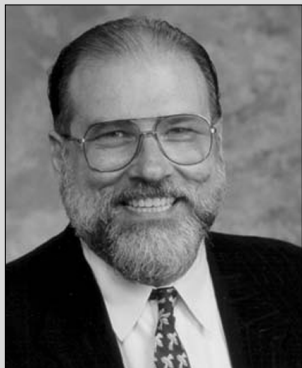


THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

BofI Holding, Inc. (BOFI)



GARY LEWIS EVANS, President and CEO of BofI Holding, Inc., 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 Institutions Internet Sourcebook, and was a key participant in the mid-1990s educational video, The ABCs of Internet Banking, American Bankers Association (ABA). He published the "Investment Management and Tactics" chapter for the 1989 book Savings and Loan Investment Management published by Sheshunoff and Company. Mr. Evans is currently a member of the CFA Institute, Charlottesville, Virginia, and The CFA Society of San Diego, Inc. He is currently an Advisory Board member and trainer for a Nationwide Bank Board training and education program and has served on many community boards. He is a past Director of the Mid City Development Corporation (MCDC,) 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, Northridge.

(ACR602) TWST: We would like to begin with a brief historical sketch of BofI and a picture of things as they are now.

Mr. Evans: BofI Holding is the holding company for Bank of Internet USA. It is a Delaware holding company for a federal savings bank. The bank opened on the 4th of July in 2000. As the name implies, our focus is on Internet banking and the Internet delivery of financial services, specifically banking at this point in time.

TWST: How do you differentiate yourself from other companies attempting similar things?

Mr. Evans: While large banks like Bank of America and Wells Fargo have many more Internet customers than we do, our focus is the technology that we've developed in-house and the efficiency we are driving to our operations through that technology. We've built both proprietary technology and a proprietary process that has been inte-

grated into our strategies with the goal to eventually become the most efficient bank in the country.

TWST: Could you explain that?

Mr. Evans: We are using current technology to streamline our operation and actually process bank accounts similar to the way a car is built on an assembly line. In many ways, we've copied Henry Ford and his mass production process in building a car. We are doing that with deposit accounts and loans for customers, and we are gaining the efficiency in the number of accounts our staff can process compared to the traditional bank.

TWST: What are the advantages that come to the person who deposits with you?

Mr. Evans: Because of our lower overhead operation, we are able to pass on the savings to our customers in the form of better rates and lower fees across the board on both lending and deposits.

TWST: What are the main opportunities that lie ahead of you in the next few years?

Mr. Evans: We see a great opportunity, similar to what we have seen in online brokerage and in the airline industry. In fact, we feel the banking industry is probably about 10 years behind the airlines in the transition to lower cost structures. If we look at the airline industry, we see that the low cost providers such as Southwest Airlines are much better structured and operating more profitably than the traditional old-line carriers. We see that same opportunity in banking. We are structuring Bank of Internet USA to be the low cost provider, so that we can compete in the greater competitive environment that is the future of banking.

TWST: What are the key elements in your strategy?

Mr. Evans: Our key element is the efficient operation driven by the assembly line type processing on both the deposit and the loan side of the business. We are passing that benefit through to the consumer in the form of great monetary value, which is resulting in a tremendous amount of referral business and loyalty. We just went public in March of this year, so we've brought in the capital in order to grow and achieve the economies of scale that we need.

TWST: What challenges or problems could lie ahead for you?

Mr. Evans: The biggest challenge right now is in the area of new assets quality. There is a whole world of sub-prime lenders. We would describe our style as being a super-prime lender; we are looking for the really solid loans with a current focus on real estate. In our opinion, we have a serious bubble in the housing and real estate market. That is something that we will have to work through.

TWST: Could you expand on your thoughts on the bubble?

Mr. Evans: We are concerned with the current real estate bubble in many parts of the US. Bubbles are a normal part of our free economy. There have been many bubbles over our history, and there always will be new bubbles of irrational behavior. We are sitting with one today where we've had some very interesting phenomena occur, not the least of which is a huge amount of fixed income investment from China and Japan. This foreign demand in the US bond market has helped hold down interest rates, even in the face of the conundrum that Dr. Greenspan talked about. The bubble we are concerned with is the price appreciation way above normal inflation in the housing market. We are located in San Diego, California, where housing prices are now astronomical. We have seen people paying \$1.3 million on apartment buildings that produce \$50,000 net operating income. That just doesn't make sense.

TWST: What can we expect in the future?

Mr. Evans: The sooner we get a correction, the better we will be in the long run. It will slow down the speculation that's happening at this time. I believe the economy is creating around 2 million new homes per year, and from all indications that I have read, there is demand for about 1.5 million new homes. So we have a great supply and demand imbalance being absorbed at this point in time. We have people borrowing at historically low rates with short-term adjustable rate mortgages. At some point, when interest rates do increase, there could be some real difficulties in the housing market.

TWST: What would you expect your own company to look like in about two years and how will you get there?

Mr. Evans: We will continue to grow; we are definitely a growth story. We are working harder to generate safe assets. We are con-

tinuing to grow our consumer mom-and-pop type deposit base, and they are terrific customers. We are not aggressively looking for the \$100,000 plus accounts. Our efficiency allows us to serve the moderate balance retail marketplace very well. We are building a great retail deposit base. On the loan side, we are starting to move toward seasoned loans or mortgage-backed securities to protect us with the impending bubble.

TWST: How comfortable is the public with Internet banking at this time and how rapidly are they becoming comfortable?

Mr. Evans: The growth in Internet banking has been so much faster than ever anticipated and there is still room for growth. In fact, forecasts are typically underestimating the absorption and adoption by the consumers. Big banks such as Bank of America and Wells Fargo have millions of customers who are using Internet banking. In their case, the consumer is working within the traditional bank structure. However, since we don't have the brick-and-mortar cost associated with that type of structure, we are able to provide greater value to our customer. That's where we will continue to attract customers and why our referral business is so high. Between 6% and 8% of all of our business comes from current customer referrals.

TWST: What is your feeling about mergers and acquisitions?

Mr. Evans: We are not aggressively looking at mergers and acquisitions because our style of operation is so different from the typical bank. But we will keep our eyes open. Again, this is because our operating style is so different from other banks.

TWST: How many employees do you have at the present time?

Mr. Evans: We have 25 employees and over \$600 million in assets.

TWST: That's a remarkable combination

Mr. Evans: The efficiency should only get better; this is our focus.

TWST: How would you describe your style or perhaps your culture?

Mr. Evans: We have a good group of hardworking individuals. They are Internet skilled and sensitive to the customers' needs. Our design is heavily focused on self-service, and the customer adoption is remarkable. Our staff provides good customer service; our goal is to have no need for customer service. This will be driven by system design. Our staff understands what we are doing. Our typical customer is over 50. That says a lot for our systems and the ease of use. They see the value in our products because we really do give great value.

TWST: Could you tell us about the path that you followed to get to where you are today?

Mr. Evans: I have been in banking since 1971; it has been a fascinating transition to Internet banking. In 1971 we didn't even have calculators, let alone computers. When I entered banking, it was very manual, the only plastic we had was credit cards and people didn't want credit cards. Then later on, customers didn't want ATMs or debit cards; the industry has really changed toward automation. In fact, when I first got into banking, people had to go to the bank on Thursday or Friday to cash their check and get some cash for the weekend. Now, people don't have to go to a bank, and that's a very significant economic and demographic shift that's happened in banking that we're working to take maximum advantage of.

TWST: I think I spend 5 times as much on the weekend now as I used to, because you can keep dipping in.

Mr. Evans: Isn't it amazing? My wife and I did an experiment last year. We only spent cash, and when we did that, it changed our whole way of living. I still remember when we all got in those teller lines on Thursdays and Fridays; the lines went out the door.

TWST: Or running around desperately on Saturday trying to find somebody who'll cash a check for you.

Mr. Evans: Exactly. What a change. I've told people at Bank of America that we actually copied their 1904 model when it was Bank of Italy. Bank of Italy started with one difference, Giannini. His was the first bank to really branch, and he branched everywhere that he could. He took the bank to the people, because people had to go to a bank. In our opinion, our one Internet-based location using existing technology of billpay, ATM, ACH and debit cards in order to move money is the first major change in the bank delivery system since 1904.

TWST: You were talking about your own career.

Mr. Evans: I started in banking while I was going to graduate school. I started in a trainee program in Los Angeles. I worked in all areas of the bank, eventually becoming a CFO of a bank. I was in operations, a lender in consumer, business and real estate loans. So I was a lucky person to have worked in many areas within a bank. Eventually, I was President of La Jolla Bank where I started investigating the Internet in 1992. We actually went online in 1994, making us one of the first banks in the world to do that. In that case, it was a very limited scope, but we were attracting new accounts and new customers through the Internet at that time. I started working on Bank of Internet in mid-1996, and it took a few years to really put it altogether. We opened in 2000 on July 4th.

TWST: Would you tell us about one or two of your colleagues?

Mr. Evans: We have many people here who I've worked with in the past. We have Andy Micheletti, who has had a long career in both banking and securities. Andy is CFO and has been here for almost five years. He's a terrific person; he is a CPA and has all the necessary background. We have Pat Dunn, who is the Chief Credit Officer and specializes in income property lending. He and I worked together at La Jolla Bank. Our Internal Auditor, Darnel Conley, was CFO at La Jolla Bank and has been here for about a year and a half. Mike Berengolts, our Chief Technology Officer, is actually the person who worked part time at La Jolla Bank when he was a student back in 1992 when I borrowed his Internet access code so that I could see what the Internet was all about.

TWST: I believe you're engaged in a stock buyback program.

Mr. Evans: The Board has authority to repurchase stock. I can't say much more than that, but we do have the authority and flexibility to repurchase our stock.

TWST: Are there any other things you might do to improve your capital structure?

Mr. Evans: Since we had our IPO back in March, we are working to leverage the capital that came in. We do have the option down the road of doing additional trust preferred, but at this point we are focusing on leveraging the capital that we have.

TWST: What would be the two or three best reasons for the long-term investor to take a very good look at your company?

Mr. Evans: In addition to our current price, there is our tremendous amount of efficiency, even though we are young and still growing to the level where we can maximize profit from that efficiency. We believe banking is transitioning into a commodity business and that's our focus. We believe the future will include the extremes of commodity and private banks. We are on the commodity side, with a very heavy focus on creating and delivery of products, efficiently and cost effectively to survive in that type of environment.

TWST: If we were to look down the road, would there be less brick and mortar?

Mr. Evans: I think there will be a transition over time. Like the airlines, I think it will take many years. When Giannini started Bank of America in 1904, it took over 20 years for most banks to start reflecting the changes he was making. Then they adopted branching, and now they generally see no alternative to brick and mortar, because that's what they are used to. So we are really on the extreme with our strategy, but we find great acceptance from our customers, and we believe this is the future of banking.

TWST: As CEO, what occupies most of your own attention day by day?

Mr. Evans: Right now, I'm working with staff on different initiatives that we are developing to save time, improve our service, drive down our cost, improve our efficiency and make things easier for both our customers and staff. These changes will allow us to leverage the labor component of our business.

TWST: Is there anything you'd like to add, particularly, with regard to your strategy and your long-term objectives?

Mr. Evans: The one thing I'll mention on the strategy is that consumer acceptance has been far greater than we had hoped for. The acceptance of Internet banking is tremendous. People do like Internet banking. They've learned how to maximize their finances through the Internet via stock brokerage, banking, airline tickets or whatever it may be. We are the bank for the Internet community and the Internet economy.

TWST: Thank you.

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Corporate Profile

BofI Holding, Inc.

Ticker (exchange)

BOFI (NASDAQ)

Price close 10/05/05

9.35

12 Months Price Range

8.00 - 11.55

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BofI Holding, Inc. Annual Earnings Increase 32%, Assets Top \$600 Million Mark

08/18/2005 -- B of I Holding, Inc. (NASDAQ: BOFI), parent of Bank of Internet USA (Bank), today announced record net income of \$2,869,000 for the year ended June 30, 2005, up 32% from the \$2,175,000 earned in the year ended June 30, 2004. Diluted earnings per share increased to \$0.40 for the 2005 fiscal year, compared to \$0.39 for the 2004 fiscal year. For the fourth quarter ended June 30, 2005, earnings totaled \$835,000, or \$0.09 per diluted share compared to \$776,000 or \$0.14 per diluted share.

B of I had total assets of \$609.5 million at June 30, 2005, up 50% from the \$405.0 million in total assets at June 30, 2004. During the 2005 fiscal year, total deposits grew 34% to \$361.1 million and total loans held for investment grew 37% to \$486.9 million at June 30, 2005. Stockholder's equity increased to \$68.7 million at June 30, 2005, up from \$31.8 million at June 30, 2004.

Gary Lewis Evans, President and CEO, said, "We are proud of our fourth straight year of increased profitability. Our earnings growth was driven by a 37% increase in net interest income for the 2005 fiscal year. We were able to grow our assets per employee to \$24.4 million at June 30, 2005, up from \$16.9 million at June 30, 2004. Our efficiency ratio improved from 49% in fiscal 2004 to 48% in fiscal 2005 and we maintained our strong asset quality with no nonperforming assets and no classified assets at June 30, 2005."

Earnings for the fourth quarter ended June 30, 2005, increased \$59,000, or 8% compared to the fourth quarter in fiscal 2004. The increase was due to a \$329,000 increase in net interest income, partially offset by a \$40,000 increase in loan loss provisions and a \$164,000 increase in non-interest expense. Net interest income increased due to balance sheet growth and was partially offset by a decline in the net interest margin, which fell from 2.08% to 1.70%. The decline in the net interest margin was generally due to the flattening of the yield curve during fiscal 2005, which caused the bank to pay higher rates on deposits during the fourth quarter of 2005 compared to 2004, while long-term rates on mortgage loans generally did not increase. In addition, the bank increased its investment in mortgage-backed securities during the fourth quarter of 2005 to 16% of average earning assets, up from less than 1% of average earning assets during the fourth quarter of 2004. This shift to mortgage-backed securities also contributed to the decrease in the net interest margin. General loan loss provisions increased in the fourth quarter of fiscal 2005 due to a larger increase in the size of the loan portfolio during the quarter compared to the 2004 quarter. Of the 17% increase in non-interest expense, approximately 10% was due to increased employee salary and benefit costs and 7% was due to increased insurance and other operating expenses.

Mr. Evans added, "In 2005 we also took a major step by completing our initial public offering and raising a net of \$31.3 million. The new capital provides us the opportunity for future asset and earnings growth."

B of I also announced that beginning in the quarter ended September 30, 2005, the company will start recognizing compensation expense for the fair value of stock options granted. Through June 30, 2005, B of I had not recognized compensation expense for stock options granted, but is now required to do so now that Statement of Financial Accounting Standard No. 123 R Share-Based Payments has become effective.

BofI Holding, Inc., is the holding company for Bank of Internet USA (the "Bank"), a consumer-focused, nationwide savings bank operating primarily over the Internet. Its mission is to lower the cost of banking. For retail consumers that means higher deposit rates and lower mortgage rates. The bank generates retail deposits in all 50 states and originates loans for customers directly through its websites, including www.bankofinternet.com, www.bofi.com and www.apartmentbank.com. It is a unitary savings and loan holding company and, along with Bank of Internet USA, is subject to primary federal regulation by the OTS: Office of Thrift Supervision. In June 2005 the bank re-located to new office space that allows growth for many years.

Bank of Internet USA started with a management team and board of directors that have extensive banking and business experience. The bank's President and CEO, Gary Lewis Evans, has been a banker since 1971 and is considered an Internet banking pioneer. His history as an Internet banker goes back to the early days of the Internet: 1994.

BofI Holding, Inc. was incorporated in the State of Delaware on July 6, 1999 for the purpose of organizing and launching an Internet-based savings bank. The Bank of Internet USA opened for business on the Internet July 4, 2000, and is subject to regulation and examination by the OTS, its primary regulator. The Federal Deposit Insurance Corporation ("FDIC") insures the Bank's deposit accounts up to the maximum allowable amount of \$100,000 per account.

The bank's deposits are acquired exclusively over the Internet. Using online applications from the bank's websites, customers apply for all deposit products, including time deposits, interest-bearing checking accounts and savings accounts. If there are questions, customers can call the bank's toll free number for help. BofI USA specializes in originating and purchasing home loans and small- to medium-size multifamily mortgage loans.

The bank's ability to increase assets is limited primarily by capital that it is required to maintain by regulation. The bank must maintain certain minimum ratios of capital to assets. To enable it to increase the rate at which the bank grows, it has raised capital in four separate private placements and an initial public offering in March 2005. Following each of these private placements and IPO, total assets were increased. Other than the constraints of these capital requirements, management and directors believe that the bank's business model is highly scalable, allowing asset growth while maintaining a significantly slower growth rate of noninterest expenses and fixed assets.