms of the loan or lease. In all cases, loans or leases are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans or leases placed on nonaccrual, is reversed against interest income. Interest received on such loans or leases is accounted for on the cash-basis or cost recovery method, until qualifying for return to accrual. Loans and leases are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans Held for Sale. U.S government agency (“agency”) loans originated and intended for sale in the secondary market are carried at fair value. Net unrealized gains and losses are recognized through the income statement. The Bank sells its mortgage loans with either servicing released or servicing retained depending upon market pricing. Gains and losses on loan sales are recorded as mortgage banking income, based on the difference between sales proceeds and carrying value. Non-agency loans held for sale are carried at the lower of cost or fair value.

Loans that were originated with the intent and ability to hold for the foreseeable future (loans held in portfolio) but which have been subsequently designated as being held for sale for risk management or liquidity needs are carried at the lower of cost or fair value calculated on an individual loan by loan basis.

There may be times when loans have been classified as held for sale and for some reason cannot be sold. Loans transferred to a long-term-investment classification from held-for-sale are transferred at the lower of cost or market value on the transfer date. Any difference between the carrying amount of the loan and its outstanding principal balance is recognized as an adjustment to yield by the interest method. A loan cannot be classified as a long-term investment unless the Bank has both the ability and the intent to hold the loan for the foreseeable future or until maturity.

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 charged against current period operating results and recoveries of loans previously charged-off. The allowance is decreased by the amount of charge-offs of loans deemed uncollectible. Allocations of the allowance may be made for specific loans but the entire allowance is available for any loan that, in management’s judgment, should be charged off. See Note 5 of these financial statement footnotes and the financial statement footnotes for the year ended June 30, 2017 included in our Annual Report on Form 10-K for further information.

Brand Partnership Products. The Bank has agreements with H&R Block, Inc. (“H&R Block”) and its wholly-owned subsidiaries that allow the Bank to provide H&R Block-branded financial products and services. The products and services that represent the primary focus and the majority of transactional volume that the Bank processes are described in detail below.

The first product is Emerald Prepaid Mastercard® services (“EPC”). 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

service fees and other income.

The second product is Refund Transfer (“RT”). 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

7

Table of Contents

earned primarily in the quarters ending March 31st and are included in the income statement under the line banking service fees and other income.

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.

The H&R Block-branded financial services products introduce seasonality into 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 our third fiscal quarter ending March 31.

New Accounting Pronouncements. In March 2016, the FASB issued ASU 2016-09 Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which simplifies several areas of accounting for share-based payment transactions, including tax provision, classification in the cash-flow statement, forfeitures, and statutory tax withholding requirements. Under ASU 2016-09, all excess tax benefits and tax deficiencies related to share-based payment awards should be recognized as income tax expense or benefit in the income statement during the period in which they occur. Previously, such amounts were recorded in the pool of excess tax benefits included in additional paid-in capital, if such pool was available. Because excess tax benefits are no longer recognized in additional paid-in capital, the assumed proceeds from applying the treasury stock method when computing earnings per share should exclude the amount of excess tax benefits that would have previously been recognized in additional paid-in capital. Additionally, excess tax benefits should be classified along with other income tax cash flows as an operating activity rather than a financing activity, as was previously the case. ASU 2016-09 also provides that an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. ASU 2016-09 changes the threshold to qualify for equity classification (rather than as a liability) to permit withholding up to the maximum statutory tax rates in the applicable jurisdictions. The adoption at July 1, 2017 of ASU 2016-09 did not have a significant impact on our financial position, results of operations or cash flows.

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Public entities are required to adopt the revenue recognition standard for reporting periods beginning after December 15, 2017. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard affects all entities that either enter into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. Therefore, the ASU excludes revenue associated with financial

instruments including loans, leases, securities, and derivatives as these topics are accounted for using other standards. Other areas that are within the scope of the standard include service charges on deposit accounts, and gains and losses on other real estate owned. The Company has formed a working group to guide implementation efforts including the identification of revenue within the scope of the guidance, as well as the evaluation of revenue contracts and the respective performance obligations within those contracts. The Company has significantly completed its analysis of ASU 2014-09 and is currently in the documentation phase. While the Company has not identified any material changes related to the timing or amount of revenue recognition, the Company will continue to evaluate disaggregation for significant categories of revenue in the scope of the guidance and the need for additional disclosures. Adoption is not anticipated to have a material impact on the Company's financial statements.

Table of Contents

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), Leases. The new standard establishes a right-of-use model that requires a lessee to record a right of use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company continues to evaluate the impact of ASU 2016-02, including determining whether other contracts exist that are deemed to be in scope. As such, no conclusions have yet been reached regarding the potential impact on adoption of ASU 2016-02 on the Company’s financial statements and regulatory capital and risk-weighted assets; however, the Company does not expect the amendment to have a material impact on its results of operations.

In June 2016, the FASB issued ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which (i) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model; and (ii) provides for recording credit losses on available-for-sale debt securities through an allowance account. ASU 2016-13 also requires certain incremental disclosures. ASU 2016-13 should be applied on a modified-retrospective transition approach that would require a cumulative-effect adjustment to the opening retained earnings in the statement of financial condition as of the date of adoption. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The guidance will be effective for the Company’s financial statements that include periods beginning July 1, 2020. Early adoption is permitted beginning July 1, 2019. The Company has formed a working group, which is currently developing an implementation plan to include assessment of processes, portfolio segmentation, model development, system requirements and the identification of data and resource needs, among other things including evaluating third-party vendor solutions. The Company expects ASU 2016-13 to have a material impact on the Company’s financial statements.

3. FAIR VALUE

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting Standards Codification Topic 820, *Fair Value Measurement*, also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Quoted prices in active markets for *identical* assets or liabilities in active markets that the entity has the ability to access as of the measurement date. Level 1 assets and liabilities include debt and equity securities that are
- 1:** actively traded in an exchange or over-the-counter market and are highly liquid, such as, among other assets and securities, certain U.S. treasury and other U.S. government debt.
- Observable inputs other than Level 1 prices such as quoted prices for *similar* assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market
- Level 2:** data for substantially the full term of the assets or liabilities. Level 2 assets include securities with quoted prices that are traded less frequently than exchange-traded instruments and whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of
- Level 3:** the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models such as discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Company generally uses quoted market prices to determine fair value, in which case the items are classified in Level 1. In some cases where a market price is available, the Company will make use of acceptable

practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2. The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the nature of the participants are some of the factors the Company uses to help determine whether a market is active and orderly or inactive and not orderly. Price quotes based upon transactions that are not orderly are not considered to be determinative of fair value and should be given little, if any, weight in measuring fair value.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, credit spreads, housing value forecasts, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input

Table of Contents

or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified:

Securities—trading, available-for-sale, and held-to-maturity. Trading securities are recorded at fair value.

Available-for-sale (“AFS”) securities are recorded at fair value and consist of residential mortgage-backed securities (“RMBS”) issued by U.S. agencies, non-agencies, collateralized loan obligations, and municipals. Held-to-maturity (“HTM”) securities are recorded at amortized cost. Fair value for U.S. agency securities is generally based on quoted market prices of similar securities used to form a dealer quote or a pricing matrix. There continues to be significant illiquidity in the market for RMBS issued by non-agencies, impacting the availability and reliability of transparent pricing. As orderly quoted market prices are not available, the Level 3 fair values for these securities are determined by the Company utilizing industry-standard tools to calculate the net present value of the expected cash flows available to the securities from the underlying mortgage assets. The Company computes Level 3 fair values for each non-agency RMBS in the same manner (as described below) whether available-for-sale or held-to-maturity.

To determine the performance of the underlying mortgage loan pools, the Company estimates 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. For each security, the Company inputs a projection of monthly default rates, loss severity rates and voluntary prepayment rates for the underlying mortgages for the remaining life of each 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 and decreased by the forecasted increase or decrease in the national unemployment rate. 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 (and decreased by) the forecasted decrease or increase in the national home price appreciation (“HPA”) index. The largest factors influencing the Company’s modeling of the monthly default rate are unemployment and HPA, as a strong correlation exists. The national unemployment rate announced prior to the end of the period covered by this report (reported for February 2018) was 4.1%, down from the high of 10.0% in October 2009. Going forward, the Company is projecting lower monthly default rates. The range of loss severity rates applied to each default used in the Company’s projections at March 31, 2018 are from 40.0% up to 68.1% based upon individual bond historical performance. The default rates and the severities are projected for every non-agency RMBS security held by the Company and will vary monthly based upon the actual performance of the security and the macroeconomic factors discussed above.

To determine the discount rates used to compute the present value of the expected cash flows for these non-agency RMBS securities, the Company separates the securities by the borrower characteristics in the underlying pool. Specifically, “prime” securities generally have borrowers with higher FICO scores and better documentation of income. “Alt-A” securities generally have borrowers with a 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). The Company calculates separate discount rates for prime, Alt-A and Pay-option ARM non-agency RMBS securities using market-participant assumptions for risk, capital and return on equity. The range of annual default rates used in the Company’s projections at March 31, 2018 are from 1.5% up to 6.3% with prime securities tending toward the lower end of the range and Alt-A and Pay-option ARMs tending toward the higher end of the range. The Company applies its discount rates to the projected monthly cash flows which already reflect the full impact of all forecasted losses using the assumptions described above. When calculating present value of the expected cash flows at March 31, 2018, the Company computed its discount rates as a spread between 253 and 638 basis points over the interpolated swap curve with prime securities tending toward the lower end of the range and Alt-A and Pay-option ARMs tending toward the higher end of the range.

The Bank’s estimate of fair value for non-agency securities using Level 3 pricing is highly subjective and is based on the Bank’s estimate of voluntary prepayments, default rates, severities and discount margins, which are forecasted monthly over the remaining life of the security. Changes in one or more of these assumptions can cause a significant

change in the estimated fair value. For further details see the table later in this note that summarizes quantitative information about Level 3 fair value measurements.

Loans Held for Sale. Loans held for sale at fair value are primarily single-family and multifamily residential loans. The fair value of residential loans held for sale is determined by pricing for comparable assets or by existing forward sales commitment prices with investors.

Impaired Loans. Impaired loans are loans which are inadequately protected by the current net worth and paying capacity of the borrowers or the collateral pledged. The accrual of interest income has been discontinued for impaired loans. The impaired loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. The Company assesses loans individually and identifies impairment when the loan is classified as impaired, has been restructured, or

Table of Contents

management has serious doubts about the future collectibility of principal and interest, even though the loans may currently be performing. The fair value of an impaired loan is determined based on an observable market price or current appraised value of the underlying collateral. The fair value of impaired loans with specific write-offs or allocations of the allowance for loan losses are generally based on recent real estate appraisals or internal valuation analyses consistent with the methodology used in real estate appraisals and include other third-party valuations and analysis of cash flows. These appraisals and analyses are updated at least on an annual basis. The Company primarily obtains real estate appraisals and in the rare cases where an appraisal cannot be obtained, the Company performs an internal valuation analysis. These appraisals and analyses may utilize a single valuation approach or a combination of approaches including comparable sales and income approaches. The sales comparison approach uses at least three recent similar property sales to help determine the fair value of the property being appraised. The income approach is calculated by taking the net operating income generated by the collateral property of the rent collected and dividing it by an assumed capitalization rate. Adjustments are routinely made in the process by the appraisers to account for differences between the comparable sales and income data available. When measuring the fair value of the impaired loan based upon the projected sale of the underlying collateral, the Company subtracts the costs expected to be incurred for the transfer of the underlying collateral, which includes items such as sales commissions, delinquent taxes and insurance premiums. These adjustments to the estimated fair value of non-performing loans may result in increases or decreases to the provision for loan and lease losses recorded in current earnings. Such adjustments are typically significant and result in a Level 3 classification for the inputs for determining fair value.

Other Real Estate Owned and Repossessed Vehicles. Non-recurring adjustments to certain commercial and residential real estate properties classified as other real estate owned (“OREO”) are measured at the lower of carrying amount or fair value, less estimated costs to sell. Fair values are generally based on third-party appraisals of the property, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Mortgage Servicing Rights. The Company initially records all mortgage servicing rights (“MSRs”) at fair value and accounts for MSRs at fair value during the life of the MSR, with changes in fair value recorded through current period earnings. Fair value adjustments encompass market-driven valuation changes as well as modeled amortization involving the run-off of value that occurs due to the passage of time as individual loans are paid by borrowers. Market expectations about loan duration, and correspondingly the expected term of future servicing cash flows, may vary from time to time due to changes in expected prepayment activity, especially when interest rates rise or fall. Market expectations of increased loan prepayment speeds may negatively impact the fair value of the single family MSRs. Fair value is also dependent on the discount rate used in calculating present value, which is imputed from observable market activity and market participants and results in Level 3 classification. Management reviews and adjusts the discount rate on an ongoing basis. An increase in the discount rate would reduce the estimated fair value of the MSRs asset.

Mortgage Banking Derivatives. Fair value for mortgage banking derivatives are either based upon prices in active secondary markets for identical securities or based on quoted market prices of similar assets used to form a dealer quote or a pricing matrix. If no such quoted price exists, the fair value of a commitment is determined by quoted prices for a similar commitment or commitments, adjusted for the specific attributes of each commitment. These fair values are then adjusted for items such as fallout and estimated costs to originate the loan.

The Company’s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company’s valuation methodologies are appropriate and consistent with or, in some cases, more conservative than other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the relevant reporting date.

Table of Contents

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2018 and June 30, 2017. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

<i>(Dollars in thousands)</i>	March 31, 2018			Total
	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
ASSETS:				
Securities—Available-for-Sale:				
Agency RMBS	\$ 17,310	\$ —	\$ —	\$ 17,310
Non-Agency RMBS	—	—	17,630	17,630
Municipal	20,299	—	—	20,299
Non-agency Debt Securities	117,947	—	—	117,947
Total—Securities—Available-for-Sale	\$ 155,556	\$ —	\$ 17,630	\$ 173,186
Loans Held for Sale	\$ 28,301	\$ —	\$ —	\$ 28,301
Mortgage Servicing Rights	\$ —	\$ —	\$ 10,228	\$ 10,228
Other assets – Derivative Instruments	\$ —	\$ —	\$ 1,697	\$ 1,697
LIABILITIES:				
Other liabilities – Derivative Instruments	\$ —	\$ —	\$ 259	\$ 259
	June 30, 2017			
	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>(Dollars in thousands)</i>				
ASSETS:				
Securities—Trading: Collateralized Debt Obligations	\$ —	\$ —	\$ 8,327	\$ 8,327
Securities—Available-for-Sale:				
Agency RMBS	\$ 27,206	\$ —	\$ —	\$ 27,206
Non-Agency RMBS	—	—	71,503	71,503
Municipal	27,163	—	—	27,163
Non-agency Debt Securities	138,598	—	—	138,598
Total—Securities—Available-for-Sale	\$ 192,967	\$ —	\$ 71,503	\$ 264,470
Loans Held for Sale	\$ 18,738	\$ —	\$ —	\$ 18,738
Mortgage Servicing Rights	\$ —	\$ —	\$ 7,200	\$ 7,200
Other assets – Derivative Instruments	\$ —	\$ —	\$ 1,194	\$ 1,194
LIABILITIES:				
Other liabilities – Derivative Instruments	\$ —	\$ —	\$ 168	\$ 168

Table of Contents

The following tables present additional information about assets measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

<i>(Dollars in thousands)</i>	For the Three Months Ended				
	March 31, 2018				
	Securities – Trading: Collateralized Debt Obligations	Securities – Available-for-Sale: Non-Agency RMBS	Mortgage Servicing Rights	Derivative Instruments, net	Total
Opening balance	\$—	\$ 24,791	\$9,066	\$ 1,218	\$35,075
Transfers into Level 3	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—
Total gains or losses for the period:					
Included in earnings—Sale of securities	—	(101)	—	—	(101)
Included in earnings—Fair value gain (loss) on trading securities	—	—	—	—	—
Included in earnings—Mortgage banking income	—	—	567	220	787
Included in other comprehensive income	—	(960)	—	—	(960)
Purchases, originations, issues, sales and settlements:					
Purchases/originations	—	—	595	—	595
Issues	—	—	—	—	—
Sales	—	(4,068)	—	—	(4,068)
Settlements	—	(2,032)	—	—	(2,032)
Other-than-temporary impairment	—	—	—	—	—
Closing balance	\$—	\$ 17,630	\$10,228	\$ 1,438	\$29,296
Change in unrealized gains or losses for the period included in earnings for assets held at the end of the reporting period	\$—	\$ (101)	\$567	\$ 220	\$686

<i>(Dollars in thousands)</i>	For the Nine Months Ended				
	March 31, 2018				
	Securities – Trading: Collateralized Debt Obligations	Securities – Available-for-Sale: Non-Agency RMBS	Mortgage Servicing Rights	Derivative Instruments, net	Total
Opening Balance	\$8,327	\$ 71,503	\$7,200	\$ 1,026	\$88,056
Transfers into Level 3	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—
Total gains or losses for the period:					
Included in earnings—Sale of securities	282	(300)	—	—	(18)
Included in earnings—Fair value gain (loss) on trading securities	—	—	—	—	—
Included in earnings—Mortgage banking income	—	—	188	412	600
Included in other comprehensive income	—	(2,114)	—	—	(2,114)
Purchases, originations, issues, sales and settlements:					
Purchases/originations	—	—	2,840	—	2,840
Issues	—	—	—	—	—
Sales	(8,609)	(44,267)	—	—	(52,876)
Settlements	—	(7,036)	—	—	(7,036)

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Other-than-temporary impairment	—	(156)	—	—	(156)
Closing balance	\$—	\$ 17,630		\$10,228	\$ 1,438	\$29,296	
Change in unrealized gains or losses for the period included in earnings for assets held at the end of the reporting period	\$—	\$ (300)	\$188	\$ 412	\$300	

13

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Change in unrealized gains or losses for the period included in earnings for assets held at the end of the reporting period	\$837	\$ (1,556)	\$468	\$ (176)	\$ (427)
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14

Table of Contents

The table below summarizes the quantitative information about level 3 fair value measurements as of the dates indicated:

		March 31, 2018			
<i>(Dollars in thousands)</i>		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securities – Available-for-Sale: Non-agency RMBS	\$ 17,630	Discounted Cash Flow		Projected Constant Prepayment Rate, Projected Constant Default Rate, Projected Loss Severity, Discount Rate over LIBOR	2.5 to 16.4% (11.5%) 1.5 to 6.3% (4.7%) 40.0 to 68.1% (58.7%) 2.5 to 6.4% (4.2%)
Mortgage Servicing Rights	\$ 10,228	Discounted Cash Flow		Projected Constant Prepayment Rate, Life (in years), Discount Rate	5.5 to 26.1% (8.7%) 2.7 to 9.5 (7.1) 9.5 to 13.0% (9.9%)
Derivative Instruments, net	\$ 1,438	Sales Comparison Approach		Projected Sales Profit of Underlying Loans	0.1 to 0.5% (0.3%)
		June 30, 2017			
<i>(Dollars in thousands)</i>		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securities – Trading: Collateralized Debt Obligations	\$ 8,327	Discounted Cash Flow		Total Projected Defaults, Discount Rate over Treasury Projected Constant Prepayment Rate, Projected Constant Default Rate, Projected Loss Severity, Discount Rate over LIBOR	12.2 to 21.8% (16.8%) 4.5 to 4.5% (4.5%) 2.5 to 23.4% (12.5%) 1.5 to 18.9% (5.3%) 40.0 to 68.8% (57.9%) 2.6 to 5.8% (3.3%)
Securities – Available-for-Sale: Non-agency RMBS	\$ 71,503	Discounted Cash Flow		Projected Constant Prepayment Rate, Life (in years), Discount Rate	6.3 to 26.9% (9.5%) 2.5 to 7.8 (6.6) 9.5 to 13.0% (9.7%)
Mortgage Servicing Rights	\$ 7,200	Discounted Cash Flow		Projected Sales Profit of Underlying Loans	0.3 to 0.6% (0.5%)
Derivative Instruments, net	\$ 1,026	Sales Comparison Approach			

The significant unobservable inputs used in the fair value measurement of the Company's residential mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

The table below summarizes changes in unrealized gains and losses and interest income recorded in earnings for level 3 trading assets and liabilities that are still held at the periods indicated:

	For the Three Months Ended	For the Nine Months Ended
<i>(Dollars in thousands)</i>	March 31, 2018	March 31, 2017
Interest income on investments	\$-\$81	\$-\$224
Fair value adjustment	—270	—837
Total	\$-\$351	\$-\$1,061

Table of Contents

The table below summarizes assets measured for impairment on a non-recurring basis:

<i>(Dollars in thousands)</i>	March 31, 2018			Balance
	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Impaired Loans:				
Single family real estate secured:				
Mortgage	\$—	—	\$ 29,549	\$29,549
Home equity	—	—	16	16
Multifamily real estate secured	—	—	243	243
Auto and RV secured	—	—	147	147
Other	—	—	437	437
Total	\$—	—	\$ 30,392	\$30,392
Other real estate owned and foreclosed assets:				
Single family real estate	\$—	—	\$ 8,139	\$8,139
Autos and RVs	—	—	187	187
Total	\$—	—	\$ 8,326	\$8,326

<i>(Dollars in thousands)</i>	June 30, 2017			Balance
	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Impaired Loans:				
Single family real estate secured:				
Mortgage	\$—	—	\$ 23,377	\$23,377
Home equity	—	—	16	16
Multifamily real estate secured	—	—	4,255	4,255
Auto and RV secured	—	—	157	157
Commercial & Industrial	—	—	314	314
Other	—	—	274	274
Total	\$—	—	\$ 28,393	\$28,393
Other real estate owned and foreclosed assets:				
Single family real estate	\$—	—	\$ 1,353	\$1,353
Autos and RVs	—	—	60	60
Total	\$—	—	\$ 1,413	\$1,413

Impaired loans measured for impairment on a non-recurring basis using the fair value of the collateral for collateral-dependent loans have a carrying amount of \$30,392, after charge-offs of \$193 for the nine months ended March 31, 2018, life to date charge-offs of \$2,517, life to date interest payments applied to principal of \$1,138 for total life to date principal balance adjustments of \$3,655. Impaired loans had a related allowance of \$841 at March 31, 2018.

Other real estate owned and foreclosed assets, which are measured at the lower of carrying value or fair value less costs to sell, had a net carrying amount of \$8,326 after charge-offs of \$21 for the three months ended March 31, 2018. There were no held-to-maturity securities at March 31, 2018 and June 30, 2017.

The Company has elected the fair value option for Agency loans held for sale. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loan. None of these loans are 90 days or more past due nor on nonaccrual as of March 31, 2018 and June 30, 2017.

Table of Contents

As of March 31, 2018 and June 30, 2017, the aggregate fair value, contractual balance (including accrued interest), and unrealized gain was as follows:

<i>(Dollars in thousands)</i>	March 31, 2018	June 30, 2017
Aggregate fair value	\$28,301	\$18,738
Contractual balance	27,729	18,311
Unrealized gain	\$572	\$427

The total amount of unrealized gains and losses from changes in fair value included in earnings for the period indicated below for loans held for sale were:

<i>(Dollars in thousands)</i>	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2018	2017	2018	2017
Interest income	\$213	\$139	\$584	\$468
Change in fair value	275	(1,560)	558	(515)
Total	\$488	\$(1,421)	\$1,142	\$(47)

Table of Contents

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at the periods indicated:

March 31, 2018				
<i>(Dollars in thousands)</i>	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)¹
Impaired loans:				
Single family real estate secured:				
Mortgage	\$ 29,549	Sales comparison approach	Adjustment for differences between the comparable sales	-43.1 to 66.7% (0.9%)
Home equity	\$ 16	Sales comparison approach	Adjustment for differences between the comparable sales	0.0 to 14.9% (7.4%)
Multifamily real estate secured	\$ 243	Sales comparison approach, income approach, Discounted cash flows	Adjustment for differences between the comparable sales and adjustments for differences in net operating income expectations	-15.5 to 46.4% (15.4%)
Auto and RV secured	\$ 147	Sales comparison approach	Adjustment for differences between the comparable sales	-20.0 to 71.5% (18.6%)
			Projected Constant Prepayment Rate,	0.0 to 0.0% (0.0%)
Other	\$ 437	Discounted cash flow	Projected Constant Default Rate, Projected Loss Severity, Discount Rate	0.0 to 10.0% (5.0%) 100.0 to 100.0% (100.0%) 4.3 to 4.5% (4.4%)
Other real estate owned and foreclosed assets:				
Single family real estate	\$ 8,139	Sales comparison approach	Adjustment for differences between the comparable sales	-49.7 to 6.0% (6.5%)
Autos and RVs	\$ 187	Sales comparison approach	Adjustment for differences between the comparable sales	-16.6 to 56.7% (10.2%)

¹ For impaired loans, other real estate owned and foreclosed assets the ranges shown may vary positively or negatively based on the comparable sales reported in the current appraisal. In certain instances, the range can be significant due to small sample sizes and in some cases the property being valued having limited comparable sales with similar characteristics at the time the current appraisal is conducted.

June 30, 2017				
<i>(Dollars in thousands)</i>	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)¹
Impaired loans:				
Single family real estate secured:				
Mortgage	\$ 23,377	Sales comparison approach	Adjustment for differences between the comparable sales	-38.5 to 79.8% (6.4%)
Home equity	\$ 16	Sales comparison approach	Adjustment for differences between the comparable sales	-6.1 to 26.1% (7.8%)
Multifamily real estate secured	\$ 4,255	Sales comparison approach and income approach	Adjustment for differences between the comparable sales and adjustments for differences in net operating income expectations, capitalization rate	-24.2 to 48.7% (2.4%)
Auto and RV secured	\$ 157	Sales comparison approach	Adjustment for differences between the comparable sales	-17.2 to 42.4% (-5.5%)
Commercial and Industrial	\$ 314	Discounted cash flow	Discount Rate	34.8 to 34.8% (34.8%)
			Projected Constant Prepayment Rate,	0.0 to 0.0% (0.0%)
Other	\$ 274	Discounted cash flow	Projected Constant Default Rate, Projected Loss Severity, Discount Rate	0.0 to 10.0% (5.0%) 100.0 to 100.0% (100.0%) 4.5 to 5.2% (4.9%)
Other real estate owned and foreclosed assets:				
Single family real estate	\$ 1,353	Sales comparison approach	Adjustment for differences between the comparable sales	-10.5 to 12.5% (0.1%)
Autos and RVs	\$ 60	Sales comparison approach	Adjustment for differences between the comparable sales	-17.0 to 20.5% (6.2%)

¹ For impaired loans, other real estate owned and foreclosed assets the ranges shown may vary positively or negatively based on the comparable sales reported in the current appraisal. In certain instances, the range can be significant due to small sample sizes and in some cases the property being valued having limited comparable sales with similar characteristics at the time the current appraisal is conducted.

Table of Contents**Fair value of Financial Instruments**

The carrying amounts and estimated fair values of financial instruments at March 31, 2018 and June 30, 2017 were as follows:

<i>(Dollars in thousands)</i>	March 31, 2018				
	Carrying Amount	Fair Value			Total Fair Value
		Level 1	Level 2	Level 3	
Financial assets:					
Cash and cash equivalents	\$1,491,041	\$1,491,041	\$ —	—\$	—\$1,491,041
Securities available-for-sale	173,186	—	155,556	17,630	173,186
Loans held for sale, at fair value	28,301	—	28,301	—	28,301
Loans held for sale, at lower of cost or fair value	6,770	—	—	7,554	7,554
Loans and leases held for investment—net	8,064,716	—	—	8,158,186	8,158,186
Accrued interest receivable	26,889	—	—	26,889	26,889
Mortgage servicing rights	10,228	—	—	10,228	10,228
Financial liabilities:					
Time deposits and savings	7,963,757	—	7,528,466	—	7,528,466
Advances from the Federal Home Loan Bank	968,000	—	965,319	—	965,319
Subordinated notes and debentures and other	54,528	—	51,486	—	51,486
Accrued interest payable	1,677	—	1,677	—	1,677
June 30, 2017					
<i>(Dollars in thousands)</i>	Carrying Amount	Fair Value			Total Fair Value
		Level 1	Level 2	Level 3	
Financial assets:					
Cash and cash equivalents	\$643,541	\$643,541	\$ —	—\$	—\$643,541
Securities trading	8,327	—	—	8,327	8,327
Securities available-for-sale	264,470	—	192,967	71,503	264,470
Loans held for sale, at fair value	18,738	—	18,738	—	18,738
Loans held for sale, at lower of cost or fair value	6,669	—	—	7,328	7,328
Loans and leases held for investment—net	7,374,493	—	—	7,521,281	7,521,281
Accrued interest receivable	20,781	—	—	20,781	20,781
Mortgage servicing rights	7,200	—	—	7,200	7,200
Financial liabilities:					
Time deposits and savings	6,899,507	—	6,544,056	—	6,544,056
Securities sold under agreements to repurchase	20,000	—	20,152	—	20,152
Advances from the Federal Home Loan Bank	640,000	—	645,339	—	645,339
Subordinated notes and debentures and other	54,463	—	52,930	—	52,930
Accrued interest payable	1,284	—	1,284	—	1,284

The methods and assumptions, not previously presented, used to estimate fair value are described as follows: Carrying amount is the estimated fair value for cash and cash equivalents, interest bearing deposits, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. For fixed rate loans, deposits, borrowings or subordinated debt and for variable rate loans, deposits, borrowings or subordinated debt with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. A discussion of the methods of valuing trading securities, available for sale securities and loans held for sale can be found earlier in this footnote. The carrying amount of stock of the Federal Home Loan Bank (“FHLB”) approximates the estimated fair value of this investment. The fair value of off-balance sheet items is not considered material.

Table of Contents**4. SECURITIES**

The amortized cost, carrying amount and fair value for the major categories of securities: trading and available-for-sale at March 31, 2018 and June 30, 2017 were:

March 31, 2018

<i>(Dollars in thousands)</i>	Trading		Available-for-sale		Fair Value
	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	
Mortgage-backed securities (RMBS):					
U.S. agencies ¹	\$ —	\$ 17,581	\$ 182	\$ (453)	) \$ 17,310
Non-agency ²	—	20,056	112	(2,538)	) 17,630
Total mortgage-backed securities	—	37,637	294	(2,991)	) 34,940
Other debt securities:					
Municipal	—	20,988	2	(691)	) 20,299
Non-agency	—	116,188	1,841	(82)	) 117,947
Total other debt securities	—	137,176	1,843	(773)	) 138,246
Total debt securities	\$ —	\$ 174,813	\$ 2,137	\$ (3,764)	) \$ 173,186

June 30, 2017

<i>(Dollars in thousands)</i>	Trading		Available-for-sale		Fair Value
	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	
Mortgage-backed securities (RMBS):					
U.S. agencies ¹	\$ —	\$ 27,379	\$ 286	\$ (459)	) \$ 27,206
Non-agency ²	—	65,401	7,406	(1,304)	) 71,503
Total mortgage-backed securities	—	92,780	7,692	(1,763)	) 98,709
Other debt securities:					
Municipal	—	27,568	19	(424)	) 27,163
Non-agency	8,327	137,172	1,517	(91)	) 138,598
Total other debt securities	8,327	164,740	1,536	(515)	) 165,761
Total debt securities	\$ 8,327	\$ 257,520	\$ 9,228	\$ (2,278)	) \$ 264,470

¹ U.S. government-backed or government sponsored enterprises including Fannie Mae, Freddie Mac and Ginnie Mae.

² Private sponsors of securities collateralized primarily by pools of 1-4 family residential first mortgages. Primarily super senior securities secured by prime, Alt-A or pay-option ARM mortgages.

The Company's non-agency RMBS available-for-sale portfolio with a total fair value of \$17,630 at March 31, 2018 consists of sixteen different issues of super senior securities. During the quarter ended March 31, 2018, the Company sold its two mezzanine z-tranche securities for a gain of \$153.

Debt securities with evidence of credit quality deterioration since issuance and for which it is probable at purchase that the Company will be unable to collect all of the par value of the security are accounted for under ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC Topic 310-30"). Under ASC Topic 310-30, the excess of cash flows expected at acquisition over the purchase price is referred to as the accretable yield and is recognized in interest income over the remaining life of the security. During the quarter ended December 31, 2017, the Company sold its one senior support security for a loss of \$861.

The current face amounts of debt securities available-for-sale that were pledged to secure borrowings at March 31, 2018 and June 30, 2017 were \$1,065 and \$6,183 respectively.

Table of Contents

The securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position were as follows:

March 31, 2018						
Available-for-sale securities in loss position for						
<i>(Dollars in thousands)</i>	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
RMBS:						
U.S. agencies	\$2	\$ (1)	\$ 10,821	\$ (452)	\$ 10,823	\$ (453)
Non-agency	36	(3)	16,006	(2,535)	16,042	(2,538)
Total RMBS securities	38	(4)	26,827	(2,987)	26,865	(2,991)
Other Debt:						
Municipal Debt	7,864	(20)	12,379	(671)	20,243	(691)
Non-agency	9,278	(35)	5,687	(47)	14,965	(82)
Total Other Debt	17,142	(55)	18,066	(718)	35,208	(773)
Total debt securities	\$ 17,180	\$ (59)	\$ 44,893	\$ (3,705)	\$ 62,073	\$ (3,764)

June 30, 2017						
Available-for-sale securities in loss position for						
<i>(Dollars in thousands)</i>	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
RMBS:						
U.S. agencies	\$ 17,161	\$ (374)	\$ 2,348	\$ (85)	\$ 19,509	\$ (459)
Non-agency	2,487	(16)	25,097	(1,288)	27,584	(1,304)
Total RMBS securities	19,648	(390)	27,445	(1,373)	47,093	(1,763)
Other Debt:						
Municipal Debt	13,431	(420)	1,757	(4)	15,188	(424)
Non-agency	27,750	(91)	—	—	27,750	(91)
Total Other Debt	41,181	(511)	1,757	(4)	42,938	(515)
Total debt securities	\$ 60,829	\$ (901)	\$ 29,202	\$ (1,377)	\$ 90,031	\$ (2,278)

There were 25 securities that were in a continuous loss position at March 31, 2018 for a period of more than 12 months. There were 16 securities that were in a continuous loss position at June 30, 2017 for a period of more than 12 months.

The following table summarizes amounts of credit loss recognized in the income statement through other-than-temporary impairment charges which reduced non-interest income:

<i>(Dollars in thousands)</i>	For the Three Months Ended		For the Nine Months Ended	
	March 31, 2018	2017	March 31, 2018	2017
Beginning balance	\$ (110)	\$ (16,631)	\$ (15,528)	\$ (20,865)
Additions for the amounts related to credit loss for which an other-than-temporary impairment was not previously recognized	—	(217)	(7)	(217)
Increases to the amount related to the credit loss for which other-than-temporary impairment was previously recognized	—	(151)	(149)	(1,621)
Credit losses realized for securities sold	110	556	15,684	6,260
Ending balance	\$ —	\$ (16,443)	\$ —	\$ (16,443)

Table of Contents

At March 31, 2018, no non-agency RMBS were determined to have cumulative credit losses and therefore no losses were recognized in earnings during the three months ended March 31, 2018. The Company measures its non-agency RMBS in an unrecognized 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 present value over the fair value of the security (if any) is the non-credit component 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 non-credit component as a charge to other comprehensive income, net of the related income tax benefit.

To determine the cash flow expected to be collected and to calculate the present value for purposes of testing for other-than-temporary impairment, the Company utilizes the same industry-standard tool and the same cash flows as those calculated for Level 3 fair values as discussed in Note 3 – Fair Value. 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 either the implicit rate calculated in each of the Company’s securities at acquisition or the last accounting yield. The Company calculates 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. Once the discount rate (or discount margin in the case of floating rate securities) is calculated as described above, the discount is used in the industry-standard model to calculate the present value of the cash flows.

Total proceeds of \$8,700 and net realized gains of \$282 were realized from the sale of trading securities during the nine months ended March 31, 2018. The gross gains and losses realized through earnings upon the sale of available-for-sale securities were as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2018	2017	2018	2017
<i>(Dollars in thousands)</i>				
Proceeds	\$3,969	\$3,301	\$44,013	\$124,362
Gross realized gains	161	312	1,269	6,390
Gross realized losses	(262)	—	(1,569)	(3,466)
Net realized gain (loss) on available-for-sale securities	\$(101)	\$312	\$(300)	\$2,924

The Company had recorded unrealized gains and unrealized losses in accumulated other comprehensive loss as follows:

	March 31, 2018	June 30, 2017
<i>(Dollars in thousands)</i>		
Available-for-sale debt securities—net unrealized gains (losses)	\$(1,627)	\$6,949
Available-for-sale debt securities—non-credit related losses	—	(6,115)
Subtotal	(1,627)	834
Tax (expense) benefit	486	(347)
Net unrealized gain (loss) on investment securities in accumulated other comprehensive income (loss)	\$(1,141)	\$487

Table of Contents

The expected maturity distribution including repayments of the Company's mortgage-backed securities and other debt securities classified as available-for-sale at March 31, 2018 were:

<i>(Dollars in thousands)</i>	March 31, 2018	
	Amortized Cost	Fair Value
RMBS—U.S. agencies		
Due within one year	\$ 1,324	\$ 1,305
Due one to five years	4,173	4,123
Due five to ten years	3,525	3,496
Due after ten years	8,559	8,386
Total RMBS—U.S. agencies	17,581	17,310
RMBS—Non-agency:		
Due within one year	2,714	2,432
Due one to five years	8,242	7,309
Due five to ten years	5,790	5,085
Due after ten years	3,310	2,804
Total RMBS—Non-agency	20,056	17,630
Other debt:		
Due within one year	19,397	20,387
Due one to five years	103,949	104,710
Due five to ten years	—	—
Due after ten years	13,830	13,149
Total other debt	137,176	138,246
Total	\$ 174,813	\$ 173,186

¹ Residential mortgage-backed security (RMBS) distributions include impact of expected prepayments and other timing factors.

Table of Contents**5. LOANS, LEASES & ALLOWANCE FOR LOAN AND LEASE LOSSES**

The following table sets forth the composition of the loan and lease portfolio as of the dates indicated:

<i>(Dollars in thousands)</i>	March 31, 2018	June 30, 2017
Single family real estate secured:		
Mortgage	\$4,016,160	\$3,901,754
Home equity	2,407	2,092
Warehouse and other ¹	405,987	452,390
Multifamily real estate secured	1,747,800	1,619,404
Commercial real estate secured	208,133	162,715
Auto and RV secured	196,665	154,246
Factoring	200,579	160,674
Commercial & Industrial	1,356,377	992,232
Other	42,269	3,754
Total gross loans and leases	8,176,377	7,449,261
Allowance for loan and lease losses	(62,054)	(40,832)
Unaccreted discounts and loan and lease fees	(49,607)	(33,936)
Total net loans and leases	\$8,064,716	\$7,374,493

¹ The balance of single family warehouse loans was \$166,069 at March 31, 2018 and \$187,034 at June 30, 2017. The remainder of the balance was attributable to commercial specialty and lender finance loans secured by single family real estate.

Allowance for Loan and Lease Losses. We are committed to maintaining the allowance for loan and lease losses (sometimes referred to as the “allowance”) at a level that is considered to be commensurate with estimated probable incurred credit losses in the portfolio. Although the adequacy of the allowance is reviewed quarterly, management performs an ongoing assessment of the risks inherent in the portfolio. While the Company believes that the allowance for loan and lease losses is adequate at March 31, 2018, future additions to the allowance will be subject to continuing evaluation of estimated and known, as well as inherent risks in the loan and lease portfolio.

Allowance for Loan and Lease Loss Disclosures. The assessment of the adequacy of the Company’s 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 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 automobile (“auto”) and recreational vehicle (“RV”) loans based upon the borrower credit score and the Company’s loss experience to date. The allowance for loan loss for the auto and RV loan portfolio at March 31, 2018 was determined by classifying each outstanding loan according to semi-annually refreshed FICO score and providing loss rates. The Company had _____ of auto and RV loan balances subject to general reserves as follows: FICO greater than or equal to 770: \$97,784; 715 – 769: _____; 700 – 714: _____; 660 – 699: _____ and less than 660: _____.

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 Company divides 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 originated loans require lower estimated loss rates than purchased loans. The allowance for each class is determined by dividing the outstanding unpaid balance for each loan by the loan-to-value and applying a loss rate. The LTV groupings for each significant mortgage class are as follows:

The Company had _____ of single family mortgage portfolio loan balances subject to general reserves as follows: LTV less than or equal to 60%: _____; 61% – 70%: _____; 71% – 80%: _____; and greater than 80%: _____.

The Company had _____ of multifamily mortgage portfolio loan balances subject to general reserves as follows: LTV less than or equal to 55%: _____; 56% – 65%: _____; 66% – 75%: _____; 76% – 80%: _____ and greater than 80%: _____.

The Company had _____ of commercial real estate loan balances subject to general reserves as follows: LTV less than or equal to 50%: _____; 51% – 60%: _____; 61% – 70%: _____; and 71% – 80%: _____.

The Company's commercial secured portfolio consists of business loans well-collateralized by residential real estate. The Company's other portfolio consists of receivables factoring for businesses and consumers. The Company allocates its allowance for loan loss 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.

Loans included in the other loan classification primarily consist of tax season H&R Block-related loan products. These 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

Table of Contents

generally charged off in their entirety at 120 days delinquent, consistent with regulatory guidance for unsecured consumer loan products. 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. 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 \$4.5 million to \$14.1 million for the three months ended March 31, 2017 and 2018, respectively, was 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.

The following tables summarize activity in the allowance for loan and lease losses by portfolio classes for the periods indicated:

For the Three Months Ended March 31, 2018**Single Family Real Estate
Secured**

<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & Other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Balance at January 1, 2018	\$ 19,721	\$ 20	\$ 2,496	\$ 4,830	\$ 805	\$ 2,907	\$ 481	\$ 11,490	\$ 2,856	\$ 45,606
Provision for loan and lease losses	23	(8)	(366)	266	96	368	19	2,376	14,126	16,900
Charge-offs	(80)	(1)	—	—	—	(253)	—	—	(200)	(534)
Recoveries	2	4	—	—	—	34	—	—	42	82
Balance at March 31, 2018	\$ 19,666	\$ 15	\$ 2,130	\$ 5,096	\$ 901	\$ 3,056	\$ 500	\$ 13,866	\$ 16,824	\$ 62,054

For the Three Months Ended March 31, 2017**Single Family Real Estate
Secured**

<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & Other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Balance at January 1, 2017	\$ 19,243	\$ 22	\$ 2,179	\$ 3,913	\$ 1,001	\$ 2,017	\$ 339	\$ 9,764	\$ 2,450	\$ 40,928
Provision for loan and lease losses	360	22	(46)	93	(51)	261	40	(271)	4,454	4,862
Charge-offs	(103)	(23)	—	—	—	(190)	—	—	(26)	(342)
Recoveries	66	2	—	375	39	57	—	—	—	539
Balance at March 31, 2017	\$ 19,566	\$ 23	\$ 2,133	\$ 4,381	\$ 989	\$ 2,145	\$ 379	\$ 9,493	\$ 6,878	\$ 45,987

For the Nine Months Ended March 31, 2018**Single Family Real Estate
Secured**

<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & Other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Balance at July 1, 2017	\$ 19,972	\$ 19	\$ 2,298	\$ 4,638	\$ 1,008	\$ 2,379	\$ 401	\$ 9,881	\$ 236	\$ 40,832
Provision for loan and lease losses	(136)	(14)	119	458	(107)	1,097	99	3,985	16,399	21,900
Charge-offs	(176)	(1)	(287)	—	—	(592)	—	—	(354)	(1,410)
Recoveries	6	11	—	—	—	172	—	—	543	732
Balance at March 31, 2018	\$ 19,666	\$ 15	\$ 2,130	\$ 5,096	\$ 901	\$ 3,056	\$ 500	\$ 13,866	\$ 16,824	\$ 62,054

For the Nine Months Ended March 31, 2017**Single Family Real Estate
Secured**

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<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & Other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Balance at July 1, 2016	\$ 18,666	\$ 23	\$ 2,685	\$ 3,938	\$ 882	\$ 1,615	\$ 245	\$ 7,630	\$ 142	\$ 35,826
Provision for loan and lease losses	1,760	1	(552)	68	91	710	134	1,863	6,787	10,862
Charge-offs	(971)	(23)	—	—	(23)	(329)	—	—	(159)	(1,505)
Recoveries	111	22	—	375	39	149	—	—	108	804
Balance at March 31, 2017	\$ 19,566	\$ 23	\$ 2,133	\$ 4,381	\$ 989	\$ 2,145	\$ 379	\$ 9,493	\$ 6,878	\$ 45,987

Table of Contents

The following tables present our loans and leases evaluated individually for impairment by class:

March 31, 2018							
<i>(Dollars in thousands)</i>	Unpaid Principal Balance	Principal Balance Adjustment¹	Unpaid Book Balance	Accrued Interest / Origination Fees	Recorded Investment	Related Allocation of General Allowance	Related Allocation of Specific Allowance
With no related allowance recorded:							
Single Family Real Estate Secured:							
Mortgage:							
In-house originated	\$ 3,699	\$ 1,055	\$ 2,644	\$ 311	\$ 2,955	\$ —	\$ —
Purchased	4,052	1,906	2,146	—	2,146	—	—
Multifamily Real Estate Secured:							
Purchased	483	240	243	—	243	—	—
Auto and RV Secured:							
In-house originated	503	394	109	3	112	—	—
With an allowance recorded:							
Single Family Real Estate Secured:							
Mortgage:							
In-house originated	23,194	12	23,182	—	23,182	776	—
Purchased	1,615	38	1,577	19	1,596	41	—
Home Equity:							
In-house originated	16	—	16	—	16	1	—
Auto and RV Secured:							
In-house originated	48	10	38	1	39	1	—
Other	437	—	437	—	437	22	—
Total	\$ 34,047	\$ 3,655	\$ 30,392	\$ 334	\$ 30,726	\$ 841	\$ —
As a % of total gross loans and leases	0.42	% 0.05	% 0.37	% 0.01	% 0.38	% 0.01	% —

June 30, 2017							
<i>(Dollars in thousands)</i>	Unpaid Principal Balance	Principal Balance Adjustment¹	Unpaid Book Balance	Accrued Interest / Origination Fees	Recorded Investment	Related Allocation of General Allowance	Related Allocation of Specific Allowance
With no related allowance recorded:							
Single Family Real Estate Secured:							
Mortgage:							
In-house originated	\$ 4,240	\$ 1,032	\$ 3,208	\$ 205	\$ 3,413	\$ —	\$ —
Purchased	4,563	1,903	2,660	—	2,660	—	—
Multifamily Real Estate Secured:							
Purchased	492	215	277	—	277	—	—
Auto and RV Secured:							
In-house originated	418	295	123	3	126	—	—
With an allowance recorded:							
Single Family Real Estate Secured:							
Mortgage:							
In-house originated	16,124	12	16,112	—	16,112	643	—
Purchased	1,429	32	1,397	17	1,414	37	—
Home Equity:							
In-house originated	18	2	16	—	16	1	—
Multifamily Real Estate Secured:							

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In-house originated	4,170	192	3,978	186	4,164	19	—
Auto and RV Secured:							
In-house originated	42	8	34	2	36	1	—
Commercial & Industrial	314	—	314	—	314	314	—
Other	274	—	274	—	274	43	—
Total	\$32,084	\$ 3,691	\$28,393	\$ 413	\$ 28,806	\$ 1,058	\$ —
As a % of total gross loans and leases	0.43	% 0.05	% 0.38	% 0.01	% 0.39	% 0.01	% —

¹ Impaired loans with an allowance recorded do not have any charge-offs. Principal balance adjustments on impaired loans with an allowance recorded represent interest payments that have been applied to the book balance as a result of the loans' non-accrual status.

Table of Contents

The following tables present the balance in the allowance for loan and lease losses and the recorded investment in loans and leases by portfolio segment and based on impairment evaluation method:

March 31, 2018										
Single Family Real Estate Secured										
<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse and other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Allowance for loan and lease losses:										
Ending allowance balance attributable to loans and leases:										
Individually evaluated for impairment – general allowance	\$ 817	\$ 1	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 22	\$ 841
Individually evaluated for impairment – specific allowance	—	—	—	—	—	—	—	—	—	—
Collectively evaluated for impairment	18,849	14	2,130	5,096	901	3,055	500	13,866	16,802	61,213
Total ending allowance balance	\$ 19,666	\$ 15	\$ 2,130	\$ 5,096	\$ 901	\$ 3,056	\$ 500	\$ 13,866	\$ 16,824	\$ 62,054
Loans and leases:										
Loans and leases individually evaluated for impairment ¹	\$ 29,549	\$ 16	\$ —	\$ 243	\$ —	\$ 147	\$ —	\$ —	\$ 437	\$ 30,392
Loans and leases collectively evaluated for impairment	3,986,611	2,391	405,987	1,747,557	208,133	196,518	200,579	1,356,377	41,832	8,145,985
Principal loan and lease balance	4,016,160	2,407	405,987	1,747,800	208,133	196,665	200,579	1,356,377	42,269	8,176,377
Unaccreted discounts and loan and lease fees	8,887	44	(801)	4,785	856	2,031	(61,759)	(2,947)	(703)	(49,607)
Accrued interest receivable	9,476	4	1,679	5,921	606	395	1	6,191	131	24,404
Total recorded investment in loans and leases	\$ 4,034,523	\$ 2,455	\$ 406,865	\$ 1,758,506	\$ 209,595	\$ 199,091	\$ 138,821	\$ 1,359,621	\$ 41,697	\$ 8,151,174

¹ Loans and leases evaluated for impairment include Troubled Debt Restructurings (“TDRs”) that have been performing for more than six months.

June 30, 2017										
Single Family Real Estate Secured										
<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse and other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Allowance for loan and lease losses:										
Ending allowance balance attributable to loans and leases:										
Individually evaluated for impairment – general allowance	\$ 680	\$ 1	\$ —	\$ 19	\$ —	\$ 1	\$ —	\$ 314	\$ 43	\$ 1,058
Individually evaluated for impairment – specific allowance	—	—	—	—	—	—	—	—	—	—
Collectively evaluated for impairment	19,292	18	2,298	4,619	1,008	2,378	401	9,567	193	39,774
Total ending allowance balance	\$ 19,972	\$ 19	\$ 2,298	\$ 4,638	\$ 1,008	\$ 2,379	\$ 401	\$ 9,881	\$ 236	\$ 40,832
Loans and leases:										
Loans and leases individually evaluated for impairment ¹	\$ 23,377	\$ 16	\$ —	\$ 4,255	\$ —	\$ 157	\$ —	\$ 314	\$ 274	\$ 28,393
Loans and leases collectively evaluated for impairment	3,878,377	2,076	452,390	1,615,149	162,715	154,089	160,674	991,918	3,480	7,420,868
Principal loan and lease balance	3,901,754	2,092	452,390	1,619,404	162,715	154,246	160,674	992,232	3,754	7,449,261
Unaccreted discounts and loan and lease fees	10,486	34	(1,702)	4,586	744	2,054	(49,350)	(640)	(148)	(33,936)
Accrued interest receivable	8,831	1	(766)	4,946	377	284	213	4,757	13	18,656
Total recorded investment in loans and leases	\$ 3,921,071	\$ 2,127	\$ 449,922	\$ 1,628,936	\$ 163,836	\$ 156,584	\$ 111,537	\$ 996,349	\$ 3,619	\$ 7,433,981

¹ Loans and leases evaluated for impairment include TDRs that have been performing for more than six months.

Table of Contents

Credit Quality Disclosures. Non-performing loans and leases consisted of the following as of the dates indicated:

<i>(Dollars in thousands)</i>	March 31, 2018	June 30, 2017
Single Family Real Estate Secured:		
Mortgage:		
In-house originated	\$25,826	\$19,320
Purchased	3,723	4,057
Home Equity:		
In-house originated	16	16
Multifamily Real Estate Secured:		
In-house originated	—	3,978
Purchased	243	277
Total non-performing loans secured by real estate	29,808	27,648
Auto and RV Secured	147	157
Commercial & Industrial	—	314
Other	437	274
Total non-performing loans and leases	\$30,392	\$28,393
Non-performing loans and leases to total loans and leases	0.37	0.38
	%	%

The Company has no loans and leases over 90 days delinquent that are still accruing interest at March 31, 2018. Approximately 97.23% of the Company's non-performing loans and leases are single family first mortgages already written down to 46.05% in aggregate, of the original appraisal value of the underlying properties.

The following tables present the outstanding unpaid balance of loans and leases that are performing and non-performing by portfolio class:

March 31, 2018										
Single Family Real Estate Secured										
<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Performing	\$3,986,611	\$2,391	\$405,987	\$1,747,557	\$208,133	\$196,518	\$200,579	\$1,356,377	\$41,832	\$8,145,985
Non-performing	29,549	16	—	243	—	147	—	—	437	30,392
Total	\$4,016,160	\$2,407	\$405,987	\$1,747,800	\$208,133	\$196,665	\$200,579	\$1,356,377	\$42,269	\$8,176,377

June 30, 2017										
Single Family Real Estate Secured										
<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring	Commercial & Industrial	Other	Total
Performing	\$3,878,377	\$2,076	\$452,390	\$1,615,149	\$162,715	\$154,089	\$160,674	\$991,918	\$3,480	\$7,420,868
Non-performing	23,377	16	—	4,255	—	157	—	314	274	28,393
Total	\$3,901,754	\$2,092	\$452,390	\$1,619,404	\$162,715	\$154,246	\$160,674	\$992,232	\$3,754	\$7,449,261

Table of Contents

The Company divides loan balances when determining general loan loss reserves between purchases and originations as follows:

March 31, 2018									
Single Family Real Estate Secured: Mortgage									
<i>(Dollars in thousands)</i>	Origination Purchase Total			Multifamily Real Estate Secured			Commercial Real Estate Secured		
	Origination	Purchase	Total	Origination	Purchase	Total	Origination	Purchase	Total
Performing	\$ 3,947,502	\$ 39,109	\$ 3,986,611	\$ 1,679,778	\$ 67,779	\$ 1,747,557	\$ 197,224	\$ 10,909	\$ 208,133
Non-performing	25,826	3,723	29,549	—	243	243	—	—	—
Total	\$ 3,973,328	\$ 42,832	\$ 4,016,160	\$ 1,679,778	\$ 68,022	\$ 1,747,800	\$ 197,224	\$ 10,909	\$ 208,133
June 30, 2017									
Single Family Real Estate Secured: Mortgage									
<i>(Dollars in thousands)</i>	Origination Purchase Total			Multifamily Real Estate Secured			Commercial Real Estate Secured		
	Origination	Purchase	Total	Origination	Purchase	Total	Origination	Purchase	Total
Performing	\$ 3,827,649	\$ 50,728	\$ 3,878,377	\$ 1,528,912	\$ 86,237	\$ 1,615,149	\$ 150,880	\$ 11,835	\$ 162,715
Non-performing	19,320	4,057	23,377	3,978	277	4,255	—	—	—
Total	\$ 3,846,969	\$ 54,785	\$ 3,901,754	\$ 1,532,890	\$ 86,514	\$ 1,619,404	\$ 150,880	\$ 11,835	\$ 162,715

From time to time the Company modifies loan terms temporarily for borrowers who are experiencing financial stress. These loans are performing and accruing and will generally return to the original loan terms after the modification term expires.

Approximately 3.97% of our non-performing loans and leases at March 31, 2018 were considered TDRs, compared to 5.56% at June 30, 2017. Borrowers that make timely payments after TDRs are considered non-performing for at least six months. Generally, after six months of timely payments, those TDRs are reclassified from the non-performing loan and lease category to the performing loan and lease category and any previously deferred interest income is recognized.

The Company had no TDRs classified as performing loans at March 31, 2018 or June 30, 2017. All remaining impaired loans and leases are as follows:

March 31, 2018										
Single Family Real Estate Secured										
<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring & Industrial	Other	Total	
Performing loans temporarily modified as TDR	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Non-performing loans and leases	29,549	16	—	243	—	147	—	—	437	30,392
Total impaired loans and leases	\$ 29,549	\$ 16	\$ —	\$ 243	\$ —	\$ 147	\$ —	\$ —	\$ 437	\$ 30,392
June 30, 2017										
Single Family Real Estate Secured										
<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Factoring & Industrial	Other	Total	
Performing loans temporarily modified as TDR	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Non-performing loans and leases	23,377	16	—	4,255	—	157	—	314	274	28,393
Total impaired loans and leases	\$ 23,377	\$ 16	\$ —	\$ 4,255	\$ —	\$ 157	\$ —	\$ 314	\$ 274	\$ 28,393

Table of Contents

The Company recognizes interest on performing loans temporarily modified as TDR, which is shown in conjunction with average balances as follows:

For the Three Months Ended March 31, 2018**Single Family Real Estate****Secured**

<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Commercial & Industrial	Factoring	Other	Total
Interest income recognized on performing TDRs	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$—
Average balances of performing TDRs	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$—
Average balances of impaired loans	\$28,110	\$ 16	\$ —	\$ 1,622	\$ —	\$ 149	\$ —	\$ —	\$ 294	\$30,191

For the Three Months Ended March 31, 2017**Single Family Real Estate****Secured**

<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Commercial & Industrial	Factoring	Other	Total
Interest income recognized on performing TDRs	\$1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$1
Average balances of performing TDRs	\$103	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$103
Average balances of impaired loans	\$28,384	\$ 46	\$ —	\$ 4,921	\$ 116	\$ 207	\$ —	\$ —	\$ 362	\$34,036

For the Nine Months Ended March 31, 2018**Single Family Real Estate****Secured**

<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Commercial & Industrial	Factoring	Other	Total
Interest income recognized on performing TDRs	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$—
Average balances of performing TDRs	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$—
Average balances of impaired loans	\$26,773	\$ 16	\$ —	\$ 2,924	\$ —	\$ 146	\$ —	\$ 79	\$ 281	\$30,219

For the Nine Months Ended March 31, 2017**Single Family Real Estate****Secured**

<i>(Dollars in thousands)</i>	Mortgage	Home Equity	Warehouse & other	Multifamily Real Estate Secured	Commercial Real Estate Secured	Auto and RV Secured	Commercial & Industrial	Factoring	Other	Total
Interest income recognized on performing TDRs	\$7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$7
Average balances of performing TDRs	\$156	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$156
Average balances of impaired loans	\$30,184	\$ 39	\$ —	\$ 4,448	\$ 180	\$ 250	\$ —	\$ —	\$ 494	\$35,595

The Company's loan modifications primarily included single family, multifamily and commercial loans of which included one or a combination of the following: a reduction of the stated interest rate or delinquent property taxes that were paid by the Bank and either repaid by the borrower over a one year period or capitalized and amortized over the remaining life of the loan. The Company's loan modifications also included RV loans in which borrowers were able to make interest-only payments for a period of six months to one year which then reverted back to fully amortizing.

Table of Contents

Credit Quality Indicators

The Company categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans and leases individually by classifying the loans and leases based on credit risk. The Company uses the following definitions for risk ratings.

Pass. Loans and leases classified as pass are well protected by the current net worth and paying capacity of the obligor or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.

Special Mention. Loans and leases classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or of the institution's credit position at some future date.

Substandard. Loans and leases classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans and leases so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans and leases classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The Company reviews and grades loans and leases following a continuous review process, featuring coverage of all loan and lease types and business lines at least quarterly. Continuous reviewing provides more effective risk monitoring because it immediately tests for potential impacts caused by changes in personnel, policy, products or underwriting standards.

Table of Contents

The following table presents the composition of the Company's loan and lease portfolio by credit quality indicators:

March 31, 2018						
<i>(Dollars in thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total	
Single Family Real Estate Secured:						
Mortgage:						
In-house originated	\$ 3,927,778	\$ 19,362	\$ 26,188	\$ —	\$ 3,973,328	
Purchased	38,748	361	3,723	—	42,832	
Home Equity:						
In-house originated	2,391	—	16	—	2,407	
Warehouse and other:						
In-house originated	405,987	—	—	—	405,987	
Multifamily Real Estate Secured:						
In-house originated	1,677,554	2,224	—	—	1,679,778	
Purchased	66,799	—	1,223	—	68,022	
Commercial Real Estate Secured:						
In-house originated	197,224	—	—	—	197,224	
Purchased	8,978	1,931	—	—	10,909	
Auto and RV Secured:						
In-house originated	196,505	—	160	—	196,665	
Factoring	200,579	—	—	—	200,579	
Commercial & Industrial:						
In-house originated	1,322,651	6,741	—	—	1,329,392	
Purchased	25,142	294	1,549	—	26,985	
Other	39,378	2,443	448	—	42,269	
Total	\$ 8,109,714	\$ 33,356	\$ 33,307	\$ —	\$ 8,176,377	
As a % of total gross loans and leases	99.2	% 0.4	% 0.4	% —	% 100.0	%

June 30, 2017						
<i>(Dollars in thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total	
Single Family Real Estate Secured:						
Mortgage:						
In-house originated	\$ 3,808,886	\$ 18,763	\$ 19,320	\$ —	\$ 3,846,969	
Purchased	49,893	538	4,354	—	54,785	
Home Equity:						
In-house originated	2,076	—	16	—	2,092	
Warehouse and other:						
In-house originated	452,390	—	—	—	452,390	
Multifamily Real Estate Secured:						
In-house originated	1,526,931	1,981	3,978	—	1,532,890	
Purchased	84,775	452	1,287	—	86,514	
Commercial Real Estate Secured:						
In-house originated	150,880	—	—	—	150,880	
Purchased	9,868	1,967	—	—	11,835	
Auto and RV Secured:						
In-house originated	153,994	77	175	—	154,246	
Factoring	160,674	—	—	—	160,674	
Commercial & Industrial	991,918	—	314	—	992,232	

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Other	3,480	—	274	—	3,754
Total	\$ 7,395,765	\$ 23,778	\$ 29,718	\$ —	\$ 7,449,261
As a % of total gross loans and leases	99.3	% 0.3	% 0.4	% —	% 100.0

Table of Contents

The Company considers the performance of the loan and lease portfolio and its impact on the allowance for loan and lease losses. The Company also evaluates credit quality based on the aging status of its loans and leases. During the year, the Company holds certain short-term loans that do not have a fixed maturity date that are treated as delinquent if not paid in full 90 days after the origination date. The following table provides the outstanding unpaid balance of loans and leases that are past due 30 days or more by portfolio class as of the period indicated:

<i>(Dollars in thousands)</i>	March 31, 2018			Total	
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due		
Single family real estate secured:					
Mortgage					
In-house originated	\$ 6,943	\$ 4,651	\$ 21,018	\$ 32,612	
Purchased	980	—	1,801	2,781	
Home equity					
In-house originated	—	—	16	16	
Auto and RV secured	343	9	45	397	
Commercial & Industrial	2,645	214	—	2,859	
Other	771	2,443	437	3,651	
Total	\$ 11,682	\$ 7,317	\$ 23,317	\$ 42,316	
As a % of total gross loans and leases	0.14	% 0.09	% 0.29	% 0.52	%

<i>(Dollars in thousands)</i>	June 30, 2017			Total	
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due		
Single family real estate secured:					
Mortgage					
In-house originated	\$ 4,892	\$ 2,325	\$ 19,297	\$ 26,514	
Purchased	244	101	1,751	2,096	
Home equity					
In-house originated	—	—	16	16	
Multifamily real estate secured					
In-house originated	—	—	3,978	3,978	
Auto and RV secured					
In-house originated	149	77	3	229	
Commercial & Industrial	—	—	314	314	
Other	—	—	274	274	
Total	\$ 5,285	\$ 2,503	\$ 25,633	\$ 33,421	
As a % of total gross loans and leases	0.07	% 0.03	% 0.35	% 0.45	%

Table of Contents**6. INCOME TAXES**

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 \$8,032. As a result, income tax expense reported for the nine months ended March 31, 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.

The accounting for the effects of the rate change on deferred tax balances is complete and no provisional amounts were recorded for this item.

7. EQUITY AND STOCK-BASED COMPENSATION

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. As of March 31, 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.

Restricted Stock Units. During the nine months ended March 31, 2018 and 2017, the Company granted 728,129 and 843,056 restricted stock units, to employees and directors, respectively. Restricted stock unit awards (“RSUs”) granted during these quarters generally vest over three years, one-third on each anniversary date, except for any RSUs granted to the Company’s CEO, which vest one-fourth on each fiscal year end.

The Company’s income before income taxes and net income for the three months ended March 31, 2018 and 2017 include stock award expense of \$3,994 and \$3,610, with total income tax benefit of \$1,365 and \$1,538, respectively. For the nine months ended March 31, 2018 and 2017 stock award expense was \$11,680 and \$10,060, with total income tax benefit of \$4,565 and \$4,245, respectively. The Company recognizes compensation expense based upon the grant-date fair value divided by the vesting and the service period between each vesting date. At March 31, 2018, unrecognized compensation expense related to non-vested awards aggregated to \$27,388 and is expected to be recognized in future periods as follows:

<i>(Dollars in thousands)</i>	Stock Award Compensation Expense
For the fiscal year remainder:	
2018	\$ 4,169
2019	13,073
2020	8,012
2021	2,134
Total	\$ 27,388

Table of Contents

The following table presents the status and changes in restricted stock units for the periods indicated:

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Non-vested balance at June 30, 2016	1,059,726	\$ 22.53
Granted	843,611	21.13
Vested	(570,764)	20.86
Canceled	(92,251)	20.26
Non-vested balance at June 30, 2017	1,240,322	\$ 22.52
Granted	728,129	26.16
Vested	(349,852)	21.59
Canceled	(87,614)	23.15
Non-vested balance at March 31, 2018	1,530,985	\$ 24.43

The total fair value of shares vested for the three and nine months ended March 31, 2018 was \$674 and \$9,400. The total fair value of shares vested for the three and nine months ended March 31, 2017 was \$164 and \$5,453.

8. EARNINGS PER SHARE (“EPS”)

Basic EPS excludes dilution and is computed by dividing net income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted to common stock that would then share in the Company’s earnings.

The following table presents the calculation of basic and diluted EPS:

	Three Months Ended		Nine Months Ended	
	March 31, 2018	2017	March 31, 2018	2017
<i>(Dollars in thousands, except per share data)</i>				
Earnings Per Common Share				
Net income	\$51,253	\$40,994	\$115,294	\$102,191
Preferred stock dividends	(77)	(77)	(232)	(232)
Net income attributable to common shareholders	\$51,176	\$40,917	\$115,062	\$101,959
Average common shares outstanding	62,543,946	63,394,122	63,219,386	63,339,911
Average unvested RSUs	1,551,828	1,588,267	1,488,554	1,470,015
Total basic weighted-average number of shares outstanding	64,095,774	64,982,389	64,707,940	64,809,926
Total dilutive weighted-average number of shares outstanding	64,095,774	64,982,389	64,707,940	64,809,926
Basic earnings per common share	\$0.80	\$0.63	\$1.78	\$1.57
Diluted earnings per common share	\$0.80	\$0.63	\$1.78	\$1.57

9. COMMITMENTS AND CONTINGENCIES

Credit-Related Financial Instruments. The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company’s exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At March 31, 2018, the Company had commitments to originate \$149,121 in fixed rate loans and leases and \$290,719 in variable rate loans, totaling an aggregate outstanding principal balance of \$439,840. Our fixed rate loan and lease commitments to originate had rates ranging from 3.18% to 7.89%. At March 31, 2018, the Company also had

commitments to sell \$84,002 in fixed rate loans and \$2,758 in variable rate loans, totaling an aggregate outstanding principal balance of \$86,760.

35

Table of Contents

Commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon.

Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

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 "First Class Action"), and the Houston Municipal Employees Pension System was appointed lead plaintiff. The First Class Action complaint was amended by a certain Consolidated Amended Class Complaint filed on April 11, 2016. On September 27, 2016, the Court dismissed the First Class Action, with leave to amend, as to defendants Andrew Micheletti, Paul Grinberg, Nicholas Mosich and James Argalas. The Court denied the Motion to Dismiss with respect to the Company and Gregory Garrabrants. On November 25, 2016, the putative class action plaintiff filed a Second Amended Class Action Complaint (the "Second Amended Complaint"), which includes the previously dismissed defendants. On December 23, 2016, the Company and other defendants filed a motion to dismiss such Second Amended Complaint. On May 23, 2017, the Court granted in part and denied in part the defendants' motion to dismiss the Second Amended Complaint. On September 28, 2017, the Company and other defendants filed a motion for judgment on the pleadings, which is currently pending. On December 1, 2017, the Court granted the motion to dismiss with leave. On December 22, 2017, the putative class action plaintiff filed a Third Amended Class Action Complaint (the "Third Amended Complaint"). The Second and Third Amended Complaints 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 January 19, 2018, the Company and other defendants filed a motion to dismiss such Third Amended Complaint. On March 21, 2018, the Court entered a final order granting defendants' motion and dismissing the Third Amended Complaint. 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. On June 2, 2017, lead plaintiff motions were filed on behalf of three members of the putative class and on July 17, 2017, the Company and other defendants filed an opposition to such motions. On February 20, 2018, the lead plaintiff filed a class action amended complaint, enlarging the class period, setting forth additional allegations and adding defendants. On April 6, 2018, the defendants filed a motion to dismiss the class action amended complaint. A hearing for the motion to dismiss is scheduled for June 15, 2018. The Company and the other named defendants dispute the allegations advanced by the plaintiffs in the Mandalevy Case, and are vigorously defending against the Mandalevy Complaint. The complaints filed in the Golden Case, the Hazan Case, and the Mandalevy Case allege that the 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 the wrongful conduct that is alleged in 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. 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 First 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,

Table of Contents

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, appointed lead counsel in the consolidated action, and ordered the parties to meet and confer regarding a schedule for the filing of a consolidated complaint and defendants' response to the complaint. Pursuant to the order, counsel have met and conferred regarding proposals for (a) the time for plaintiffs to file a consolidated complaint or provide notice of plaintiffs' intent to rely upon the original Complaint in Case No. 3:15-cv-02722-GPC-KSC (the "Operative Complaint"); (b) the time for defendants to respond to the Operative Complaint; and (c) a schedule for briefing any motion to dismiss that may be filed by a defendant. A stipulation setting forth the agreed litigation schedule has been submitted to the Court. On April 10, 2017, the plaintiffs filed an amended complaint (the "Amended Operative Complaint"). On March 7, 2018, the defendants in the Amended Operative Complaint filed a motion for judgment on the pleadings. A hearing on the defendants' motion for judgment on the pleadings is scheduled for May 20, 2018.

The two derivative actions pending before the San Diego County Superior Court have been consolidated and have been stayed by agreement of the parties.

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.

10. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted related party loans collateralized by real property to principal officers, directors and their affiliates that are considered to be insiders by regulation. There were no new related party loans granted under the provisions of the employee loan program and no refinances of existing loans during the nine months ended March 31, 2018, and no new loans and no refinances of existing loans during the nine months ended March 31, 2017. One of the existing related party loans had a rate modification and term extension, but no change in amount of credit extended during the nine months ended March 31, 2017.

Table of Contents**ITEM MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
2. OF OPERATIONS**

The following discussion provides information about the results of operations, financial condition, liquidity, off balance sheet items, contractual obligations and capital resources of BofI Holding, Inc. and subsidiary (the “Company”). This information is intended to facilitate the understanding and assessment of significant changes and trends related to our financial condition and the results of our operations. This discussion and analysis should be read in conjunction with our financial information in our Annual Report on Form 10-K for the year ended June 30, 2017, and the interim unaudited condensed consolidated financial statements and notes thereto contained in this report.

Some matters discussed in this report may constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and as such, may involve risks and uncertainties. These forward-looking statements can be identified by the use of terminology such as “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” “will,” or the negative thereof or other variations thereon or comparable terminology or by discussions of strategy that involve risks and uncertainties. These forward-looking statements relate to, among other things, expectations of the environment in which we operate and projections of future performance.

Forward-looking statements are inherently unreliable and actual results may vary. Factors that could cause actual results to differ from these forward-looking statements include changes in the interest rate environment, economic conditions, changes in the competitive marketplace, risks associated with credit quality, the outcome and effects of pending class action litigation filed against the Company and other risk factors discussed under the heading “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended June 30, 2017, which has been filed with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All written and oral forward-looking statements made in connection with this report, which are attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing information.

General

Our Company is the holding company for BofI Federal Bank (the “Bank”), a diversified financial services company with approximately \$10.0 billion in assets that provides consumer and business banking products through its branchless, 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.

Our Bank is a federal savings bank wholly-owned by our Company and regulated by the Office of the Comptroller of the Currency (“OCC”). Our Company is a unitary savings and loan holding company regulated by the Board of Governors of the Federal Reserve System.

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 and 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.

Effect of Tax Cuts and Jobs Act of 2017

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code that will affect

our fiscal year ending June 30, 2018 and future periods, 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 year. The Tax Act also reduces the limit on deductible mortgage debt to \$750,000 for new loans, which may have a negative impact on our jumbo residential mortgage lending. Additionally, the tax code changes contained in the Tax Act may also have an impact on the volumes of our tax-related products and services offered in conjunction with H&R Block, Inc. Given the short time frame since enactment, we cannot predict whether, or to what extent, the Tax Act will affect any of our product and service offerings. See Results of Operations for further information.

Table of Contents

Mergers and Acquisitions

From time to time we undertake acquisitions or similar transactions consistent with our Company's operating and growth strategies. No acquisitions occurred during the fiscal year ended June 30, 2017 nor during the nine months ended March 31, 2018; however, in July 2017, the Bank expanded its relationship with H&R Block and entered into an agreement with H&R Block to be the exclusive provider of interest-free Refund Advance loans to customers during the 2018 tax season. During the 2017 tax season, the Bank only provided funding for a portion of the Refund Advance loans. Further discussion of our Brand Partnership Products can be found under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended June 30, 2017 and Note 2 – "Significant Accounting Policies" of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.

Additionally, in April 2018, a subsidiary of the Bank acquired the bankruptcy trustee and fiduciary services business of Epiq. The business provides specialized software and consulting services to Chapter 7 and non-7 trustees and fiduciaries in all 50 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.

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.

Our significant accounting policies and practices are described in greater detail in Note 1 to our June 30, 2017 audited consolidated financial statements and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2017.

Table of Contents**SELECTED FINANCIAL DATA**

The following tables set forth certain selected financial data concerning the periods indicated:

BOFI HOLDING, INC. AND SUBSIDIARY**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

<i>(Dollars in thousands)</i>	March 31, 2018	June 30, 2017	March 31, 2017	
<i>Selected Balance Sheet Data:</i>				
Total assets	\$9,982,320	\$8,501,680	\$8,700,031	
Loans and leases—net of allowance for loan and lease losses	8,064,716	7,374,493	7,020,700	
Loans held for sale, at fair value	28,301	18,738	14,696	
Loans held for sale, lower of cost or fair value	6,770	6,669	7,607	
Allowance for loan and lease losses	62,054	40,832	42,525	
Securities—trading	—	8,327	8,421	
Securities—available-for-sale	173,186	264,470	368,229	
Total deposits	7,963,757	6,899,507	6,799,631	
Securities sold under agreements to repurchase	—	20,000	35,000	
Advances from the FHLB	968,000	640,000	961,000	
Subordinated notes and debentures and other	54,528	54,463	54,450	
Total stockholders' equity	921,653	834,247	800,304	
<i>Capital Ratios:</i>				
Equity to assets at end of period	9.23	% 9.81	% 9.20	%
BofI Holding, Inc:				
Tier 1 leverage (core) capital to adjusted average assets	9.36	% 9.95	% 9.47	%
Common equity tier 1 capital (to risk-weighted assets)	14.83	% 14.66	% 14.50	%
Tier 1 capital (to risk-weighted assets)	14.91	% 14.75	% 14.59	%
Total capital (to risk-weighted assets)	16.74	% 16.38	% 16.36	%
BofI Federal Bank:				
Tier 1 leverage (core) capital to adjusted average assets	9.40	% 9.60	% 9.11	%
Common equity tier 1 capital (to risk-weighted assets)	14.97	% 14.25	% 14.04	%
Tier 1 capital (to risk-weighted assets)	14.97	% 14.25	% 14.04	%
Total capital (to risk-weighted assets)	15.98	% 14.97	% 14.88	%

Table of Contents**BOFI HOLDING, INC. AND SUBSIDIARY
SELECTED CONSOLIDATED FINANCIAL INFORMATION**

	At or for the Three Months Ended		At or for the Nine Months Ended		
	March 31, 2018	2017	March 31, 2018	2017	
<i>(Dollars in thousands, except per share data)</i>					
Selected Income Statement Data:					
Interest and dividend income	\$ 144,880	\$ 106,962	\$ 356,176	\$ 288,743	
Interest expense	28,197	18,403	74,730	54,044	
Net interest income	116,683	88,559	281,446	234,699	
Provision for loan and lease losses	16,900	4,862	21,900	10,862	
Net interest income after provision for loan and lease losses	99,783	83,697	259,546	223,837	
Non-interest income	23,525	23,168	53,964	54,601	
Non-interest expense	45,434	35,448	124,263	101,626	
Income before income tax expense	77,874	71,417	189,247	176,812	
Income tax expense	26,621	30,423	73,953	74,621	
Net income	\$ 51,253	\$ 40,994	\$ 115,294	\$ 102,191	
Net income attributable to common stock	\$ 51,176	\$ 40,917	\$ 115,062	\$ 101,959	
Per Share Data:					
Net income:					
Basic	\$ 0.80	\$ 0.63	\$ 1.78	\$ 1.57	
Diluted	\$ 0.80	\$ 0.63	\$ 1.78	\$ 1.57	
Book value per common share	\$ 14.65	\$ 12.55	\$ 14.65	\$ 12.55	
Tangible book value per common share	\$ 14.49	\$ 12.44	\$ 14.49	\$ 12.44	
Weighted average number of shares outstanding:					
Basic	64,095,777	64,982,389	64,707,940	64,809,926	
Diluted	64,095,777	64,982,389	64,707,940	64,809,926	
Common shares outstanding at end of period	62,552,868	63,390,389	62,552,868	63,390,389	
Common shares issued at end of period	65,516,157	64,798,821	65,516,157	64,798,821	
Performance Ratios and Other Data:					
Loan and lease originations for investment	\$ 2,232,463	\$ 1,044,107	\$ 4,561,204	\$ 3,040,990	
Loan originations for sale	\$ 258,840	\$ 239,931	\$ 1,275,333	\$ 1,084,387	
Loan and lease purchases	\$ —	\$ 276,917	\$ —	\$ 276,917	
Return on average assets	2.08	% 1.94	% 1.72	% 1.72	%
Return on average common stockholders' equity	22.84	% 21.10	% 17.55	% 18.48	%
Interest rate spread ¹	4.40	% 4.00	% 3.94	% 3.81	%
Net interest margin ²	4.77	% 4.24	% 4.25	% 4.02	%
Efficiency ratio	32.40	% 31.73	% 37.05	% 35.13	%
Asset Quality Ratios:					
Net annualized charge-offs to average loans and leases	0.02	% (0.01)	)% 0.01	% 0.01	%
Non-performing loans and leases to total loans and leases	0.37	% 0.47	% 0.37	% 0.47	%
Non-performing assets to total assets	0.39	% 0.39	% 0.39	% 0.39	%
Allowance for loan and lease losses to total loans and leases at end of period	0.76	% 0.65	% 0.76	% 0.65	%
	204.18	% 138.09	% 204.18	% 138.09	%

Allowance for loan and lease losses to non-performing
loans and leases

¹ *Interest rate spread represents the difference between the annualized weighted average yield on interest-earning assets and the annualized weighted average rate paid on interest-bearing liabilities.*

² *Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.*

41

Table of Contents**RESULTS OF OPERATIONS****Comparison of the Three and Nine Months Ended March 31, 2018 and 2017**

For the three months ended March 31, 2018, we had net income of \$51.3 million compared to net income of \$41.0 million for the three months ended March 31, 2017. Net income attributable to common stockholders was \$51.2 million or \$0.80 per diluted share for the three months ended March 31, 2018 compared to net income attributable to common shareholders of \$40.9 million or \$0.63 per diluted share for the three months ended March 31, 2017. For the nine months ended March 31, 2018, we had net income of \$115.3 million compared to net income of \$102.2 million for the nine months ended March 31, 2017. Net income attributable to common stockholders was \$115.1 million or \$1.78 per diluted share for the nine months ended March 31, 2018 compared to net income attributable to common shareholders of \$102.0 million or \$1.57 per diluted share for the nine months ended March 31, 2017. For the three and nine months ended March 31, 2018, the increase in net income was primarily related to increased net interest income from loan growth and increased interest income related to seasonal H&R Block-branded products.

Other key comparisons between our operating results for the three and nine months ended March 31, 2018 and 2017 are as follows:

Net interest income increased \$28.1 million and \$46.7 million due to a 17.2% and 13.5% increase in average earning assets in the three and nine months ended March 31, 2018, respectively. These increases were primarily the result of growth in the loan and lease portfolio and interest income from H&R Block-branded Refund Advance loan origination fee accretion. As a result of the Federal Reserve decisions to increase the Fed Funds rate over the last year, our market rates on loans and deposits have increased. Our net interest margin increased 53 basis points and increased 23 basis points for the three and nine months ended March 31, 2018 compared to the three and nine months ended March 31, 2017, respectively. The increases in the net interest margin are primarily due to the interest income related to the increase in Refund Advance loan fundings from \$0.3 billion to \$1.1 billion during the three months ended March 31, 2017 and 2018, respectively, partially offset by an increased average funding rate on interest bearing demand and savings accounts.

Non-interest income increased \$0.4 million and decreased \$0.6 million for the three and nine months ended March 31, 2018 compared to the three and nine months ended March 31, 2017, respectively. The \$0.4 million increase in non-interest income for the three months ended March 31, 2018, was primarily the result of an increase in mortgage banking income of \$1.7 million, partially offset by a decrease in prepayment penalty fee income of \$0.8 million and a decrease in realized gain (loss) on securities of \$0.4 million. The \$0.6 million decrease in non-interest income for the nine months ended March 31, 2018, was primarily the result a \$2.9 million decrease in realized gain on securities and a \$1.2 million decrease in gain on sale – other income from reduced sales of structured settlements, partially offset by a \$2.7 million increase in banking service fees and other income primarily due to increased fees related H&R Block-branded products and service fee income and a \$0.8 million reduction in unrealized loss on securities.

Non-interest expense increased \$10.0 million and \$22.6 million for the three and nine months ended March 31, 2018 compared to the three and nine months ended March 31, 2017, respectively. For the three months ended March 31, 2018 compared to the three months ended March 31, 2017 salaries and related expenses increased \$4.6 million primarily due to an increase in staff to support the overall growth of the Bank. Advertising and promotional increased by \$2.2 million, primarily related to increased deposit lead generation and rebranding costs, and other and general expense increased \$1.5 million, primarily due to increases in costs to support loan and deposit production. For the nine months ended March 31, 2018 compared to the nine months ended March 31, 2017 salaries and related expenses increased \$11.7 million primarily due to the overall increase in staff to support the overall growth of the Bank. Advertising and promotional expense increased \$4.4 million primarily related to increased deposit lead generation and rebranding costs, data processing, and internet expense increased \$2.8 million due to software initiatives and enhancements to the Bank's core processing system, and other and general expense increased \$2.1 million, primarily due to increases in costs to support loan and deposit production.

Table of Contents**Net Interest Income**

Net interest income for the three and nine months ended March 31, 2018 totaled \$116.7 million and \$281.4 million, an increase of 31.8% and 19.9%, compared to net interest income of \$88.6 million and \$234.7 million for the three and nine months ended March 31, 2017. The growth of net interest income for both the three and nine months ended March 31, 2018 is primarily due to net loan and lease portfolio growth.

Total interest and dividend income during the three and nine months ended March 31, 2018 increased 35.4% to \$144.9 million and 23.4% to \$356.2 million, respectively, compared to \$107.0 million and \$288.7 million during the three and nine months ended March 31, 2017. The increases in interest and dividend income for the three and nine months ended March 31, 2018 was primarily attributable to the continued growth in average earning assets from loan originations, primarily in the commercial & industrial as well as accretion from Refund Advance loans. The average balance of interest-earning loans and leases increased 18.5% and 15.9% for the three and nine months ended March 31, 2018 compared to the three and nine months ended March 31, 2017. 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.

Total interest expense was \$28.2 million and \$74.7 million for the three and nine months ended March 31, 2018, an increase of \$9.8 million or 53.2% and of \$20.7 million or 38.3% as compared with the three and nine months ended March 31, 2017, respectively. The increase for the three months ended March 31, 2018 was due primarily to increased rates of deposits. The average funding rate for the three months ended March 31, 2018 compared to the same 2017 period increased 40 basis points while average interest-bearing liabilities grew 13.4%. The average funding rate for the nine months ended March 31, 2018 compared to the same 2017 period increased 30 basis points as a result of the Federal Reserve decisions to increase the Fed Funds rate over the last year, while average interest-bearing liabilities grew 8.7%.

Net interest margin, defined as annualized net interest income divided by average earning assets, increased by 53 basis points to 4.77% and increased by 23 basis points to 4.25% for the three and nine months ended March 31, 2018, respectively. The increases of 53 and 23 basis points were primarily due to interest income generated by origination fee accretion of Refund Advance loans. The net interest margins of 4.77% and 4.25% for the three and nine months ended March 31, 2018 were primarily the result of the above discussed changes in loan yields and in the overall cost of funds, respectively.

Table of Contents**Average Balances, Net Interest Income, Yields Earned and Rates Paid**

The following table presents 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 three months ended March 31, 2018 and 2017:

	For the Three Months Ended							
	March 31,				2017			
	2018	Interest	Average Yields		2017	Interest	Average Yields	
(Dollars in thousands)	Average	Income/	Earned/Rates		Average	Income/	Earned/Rates	
	Balance ¹	Expense	Paid ²		Balance ¹	Expense	Paid ²	
Assets:								
Loans and leases ^{3, 4}	\$ 8,226,370	\$ 135,901	6.61	%	\$ 6,944,683	\$ 99,391	5.72	%
Interest-earning deposits in other financial institutions	1,314,249	5,222	1.59	%	982,002	2,158	0.88	%
Mortgage-backed and other investment securities ⁴	186,777	2,640	5.65	%	372,826	4,173	4.48	%
Stock of the FHLB, at cost	64,287	1,117	6.95	%	53,669	1,240	9.24	%
Total interest-earning assets	9,791,683	144,880	5.92	%	8,353,180	106,962	5.12	%
Non-interest-earning assets	63,990				111,178			
Total assets	\$ 9,855,673				\$ 8,464,358			
Liabilities and Stockholders' Equity:								
Interest-bearing demand and savings	\$ 4,729,058	\$ 13,935	1.18	%	\$ 4,799,610	\$ 8,608	0.72	%
Time deposits	1,092,585	6,865	2.51	%	886,541	5,543	2.50	%
Securities sold under agreements to repurchase	—	—	—	%	35,000	385	4.40	%
Advances from the FHLB	1,546,569	6,496	1.68	%	766,289	2,940	1.53	%
Subordinated notes and debentures and other	54,537	901	6.61	%	56,368	928	6.59	%
Total interest-bearing liabilities	7,422,749	28,197	1.52	%	6,543,808	18,404	1.12	%
Non-interest-bearing demand deposits	1,459,834				1,081,939			
Other non-interest-bearing liabilities	71,782				57,812			
Stockholders' equity	901,308				780,799			
Total liabilities and stockholders' equity	\$ 9,855,673				\$ 8,464,358			
Net interest income		\$ 116,683				\$ 88,558		
Interest rate spread ⁵			4.40	%			4.00	%
Net interest margin ⁶			4.77	%			4.24	%

¹ Average balances are obtained from daily data.

² Annualized.

³ Loans and leases include loans held for sale, loan premiums and unearned fees.

⁴ Interest income includes reductions for amortization of loan and investment securities premiums and earnings from accretion of discounts and loan fees. Loans and leases include average balances of \$29.3 million and \$30.2 million of Community Reinvestment Act loans which are taxed at a reduced rate for the 2018 and 2017 three-month periods, respectively.

⁵ 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.

⁶ Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.

Table of Contents**Average Balances, Net Interest Income, Yields Earned and Rates Paid**

The following table presents 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 nine months ended March 31, 2018 and 2017:

	For the Nine Months Ended							
	March 31,				2017			
(Dollars in thousands)	2018	Interest	Average Yields		2017	Interest	Average Yields	
	Average	Income/	Earned/Rates		Average	Income/	Earned/Rates	
	Balance ¹	Expense	Paid ²		Balance ¹	Expense	Paid ²	
Assets:								
Loans and leases ^{3, 4}	\$ 7,764,982	\$ 335,510	5.76	%	\$ 6,700,515	\$ 265,849	5.29	%
Interest-earning deposits in other financial institutions	789,845	8,662	1.46	%	600,324	3,234	0.72	%
Mortgage-backed and other investment securities ⁴	218,930	8,654	5.27	%	433,109	14,089	4.34	%
Stock of the FHLB, at cost	63,562	3,350	7.03	%	54,249	5,571	13.69	%
Total interest-earning assets	8,837,319	356,176	5.37	%	7,788,197	288,743	4.94	%
Non-interest-earning assets	85,401				142,600			
Total assets	\$ 8,922,720				\$ 7,930,797			
Liabilities and Stockholders' Equity:								
Interest-bearing demand and savings	\$ 4,805,737	\$ 39,146	1.09	%	\$ 4,624,507	\$ 24,564	0.71	%
Time deposits	914,349	18,016	2.63	%	989,224	17,112	2.31	%
Securities sold under agreements to repurchase	7,427	229	4.11	%	35,000	1,143	4.35	%
Advances from the FHLB	1,169,810	14,605	1.66	%	687,781	8,409	1.63	%
Subordinated notes and debentures and other	54,505	2,734	6.69	%	56,339	2,816	6.66	%
Total interest-bearing liabilities	6,951,828	74,730	1.43	%	6,392,851	54,044	1.13	%
Non-interest-bearing demand deposits	1,024,620				739,780			
Other non-interest-bearing liabilities	66,922				57,497			
Stockholders' equity	879,350				740,669			
Total liabilities and stockholders' equity	\$ 8,922,720				\$ 7,930,797			
Net interest income		\$ 281,446				\$ 234,699		
Interest rate spread ⁵			3.94	%			3.81	%
Net interest margin ⁶			4.25	%			4.02	%

¹ Average balances are obtained from daily data.

² Annualized.

³ Loans and leases include loans held for sale, loan premiums and unearned fees.

⁴ Interest income includes reductions for amortization of loan and investment securities premiums and earnings from accretion of discounts and loan fees. Loans and leases include average balances of \$29.5 million and \$30.4 million of Community Reinvestment Act loans which are taxed at a reduced rate for the 2018 and 2017 nine-month periods, respectively.

⁵ 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.

⁶ Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.

Table of Contents**Average Balances, Net Interest Income, Yields Earned and Rates Paid**

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); (ii) effects on interest income and interest expense attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) changes in rate/volume (change in rate multiplied by change in volume) for the three and nine months ended March 31, 2018 and 2017:

	For the Three Months Ended				For the Nine Months Ended			
	March 31, 2018				March 31, 2018			
	2018 vs 2017				2018 vs 2017			
	Increase (Decrease) Due to				Increase (Decrease) Due to			
(Dollars in thousands)	Volume	Rate	Rate/Volume	Total Increase (Decrease)	Volume	Rate	Rate/Volume	Total Increase (Decrease)
Increase/(decrease) in interest income:								
Loans and leases	\$18,328	\$15,452	\$2,730	\$36,510	\$42,233	\$23,619	\$3,809	\$69,661
Interest-earning deposits in other financial institutions	731	1,743	590	3,064	1,023	3,332	1,073	5,428
Mortgage-backed and other investment securities	(2,084)	1,091	(540)	(1,533)	(6,972)	3,021	(1,484)	(5,435)
Stock of the FHLB, at cost	245	(307)	(61)	(123)	956	(2,710)	(467)	(2,221)
	\$17,220	\$17,979	\$2,719	\$37,918	\$37,240	\$27,262	\$2,931	\$67,433
Increase/(decrease) in interest expense:								
Interest-bearing demand and savings	\$(127)	\$5,520	\$(66)	\$5,327	\$965	\$13,180	\$437	\$14,582
Time deposits	1,288	22	12	1,322	(1,297)	2,374	(173)	904
Securities sold under agreements to repurchase	(385)	(385)	385	(385)	(900)	(63)	49	(914)
Advances from the FHLB	2,985	287	284	3,556	5,893	155	148	6,196
Subordinated notes and debentures and other	(30)	3	—	(27)	(92)	13	(3)	(82)
	\$3,731	\$5,447	\$615	\$9,793	\$4,569	\$15,659	\$458	\$20,686

Provision for Loan and Lease Losses

The loan and lease loss provision was \$16.9 million for the three months ended March 31, 2018 compared to \$4.9 million for the three months ended March 31, 2017. The loan and lease loss provision was \$21.9 million for the nine months ended March 31, 2018 compared to \$10.9 million for the nine months ended March 31, 2017. The increase in the loan and lease loss provision for the three and nine months ended March 31, 2018 was 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, combined with overall loan portfolio growth. Provisions for loan and lease losses are charged to income to bring the allowance for loan and lease losses to a level deemed appropriate by management based on the factors discussed under “Financial Condition—Asset Quality and Allowance for Loan and Lease Losses.”

Table of Contents**Non-Interest Income**

The following table sets forth information regarding our non-interest income for the periods shown:

<i>(Dollars in thousands)</i>	For the Three Months Ended			For the Nine Months Ended		
	March 31,			March 31,		
	2018	2017	Inc (Dec)	2018	2017	Inc (Dec)
Realized gain (loss) on securities	\$(101)	\$312	\$(413)	\$(18)	\$2,924	\$(2,942)
Other-than-temporary loss on securities:						
Total impairment losses	(173)	(754)	581	(6,271)	(8,981)	2,710
Loss recognized in other comprehensive loss	173	386	(213)	6,115	7,143	(1,028)
Net impairment loss recognized in earnings	—	(368)	368	(156)	(1,838)	1,682
Fair value gain on trading securities	—	270	(270)	—	837	(837)
Total unrealized loss on securities	—	(98)	98	(156)	(1,001)	845
Prepayment penalty fee income	874	1,682	(808)	3,108	3,617	(509)
Gain on sale – other	522	341	181	2,888	4,068	(1,180)
Mortgage banking income	3,089	1,430	1,659	11,852	11,400	452
Banking service fees and other income	19,141	19,501	(360)	36,290	33,593	2,697
Total non-interest income	\$23,525	\$23,168	\$357	\$53,964	\$54,601	\$(637)

Our relationship with H&R Block began in fiscal 2016 and introduced seasonality into banking service fees and other income 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 services fees and other income for the three months ended March 31, 2018 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 service fees and other income are Emerald Prepaid Mastercard® (“EPC”) and Refund Transfer (“RT”).

Non-interest income increased \$0.4 million to \$23.5 million for the three months ended March 31, 2018. The increase was the result of a \$1.7 million increase in mortgage banking income, an increase in gain on sale – other of \$0.2 million, and a \$0.1 million reduction in unrealized loss on securities, partially offset by a \$0.8 million decrease in prepayment penalty fee income and a \$0.4 million decrease in realized gain (loss) on securities, and a \$0.4 million decrease in banking service fees. For the three months ended March 31, 2018, EPC increased \$0.2 million to \$3.1 million from \$2.9 million for the three months ended March 31, 2017. For the three months ended March 31, 2018, RT decreased \$0.3 million to \$10.5 million from \$10.8 million for the three months ended March 31, 2017.

Non-interest income decreased \$0.6 million to \$54.0 million for the nine months ended March 31, 2018. The decrease was primarily the result of a \$2.9 million decrease in realized gain (loss) on securities, a decrease in gain on sale – other of \$1.2 million due to reduced sales of structured settlements, partially offset by a \$2.7 million increase in banking service fees due to increased fees related to seasonal H&R Block-branded products and service fee income, a \$0.8 million net decrease in unrealized loss on securities, a \$0.5 million increase in mortgage banking income. For the nine months ended March 31, 2018, EPC revenue increased \$0.2 million to \$5.9 million from \$5.7 million for the nine months ended March 31, 2017, RT revenue decreased \$0.2 million to \$10.7 million from \$10.9 million for the nine months ended March 31, 2017.

Included in gain on sale – other are sales of correspondent loans that are collateralized by non-mortgage assets and sales of structured settlement annuity 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, lower of cost or fair value.

Table of Contents**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 Three Months Ended			For the Nine Months Ended		
	March 31,	March 31,	Inc (Dec)	March 31,	March 31,	Inc (Dec)
	2018	2017		2018	2017	
Salaries and related costs	\$25,871	\$21,268	\$4,603	\$72,310	\$60,608	\$11,702
Data processing and internet	4,216	3,298	918	12,191	9,411	2,780
Advertising and promotional	4,315	2,148	2,167	11,092	6,670	4,422
Depreciation and amortization	2,024	1,552	472	5,719	4,316	1,403
Occupancy and equipment	1,543	1,461	82	4,461	4,100	361
Professional services	1,474	1,023	451	3,954	3,463	491
FDIC and regulator fees	1,242	1,265	(23)	3,338	3,390	(52)
Real estate owned and repossessed vehicles	(142)	(2)	(140)	(49)	503	(552)
Other general and administrative	4,891	3,435	1,456	11,247	9,165	2,082
Total non-interest expenses	\$45,434	\$35,448	\$9,986	\$124,263	\$101,626	\$22,637

Non-interest expense, which is comprised primarily of compensation, data processing and internet expenses, occupancy, advertising and promotional and other operating expenses, was \$45.4 million for the three months ended March 31, 2018, up from \$35.4 million for the three months ended March 31, 2017. Non-interest expense was \$124.3 million for the nine months ended March 31, 2018, up from \$101.6 million for the nine months ended March 31, 2017. The increase in compensation expense for the three and nine months ended March 31, 2018 was primarily due to the expansion of the Bank, specifically in areas related to lending, information technology infrastructure development and regulatory compliance.

Total salaries and related costs increased \$4.6 million to \$25.9 million for the three months ended March 31, 2018 compared to \$21.3 million for the three months ended March 31, 2017 due to increased staffing levels to support growth in lending and information technology infrastructure development activities. Total salaries and related costs increased \$11.7 million to \$72.3 million for the nine months ended March 31, 2018 compared to \$60.6 million for the nine months ended March 31, 2017 due to increased staffing levels to support growth in lending and information technology infrastructure development and compliance activities. Our staff increased to 725 from 643, or 12.8% between March 31, 2018 and 2017.

Data processing and internet expense increased \$0.9 million and \$2.8 million for the three and nine months ended March 31, 2018, compared to the three and nine month periods ended March 31, 2017, respectively. The increases were primarily due to enhancements to customer interfaces and the Bank's core processing system.

Advertising and promotional expense increased \$2.2 million and \$4.4 million for the three and nine months ended March 31, 2018, compared to the three and nine months ended March 31, 2017. The increases for the three months ended March 31, 2018 were primarily related to increased deposit marketing, increased lead generation costs, and rebranding costs. The increases for the nine months ended March 31, 2018 were primarily related to increased deposit marketing and rebranding costs.

Depreciation and amortization expense increased \$0.5 million and \$1.4 million for the three and nine months ended March 31, 2018, compared to the three and nine months ended March 31, 2017. The increases were primarily due to depreciation on lending and deposit platform enhancements and infrastructure development.

Occupancy and equipment expense increased \$0.1 million and \$0.4 million for the three and nine months ended March 31, 2018 compared to the three and nine months ended March 31, 2017, in order to support increased production and office space for additional employees.

Professional services, which include accounting and legal fees, increased \$0.5 million for both the three and nine months ended March 31, 2018, compared to the three and nine month periods last year, respectively. Professional services charges increased due primarily to legal fees and the timing of insurance reimbursements.

Our cost of Federal Deposit Insurance Corporation ("FDIC") and OCC standard regulatory charges was flat for the three and nine months ended March 31, 2018, compared to the three and nine month period last year, respectively. 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.

48

Table of Contents

Other general and administrative costs increased by \$1.5 million and \$2.1 million for the three and nine months ended March 31, 2018, compared to the three and nine month period ended March 31, 2017, respectively. The increases were primarily due to costs to support loan and deposit production.

Provision for Income Taxes

Our effective income tax rates (income tax provision divided by net income before income tax) for the three months ended March 31, 2018 and 2017 were 34.18% and 42.60%, respectively. Our effective income tax rates for the nine months ended March 31, 2018 and 2017 were 39.08% and 42.20%, respectively.

The Tax Act made broad and complex changes to the U.S. tax code that will affect our fiscal year ending June 30, 2018 and future periods, including reducing the U.S. federal corporate statutory tax rate to 21.0% beginning January 1, 2018. Our fiscal year ending June 30, 2018 will have a blended federal corporate statutory tax rate of 28.1%, which is based on the applicable tax rates before and after the Tax Act and the number of days in the year. Consequently, we have recorded a decrease related to net deferred tax assets of \$8.0 million, with a corresponding discreet net income tax expense during the quarter ended December 31, 2017. The deferred tax asset revaluation relates primarily to the reduced value of deferred tax assets resulting from loan loss reserves. As a result, income tax expense reported for the nine months ended March 31, 2018 was adjusted to reflect the effects of the change in the tax law. Based on the changes in the Tax Act, our federal corporate statutory tax rate will be 28.1% for the quarters ending March 31, 2018 and June 30, 2018, and 21.0% for the year ending June 30, 2019.

Additionally, the Company received a state tax credit award for the year ended June 30, 2018. This tax credit was applied during the three months ended March 31, 2018, reducing the effective tax rate by approximately 1.4%. Lastly, the Company adopted ASU 2016-09 effective July 1, 2017. As a result of the adoption, the Company recorded \$71 and \$670 of income tax benefits for the three and nine months ended March 31, 2018, respectively, related to excess tax benefits from stock compensation. Prior to 2017, 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.

FINANCIAL CONDITION**Balance Sheet Analysis**

Total assets increased \$1,480.6 million, or 17.4%, to \$9,982.3 million, as of March 31, 2018, up from \$8,501.7 million at June 30, 2017. The increase in total assets was primarily due to an increase in cash of \$847.5 million and an increase of \$690.2 million in net loans and leases held for investment. Total liabilities increased \$1,393.2 million, primarily from growth in deposits of \$1,064.3 million and an increase in FHLB advances of \$328.0 million.

Loans and Leases

Net loans and leases held for investment increased 9.4% to \$8,064.7 million at March 31, 2018 from \$7,374.5 million at June 30, 2017. The increase in the loan and lease portfolio was primarily due to loan and lease originations of \$4,561.2 million, partially offset by loan and lease repayments and other adjustments of \$3,871.0 million during the nine months ended March 31, 2018.

Table of Contents

The following table sets forth the composition of the loan and lease portfolio as of the dates indicated:

	March 31, 2018		June 30, 2017	
	Amount	Percent	Amount	Percent
<i>(Dollars in thousands)</i>				
Single family real estate secured:				
Mortgage	\$4,016,160	49.1 %	\$3,901,754	52.4 %
Home equity	2,407	— %	2,092	— %
Warehouse and other	405,987	5.0 %	452,390	6.1 %
Multifamily real estate secured	1,747,800	21.4 %	1,619,404	21.7 %
Commercial real estate secured	208,133	2.5 %	162,715	2.2 %
Auto and RV secured	196,665	2.4 %	154,246	2.1 %
Factoring	200,579	2.5 %	160,674	2.1 %
Commercial & Industrial	1,356,377	16.6 %	992,232	13.3 %
Other	42,269	0.5 %	3,754	0.1 %
Total gross loans and leases	8,176,377	100.0 %	7,449,261	100.0 %
Allowance for loan and lease losses	(62,054)		(40,832)	
Unaccreted discounts and loan and lease fees	(49,607)		(33,936)	
Total net loans and leases	\$8,064,716		\$7,374,493	

We originate some interest only loans with terms that include repayments that are less than the repayments for fully amortizing loans. Our 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. We monitor and perform reviews of interest only loans. Adverse trends reflected in delinquency statistics, grading and classification of interest only loans would be reported to management and the Board of Directors. As of March 31, 2018, we had \$1,026.9 million of interest only mortgage loans. Through March 31, 2018, the net amount of deferred interest on interest only loans was not material to our financial position or operating results.

Table of Contents**Asset Quality and Allowance for Loan and Lease Losses***Non-performing Assets*

Non-performing loans and leases are comprised of loans and leases past due 90 days or more on nonaccrual status and other nonaccrual loans and leases. Non-performing assets include non-performing loans and leases plus other real estate owned and repossessed vehicles. At March 31, 2018, our non-performing loans and leases totaled \$30.4 million, or 0.37% of total gross loans and leases and our non-performing loans and leases and foreclosed assets or “non-performing assets” totaled \$38.7 million, or 0.39% of total assets.

Non-performing assets consisted of the following as of the dates indicated:

<i>(Dollars in thousands)</i>	March 31, 2018	June 30, 2017	Inc (Dec)
Non-performing assets:			
Non-accrual loans and leases:			
Single family real estate secured:			
Mortgage	\$ 29,549	\$ 23,377	\$ 6,172
Home equity	16	16	—
Multifamily real estate secured	243	4,255	(4,012)
Total non-performing loans secured by real estate	29,808	27,648	2,160
Auto and RV secured	147	157	(10)
Commercial & Industrial	—	314	(314)
Other	437	274	163
Total non-performing loans and leases	30,392	28,393	1,999
Foreclosed real estate	8,139	1,353	6,786
Repossessed—Auto and RV	187	60	127
Total non-performing assets	\$ 38,718	\$ 29,806	\$ 8,912
Total non-performing loans and leases as a percentage of total loans and leases	0.37 %	0.38 %	(0.01)%
Total non-performing assets as a percentage of total assets	0.39 %	0.35 %	0.04 %

Total non-performing assets increased from \$29.8 million at June 30, 2017 to \$38.7 million at March 31, 2018. As a percentage of total assets, non-performing assets increased from 0.35% at June 30, 2017 to 0.39% at March 31, 2018. The non-performing assets increase of approximately \$8.9 million, was primarily the result of increases in non-performing single family real estate secured mortgage loans and foreclosed real estate assets.

A troubled debt restructuring is a concession made to a borrower experiencing financial difficulties, typically permanent or temporary modifications of principal and interest payments or an extension of maturity dates. When a loan is delinquent and classified as a troubled debt restructuring no interest is accrued until the borrower demonstrates over time (typically six months) that it can make payments. When a loan is considered a troubled debt restructuring and is on nonaccrual, it is considered non-performing and included in the table above. There were no performing

troubled debt restructurings at March 31, 2018 and June 30, 2017.

Allowance for Loan and Lease Losses

We are committed to maintaining the allowance for loan and lease losses at a level that is considered to be commensurate with estimated and known risks in the portfolio. Although the adequacy of the allowance is reviewed quarterly, management performs an ongoing assessment of the risks inherent in the portfolio. While we believe that the allowance for loan and lease losses is adequate at March 31, 2018, future additions to the allowance will be subject to continuing evaluation of estimated and known, as well as inherent risks in the loan and lease portfolio.

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 and leases, change in volume and mix of loans and leases, collateral values and charge-off history.

We provide general loan loss reserves for our auto and RV loans based upon the borrower credit score at the time of origination and loss experience to date. The allowance for loan loss for the auto and RV loan portfolio at March 31, 2018 was determined by classifying each outstanding loan according to the semi-annually refreshed FICO score and providing loss rates. We had \$196.5 million of auto and RV loan balances subject to general reserves as follows: FICO greater than or equal to 770: \$97.8 million; 715 – 769: \$67.2 million; 700 – 714: \$16.6 million; 660 – 699: \$13.5 million and less than 660: \$1.4 million.

Table of Contents

We experienced increased charge-offs of RV loans in fiscal 2007 through 2011, due to the nationwide recession. Our portfolio of RV loans is expected to decrease in the future because we ceased originating RV loans in fiscal 2009. General loan loss reserves for mortgage loans are 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 dividing the outstanding unpaid balance for each loan by the loan-to-value and applying quantitative and qualitative loss rates. The LTV groupings for each significant mortgage class are as follows:

We had \$3,986.6 million of single family mortgage portfolio loan balances subject to general reserves as follows: LTV less than or equal to 60%: \$2,356.8 million; 61% – 70%: \$1,326.6 million; 71% – 80%: \$303.0 million; greater than 80%: \$0.2 million.

We had \$1,747.6 million of multifamily mortgage portfolio loan balances subject to general reserves as follows: LTV less than or equal to 55%: \$929.1 million; 56% – 65%: \$525.3 million; 66% – 75%: \$283.6 million; 76% – 80%: \$9.6 million and greater than 80%: \$0.0 million.

We had \$208.1 million of commercial real estate loan balances subject to general reserves as follows: LTV less than or equal to 50%: \$97.9 million; 51% – 60%: \$41.0 million; 61% – 70%: \$57.2 million; and 71% – 80%: \$12.1 million. The commercial secured portfolio consists of business loans well-collateralized by residential real estate. The other portfolio consists of receivables factoring for businesses and consumers. We allocate the allowance for loan loss 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.

The weighted average LTV percentage for our entire real estate loan portfolio was 55% at March 31, 2018. We believe that this percentage is lower and more conservative than most banks, which results in lower average mortgage loan charge-offs when compared to many other comparable banks.

While we anticipate that such level of charge-offs will continue into the future, given the uncertainties surrounding the improvement of the U.S. economy, we may experience an increase in the relative amount of charge-offs and we may be required to increase our loan and lease loss provisions in the future to provide a larger loss allowance for one or more of our loan and lease types.

Loans included in the other loan classification primarily consist of tax season H&R Block related products. These 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 charged off in their entirety at 120 days delinquent, consistent with regulatory guidance for unsecured consumer loan products. While they do incur higher proportional default and charge-off rates than the remainder of our loan and lease portfolio, these asset quality attributes are within expectations of the design of the products. We provide general loan loss reserves for our H&R Block related loans based upon prior years’ loss experience with consideration for current year loan performance.

The following table summarizes impaired loans and leases as of:

<i>(Dollars in thousands)</i>	March 31, 2018	June 30, 2017
Non-performing loans and leases—90+ days past due plus other non-accrual loans and leases	\$29,185	\$26,815
Troubled debt restructuring loans—non-accrual	1,207	1,578
Total impaired loans and leases	\$30,392	\$28,393

Table of Contents

The following table reflects management's allocation of the allowance for loan and lease losses by loan and lease category and the ratio of each loan and lease category to total loans and leases as of the dates indicated:

<i>(Dollars in thousands)</i>	March 31, 2018		June 30, 2017	
	Amount of Allowance	Allocation as a % of Allowance	Amount of Allowance	Allocation as a % of Allowance
Single family real estate secured:				
Mortgage	\$19,666	31.7 %	\$19,972	48.9 %
Home equity	15	— %	19	— %
Warehouse and other	2,130	3.4 %	2,298	5.6 %
Multifamily real estate secured	5,096	8.2 %	4,638	11.4 %
Commercial real estate secured	901	1.5 %	1,008	2.5 %
Auto and RV secured	3,056	4.9 %	2,379	5.8 %
Factoring	500	0.8 %	401	1.0 %
Commercial & Industrial	13,866	22.4 %	9,881	24.2 %
Other	16,824	27.1 %	236	0.6 %
Total	\$62,054	100.0 %	\$40,832	100.0 %

The loan and lease loss provision was \$16.9 million and \$4.9 million for the three months ended March 31, 2018 and 2017, respectively. The loan and lease loss provision was \$21.9 million and \$10.9 million for the nine months ended March 31, 2018 and 2017, respectively. The increase in the loan and lease loss provision was due to portfolio loan growth combined with an increased provision in the other loan classification from \$4.5 million to \$14.1 million for the three months ended March 31, 2017 and 2018, respectively, which was primarily attributable to the increase in Refund Advance loan fundings. We believe that the lower average LTV in the mortgage loan portfolio will continue to result in future lower average mortgage loan charge-offs when compared to many other comparable banks. Our general loan and lease loss reserves are based upon historical losses and expected future trends. The resolution of our existing other real estate owned and non-performing loans should not have a significant adverse impact on operating results.

Investment Securities

Total investment securities were \$173.2 million as of March 31, 2018, compared with \$272.8 million at June 30, 2017. During the nine months ended March 31, 2018, we purchased 26 securities for \$81.9 million, sold \$44.0 million of available for sale securities, sold \$8.3 million of trading securities and received principal repayments of approximately \$127.0 million in our available-for-sale portfolio. The remainder of the change for the available-for-sale portfolio is attributable to accretion and other activities.

Deposits

Deposits increased a net \$1,064.3 million, or 15.4%, to \$7,963.8 million at March 31, 2018, from \$6,899.5 million at June 30, 2017. Our deposit growth was the result of a 78.3% increase in non-interest bearing accounts and a 70.0% increase in time deposit accounts. The addition of deposits through our H&R Block product and service offerings and our organic business growth resulted in higher demand account business, time deposit business, and non-interest bearing account business during the nine months ended March 31, 2018.

Table of Contents

The following table sets forth the composition of the deposit portfolio as of the dates indicated:

<i>(Dollars in thousands)</i>	March 31, 2018		June 30, 2017	
	Amount	Rate ¹	Amount	Rate ¹
Non-interest bearing	\$1,513,228	— %	\$848,544	— %
Interest-bearing:				
Demand	2,469,944	1.35 %	2,593,491	0.89 %
Savings	2,609,910	1.08 %	2,651,176	0.81 %
Total interest-bearing demand and savings	5,079,854	1.21 %	5,244,667	0.85 %
Time deposits:				
\$250 and under ²	1,309,488	2.28 %	774,627	2.54 %
Greater than \$250	61,187	1.64 %	31,669	0.39 %
Total time deposits	1,370,675	2.35 %	806,296	2.46 %
Total interest bearing ²	6,450,529	1.45 %	6,050,963	1.06 %
Total deposits	\$7,963,757	1.18 %	\$6,899,507	0.93 %

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

² The total interest-bearing includes brokered deposits of \$1,591.8 million and \$1,104.3 million as of March 31, 2018 and June 30, 2017, respectively, of which \$1,135.6 million and \$611.0 million, respectively, are time deposits classified as \$250 and under.

The following table sets forth the number of deposit accounts by type as of the date indicated:

	March 31, 2018	June 30, 2017	March 31, 2017
Non-interest bearing, prepaid and other	4,358,429	3,113,128	3,798,888
Checking and savings accounts	271,318	274,962	277,182
Time deposits	2,486	2,748	2,941
Total number of deposit accounts	4,632,233	3,390,838	4,079,011

The net increase of 1,245,301 of non-interest bearing, prepaid and other accounts for the nine months ended March 31, 2018 was primarily the result of the seasonality of the 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 6,875 accounts as of March 31, 2018.

Borrowings

The following table sets forth the composition of our borrowings and the interest rates at the dates indicated:

<i>(Dollars in thousands)</i>	March 31, 2018		June 30, 2017		March 31, 2017	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Repurchase agreements	\$—	— %	\$20,000	4.25 %	\$35,000	4.38 %
FHLB Advances	968,000	1.99 %	640,000	1.79 %	961,000	1.42 %
Subordinated notes and debentures and other	54,528	6.56 %	54,463	6.57 %	54,450	6.35 %
Total borrowings	\$1,022,528	2.23 %	\$714,463	2.22 %	\$1,050,450	1.78 %
Weighted average cost of borrowings during the quarter	1.85	%	1.71	%	1.98	%
Borrowings as a percent of total assets	10.2	%	8.4	%	12.1	%

At March 31, 2018, total borrowings amounted to \$1,022.5 million, up \$308.1 million, or 43.1%, from June 30, 2017 and down \$27.9 million or 2.7% from March 31, 2017. Total borrowings represented 10.2% of total assets and had a weighted-average cost of 1.85% at March 31, 2018, compared with 8.4% of total assets at a weighted-average cost of 1.71% at June 30, 2017 and 12.1% of total assets at a weighted-average cost of 1.98% at March 31, 2017.

Table of Contents

Previously we had sold securities under various agreements to repurchase. The remaining agreements matured during the three months ended December 31, 2017 and we have no further such agreements.

We regularly use advances from the FHLB to manage our interest rate risk and, to a lesser extent, manage our liquidity position. Generally, FHLB advances with terms between three and ten years have been used to fund the purchase of single family and multifamily mortgages and to provide us with interest rate risk protection should rates rise. At March 31, 2018, we no longer had any FHLB advances including agreements that allow the FHLB, at its option, to put the advances back to us after specified dates.

Stockholders' Equity

Stockholders' equity increased \$87.4 million to \$921.7 million at March 31, 2018 compared to \$834.2 million at June 30, 2017. The increase was the result of our net income for the nine months ended March 31, 2018 of \$115.3 million, vesting and issuance of RSUs of \$9.2 million, partially offset by \$35.2 million in stock repurchases and \$0.2 million of 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 March 31, 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.

LIQUIDITY

Cash flow information is as follows:

	For the Nine Months Ended	
	March 31,	
(Dollars in thousands)	2018	2017
Operating Activities	\$118,578	\$171,379
Investing Activities	\$(603,883)	\$(566,346)
Financing Activities	\$1,332,805	\$986,997

During the nine months ended March 31, 2018, we had net cash inflows from operating activities of \$118.6 million compared to inflows of \$171.4 million for the nine months ended March 31, 2017, primarily due to net income for each period. Net operating cash inflows and outflows fluctuate primarily due to the timing of originations of loans held for sale and proceeds from loan sales.

Net cash outflows from investing activities totaled \$603.9 million for the nine months ended March 31, 2018, while outflows totaled \$566.3 million for the same period in fiscal year 2017. The increase was primarily due to increased originations of loans and leases in the fiscal 2018 period compared to the same period in the prior year.

Our net cash provided by financing activities totaled \$1,332.8 million for the nine months ended March 31, 2018, and \$987.0 million for the nine months ended March 31, 2017. Net cash provided by financing activities increased primarily from a net increase in deposits for the nine months ended March 31, 2018 compared to March 31, 2017.

During the nine months ended March 31, 2018, the Bank could borrow up to 40.0% of its total assets from the FHLB. Borrowings are collateralized by the pledge of certain mortgage loans and investment securities to the FHLB. At March 31, 2018, the Company had \$562.3 million available immediately being fully collateralized. At March 31, 2018, we also had two unsecured federal funds purchase lines with two different banks totaling \$35.0 million, under which no borrowings were outstanding.

The Bank has the ability to borrow short-term from the Federal Reserve Bank of San Francisco Discount Window. At March 31, 2018, the Bank did not have any borrowings outstanding and the amount available from this source was \$916.5 million. The credit line is collateralized by consumer loans and mortgage-backed securities.

In an effort to expand the Bank's liquidity options, we have issued brokered deposits of \$1.6 billion at March 31, 2018. We believe our liquidity sources to be stable and adequate for our anticipated needs and contingencies. We believe we have the ability to increase our level of deposits and borrowings to address our liquidity needs for the foreseeable future.

OFF-BALANCE SHEET COMMITMENTS

At March 31, 2018, we had commitments to originate loans with an aggregate outstanding principal balance of \$439.8 million, and commitments to sell loans with an aggregate outstanding principal balance of \$86.8 million. We have no

commitments to purchase loans, leases, investment securities or any other unused lines of credit.

55

Table of Contents

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 “First Class Action”), and the Houston Municipal Employees Pension System was appointed lead plaintiff. The First Class Action complaint was amended by a certain Consolidated Amended Class Complaint filed on April 11, 2016. On September 27, 2016, the Court dismissed the First Class Action, with leave to amend, as to defendants Andrew Micheletti, Paul Grinberg, Nicholas Mosich and James Argalas. The Court denied the Motion to Dismiss with respect to the Company and Gregory Garrabrants. On November 25, 2016, the putative class action plaintiff filed a Second Amended Class Action Complaint (the “Second Amended Complaint”), which includes the previously dismissed defendants. On December 23, 2016, the Company and other defendants filed a motion to dismiss such Second Amended Complaint. On May 23, 2017, the Court granted in part and denied in part the defendants’ motion to dismiss the Second Amended Complaint. On September 28, 2017, the Company and other defendants filed a motion for judgment on the pleadings, which is currently pending. On December 1, 2017, the Court granted the motion to dismiss with leave. On December 22, 2017, the putative class action plaintiff filed a Third Amended Class Action Complaint (the “Third Amended Complaint”). The Second and Third Amended Complaints 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 January 19, 2018, the Company and other defendants filed a motion to dismiss such Third Amended Complaint. On March 21, 2018, the Court entered a final order granting defendants’ motion and dismissing the Third Amended Complaint. 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. On June 2, 2017, lead plaintiff motions were filed on behalf of three members of the putative class and on July 17, 2017, the Company and other defendants filed an opposition to such motions. On February 20, 2018, the lead plaintiff filed a class action amended complaint, enlarging the class period, setting forth additional allegations and adding defendants. On April 6, 2018, the defendants filed a motion to dismiss the class action amended complaint. A hearing for the motion to dismiss is scheduled for June 15, 2018. The Company and the other named defendants dispute the allegations advanced by the plaintiffs in the Mandalevy Case, and are vigorously defending against the Mandalevy Complaint. The complaints filed in the Golden Case, the Hazan Case, and the Mandalevy Case allege that the 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 the wrongful conduct that is alleged in 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. 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 First 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

Table of Contents

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, appointed lead counsel in the consolidated action, and ordered the parties to meet and confer regarding a schedule for the filing of a consolidated complaint and defendants' response to the complaint. Pursuant to the order, counsel have met and conferred regarding proposals for (a) the time for plaintiffs to file a consolidated complaint or provide notice of plaintiffs' intent to rely upon the original Complaint in Case No. 3:15-cv-02722-GPC-KSC (the "Operative Complaint"); (b) the time for defendants to respond to the Operative Complaint; and (c) a schedule for briefing any motion to dismiss that may be filed by a defendant. A stipulation setting forth the agreed litigation schedule has been submitted to the Court. On April 10, 2017, the plaintiffs filed an amended complaint (the "Amended Operative Complaint"). On March 7, 2018, the defendants in the Amended Operative Complaint filed a motion for judgment on the pleadings. A hearing on the defendants' motion for judgment on the pleadings is scheduled for May 20, 2018.

The two derivative actions pending before the San Diego County Superior Court have been consolidated and have been stayed by agreement of the parties.

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.

CONTRACTUAL OBLIGATIONS

The Company enters into contractual obligations in the normal course of business primarily as a source of funds for its asset growth and to meet required capital needs. Our time deposits due within one year of March 31, 2018 totaled \$669.7 million. We believe the large percentage of time deposits that mature within one year reflects customers' hesitancy to invest their funds long term. If these maturing deposits do not remain with us, we may be required to seek other sources of funds, including other time deposits and borrowings. Depending on market conditions, we may be required to pay higher rates on deposits and borrowings than we currently pay on time deposits maturing within one year. However, based on past experience we believe a significant portion of our time deposits will remain with us. We believe we have the ability to attract and retain deposits by adjusting interest rates offered.

The following table presents certain of our contractual obligations as of the period indicated:

As of March 31, 2018

<i>(Dollars in thousands)</i>	Total	Payments Due by Period ¹			
		Less Than One Year	One To Three Years	Three To Five Years	More Than Five Years
Long-term debt obligations ²	\$ 1,075,030	\$ 736,458	\$ 150,732	\$ 88,241	\$ 99,599
Time deposits ²	1,497,667	691,782	131,387	141,273	533,225
Operating lease obligations ³	14,641	4,786	6,879	1,884	1,092
Total	\$ 2,587,338	\$ 1,433,026	\$ 288,998	\$ 231,398	\$ 633,916

¹ Our contractual obligations include long-term debt, time deposits and operating leases as shown. We had no capitalized leases or material commitments for capital expenditures at March 31, 2018.

² Amounts include principal and interest due to recipient.

³ Payments are for leases of real property.

CAPITAL RESOURCES AND REQUIREMENTS

Our Company and Bank are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. Failure by our Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by regulators that could have a material adverse effect on our consolidated financial statements. The Federal Reserve establishes capital requirements for our Company and the OCC has similar requirements for our Bank. The following tables present regulatory capital information for our Company and Bank. Information presented for March 31, 2018, reflects the Basel III capital requirements that became effective January 1, 2015 for both our Company and Bank. Under these capital requirements and the regulatory framework for prompt corrective action, our Company and Bank must meet specific capital guidelines that involve quantitative measures of

our Company and Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our Company's and Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require our Company and Bank to maintain certain minimum capital amounts and ratios. Federal bank regulators require our Company and Bank maintain minimum ratios of core capital to adjusted average assets of 4.0%, common equity tier 1 capital to risk-weighted assets of 4.5%, tier 1 capital to risk-weighted assets of 6.0% and total risk-based capital to risk-weighted assets of 8.0%. To be "well capitalized," our Company and Bank must maintain minimum leverage, common equity tier 1 risk-based, tier 1 risk-based and total risk-based capital ratios of at least 5.0%, 6.5%, 8.0% and 10.0%, respectively. At March 31, 2018, our Company and Bank met all the capital adequacy requirements to which they were subject and were "well capitalized" under the regulatory framework for prompt corrective action. Management believes that no conditions or events have occurred since March 31, 2018 that would materially adversely change the Company's and Bank's capital classifications. From time to time, we may need to raise additional capital to support our Company's and Bank's further growth and to maintain their "well capitalized" status.

The Bank's capital amounts, capital ratios and capital requirements under Basel III were as follows:

<i>(Dollars in thousands)</i>	BofI Holding, Inc.		BofI Federal Bank		"Well Capitalized" Ratio	Minimum Capital Ratio
	March 31, 2018	June 30, 2017	March 31, 2018	June 30, 2017		
Regulatory Capital:						
Tier 1	\$922,794	\$833,759	\$925,507	\$804,317		
Common equity tier 1	\$917,731	\$828,696	\$925,507	\$804,317		
Total capital (to risk-weighted assets)	\$1,036,009	\$925,720	\$987,722	\$845,278		
Assets:						
Average adjusted	\$9,856,814	\$8,380,909	\$9,849,646	\$8,374,509		
Total risk-weighted	\$6,189,054	\$5,651,522	\$6,180,455	\$5,645,112		

Regulatory Capital Ratios:

Tier 1 leverage (core) capital to adjusted average assets	9.36	% 9.95	% 9.40	% 9.60	% 5.00	% 4.00	%
Common equity tier 1 capital (to risk-weighted assets)	14.83	% 14.66	% 14.97	% 14.25	% 6.50	% 4.50	%
Tier 1 capital (to risk-weighted assets)	14.91	% 14.75	% 14.97	% 14.25	% 8.00	% 6.00	%
Total capital (to risk-weighted assets)	16.74	% 16.38	% 15.98	% 14.97	% 10.00	% 8.00	%

Beginning January 1, 2016, Basel III implemented a requirement for all banking organizations to maintain a capital conservation buffer above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively composed of common equity tier 1 capital, and it applies to each of the three risk-based capital ratios but not the leverage ratio. At March 31, 2018, our Company and Bank are in compliance with the capital conservation buffer requirement. The three risk-based capital ratios will increase by 0.625% each year through 2019, at which point, the common equity tier 1 risk-based, tier 1 risk-based and total risk-based capital ratio minimums will be 7.0%, 8.5% and 10.5%, respectively.

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,

Table of Contents

September and December and a minimum of 8.00% for the quarter ended in March, subject to certain adjustments. At March 31, 2018 the Bank is in compliance with this letter agreement.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We measure interest rate sensitivity as the difference between amounts of interest-earning assets and interest-bearing liabilities that mature or contractually re-price within a given period of time. The difference, or the interest rate sensitivity gap, provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities and negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. In a rising interest rate environment, an institution with a positive gap would be in a better position than an institution with a negative gap to invest in higher yielding assets or to have its asset yields adjusted upward, which would cause the yield on its assets to increase at a faster pace than the cost of its interest-bearing liabilities. During a period of falling interest rates, however, an institution with a positive gap would tend to have its assets reprice at a faster rate than one with a negative gap, which would tend to reduce the growth in its net interest income.

The following table sets forth the amounts of interest earning assets and interest bearing liabilities that were outstanding at March 31, 2018 and the portions of each financial instrument that are expected to mature or reset interest rates in each future period:

<i>(Dollars in thousands)</i>	Term to Repricing, Repayment, or Maturity at March 31, 2018				Total	
	Six Months or Less	Over Six Months Through One Year	Over One Year Through Five Years	Over Five Years		
Interest-earning assets:						
Cash and cash equivalents	\$ 1,491,041	\$—	\$—	\$—	\$ 1,491,041	
Securities ¹	144,051	1,780	17,402	9,953	173,186	
Stock of the FHLB, at cost	66,987	—	—	—	66,987	
Loans and leases—net of allowance for loan loss	3,928,240	848,536	3,157,365	130,575	8,064,716	
Loans held for sale	35,071	—	—	—	35,071	
Total interest-earning assets	5,665,390	850,316	3,174,767	140,528	9,831,001	
Non-interest earning assets	—	—	—	—	151,319	
Total assets	\$ 5,665,390	\$ 850,316	\$ 3,174,767	\$ 140,528	\$ 9,982,320	
Interest-bearing liabilities:						
Interest-bearing deposits	\$ 860,131	\$ 4,889,353	\$ 207,364	\$ 493,681	\$ 6,450,529	
Securities sold under agreements to repurchase	—	—	—	—	—	
Advances from the FHLB	613,000	112,500	212,500	30,000	968,000	
Subordinated notes and debentures and other	5,138	—	—	49,390	54,528	
Total interest-bearing liabilities	1,478,269	5,001,853	419,864	573,071	7,473,057	
Other non-interest-bearing liabilities	—	—	—	—	1,587,610	
Stockholders' equity	—	—	—	—	921,653	
Total liabilities and equity	\$ 1,478,269	\$ 5,001,853	\$ 419,864	\$ 573,071	\$ 9,982,320	
Net interest rate sensitivity gap	\$ 4,187,121	\$ (4,151,537)	\$ 2,754,903	\$ (432,543)	\$ 2,357,944	
Cumulative gap	\$ 4,187,121	\$ 35,584	\$ 2,790,487	\$ 2,357,944	\$ 2,357,944	
Net interest rate sensitivity gap—as a % of total interest earning assets	42.59	% (42.23)% 28.02	% (4.40)% 23.98	%
Cumulative gap—as % of total interest earning assets	42.59	% 0.36	% 28.38	% 23.98	% 23.98	%

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¹ *Comprised of agency and non-agency mortgage-backed securities, municipal securities and other non-agency debt securities, which are classified as available-for-sale.*

The above table provides an approximation of the projected re-pricing of assets and liabilities at March 31, 2018 on the basis of contractual maturities, adjusted for anticipated prepayments of principal and scheduled rate adjustments. The loan and

Table of Contents

securities prepayment rates reflected herein are based on historical experience. For the non-maturity deposit liabilities, we use decay rates and rate adjustments based upon our historical experience. Actual repayments of these instruments could vary substantially if future experience differs from our historic experience.

Although “gap” analysis is a useful measurement device available to management in determining the existence of interest rate exposure, its static focus as of a particular date makes it necessary to utilize other techniques in measuring exposure to changes in interest rates. For example, gap analysis is limited in its ability to predict trends in future earnings and makes no assumptions about changes in prepayment tendencies or deposit or loan maturity preferences. The following table indicates the sensitivity of net interest income movements to parallel instantaneous shocks in interest rates for the future 1-12 months and 13-24 months’ time periods. For purposes of modeling net interest income sensitivity the Bank assumes no growth in the balance sheet other than for retained earnings:

As of March 31, 2018				
First 12 Months			Next 12 Months	
(Dollars in thousands)	Net Interest Income	Percentage Change from Base	Net Interest Income	Percentage Change from Base
Up 200 basis points	\$446,575	13.7 %	\$449,349	11.9 %
Base	\$392,642	— %	\$401,395	— %
Down 200 basis points	\$341,519	(13.0)%	\$355,176	(11.5)%

We attempt to measure the effect market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. The market value of equity for these purposes is not intended to refer to the trading pricing of our common stock. We analyze the market value of equity sensitivity to an immediate parallel and sustained shift in interest rates derived from the current treasury and LIBOR yield curves. For rising interest rate scenarios, the industry market interest rate forecast was increased by 100, 200 and 300 basis points. The increase in asset sensitivity at March 31, 2018 compared to prior periods is primarily due to the temporary excess liquid assets and deposits associated with the tax season and H&R Block-related products we offer.

The following table indicates the sensitivity of market value of equity to the interest rate movement described above:

As of March 31, 2018				
(Dollars in thousands)	Net Present Value	Percentage Change from Base	Net Present Value as a Percentage of Assets	
Up 300 basis points	\$ 1,222,761	11.3 %	12.6 %	
Up 200 basis points	\$ 1,212,049	10.4 %	12.3 %	
Up 100 basis points	\$ 1,179,276	7.4 %	11.8 %	
Base	\$ 1,098,362	— %	10.9 %	
Down 100 basis points	\$958,890	(12.7)%	9.5 %	

The computation of the prospective effects of hypothetical interest rate changes is based on numerous assumptions, including relative levels of interest rates, asset prepayments, runoffs in deposits and changes in repricing levels of deposits to general market rates, and should not be relied upon as indicative of actual results. Furthermore, these computations do not take into account any actions that we may undertake in response to future changes in interest rates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

For quantitative and qualitative disclosures regarding market risks in our portfolio, see, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk.”

ITEM 4. CONTROLS AND PROCEDURES

The Company’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and

procedures, pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer along with our Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Table of Contents

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Table of Contents**PART II—OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

The information set forth in Note 9 – “*Commitments And Contingencies*” to the Unaudited Condensed Consolidated Financial Statements is incorporated herein by reference.

In addition, from time to time we may be 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.

ITEM 1A. RISK FACTORS

We face a variety of risks that are inherent in our business and our industry. These risks are described in more detail under Part 1, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended June 30, 2017. We encourage you to read these factors in their entirety. Moreover, other factors may also exist that we cannot anticipate or that we currently do not consider to be significant based on information that is currently available.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth our market repurchases of Bofl common stock and the Bofl common shares retained in connection with net settlement of restricted stock awards during the quarter ended March 31, 2018. On March 17, 2016, the Company’s Board of Directors approved a stock repurchase plan authorizing the repurchase of up to \$100 million of the Company’s stock. The new share repurchase authorization replaces the previous share repurchase plan approved on July 5, 2005. The Company may repurchase shares of common stock 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 stock repurchase plan does not obligate the Company to acquire any specific number of shares and 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 quarter ended March 31, 2018, there were 230,028 shares purchased under the plan.

<i>(Dollars in thousands, except per share data)</i>	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				
<i>Quarter Ended March 31, 2018</i>				
January 1, 2018 to March 31, 2018	230,028	\$ 29.91	1,233,491	\$ 64,817
For the Three Months Ended March 31, 2018	230,028	\$ 29.91	1,233,491	\$ 64,817

Stock Retained in Net Settlement

January 1, 2018 to January 31, 2018	7,167
February 1, 2018 to February 28, 2018	1,773
March 1, 2018 to March 31, 2018	87
For the Three Months Ended March 31, 2018	9,027

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

61

Table of Contents**ITEM 6. EXHIBITS**

Exhibit Number	Description	Incorporated By Reference to
31.1	<u>Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith.
31.2	<u>Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith.
32.1	<u>Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith.
32.2	<u>Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Definition Document	Filed herewith.
101.INS	XBRL Instance Document	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

Table of Contents

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BofI Holding, Inc.

Dated: April 26, 2018 By: /s/ Gregory Garrabrants
Gregory Garrabrants
President and Chief Executive Officer
(Principal Executive Officer)

Dated: April 26, 2018 By: /s/ Andrew J. Micheletti
Andrew J. Micheletti
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)