



**Conditional Approval #1203
September 2018**

August 1, 2018

Eshel Bar-Adon
EVP and Chief Legal Officer
BofI Federal Bank
4350 La Jolla Village Drive, Suite 140
San Diego, CA 92122

Subject: Termination of Regulatory Conditions in Writing
OCC Control No. 2018-WE-Licensing Other-303601

Dear Mr. Bar-Adon:

By letter dated August 4, 2015, the Office of the Comptroller of the Currency (OCC) conditionally approved the application for BofI Federal Bank (Bank) to purchase certain assets and assume certain deposits of H&R Block Bank (P&A). The OCC's action was based, in part, on the following conditions:

1. The Bank shall maintain at all times a leverage ratio of no less than eight and one half percent (8.5%), as defined in 12 CFR 3.10(b)(4). Provided however, during the "tax season," which term shall mean the first calendar quarter of each calendar year, the leverage ratio calculation shall exclude from "average total consolidated assets," cash and investments funded by all short-term deposits related to "Emerald Products Deposits," as defined below. In addition, during the "tax season" the Bank also shall maintain a leverage ratio of not less than eight percent (8%) as defined in 12 CFR 3.10(b)(4), which calculation shall include all short-term deposits related to "Emerald Products Deposits," as defined below.
2. The Bank shall ensure that it maintains liquidity in compliance with its Liquidity Management Policy dated January 22, 2015, or any subsequent liquidity policy, and shall further ensure that the Bank's Liquidity Policy shall not, under any circumstances, require less than the following:
 - (a) Level 1 on balance sheet liquidity of no less than five percent (5%) of total assets; and
 - (b) Level 2 on balance sheet liquidity of no less than seven percent (7%) of total assets.

The term “Level 1 on balance sheet liquidity” is defined as Cash, Federal Funds Sold, Bank CDs less than or equal to \$250,000, Agency Securities, General Obligations, Municipal Revenue Bonds, as well as other Type I securities as described in 12 CFR 1.2, and shall not include cash or investments funded by any short-term deposits relating to the Emerald Products (“Emerald Products Deposits” as defined below), nor shall Emerald Products Deposits be included in Total Assets for calculation of liquidity requirements in (a) and (b) of this paragraph. The term “Level 2 on balance sheet liquidity” is defined as Level 1 Liquid Assets plus held-for-sale single-family loans or similar assets that can be sold immediately with minimal loss.

In addition to the above minimum liquidity requirements, the Bank shall ensure the daily maintenance of Cash, Federal Funds Sold, Bank CDs less than or equal to \$250,000, Agency Securities, General Obligations, Municipal Revenue Bonds, as well as other Type I securities as described in 12 CFR 1.2 (j), at least equal to 100 percent (100%) of its outstanding deposits relating to Emerald Products Deposits, as defined below. Nothing in the above requirement shall preclude the Bank from utilizing Emerald Product Deposits to reduce short-term borrowings. “Emerald Products Deposits” for purposes of paragraphs 1 and 2 hereof, shall not include any deposit related to tax deferred benefit plans, such as Individual Retirement Account deposits or similar fiduciary related accounts, nor shall such deposits include base line stable retail deposits. Emerald Products Deposits shall include short-term, seasonal tax related deposits related to tax products and tax refunds in connection with or related to the Emerald Card, Emerald Refund Transfer and Emerald Advance.

3. Immediately upon consummation of the P&A, the Bank shall execute and thereafter comply with the Program Management Agreement, Service Level Agreement, and Joint Operating Agreements (collectively, the “Emerald Program Agreements”), for which the terms, products and services shall not materially deviate from those set forth in the drafts submitted as exhibits in the Bank’s application to the OCC pursuant to 12 USC 1828(c) and 12 CFR 163.22 for approval to purchase certain of the assets and deposits of H&R Block Bank.
4. Upon proper execution of the Emerald Program Agreements, the Bank shall periodically review and revise, as appropriate, the Emerald Program Agreements to ensure that its offerings of financial products and services to customers of HRB Tax Group, Inc., a subsidiary of H&R Block, Inc., including but not limited to the Emerald Card, Emerald Refund Transfer, and Emerald Advance (collectively, the “Emerald Products”), comply with safe and sound practices, and applicable laws, regulations and guidance issued by the OCC or any other appropriate Federal agency.

5. The Bank must receive prior no supervisory objection from the OCC before making any material changes to the Emerald Program Agreements, offering any new Emerald Products to HRB Tax Group customers, or engaging in cross-marketing of new products to HRB Tax Group customers. The request for supervisory no objection shall include the reasons for the proposed change, the expected impact, and any other relevant information for OCC's consideration. Materiality shall be determined at the sole discretion of the OCC.

In the three years since approval, the OCC has found that the Bank has satisfactorily addressed the concerns raised by the P&A. The Bank has demonstrated its ability to operate the Emerald Products in a safe and sound manner, has satisfactory liquidity risk management practices, and has committed to maintaining capital at appropriate levels. Accordingly, the OCC hereby terminates the five conditions listed above.

The termination of these conditions does not affect representations relied upon in the OCC's decision.

If you have any questions please contact Senior Licensing Analyst David Finnegan at 720-475-7650 or david.finnegan@occ.treas.gov.

Sincerely,

/s/

Stephen A. Lybarger
Deputy Comptroller for Licensing