



# Axos Financial, Inc. Fixed Income Investor Presentation

February 2022

NYSE: AX



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# Strong and Experienced Management Team



## **Greg Garrabrants | President & CEO**

- > President and CEO of Axos Bank since 2007
- > Previously served as an investment banker, management consultant, and attorney for over 15 years
- > JD from the Northwestern University School of Law and his MBA from Kellogg Graduate School of Management at Northwestern University



## **Andrew Micheletti | EVP, Finance**

- > Joined Axos in 2001 and previously served as Chief Financial Officer
- > Previously served as Vice President of Finance for TeleSpectrum Worldwide and CFO of Linsco / Private Ledger Corp (LPL Financial)
- > B.S. from San Diego State University



## **Thomas Constantine | EVP & Chief Credit Officer**

- > Chief Credit Officer of Axos Bank since 2010
- > Previously served as senior examiner with the Office of Thrift Supervision (OTS)
- > 31+ years of banking and financial services experience
- > B.A. in Business Economics, with an accounting emphasis, from UC Santa Barbara



## **John Tolla | EVP, Chief Governance, Risk and Compliance Officer**

- > Joined Axos Bank in 2013
- > Previously held leadership roles at BearingPoint and Booz Allen with focus on regulatory compliance, strategy, process improvement, and risk management
- > Received JD in 2006 and MBA in 2007



## **David Park | EVP, Commercial Banking and Treasury Management**

- > Previously served as EVP and Head of Commercial Banking at Banc of California
- > Also held various roles in 10 years at City National Bank
- > MBA in Finance from University of Southern California, and B.S. in Economics at UC Irvine



## **Derrick Walsh | EVP & Chief Financial Officer**

- > Chief Financial Officer of Axos Bank since September 2021 and joined in 2013
- > Previously led SEC & Regulatory Reporting department at LPL Financial
- > Accounting and Business double major with a concentration in Finance from University of Richmond



## **Raymond Matsumoto | EVP & Chief Operating Officer**

- > Previously served as EVP and Chief Administrative Officer at CIT Group
- > Also held executive positions at OneWest Bank and Indymac Bank
- > Spent 18 years as a CPA with KPMG
- > B.S. in Accounting and Finance from UC Berkeley



## **Eshel Bar-Adon | EVP, Strategic Partnerships and Chief Legal Officer**

- > Previously served as EVP and Chief Legal Officer of Seneca One Finance
- > Also served as SVP for Transactional Affairs and Corporate Counsel at Stone Street Capital
- > JD from Georgetown University and B.A. with honors from the University of Texas, Austin



## **Brian Swanson | EVP, Head of Consumer Bank**

- > Joined Axos Bank in 2010
- > Previously served as Vice President at Bank of America in Home Loans Division
- > 15+ years of lending and banking experience
- > MBA in Operations Management from Cal State East Bay and B.S. in Management of Information Systems at San Diego State University

# Preliminary Term Sheet



Issuer (Ticker)	Axos Financial, Inc. (AX)
Security	Subordinated Notes due 2032
Current Security Rating <sup>(1)</sup>	Baa3 by Moody's; BBB by Kroll Bond Rating Agency
Offering Type	SEC Registered
Term	10 Years
Optional Redemption	Non-call for 5 years; callable on any interest payment date at par thereafter
Special Redemption	Upon the occurrence of certain special events at par
Coupon Frequency	Fixed rate for 5 years paid semi-annually; floating rate paid quarterly thereafter
Covenants	Consistent with regulatory limitations of Tier 2 capital
Use of Proceeds	General corporate purposes
Lead Book-Running Manager	Keefe, Bruyette & Woods, <i>A Stifel Company</i>
Joint Book-Running Manager	Piper Sandler & Co.
Co-managers	D.A. Davidson & Co.; B. Riley Securities, Inc.; Wedbush Securities Inc.

(1) An explanation of the significance of ratings may be obtained from rating agency. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The rating of the subordinated notes should be evaluated independently from similar ratings of other securities. A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency. No report of any rating agency is incorporated by reference herein.

## Axos Financial, Inc.

- Axos Financial, Inc. was founded in 1999 and is a customer-focused diversified financial services company headquartered in Las Vegas, Nevada
- Axos provides banking and securities products and services to our consumer and business clients through online and low-cost distribution channels and affinity partners
- Our low-cost and innovative business model helps us to generate above-peer returns while helping to maintain a low-risk loan portfolio

### Nationwide Reach



(\$ Millions)

For the  
6 Months Ended  
12/31/2021

#### Market Data as of 2/8/2022

Market Capitalization	\$3,319.4
Price / Tangible Book Value per Share <sup>(1)</sup>	2.48 x
Dividend Yield	0.0 %

#### Selected Balance Sheet Data

Total Assets	\$15,547.9
Net Loans	12,607.2
Allowance for Credit Losses	140.5
Total Deposits	12,269.2
Total Stockholders' Equity	1,523.2

#### Performance Ratios and Other Data

ROAA	1.65 %
ROAE	16.51
Net Interest Margin	4.16
Net Interest Margin - Banking Segment Only	4.39
Efficiency Ratio	48.74
Efficiency Ratio - Banking Segment Only	39.66

#### Asset Quality Metrics

NCOs / Average Loans	0.01 %
NPLs / Loans	1.14
NPAs / Assets	0.94
ACL / Loans HFI	1.10
ACL / NPLs	96.27

#### Capital Ratios

TCE / TA <sup>(1)</sup>	8.73 %
CET1 Ratio	10.08
Leverage Ratio	9.42
Tier 1 Capital	10.08
Total Capital	12.16

(1) Adjusted (non-GAAP) metrics. See Appendix for reconciliation to the closest applicable GAAP metrics.

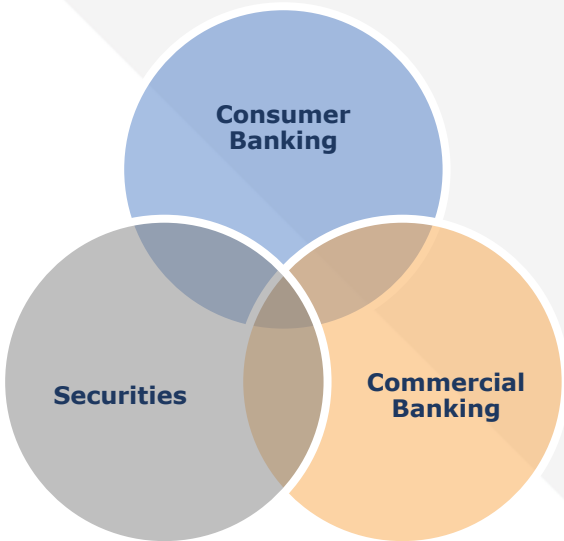
# Our Business Model is More Profitable Because Our Costs are Lower and Our Assets are Higher-Yielding

<i>As % of average assets</i>	<b>Axos Bank<sup>1</sup> (%)</b>	<b>Banks Greater Than \$10bn<sup>2</sup> (%)</b>
Net interest income	4.51%	2.19%
Salaries and benefits	0.87%	1.03%
Premises, equipment and other non-interest expense	1.04%	1.11%
<b>Total non-interest expense</b>	<b>1.91%</b>	<b>2.14%</b>
<b>Core business margin</b>	<b>2.60%</b>	<b>0.05%</b>

(1) For the three months ended September 30, 2021 – the most recent data on FDIC website “Statistics on Depository Institutions Report”. Axos Bank only, excludes Axos Financial, Inc. and non-bank subsidiaries to compare to FDIC data. Data retrieved January 27, 2022.

(2) All Commercial Banks by asset size. FDIC reported for three months ended September 30, 2021. Total of 162 institutions >\$10 billion. Data retrieved January 27, 2022.

# Axos Financial's Three Business Segments Provide the Foundation for Sustained Long-term Growth



## Investment Thesis

- > Diverse mix of asset, deposit, and fee income reduces risk and provides multiple growth opportunities in varying environments
- > Differentiated retail digital strategy from "online savings banks" or fin-tech competitors
- > Structural cost advantage vs. traditional banks
- > Differentiated distribution strategy
- > New business initiatives generate incremental growth
- > Universal Digital Banking Platform and Enterprise Technology stack provide operating leverage opportunity
- > Technology synergies among business segments reduce overall cost of growth strategy



## COVID-19 Has Accelerated Adoption of Digital Banking and Wealth Management

### Consumer Banking

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- › Convenience and superior user experience are keys to long-term success
- › Effective use of customer data and segmentation reduces customer acquisition costs and increases cross-sell
- › Control of front- and back-end connectivity to technology stack provides cost and time-to-market advantages
- › UDB allows Axos to continuously add new self-service tools and value-added services within our digital banking platform

### Commercial Banking

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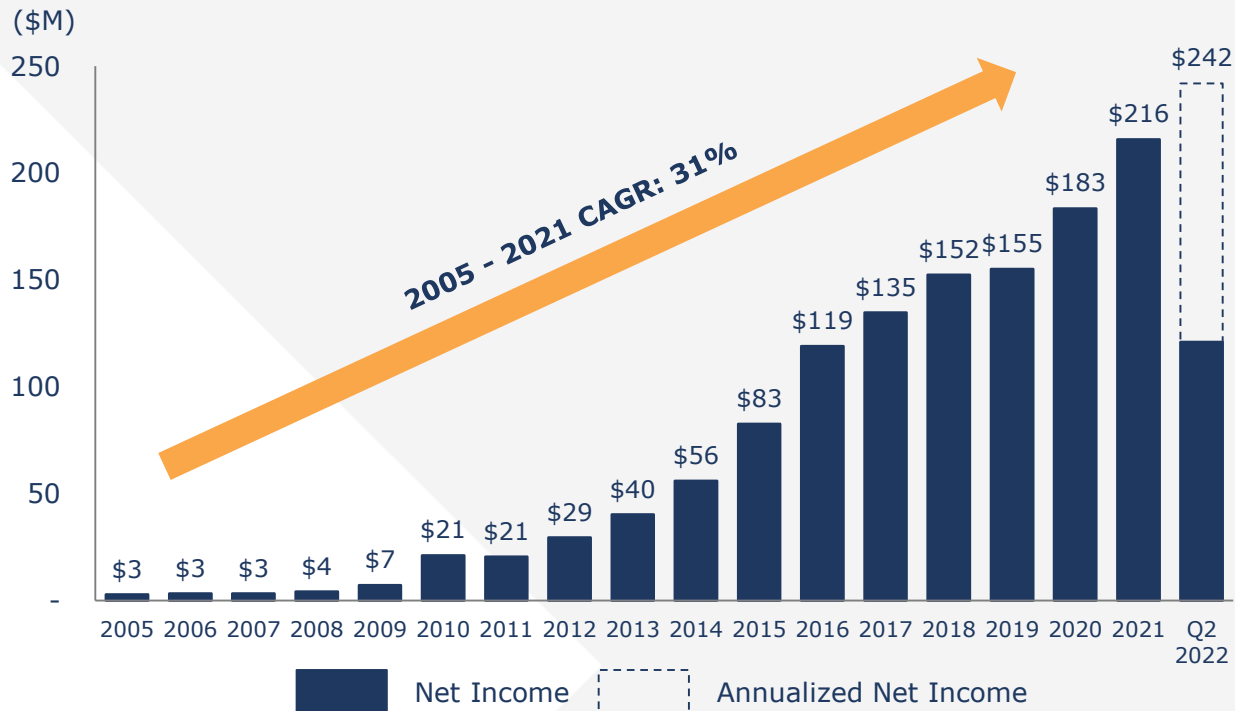
- › Providers that integrate banking with specialized software to serve specific customer segments will gain market share
- › Axos Fiduciary Services supports trustees and fiduciaries nationwide through software + services model
- › Winning cash/treasury management accounts through > automation and custom API integration
- › Regional sales leaders supported by centralized service team create a more efficient and scalable model

### Securities

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- › Consumers across all age and income demographics want to manage their finances through a centralized, digital platform
- › Independent RIAs and IBDs need banking services to compete with money center banks and large broker-dealers
- › Owning clearing, custody, and direct-to-consumer digital wealth capabilities provide opportunities to serve consumers with incremental services at favorable economics

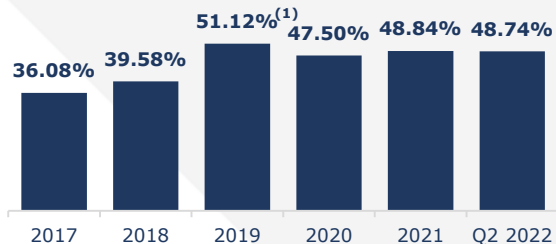
# Over 15 Years of Profitable Growth



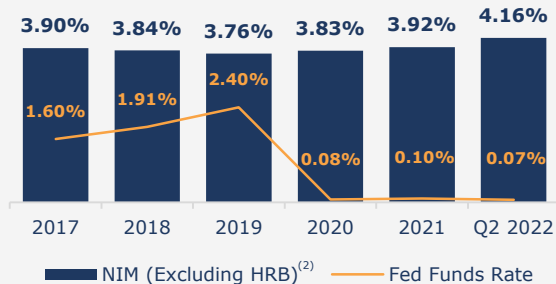
**Net Income has continued to grow throughout multiple economic cycles**

# Efficient Operations and Stable Margins Lead to Superior Profitability

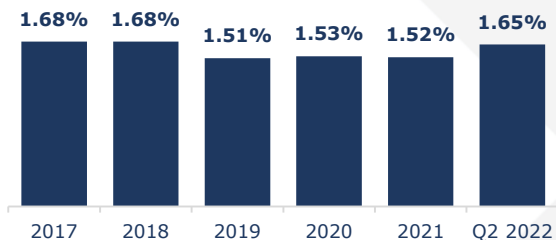
## Efficiency Ratio



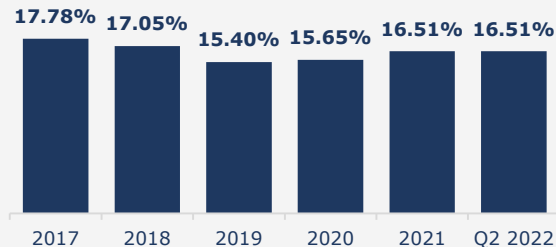
## Net Interest Margin



## Return on Average Assets



## Return on Average Equity

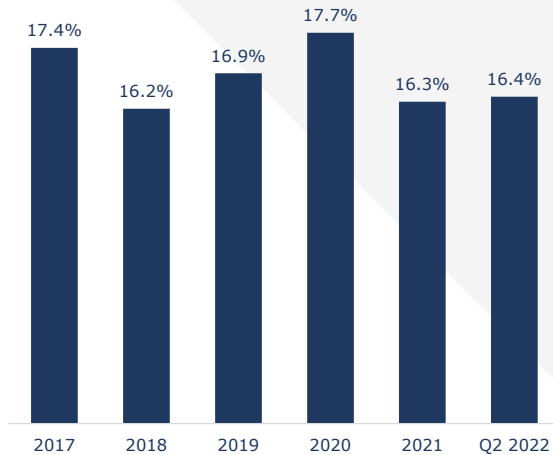


Note: Company uses a June 30 fiscal year-end. Q2 2022 data is for the 6 months ended December 31, 2021.

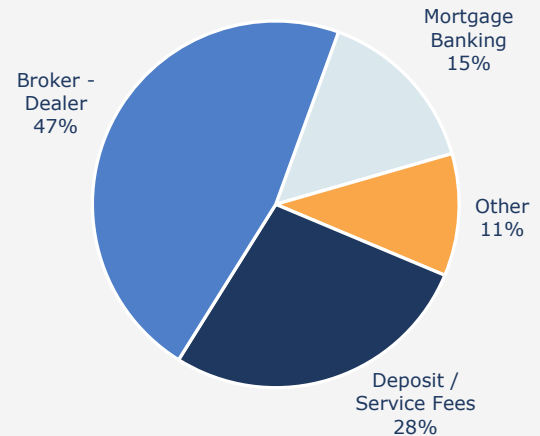
(1) Securities segment added in third quarter of 2019.

(2) The Company partnered with H&R Block Bank (HRB) to provide HRB branded financial services products. The partnership was terminated on December 8, 2020.

## Fee Income / Revenue



## Q2 2022 YTD Fee Income Breakdown<sup>(1)(2)</sup>

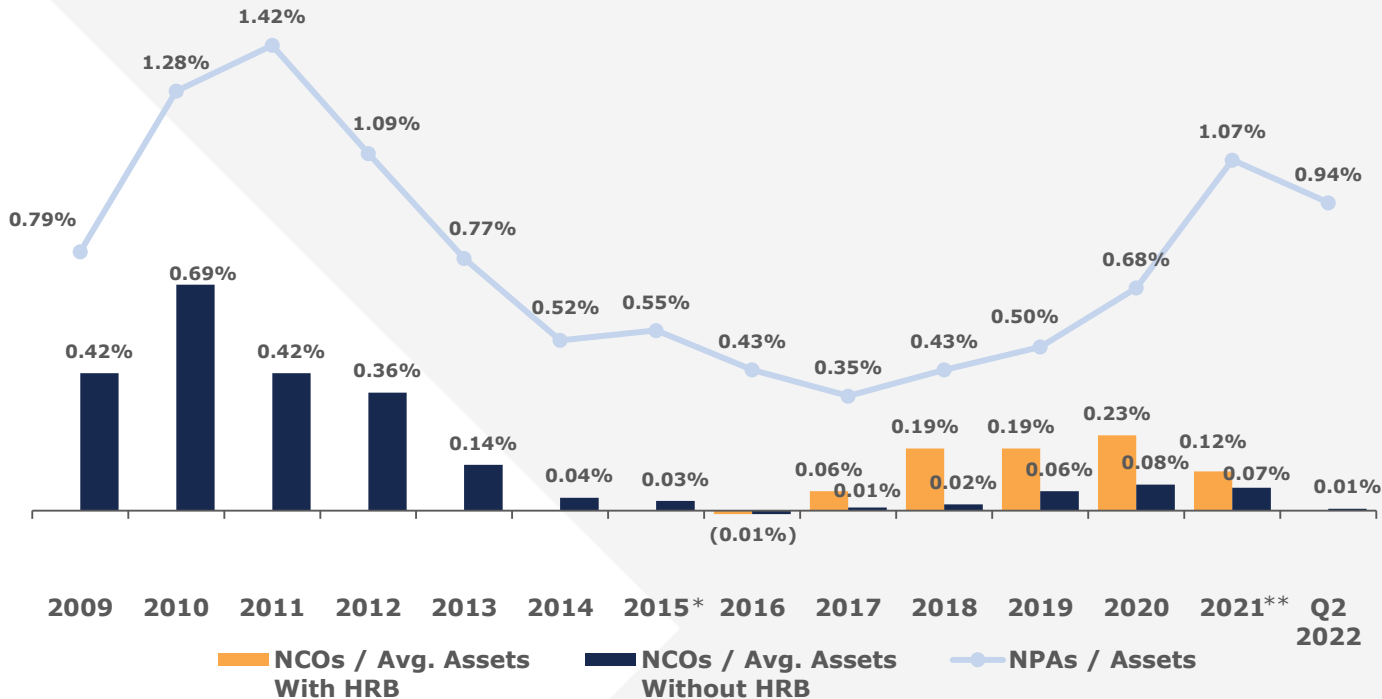


Note: Company uses a June 30 fiscal year-end. Q2 2022 data is for the 6 months ended December 31, 2021.

(1) Excludes securities gain / (loss).

(2) Other includes gain on sale - other and prepayment fees.

# Asset Quality Built to Withstand Economic Cycles



Note I: Company uses a June 30 fiscal year-end. Q2 2022 data is for the 6 months ended December 31, 2021.

Note II: The Company partnered with H&R Block Bank (HRB) to provide HRB branded financial services products. The partnership was terminated on December 8, 2020.

\*For 2015, there were no co-branded HRB products.

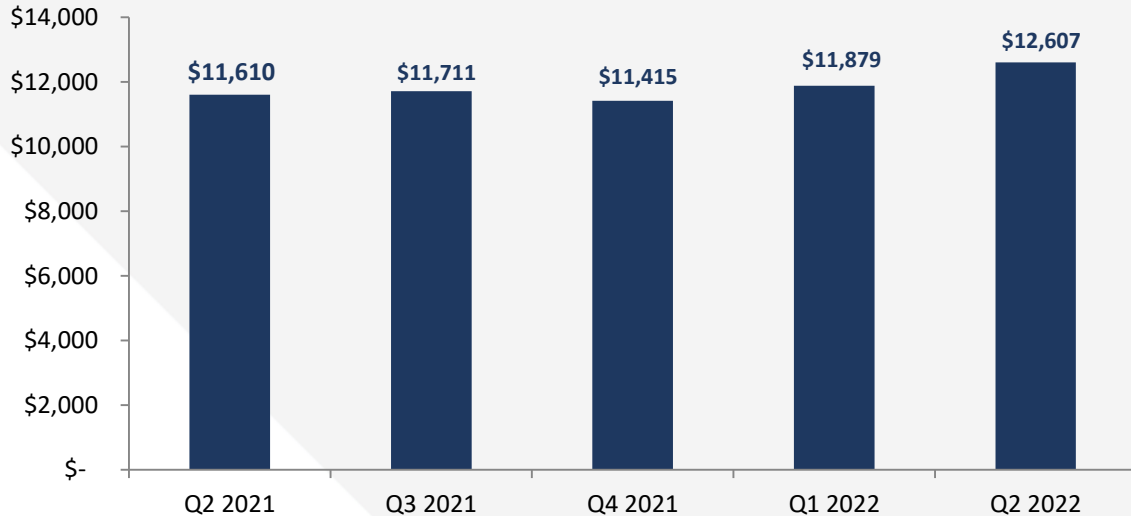
\*\*On July 1, 2020, the Company adopted ASC 326, current expected credit loss (CECL).

- Experienced and “cycle-tested” management team
  - ❑ Track record of credit discipline, risk management and profitability
  
- Differentiated digital platform
  - ❑ Fully digital, no branch model provides structural cost advantages over traditional banks
  - ❑ Built to capitalize on digital financial services adoption
  
- Strong credit performance
  - ❑ Underlying credit culture of low-LTV, real estate secured lending (99% of loans backed by hard assets)
  - ❑ Senior position in all lender finance and commercial specialty RE loans with capital support from sponsors and junior partners
  - ❑ No loans in forbearance or deferral as of December 31, 2021
  
- Deposit diversification and growth
  - ❑ Continued core deposit transformation and liquidity management
  - ❑ 31% non-interest bearing deposits of December 31, 2021
  - ❑ Optionality with ~\$2 billion of deposits from Axos Securities that can provide significant fee income
  
- Healthy capital position and capital generation through earnings
  - ❑ Tier 1 capital ratio of 10.08%, tier 1 leverage ratio of 9.42% and total capital ratio of 12.16%
  - ❑ Superior profitability (14% CAGR in EPS) that fueled a 17% CAGR in book value in the last five years<sup>(1)</sup>
  - ❑ ROAA of 1.65% and ROAE of 16.51% for the 6 months ended December 31, 2021
  
- Corporate ratings profile
  - ❑ Baa3 Moody's and BBB+ Kroll

(1) CAGR calculated using EPS and book value for the 12 months ended December 31, 2016 and for the 12 months ended December 31, 2021.

# **Loan Portfolio and Credit Quality**

## Net Loans – Last Five Quarters (\$ in Millions)



### Loan Growth Drivers

- Product Expansion
- Repeating Client Relationships
- Reputation for Reliable Execution

### Average Mortgage Loan to Value

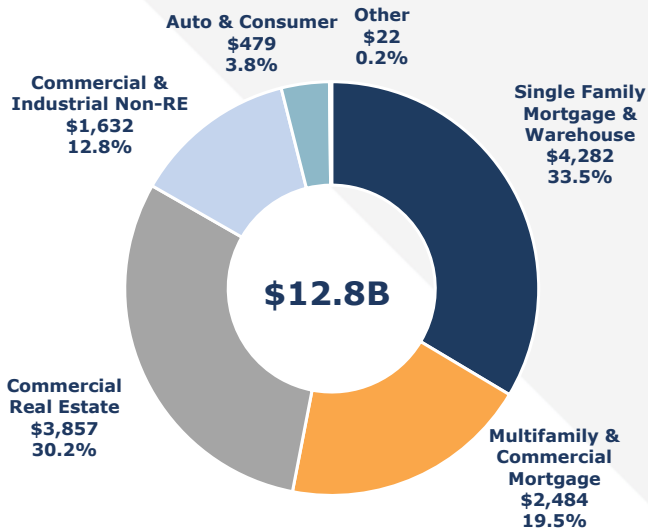


	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
<b>Multifamily</b>	56%	55%	55%	56%	56%
<b>Single family</b>	58%	57%	57%	57%	57%



# Diverse Lending Across Segments

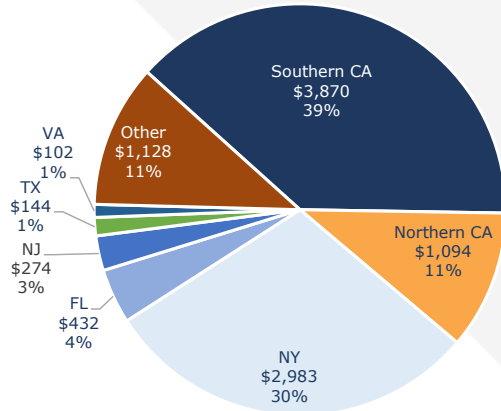
(Dollars in Millions)



Category	Category Total (\$M)	Subcategory	Subcategory Total (\$M)	% of Total
Single Family Mortgage & Warehouse	\$4,282	Jumbo Mortgage	\$3,686	28.9%
		Warehouse Lending	\$596	4.6%
Multifamily & Commercial Mortgage	\$2,484	Multifamily	\$2,017	15.8%
		Small Balance Commercial	\$467	3.7%
Commercial Real Estate	\$3,857	CRE Specialty	\$3,735	29.3%
		Lender Finance RE	\$122	0.9%
Commercial & Industrial Non-RE	\$1,632	Lender Finance Non-RE	\$742	5.8%
		Equipment Leasing	\$96	0.8%
		Asset-Based Lending	\$793	6.2%
Auto & Consumer	\$479	Auto	\$417	3.3%
		Unsecured / OD	\$62	0.5%
Other	\$22	PPP	\$20	0.2%
		Other	\$3	0.0%

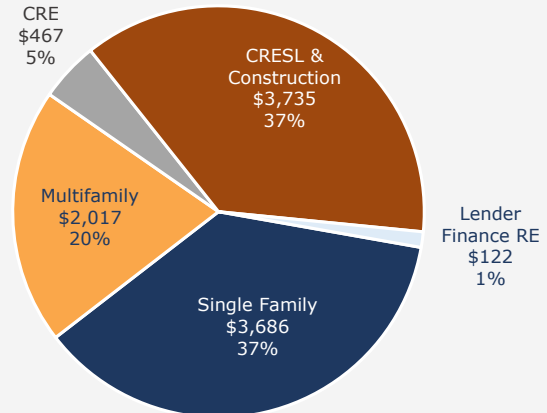
## Real Estate Backed Loans by State

\$ Millions



## Real Estate Backed Loans by Type

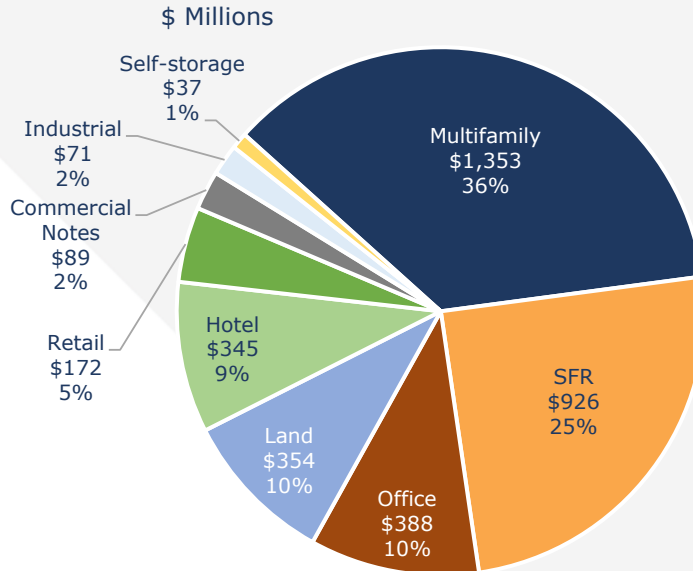
\$ Millions



**Total Real Estate Loans:  
\$10.0B**

**As of December 31, 2021**

## CRE Specialty

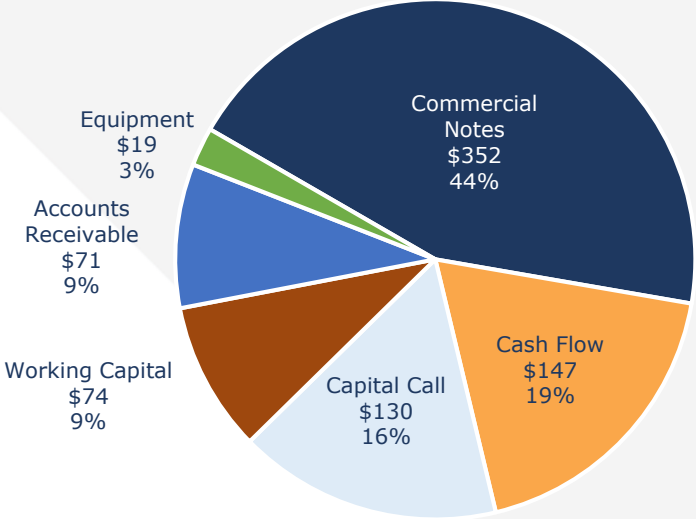


**Total CRE Specialty:  
\$3.7B**

**As of December 31, 2021**

## Asset-Based Lending

\$ Millions

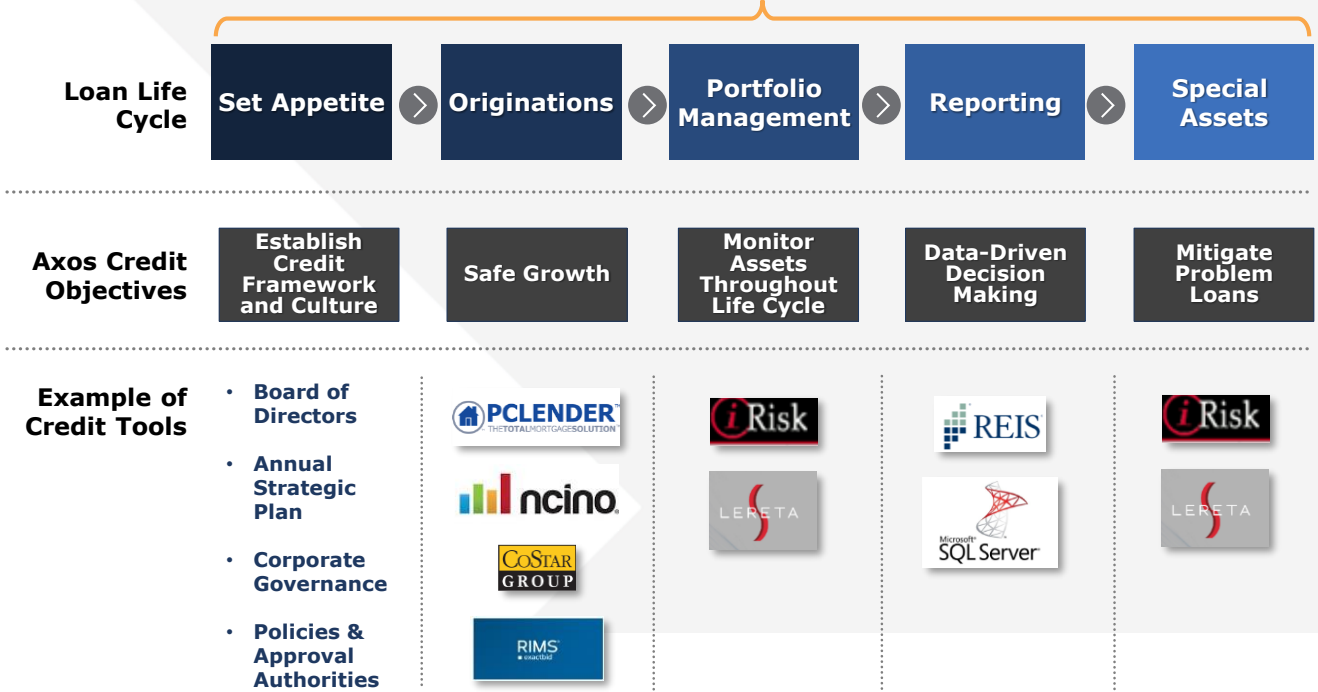


**Total Asset-Based Lending:**  
**\$793M**  
As of December 31, 2021

## What We Do

Utilize a holistic credit-risk management framework to manage and monitor credit quality at each stage of the loan life cycle, and leverage specialized Credit Tools to optimize monitoring and reporting capabilities

### Credit Monitoring & Oversight



Note: Credit Tools list is a sampling and is not purported to be comprehensive.

# Allowance for Credit Losses

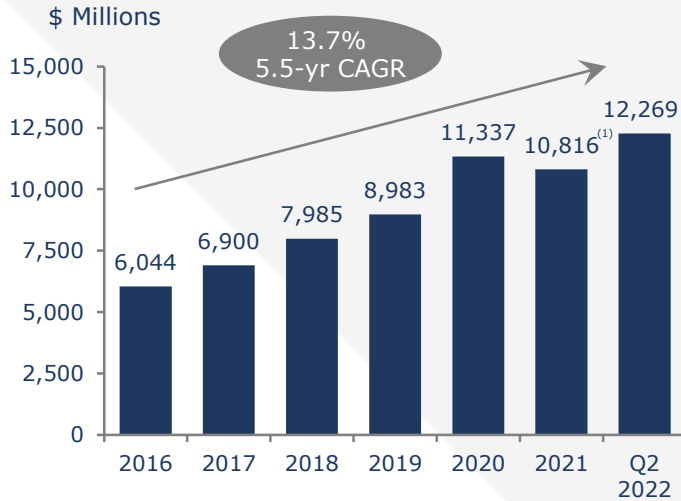


<b>Loan Category</b>	<b>ACL (\$M)</b>	<b>Total Loans (\$M)</b>	<b>ACL / Loans (%)</b>
SFR Family - Mortgage and Warehouse	\$25.6	\$4,281.7	0.60%
Multifamily & Commercial Mortgage	13.6	2,483.9	0.55%
Commercial Real Estate	67.6	3,857.4	1.75%
Commercial & Industrial Non-RE	22.7	1,631.8	1.39%
Auto & Consumer	10.9	478.6	2.28%
Other	0.1	22.3	0.28%
<b>Total</b>	<b>\$140.5</b>	<b>\$12,755.7</b>	<b>1.10%</b>

# Deposit Strategy

# Core Deposit Growth Was Sufficiently Strong To Grow Overall Deposits While Changing The Deposit Mix

## Deposit Growth



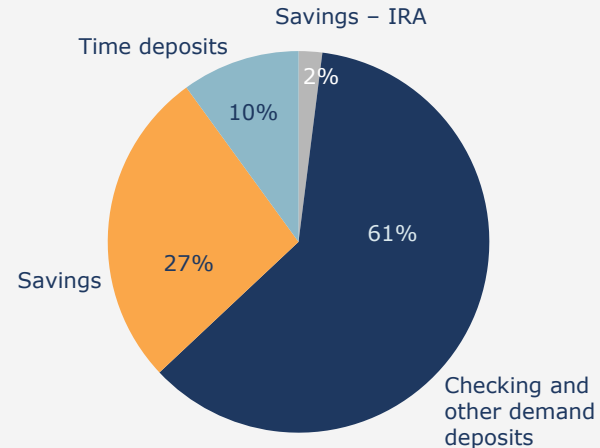
% CDs <sup>(2)</sup>	17%	12%	25%	26%	20%	14%	10%
% Borrowings <sup>(3)</sup>	12%	9%	6%	6%	4%	2%	2%

### Commercial Deposit Growth Drivers

- Service to Specialty Verticals
- Technology and Application Integration
- Reposition as Commercial Banker

## Deposit Composition

12/31/2021



Checking Growth (6/2013 - 12/2021) = 1,800%

Savings Growth (6/2013 - 12/2021) = 416%

Note: Company uses a June 30 fiscal year-end.

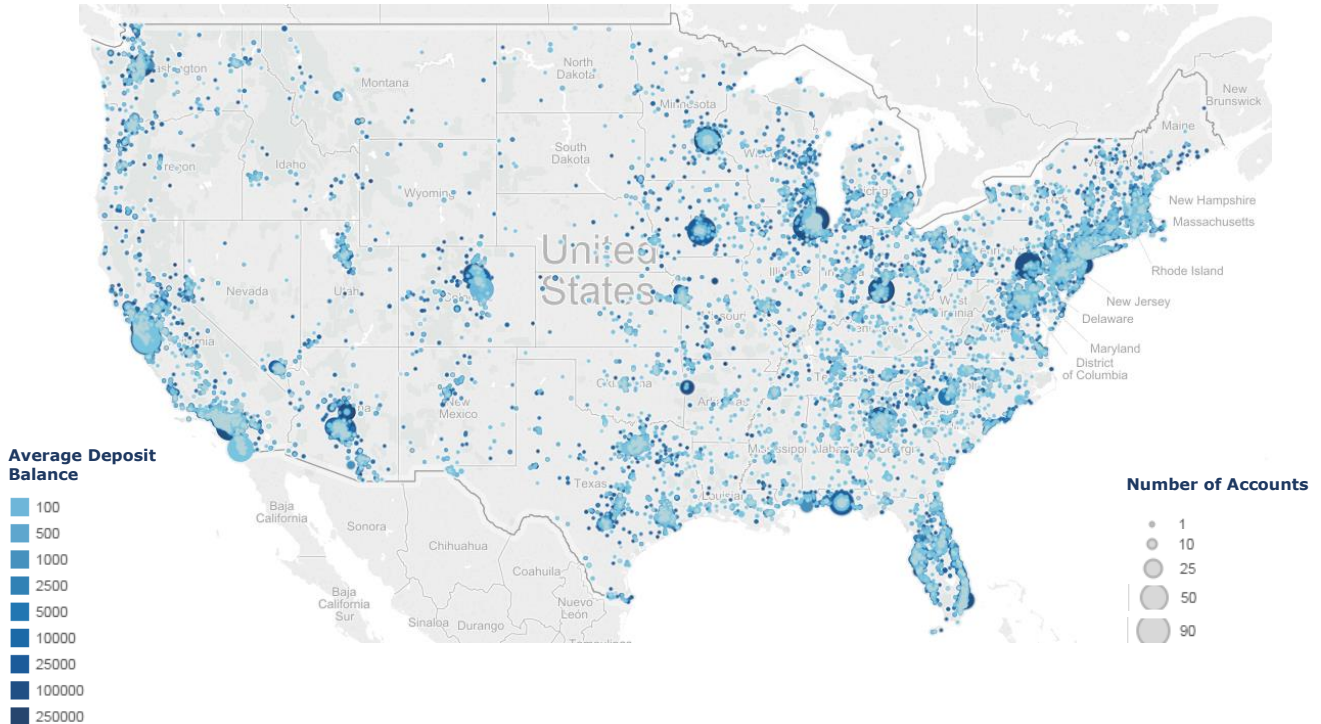
(1) Decrease in deposits by design to accommodate acquisition of \$1.2 billion in deposits from E\*TRADE Advisor Services in August 2021.

(2) As a % of total deposits.

(3) As a % of total liabilities.



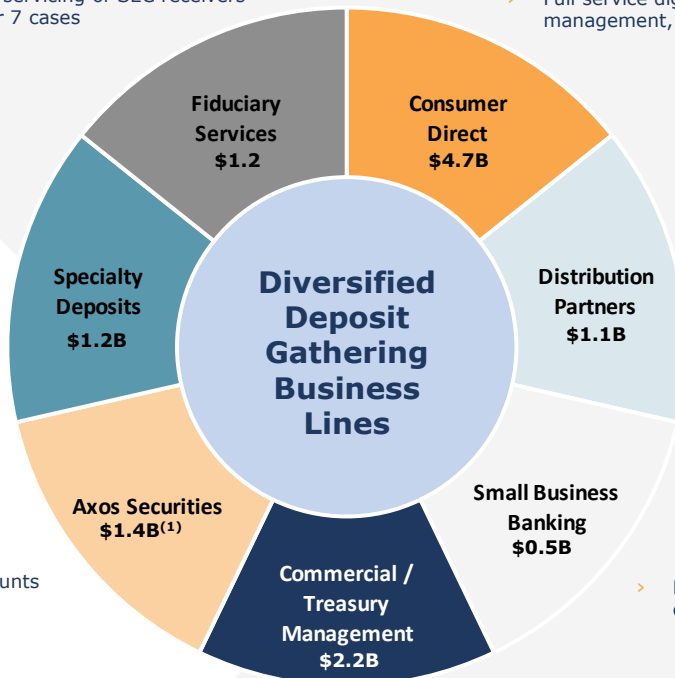
# Customer Base and Deposit Volume is Well Distributed Throughout the United States



**Axos Deposits Have National Reach With Customers in Every State**

- > Serves 40% of U.S. Chapter 7 bankruptcy trustees in exclusive relationship
- > Software allows servicing of SEC receivers and non-chapter 7 cases

- > Full service digital banking, wealth management, and securities trading



- > Fiduciary services for trustees
- > 1031 exchange firms
- > Title and escrow companies
- > HOA and property management

- > Exclusive relationships with significant brands, groups, or employers
- > White-label partnerships (e.g. Nationwide Insurance)

- > Broker-dealer client cash
- > Broker-dealer reserve accounts

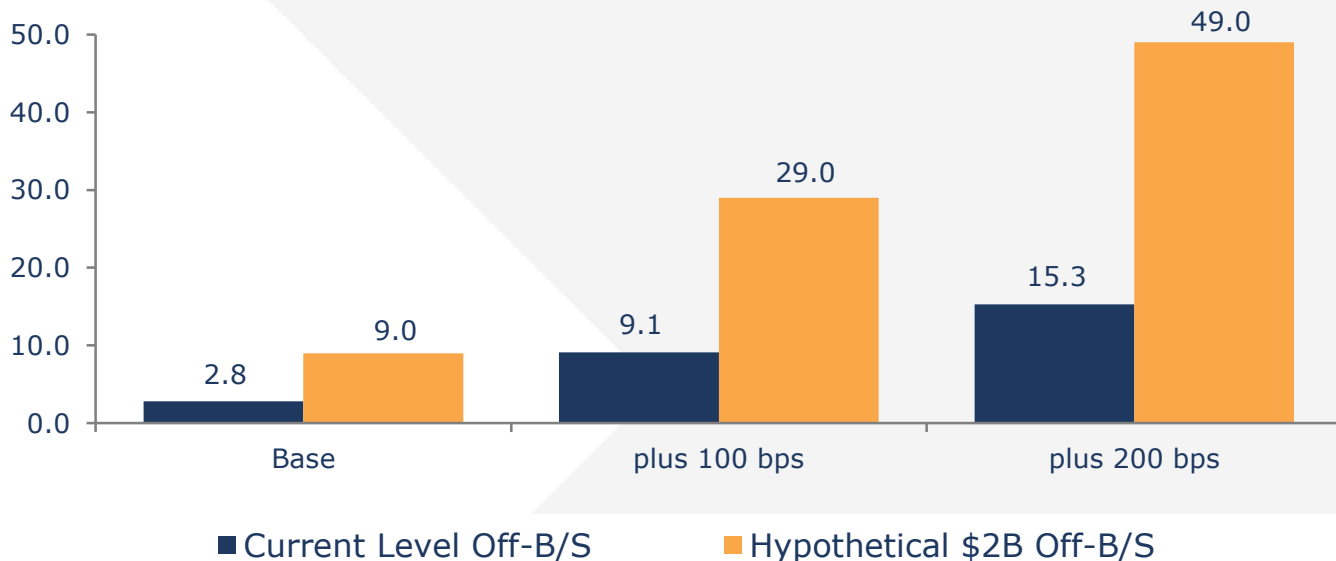
- > Business banking with simple suite of cash management services

- > Full service treasury/cash management
- > Team enhancements and geographic expansion
- > Bank and securities cross-sell

(1) There is an additional \$725 million off balance sheet.

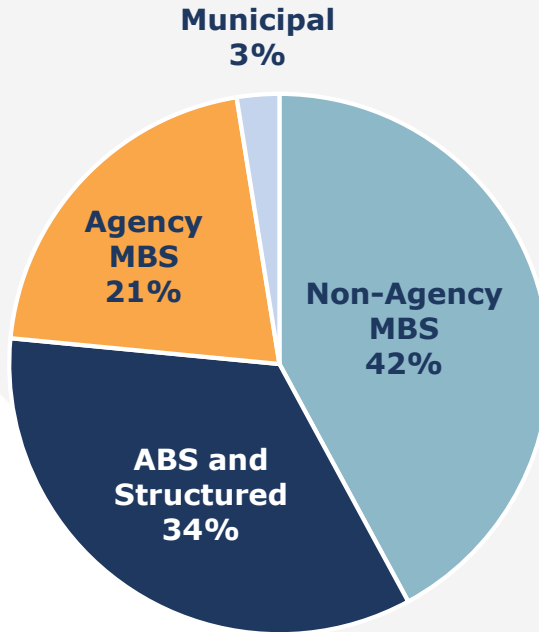
- > Securities segment provides approximately \$2 billion of deposits that can be brought on balance sheet or pushed to partner banks to generate fee income
  - > Provides stable, low/no-cost deposits that can be used to fund Axos Bank's loan growth
  - > Currently 15 partner banks hold approximately \$725 million deposits off Axos Bank's balance sheet
  - > Significant upside to fee income if interest rates rise and/or more deposits are pushed to partner banks

Annualized Fee Income \$M<sup>(1)</sup>



(1) Amount of fee income may be higher or lower, depending on how much deposits from Axos Securities are held on or off Axos Bank's balance sheet.

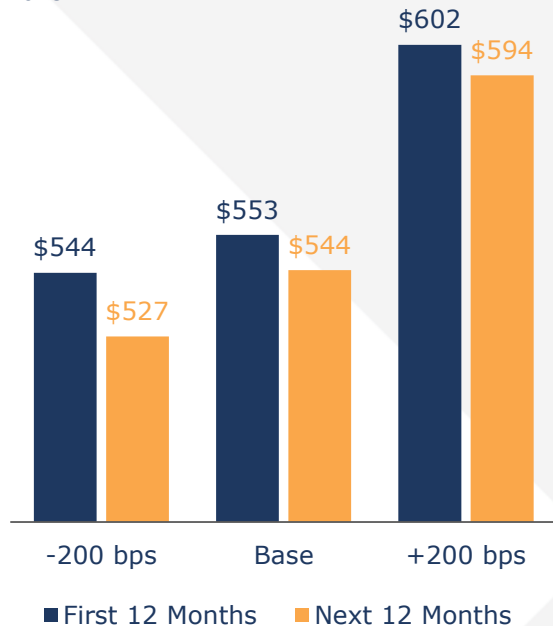
# **Capital, Asset-Liability Management, Interest Rate Management and Liquidity**



**Total FMV of Securities: \$140 Million**

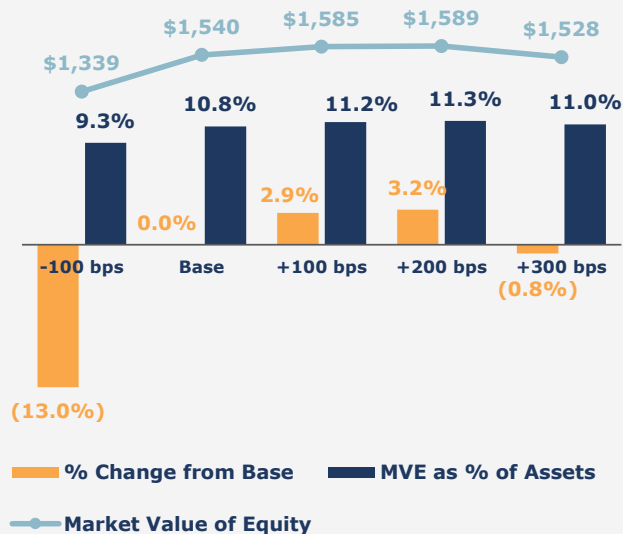
## Net Interest Income<sup>(1)</sup>

\$ Millions



## Market Value of Equity<sup>(2)</sup>

\$ Millions



Note: As of December 31, 2021.

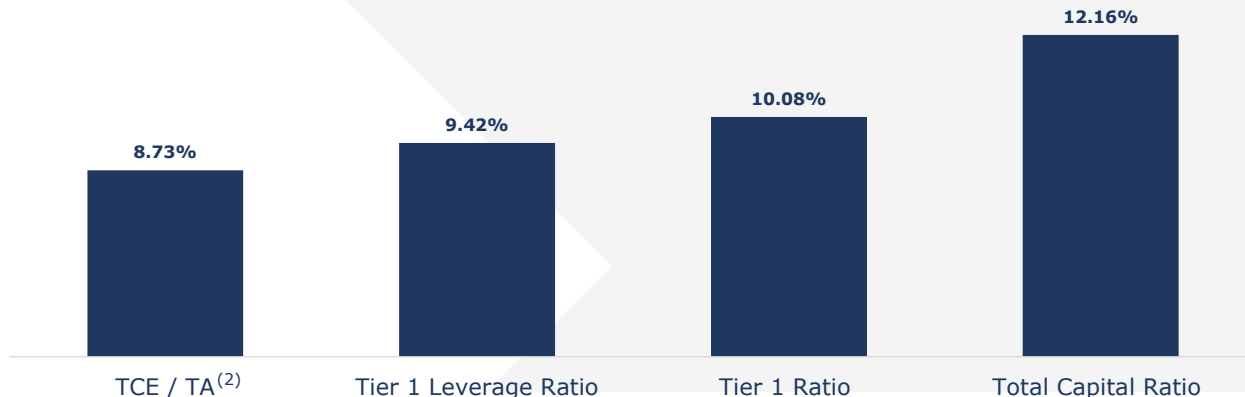
(1) Assumes no growth in the balance sheet other than for retained earnings.

(2) 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; does not take into account any actions that may be undertaken in response to future changes in interest rates.

## Off Balance Sheet Funding\*

- > Axos Fiduciary Services Deposits – \$31 million
- > Axos Clearing Deposits – \$725 million
- > FHLB – \$5.4 billion<sup>(1)</sup>
- > Federal Reserve Discount Window – \$2.4 billion

## Consolidated Capital Ratios\*



\*As of December 31, 2021.

(1) The Bank had \$1.9 billion available immediately and \$3.5 billion available with additional collateral.

(2) Adjusted (non-GAAP) metrics. See Appendix for reconciliation to the closest applicable GAAP metrics.

# Historical Interest Coverage

(\$ Thousands)	FY 2018	FY 2019	FY 2020	FY 2021	Q2'22 YTD	Pro Forma <sup>(1)</sup>
Bank level equity	\$ 905,159	\$ 1,009,678	\$ 1,148,527	\$ 1,299,911	\$ 1,395,737	\$ 1,545,737
Consolidated equity	960,513	1,073,050	1,230,846	1,400,936	1,523,157	1,523,157
Double leverage ratio	94%	94%	93%	93%	92%	101%
<b>Interest Coverage</b>						
<b>Earnings:</b>						
Income from continuing operations before taxes	\$ 239,699	\$ 212,806	\$ 262,632	\$ 305,743	\$ 171,249	\$ 168,624
(+) Interest on advances from the FHLB	22,848	32,834	11,988	4,672	1,989	1,989
(+) Interest on securities loaned	-	748	679	1,496	469	469
(+) Interest on other borrowings	3,881	5,620	5,645	12,424	5,201	5,201
(+) Interest Attributable to \$150MM Subordinated Debt Raise <sup>(1)(2)</sup>	-	-	-	-	-	2,625
Earnings available to pay down interest on <u>other borrowings</u> (net of deposit interest expense)	266,428	252,008	280,944	324,335	178,908	178,908 <b>A</b>
(+) Interest on deposits	79,851	117,080	126,916	60,529	15,517	15,517
Earnings available to pay down interest on <u>deposits and other borrowings</u>	\$ 346,279	\$ 369,088	\$ 407,860	\$ 384,864	\$ 194,425	\$ 194,425 <b>B</b>
<b>Interest Expense:</b>						
Interest on advances from the FHLB	\$ 22,848	\$ 32,834	\$ 11,988	\$ 4,672	\$ 1,989	\$ 1,989
Interest on securities loaned	-	748	679	1,496	469	469
Interest on other borrowings	3,881	5,620	5,645	12,424	5,201	5,201
Interest Attributable to \$150MM Subordinated Debt Raise <sup>(1)(2)</sup>	-	-	-	-	-	2,625
Interest expense on <u>other borrowings</u> (excluding interest on deposits)	26,729	39,202	18,312	18,592	7,659	10,284 <b>C</b>
Interest on deposits	79,851	117,080	126,916	60,529	15,517	15,517
Total interest expense (including interest on deposits)	\$ 106,580	\$ 156,282	\$ 145,228	\$ 79,121	\$ 23,176	\$ 25,801 <b>D</b>
<b>Interest coverage on <u>other borrowings</u> (excluding deposit interest expense) - A / C</b>	<b>10.0x</b>	<b>6.4x</b>	<b>15.3x</b>	<b>17.4x</b>	<b>23.4x</b>	<b>17.4x</b>
<b>Interest coverage on <u>deposits and other borrowings</u> - B / D</b>	<b>3.2x</b>	<b>2.4x</b>	<b>2.8x</b>	<b>4.9x</b>	<b>8.4x</b>	<b>7.5x</b>

Note: Company uses a June 30 fiscal year-end.

(1) Assumes \$150 million subordinated debt raise for illustrative purposes.

(2) Assumes 3.50% coupon rate for illustrative purposes.



# **Axos Securities**

Monetizing synergies by integrating Banking products and services to Securities customers, RIAs, and IBs

Axos Securities	<b>Axos Clearing</b> Securities Clearing & Custody	69 IBs 200 RIAs 265,000 Clients
	<b>Axos Invest</b> Digital Wealth & Personal Financial Management	24,000 Clients
	<b>Axos Trading</b> Self-Directing Trading	Launched Fiscal Q1 2022*

### Consumer Banking

- › Consumer Deposit Accounts
- › ODL/Margin Accounts
- › Jumbo Single Family Mortgage Loans

### Commercial Banking

- › Securities-Backed Lines of Credit
- › Cash Management
- › Commercial Property Refinancing

### Digital Solutions

- › Universal Digital Platform
- › Account Opening Platform

Access to  
~289,000  
Clients

\*Retail crypto trading launch expected in calendar 2022

## Fee Compression for Active and Passive Investment Managers



- RIAs need to reduce costs and streamline back-office ops
- Automation frees up > time/resources for client interactions

## Advisors are Leaving Wirehouses to Become Independent Advisors



- Axos to provide bundled securities clearing, custody and banking services
- Target small & medium-sized RIAs and IBDs that large custodians do not serve well

## Aging Advisor Population Is Driving Consolidation and Succession Planning



- Axos to provide succession-based and M&A financing to RIAs and IBDs
- Nation-wide footprint and industry focus are competitive advantages

## Digitization of Wealth Management



- Axos will offer direct-to-consumer and private label robo-advisory solutions to individuals and independent RIAs

Axos Clearing acquired certain assets and deposits related to E\*TRADE Advisor Services (EAS) – closed August 2, 2021

- 1) \$55 million cash purchase price paid at closing from Axos Financial
- 2) Includes \$24.8 billion of custodial assets & ~\$1.2 billion low-cost deposits
- 3) Accelerates time-to-scale in RIA custody business
- 4) Adds new sources of fee income and services that compliment Axos Clearing's product offering
- 5) Own proprietary front- and back-end RIA custody technology platform
- 6) Rebranded Axos Advisor Services (AAS)

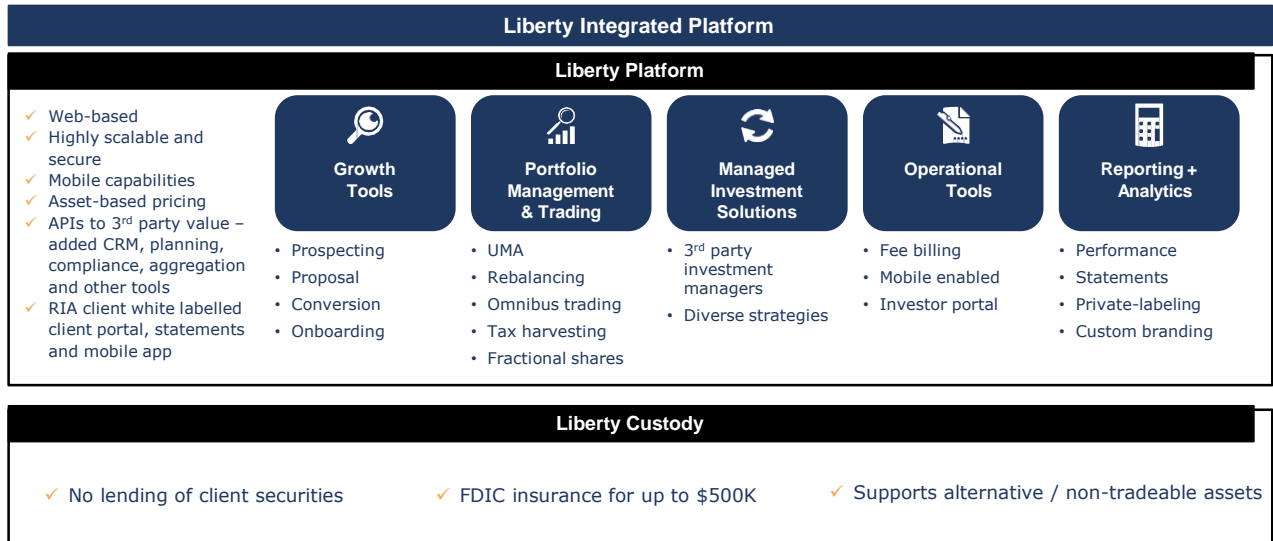
## Strategic and Financial Benefits

- 1) Adds a turnkey technology platform to generate low-cost core deposits
- 2) Increases Axos' non-interest income by 33%<sup>(1)</sup>
- 3) Provides cross-sell opportunities across securities clearing, deposit & lending products to 200+ advisors and 153,000+ wealth management clients
- 4) Conversion to broker-dealer platform unlocks incremental revenue opportunities
- 5) Accretive to EPS - projected 1% accretion in FY 2022 and 5% in FY 2023
- 6) Tangible book value earn-back in ~3 years

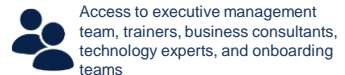
(1) Based on Axos' FY 2021 non-interest income (excluding HRB-related fees) of \$94mm and EAS calendar year 2020 fee-based revenues of \$31.3mm.

# Adds a Scalable Technology Platform

## > Axos Advisor Services Platform Overview



### Supported by High-Touch, Best-In-Class Client Service



*Helping advisors drive efficiencies so they can focus on building and sustaining their long-term client relationships*

## Revenue Synergies\*

### **Axos Securities:**

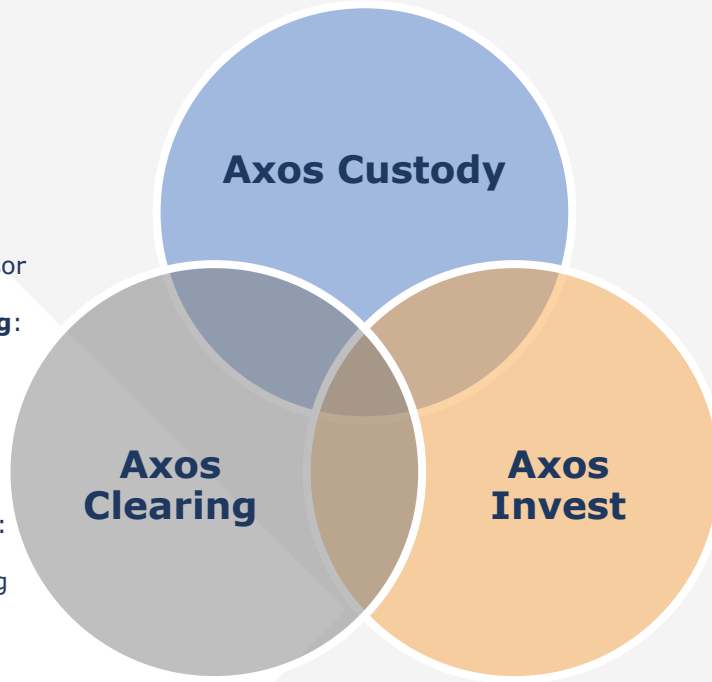
- Margin Loans
- Securities Lending
- Fixed Income Trading
- Order Flow
- White-label Robo Advisor

### **Axos Consumer Banking:**

- White-label Banking
- Auto Lending
- Mortgage Lending
- Unsecured Lending

### **Axos Business Banking:**

- Small Business Banking
- RIA Lending



## Cost Synergies\*

### **Axos Securities:**

- Self-Clearing
- Regulatory/Compliance
- Client Acquisition Costs
- Customer Service
- IT Infrastructure/Dev

### **Axos Consumer Banking:**

- Deposit Servicing Costs
- Client Acquisition Costs

### **Axos Business Banking:**

- Client Acquisition Costs

# Appendix

## Moody's Ratings (as of 1/14/2022)

Type	Rating	Outlook
<b>Axos Financial, Inc.</b>		
<b>Long-term Issuer Rating</b>	<b>Baa3</b>	<b>Stable</b>
Subordinate Regular Bond / Debenture	Baa3	N/A
Subordinate Shelf	Baa3	N/A
Senior Unsecured Shelf	Baa3	N/A
<b>Axos Bank</b>		
<b>Long-term Issuer Rating</b>	<b>Baa3</b>	<b>Stable</b>
Adjusted Baseline Credit Assessment	baa2	N/A
Baseline Credit Assessment	baa2	N/A
Long-term Bank Deposits	A3	Stable
Short-term Bank Deposits	P-2	N/A

## Kroll Ratings (as of 1/14/2022)

Type	Rating	Outlook
<b>Axos Financial, Inc.</b>		
Senior Unsecured Debt	BBB+	Stable
Subordinated Debt	BBB	Stable
Short-Term Debt	K2	N/A
<b>Axos Bank</b>		
Deposit	A-	Stable
Senior Unsecured Debt	A-	Stable
Subordinated Debt	BBB+	Stable
Short-Term Deposit	K2	N/A
Short-Term Debt	K2	N/A



# Select Financials



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	For the 6 Months Ended 12/31/2021
<b>Selected Balance Sheet Data (\$ Millions)</b>							
Total Assets	\$7,599.3	\$8,501.7	\$9,539.5	\$11,220.2	\$13,851.9	\$14,265.6	\$15,547.9
Net Loans	6,354.7	7,374.5	8,432.3	9,382.1	10,631.3	11,414.8	12,607.2
Loans Held for Sale, at Fair Value	20.9	18.7	35.1	33.3	52.0	29.8	27.4
Allowance for Credit Losses	35.8	40.8	49.2	57.1	75.8	133.0	140.5
Securities	472.2	272.8	180.3	227.5	187.7	189.3	140.8
Total Deposits	6,044.1	6,899.5	7,985.4	8,983.2	11,336.7	10,815.8	12,269.2
Advances from the FHLB	727.0	640.0	457.0	458.5	242.5	353.5	157.5
Borrowings	56.0	54.5	54.6	168.9	235.8	221.4	260.4
Total Stockholders' Equity	683.6	834.2	960.5	1,073.1	1,230.8	1,400.9	1,523.2
<b>Selected Income Statement Data</b>							
Net Interest Income	\$261.0	\$313.2	\$368.5	\$408.6	\$477.6	\$538.7	\$292.2
Provision for Loan and Lease Losses	9.7	11.1	25.8	27.4	42.2	23.8	8.0
Non-Interest Income	66.3	68.1	70.9	82.8	103.0	105.3	57.5
Non-Interest Expense	112.8	137.6	173.9	251.2	275.8	314.5	170.5
Net Income	119.3	134.7	152.4	155.1	183.4	215.7	121.0
<b>Per Common Share Data</b>							
Diluted EPS	\$1.87	\$2.10	\$2.37	\$2.48	\$2.98	\$3.56	\$1.99
Adjusted Earnings per Common Share (Non-GAAP) <sup>(1)</sup>	N/A	N/A	2.39	2.75	3.10	3.68	2.06
Book Value Per Common Share	10.73	13.05	15.24	17.47	20.56	23.62	25.60
Tangible Book Value per Common Share (Non-GAAP) <sup>(1)</sup>	10.67	12.94	13.99	15.10	18.28	21.36	22.54
<b>Performance Ratios and Other Data</b>							
Loan and Lease Originations for Investment <sup>(2)</sup>	\$3,582.8	\$4,069.0	\$5,895.9	\$6,756.8	\$6,573.6	\$5,761.3	\$4,636.7
Loan Originations for Sale	\$1,363.0	\$1,375.4	\$1,564.2	\$1,471.9	\$1,601.6	\$1,608.7	\$403.3
ROAA	1.75 %	1.68 %	1.68 %	1.51 %	1.53 %	1.52 %	1.65 %
ROAE	19.43 %	17.78 %	17.05 %	15.40 %	15.65 %	16.51 %	16.51 %
Interest Rate Spread	3.70 %	3.74 %	3.79 %	3.66 %	3.65 %	3.70 %	3.97 %
Net Interest Margin	3.91 %	3.95 %	4.11 %	4.07 %	4.12 %	3.92 %	4.16 %
Net Interest Margin - Banking Segment Only	N/A %	N/A %	4.14 %	4.14 %	4.19 %	4.11 %	4.39 %
Efficiency Ratio	34.44 %	36.08 %	39.58 %	51.12 %	47.50 %	48.84 %	48.74 %
Efficiency Ratio - Banking Segment Only	N/A %	N/A %	34.55 %	40.51 %	39.81 %	41.95 %	39.66 %
<b>Asset Quality Metrics</b>							
NCOs / Average Loans	(0.01) %	0.06 %	0.19 %	0.19 %	0.23 %	0.12 %	0.01 %
NPLs / Loans	0.50	0.38	0.37	0.51	0.82	1.26	1.14
NPAs / Assets	0.42	0.35	0.43	0.50	0.68	1.07	0.94
ALLL / Loans HFI	0.56	0.55	0.58	0.60	0.71	1.15	1.10
ALLL / NPLs	112.45	143.81	157.40	117.84	86.20	91.57	96.27
<b>Capital Ratios</b>							
TCE / TA <sup>(1)</sup>	8.88 %	9.68 %	9.27 %	8.34 %	7.94 %	8.97 %	8.73 %
CET1 Ratio	14.42	14.66	13.27	11.43	11.22	11.36	10.08
Leverage Ratio	9.12	9.95	9.45	8.75	8.97	8.82	9.42
Tier 1 Capital	14.53	14.75	13.34	11.49	11.27	11.36	10.08
Total Capital	16.36	16.38	14.84	12.91	12.64	13.78	12.16

(1) Adjusted (non-GAAP) metrics. See Non-GAAP Reconciliation for the closest applicable GAAP metrics.

(2) Aligns with GAAP cash flow statement disclosure which uses a net presentation for warehouse originations.

# Non-GAAP Reconciliation



\$ Millions, except per share data	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	For the 6
							Months Ended 12/31/2021
Total common equity (GAAP)	\$678.5	\$829.2	\$955.5	\$1,068.0	\$1,225.8	\$1,400.9	\$1,523.2
Less goodwill and other intangible assets	0.0	0.0	67.8	134.9	125.4	116.0	162.0
Less mortgage servicing rights, carried at fair value	3.9	7.2	10.8	9.8	10.7	17.9	20.1
<b>Tangible Common Equity (Non-GAAP)</b>	<b>\$674.6</b>	<b>\$822.0</b>	<b>\$876.9</b>	<b>\$923.3</b>	<b>\$1,089.7</b>	<b>\$1,267.0</b>	<b>\$1,341.1</b>
Total Assets (GAAP)	\$7,599.3	\$8,501.7	\$9,539.5	\$11,220.2	\$13,851.9	\$14,265.6	\$15,547.9
Less goodwill and other intangible assets	0.0	0.0	67.8	134.9	125.4	116.0	162.0
Less mortgage servicing rights, carried at fair value	3.9	7.2	10.8	9.8	10.7	17.9	20.1
<b>Tangible Assets (Non-GAAP)</b>	<b>\$7,595.4</b>	<b>\$8,494.5</b>	<b>\$9,460.9</b>	<b>\$11,075.5</b>	<b>\$13,715.8</b>	<b>\$14,131.7</b>	<b>\$15,365.8</b>
<b>Common shares outstanding (000)</b>	<b>63,219</b>	<b>63,536</b>	<b>62,688</b>	<b>61,129</b>	<b>59,613</b>	<b>59,318</b>	<b>59,499</b>
<b>Diluted Common Shares Outstanding (000)</b>	-	-	<b>64,147</b>	<b>62,382</b>	<b>61,438</b>	<b>60,520</b>	<b>60,749</b>
<b>Book value per common share (GAAP)</b>	<b>\$10.73</b>	<b>\$13.05</b>	<b>\$15.24</b>	<b>\$17.47</b>	<b>\$20.56</b>	<b>\$23.62</b>	<b>\$25.60</b>
Net Income (GAAP)	-	-	\$152.4	\$155.1	\$183.4	\$215.7	\$121.0
Acquisition-related costs	-	-	1.5	6.7	10.1	9.8	5.9
Excess FDIC expense	-	-	-	1.1	-	-	-
Other costs	-	-	-	15.3	-	-	-
Income taxes	-	-	(0.5)	(6.3)	(3.0)	(2.9)	(1.7)
<b>Adjusted earnings (Non-GAAP)</b>	-	-	<b>\$153.3</b>	<b>\$172.0</b>	<b>\$190.5</b>	<b>\$222.6</b>	<b>\$125.1</b>
Tangible book value per common share (Non-GAAP)	\$10.67	\$12.94	\$13.99	\$15.10	\$18.28	\$21.36	\$22.54
Tangible common equity to tangible assets (Non-GAAP)	8.88%	9.68%	9.27%	8.34%	7.94%	8.97%	8.73%
Adjusted EPS (Non-GAAP)	-	-	\$2.39	\$2.75	\$3.10	\$3.68	\$2.06
<b>Market data as of 2/8/2022</b>							
Stock Price							\$55.79
Price / Tangible Book Value							2.48x

**Greg Garrabrants, President and CEO**  
**Derrick Walsh, EVP and CFO**  
**Andy Micheletti, EVP of Finance**

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