

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

BofI Holding, Inc. (BOFI)



GARY LEWIS EVANS is the founder and has been President and CEO of Bank of Internet USA since July 2000. Mr. Evans, an Internet banking pioneer and author, has spent more than 30 years in both commercial and savings banking. In 1994, as President of La Jolla Bank, he was credited with creating one of the first Internet bank marketing sites. In early 1995, he directed staff in opening what may be the first non-USA based new deposit account from the Internet. In 1996, as Mr. Evans was forming the Bank of Internet USA business and technology plan, he expanded his Internet knowledge by forming an Internet marketing and development consulting company. Among his publications, he co-authored the 1997 McGraw-Hill publication, The Financial Institution's Internet Sourcebook, and was a key participant in the mid-1990s educational video, The ABC's of Internet Banking, American Bankers Association. Mr. Evans published the "Investment Management and Tactics" chapter for the 1989 book Savings and Loan Investment Management published by Sheshunoff and Company. He is currently a member of the CFA Institute, Charlottesville Virginia, and The CFA Society of San Diego, Inc. Mr. Evans is currently a Director of American Community Bankers Partners and has served on many community Boards. He is a past Director of the Mid City Development Corporation, a San Diego Redevelopment Board; he is past Director of the San Diego County Salvation Army Central Advisory Board. He is a former Board member and Treasurer of the San Diego Hospice, and former Chairman and Treasurer of the San Diego, Imperial Counties Red Cross. He received an MS in Finance and a BS in Business Administration, Finance from California State University at Northridge.

TWST: What is BofI Holding?

Mr. Evans: BofI Holding, Inc., is the holding company for Bank of Internet USA. Bank of Internet USA is a federal savings bank doing business in all 50 states as a retail, consumer bank. We have customers in all 50 states. We opened on July 4, 2000. We were profitable in 14 months. B of I is a pure play Internet bank that is designed for a more competitive banking environment. We originate a full line of deposit products and loans through the Internet.

TWST: If we were speaking 12 months ago, what would have been the goals and targets for the company? How was the company done?

Mr. Evans: Twelve months ago, we were facing a flat yield curve, a lack of risk premiums and to some degree, the risk of an inverted yield curve. Our net interest margin was declining and one of our goals was to improve it. Our strategy was to transition into consumer loans in order to improve our portfolio yield and benefit from a more positive risk-adjusted return on our investments. In the last year, B of I started an equity loan program delivered through the Internet in 45 states. More recently, we initiated indirect RV lending in March and began direct originations in June 2007. As part of this, we have created a special Website, RVBank.com and an affinity marketing relationship with Camping World, which is beginning to produce results. We have begun to see the benefits of this strategy in our net interest margin.

TWST: As you look out 12 to 24 months, what are the priorities? What would make that time frame a success?

Mr. Evans: In 12 to 24 months, BofI will continue to expand its consumer offerings and continue our Internet banking growth. The continued expansion of our Internet based consumer lending market is a priority. The consumer loan delivery over the Internet channel is the focus of our process and technology. We are growing our loan assets and maintaining the quality.

turn versus whole loans. In fact, we are starting to see real estate price corrections, and we have structured very well. To date, we haven't had any foreclosures or write-offs in our lending portfolio. We are conservative underwriters that source over the Internet. Many might call that a "less than conservative" strategy; we disagree. B of I has had good strong growth. The consumers like our offerings. I believe that consumers are migrating to Internet banking at a much greater pace than many would have expected.

"B of I is designed for the future of banking. We are selling at a discount to book value. We are growing in profitability and have a fast growing asset base. B of I has a very good portfolio of Internet sourced mom and pop deposits, and we have a great credit culture. As a bank, the discount to book value coupled with growing earnings and quality assets is a very compelling story."

TWST: What do you consider to be the competitive landscape? What is the ultimate differentiator for BOFI?

Mr. Evans: Internet banking is the future of banking. This is driven by the high cost structure of banks and the depositor's desire for a good deal. There are few pure play Internet banks that can focus and capitalize upon this new banking paradigm. Many banks are starting to do business on the Internet, but it is very difficult for them to compete across all product lines because of their cost structure. We have developed a unique ability to originate and underwrite both good quality loans and deposits through the Internet in an efficient assembly line fashion, which is our expertise and competitive advantage. We have excellent pricing and self-service model with support, when needed, for the consumer. The consumer's reward for self-service is very competitive programs and pricing.

TWST: As you look at the industry, what are the things that are outside of what you can do, but that you have to be aware of, and some of the things that you can have an impact on as you execute on your own strategies?

Mr. Evans: We start by executing the fundamentals of our business well. We can control our cost structure and our product offerings to counterbalance what we can't control. Fortunately, we are not dependent on our local market, San Diego. Unlike most banks, we can source loans and deposits over the Internet in any US market. We are not dependent on local economies.

Of course, there had been negative issues in the last couple of years with real estate valuations. We adjusted early to this and made a major shift to agency hybrid mortgage backed securities. Due to the shrinking risk premiums, we received a better risk adjusted re-

TWST: Introduce us to two or three of the key individuals in your top-level management team.

Mr. Evans: We have a really good team. To paraphrase the Marines, we only need a few good people. Staffing is one of our strengths and the combination of process and technology allow B of I to excel in controlling costs. We had 35 people at the end of the last quarter, with \$850 million in assets. Our staff begins with our CFO, Andy Micheletti. Andy has a great depth of experience in both the securities and banking industry.

Our CLO has a great consumer lending background including about six years of Internet lending experience. Our Risk Management Officer had been a CFO of a \$1 billion bank. Our Internet Banking Specialist has over 20 years in the banking industry in senior positions, and our CTO has an important can-do attitude. These are bankers who have adapted to the world of Internet banking. We are really excited with the group that we have developed.

TWST: What historically has been the shareholder base with BOFI? Has that base undergone any changes?

Mr. Evans: We opened in 2000 with capital from friends and family. BofI had a WR Hambrecht + Co auction IPO on March 15, 2005. We followed Google and preceded Morningstar with an Open IPO. The public listing was a big change. Our symbol is BOFI; and that public auction broadened our retail base of stockholders. We now have a broad group of investors with a little over 8 million shares outstanding.

TWST: In your discussions with the investment community, are there any recurring questions or misperceptions you encounter? Do you feel that the BOFI story is understood?

Mr. Evans: Our business model is not completely understood. We are working to explain our low cost commodity-banking story. When you look at B of I with the traditional bank metrics, we fall outside of the norm. We are on the extreme end of the banking spectrum. With an extreme in any type of business, it takes a while for people to fully understand and appreciate the business model. Our model is designed to control costs and to function in a commodity world of banking.

In the long run, on average, our goal is to have a net interest margin of 175 to 225 basis points, which is significantly lower than most banks would need to break even. We are working to drive down our G&A expense to 10 to 20 basis points of average assets. We are designed to be very profitable with very tight margins once we achieve economies of scale.

TWST: What are the key metrics or events investors should be focusing on? What matters?

Mr. Evans: We have been raising capital throughout our seven-year life. This has been a necessity because of our growth. Investors should monitor our growth, cost controls and asset quality. We feel very well structured for this flat yield curve environment and even better for the time when we return to a normal yield curve. So the investors can watch the profits, our cost controls and the growth in assets. A positive sloping yield curve will be a bonus.

TWST: What role could mergers and acquisitions play in your growth formula, bringing in accounts or bringing in new products or services?

Mr. Evans: There are only a few Internet banks in the USA, and NetBank just sold off a majority of their assets. As time passes, there may be opportunities with other components within the financial services industry or banks that have a large Internet clientele. Our opportunities will improve over time.

TWST: Do you ever assess the bank or your company versus critical mass or critical scale? Do you feel you have a platform that can be leveraged?

Mr. Evans: Yes, we're very pleased about our ability to leverage our process and technology. We have outsourced the core

banking system, but the CRM technology, process and the flow of work are designed and built in-house. We have a very unique process and customer relationship management software that we needed to create in-house in order to maximize our efficiency. A small staff is able to leverage what we have built. We have a very good capacity to grow and Internet banking is most likely the fastest growth area of banking. We feel very good about our ability to handle growth and expand our market share.

TWST: What would compel investors today to include BOFI as part of their current portfolios and longer-term investment strategies?

Mr. Evans: B of I is designed for the future of banking. We are selling at a discount to book value. We are growing in profitability and have a fast growing asset base. B of I has a very good portfolio of Internet sourced mom and pop deposits, and we have a great credit culture. As a bank, the discount to book value coupled with growing earnings and quality assets is a very compelling story.

TWST: Thank you.

GARY LEWIS EVANS

President & CEO

Bofl Holding, Inc.

12777 High Bluff Drive

Suite 100

San Diego, CA 92130

(858) 350-6200

www.bofiholding.com

e-mail: investors@bankofinternet.com