



# Axos Financial, Inc. Investor Presentation

November 2, 2023

NYSE: AX

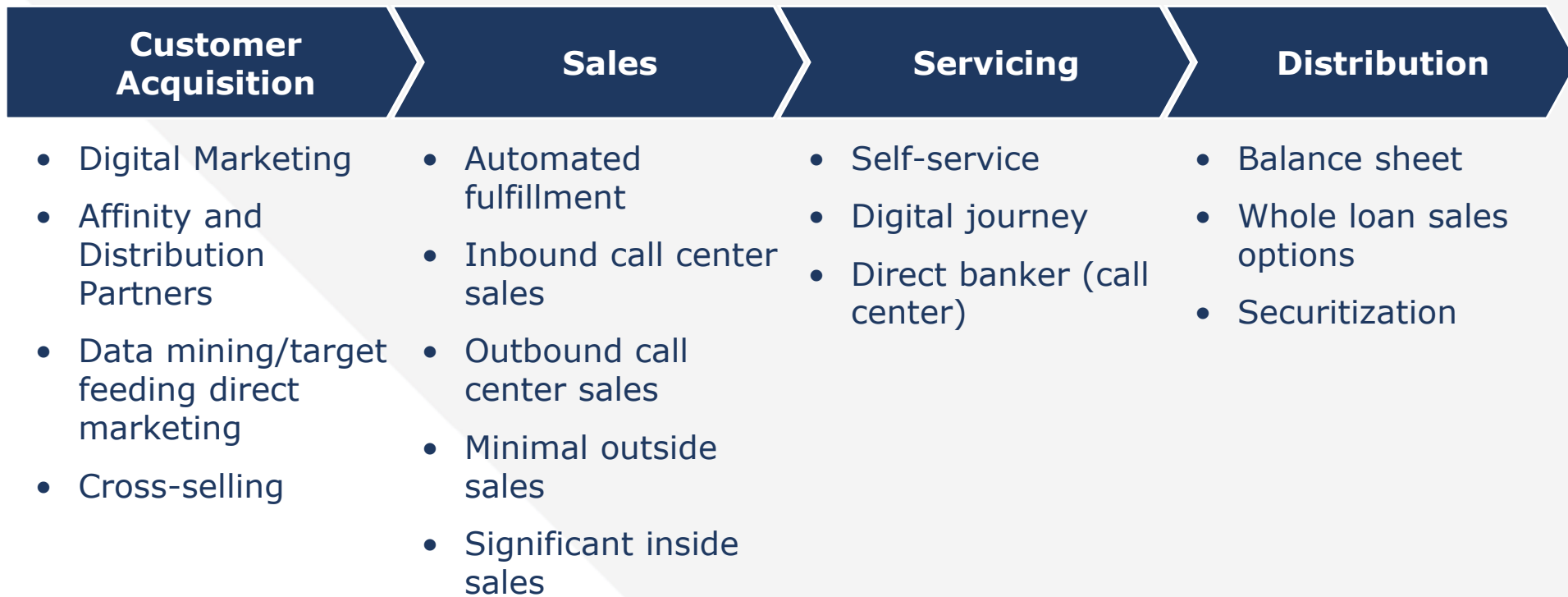


# Safe Harbor

This presentation contains forward-looking statements that involve risks and uncertainties, including without limitation statements relating to Axos Financial, Inc.'s ("Axos") financial prospects and other projections of its performance and asset quality, Axos' deposit balances and capital ratios, Axos' ability to continue to grow profitably and increase its business, Axos' ability to continue to diversify its lending and deposit franchises, the anticipated timing and financial performance of other offerings, initiatives, and acquisitions, expectations of the environment in which Axos operates and projections of future performance. These forward-looking statements are made on the basis of the views and assumptions of management regarding future events and performance as of the date of this presentation. Actual results and the timing of events could differ materially from those expressed or implied in such forward-looking statements as a result of risks and uncertainties, including without limitation Axos' ability to successfully integrate acquisitions and realize the anticipated benefits of the transactions, changes in the interest rate environment, monetary policy, inflation, government regulation, general economic conditions, changes in the competitive marketplace, conditions in the real estate markets in which we operate, risks associated with credit quality, our ability to attract and retain deposits and access other sources of liquidity, and the outcome and effects of litigation and other factors beyond our control. These and other risks and uncertainties detailed in Axos' periodic reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2023, Form 10-Q for the quarter ended September 30, 2023 and its last earnings press release, could cause actual results to differ materially from those expressed or implied in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Axos undertakes 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 presentation, which are attributable to us or persons acting on Axos' behalf are expressly qualified in their entirety by the foregoing information.



# Axos' Business Model is Differentiated From Other Banks



## Core Digital Capabilities



# Axos is a Top Performer Versus Bank Peer Group

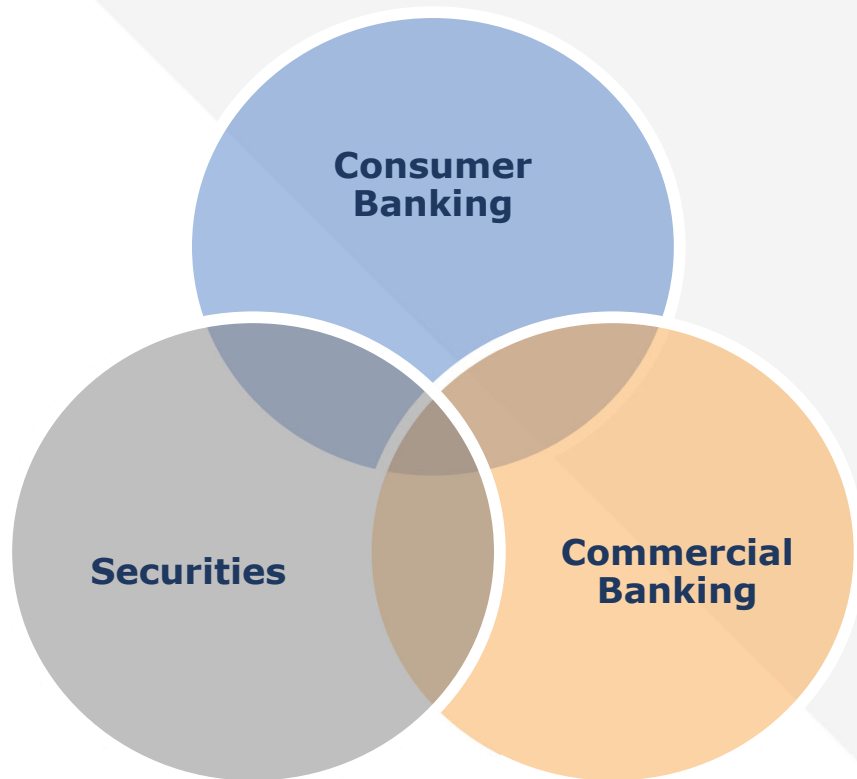


	<b>Axos Bank</b>	<b>Peer Group</b>	<b>Percentile</b>
ROAA	1.63%	0.74%	91%
Return on equity	16.56%	7.48%	91%
Net interest income	4.38%	2.79%	94%
Efficiency ratio	46.19%	70.94%	8%

**The 91% on ROE means that the Bank outperformed 91% of all banks. The 8% efficiency ratio ranking means that only 8% of banks have lower expenses in comparison to their revenues.**



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



## Investment Thesis

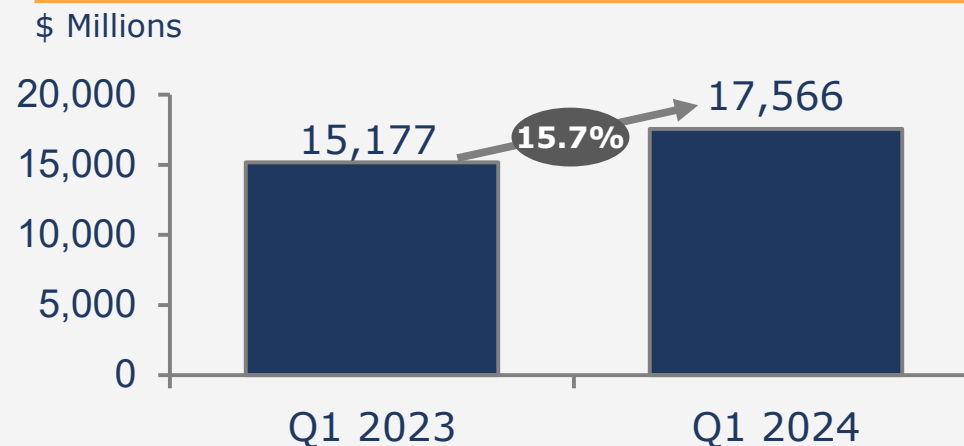
- > Diverse mix of asset, deposit, and fee income reduces risk and provides multiple growth opportunities in varying environments
- > Differentiated retail digital strategy from "online savings banks" or fin-tech competitors
- > Structural cost advantage vs. traditional banks
- > Differentiated distribution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

# Consolidated Fiscal First Quarter 2024 Highlights Compared with Fiscal First Quarter 2023

## Asset Growth



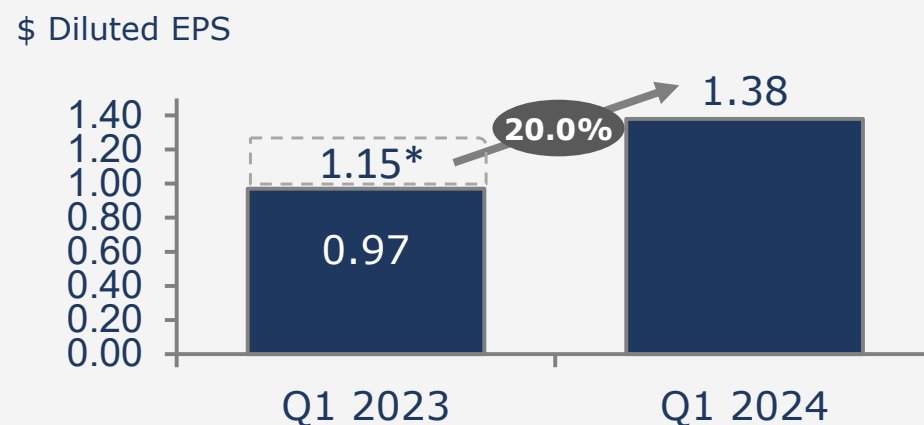
## Deposit Growth



## Net Income



## Diluted EPS



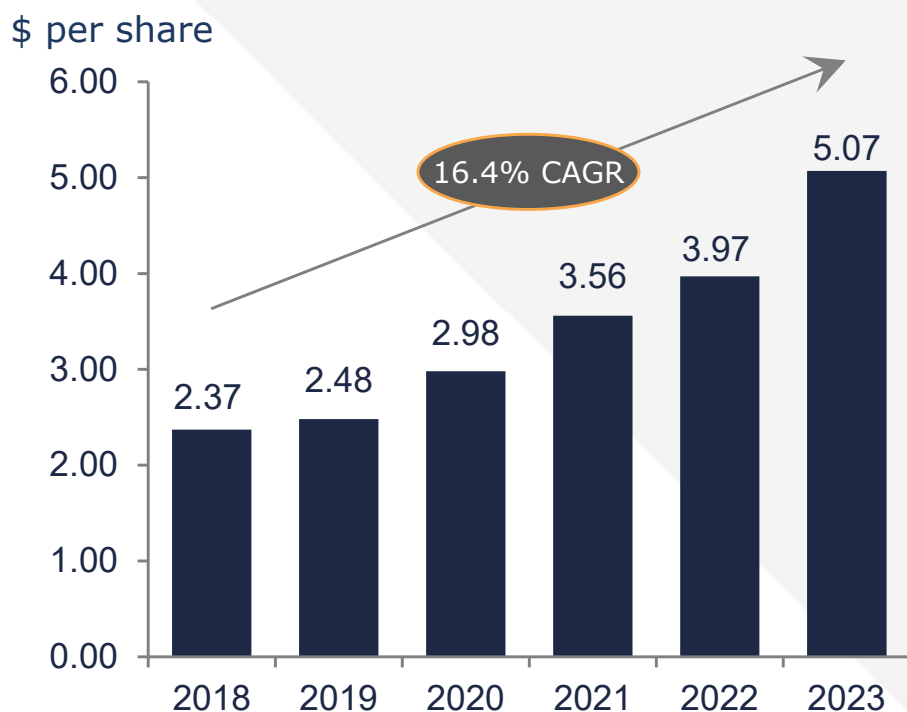
**Return on Equity = 16.91%**

**Return on Assets = 1.64%**

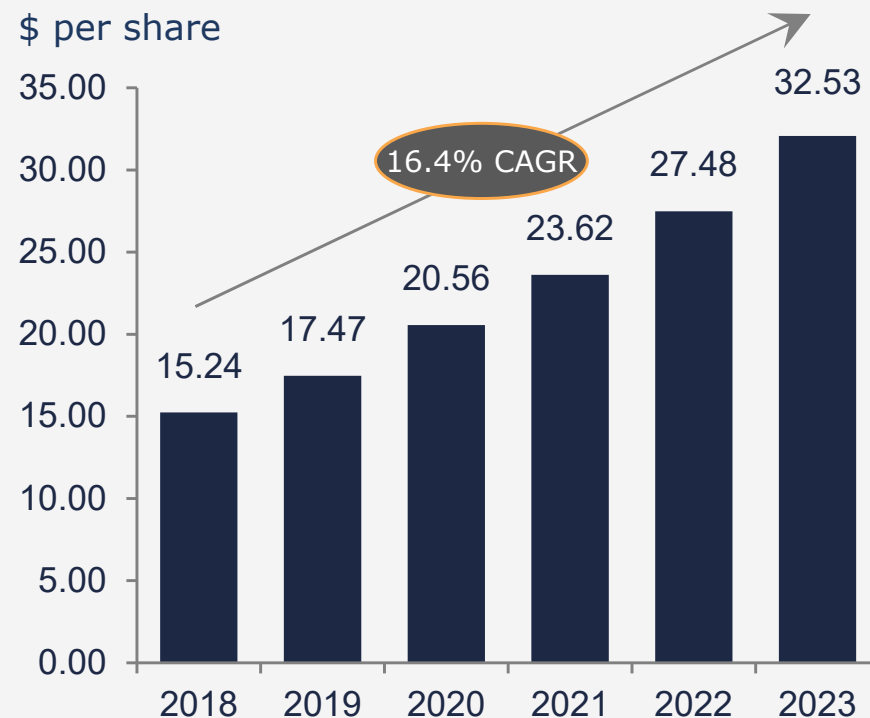
\* Net income and diluted EPS for Q1 2023 exclude a \$16.0 million (\$11.2 million post tax) accrual as a result of an adverse legal judgement that has not been finalized.

# Diluted EPS and Book Value Per Share Have Been Consistently Strong

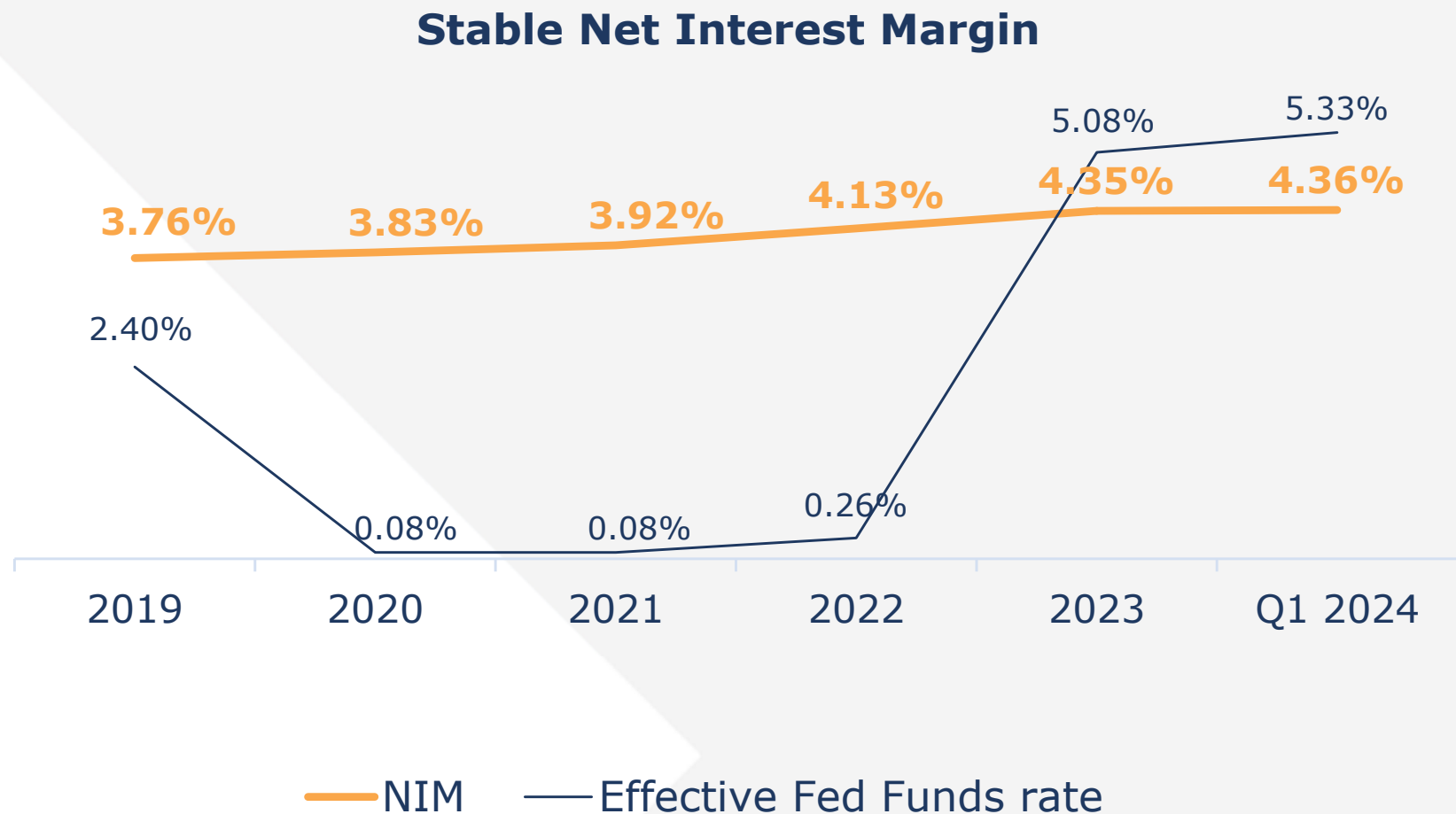
## Diluted EPS (FY)



## Book Value Per Share (FY)



# Net Interest Margin has been Stable Through a Variety of Interest Rate Cycles\*

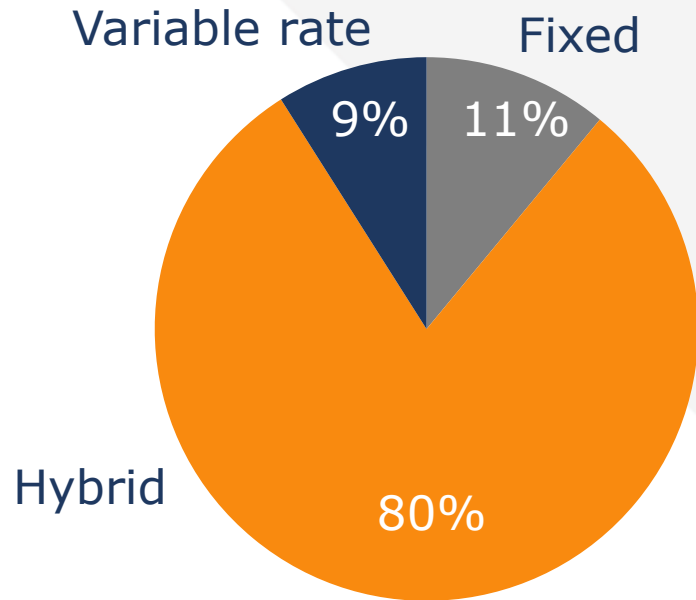


\*NIM excludes impact of HRB; relationship with HRB terminated in December 2021.

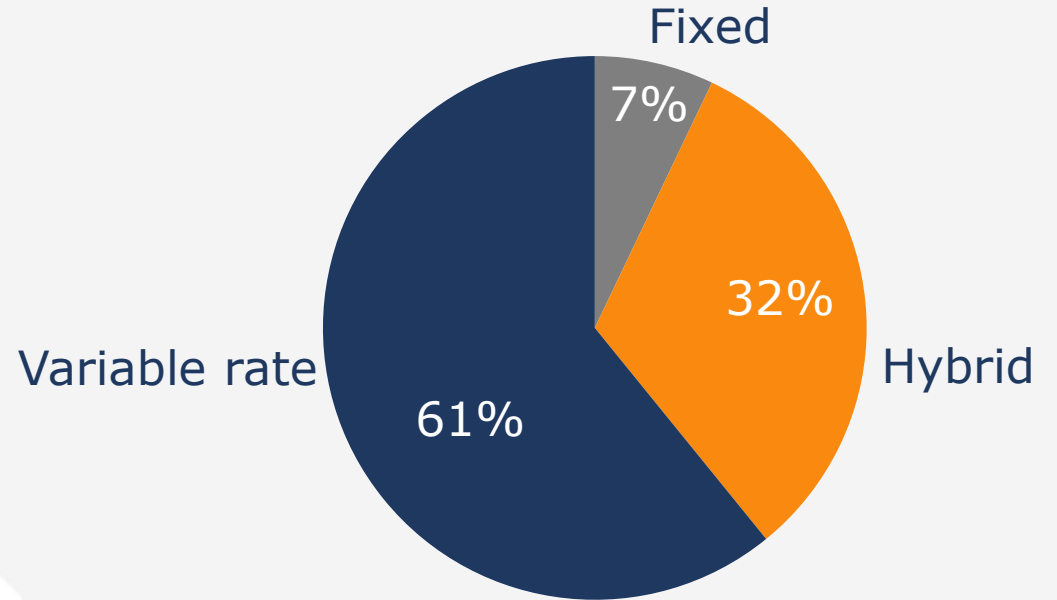


# Loan Portfolio More Sensitive to Rate Increases Today Compared to Last Fed Fund Rate Hike Starting in 2015

September 30, 2015



September 30, 2023

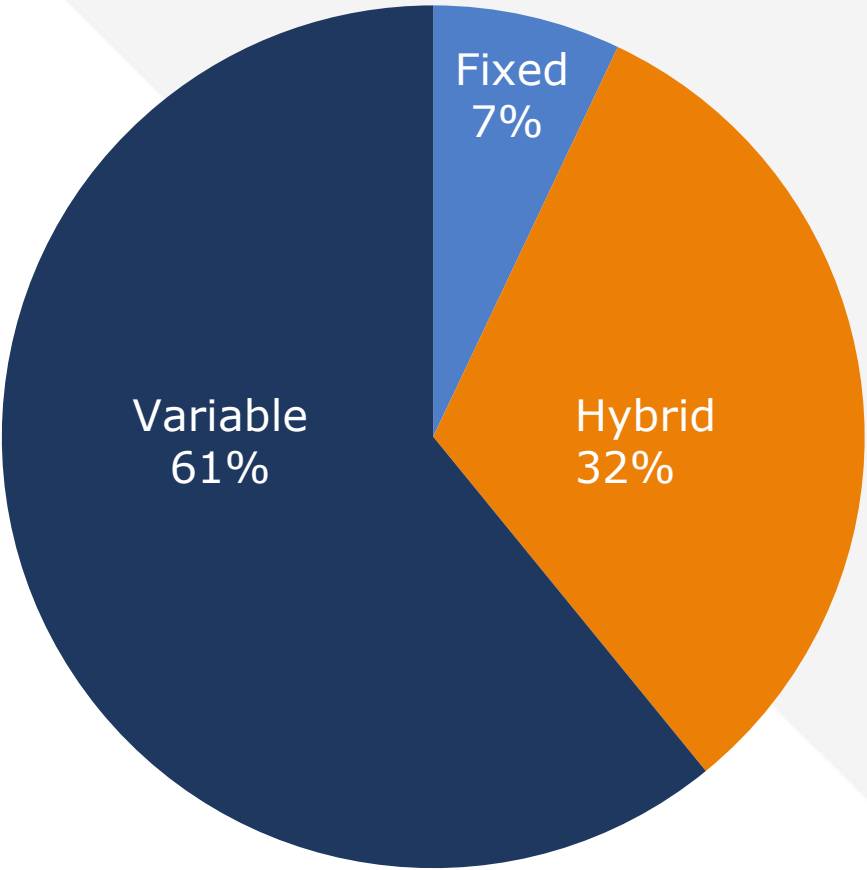


# Interest Rate Components of Loan & Lease Portfolio

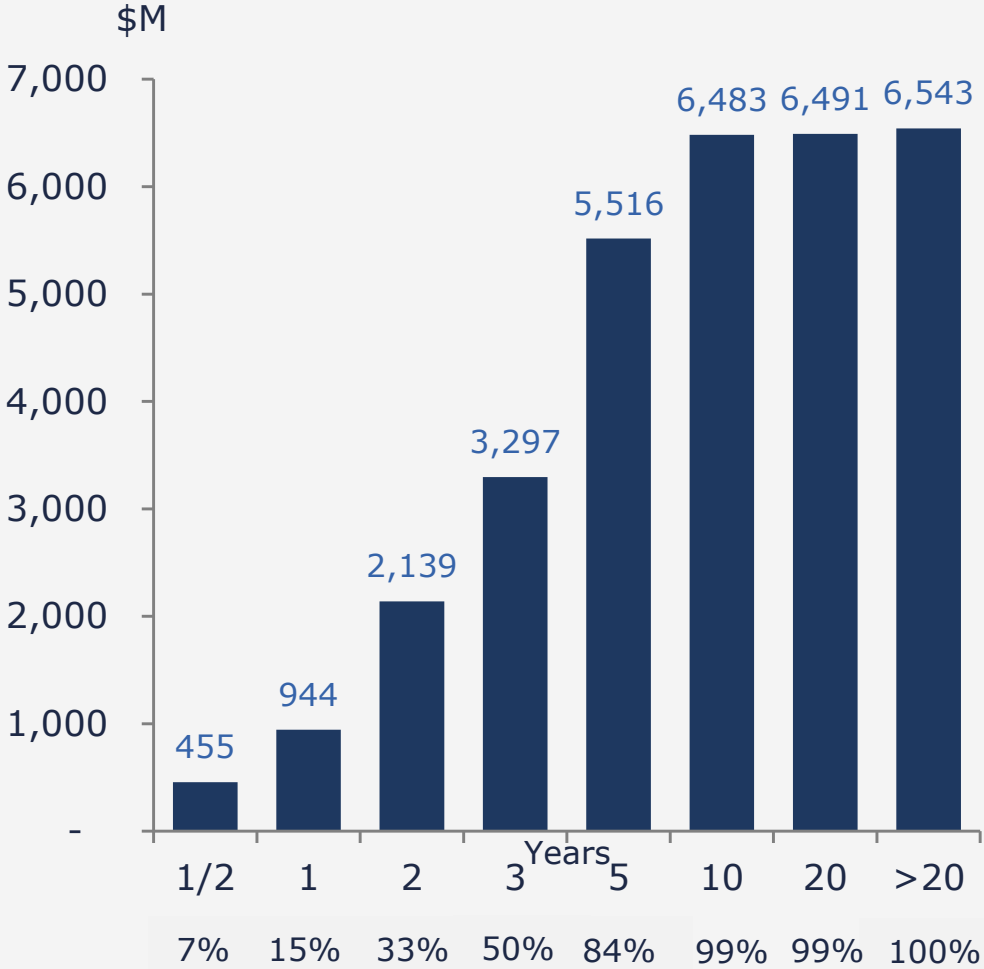
At September 30, 2023



**Mix of Loan Repricing Types**



**Fixed/Hybrid Years to Maturity / Repricing\***



\*Excludes SF Warehouse Lending and Equipment Leasing. The years to repricing assumes no loan prepayments and reflects only contractual terms.

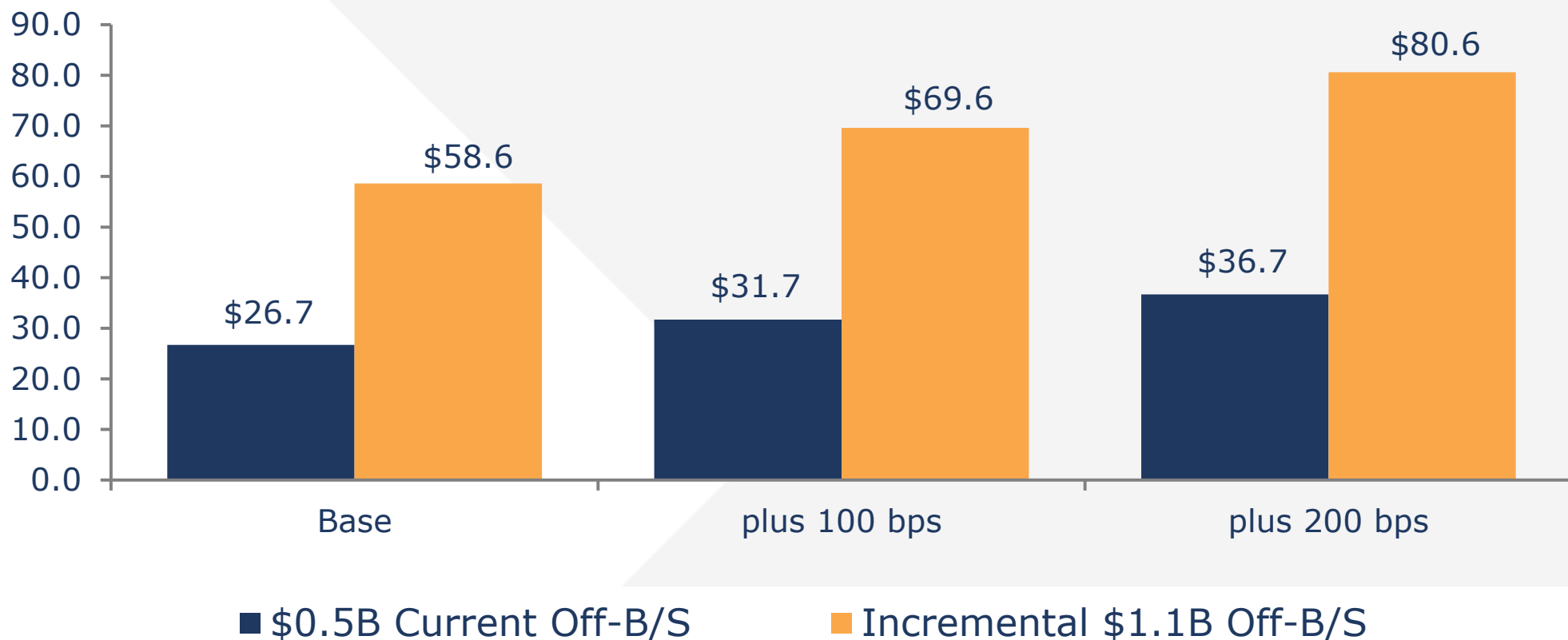
Of the fixed and hybrid rate loan balances in our portfolio at September 30, 2023, 50% will reprice within 3 years and 84% will reprice within 5 years

# Optionality with Deposits from Axos Securities

Securities segment provides approximately \$1.6 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
- > 14 partner banks hold approximately \$0.5 billion 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>



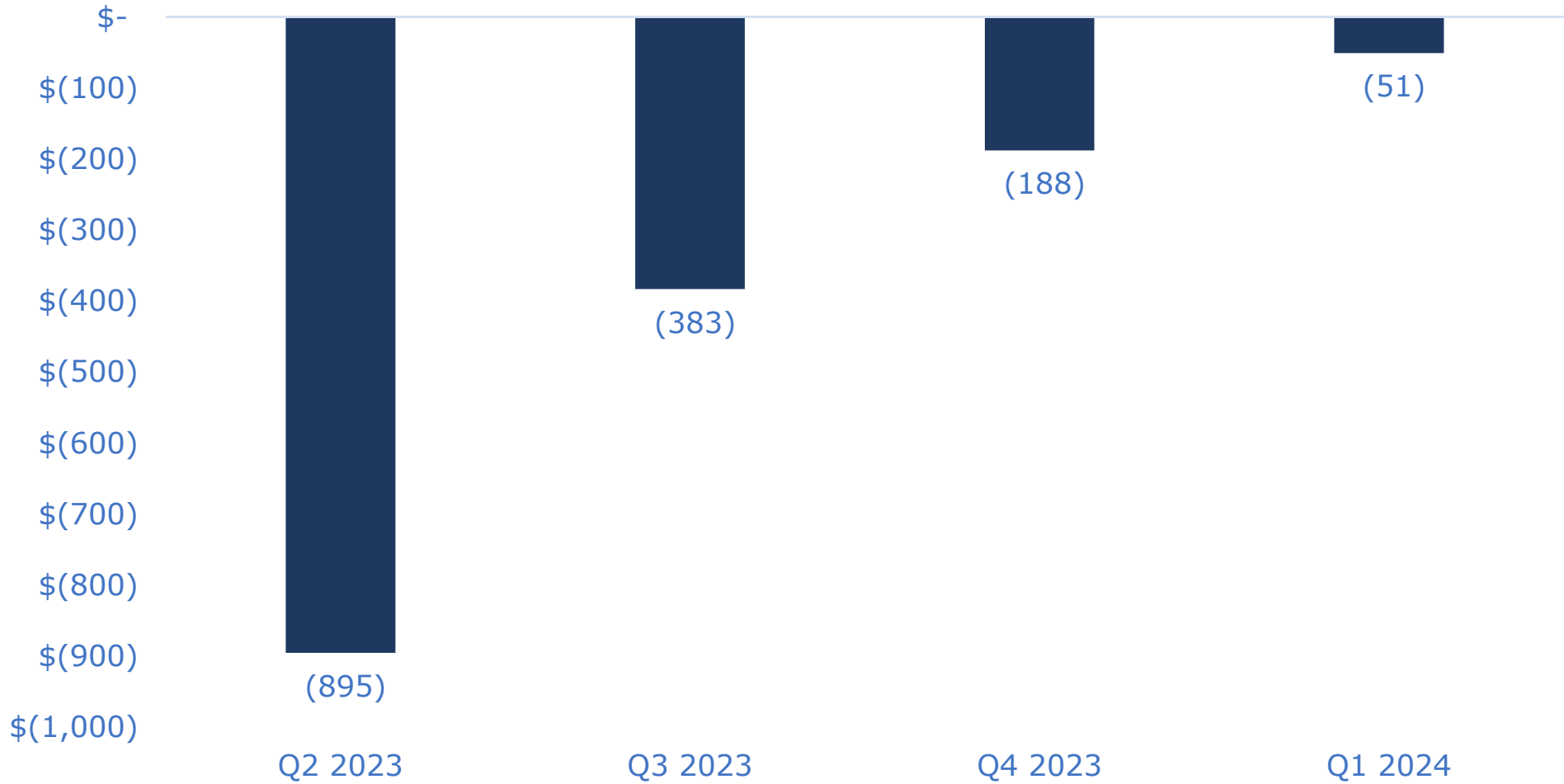
(1) Amount of fee income may be higher or lower, depending on amount of deposits from Axos Securities that is actually held on or off Axos Bank's balance sheet. Base is equal to effective federal funds rate (EFFR) of 5.33% as of October 12, 2023.

# Axos Advisor Services (AAS) Cash Sorting



(in millions)

## Pace of AAS Cash Sorting Decline Has Decelerated



Ending Balance*	Q2 2023	Q3 2023	Q4 2023	Q1 2024
	\$1,674	\$1,291	\$1,103	\$1,052

\*Total ending AAS client deposit balances, both on- and off-balance sheet

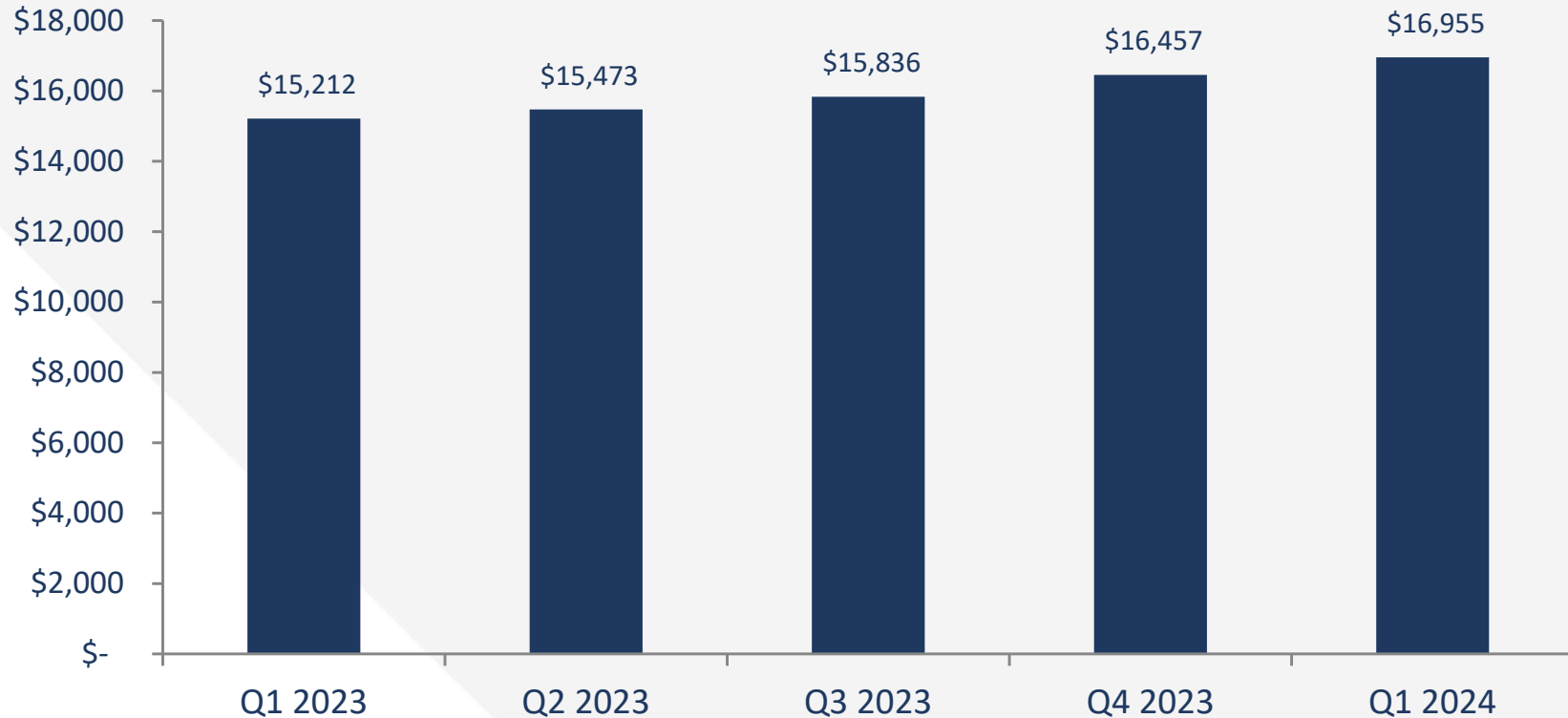
# Loan Growth by Category for First Quarter Ended September 30, 2023

\$ millions

			Q1 FY24	Q4 FY23	Inc (Dec)
<b>Loans</b>	<b>Single Family Mortgage &amp; Warehouse</b>	<b>Jumbo Mortgage</b>	\$4,019	\$3,924	\$95
		<b>SF Warehouse Lending</b>	295	250	45
	<b>Multifamily &amp; Commercial Mortgage</b>	<b>Multifamily</b>	2,130	2,236	(106)
		<b>Small Balance Commercial</b>	832	846	(14)
	<b>Commercial Real Estate</b>	<b>CRE Specialty</b>	5,488	5,346	142
		<b>Lender Finance RE</b>	681	854	(173)
	<b>Commercial &amp; Industrial Non-RE</b>	<b>Lender Finance Non-RE</b>	1,833	1,696	137
		<b>Equipment Leasing</b>	107	116	(9)
		<b>Asset-Based Lending</b>	1,269	828	441
	<b>Auto &amp; Consumer</b>	<b>Auto</b>	441	476	(35)
		<b>Unsecured/OD</b>	65	70	(5)
	<b>Other</b>		2	10	(8)
			<b>\$17,162</b>	<b>\$16,652</b>	<b>\$510</b>

Expect High Single Digit to Low Teen Loan Growth over the Next Few Quarters

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



### Loan Growth Drivers

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

### Average Mortgage Loan to Value



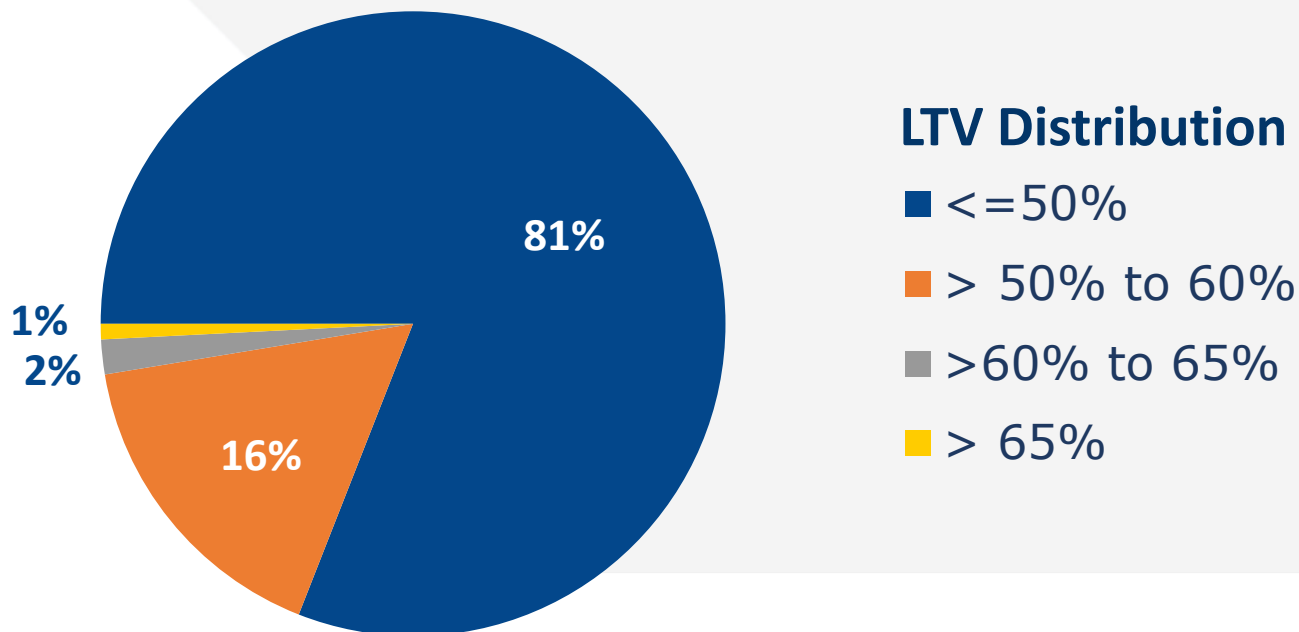
	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
<b>Multifamily</b>	53%	53%	54%	54%	54%
<b>Single family</b>	57%	57%	57%	56%	57%



# CRE Specialty\* Detail as of September 30, 2023



Loan Type	Balance (mm)	Weighted Avg. LTV	Non-Performing Loans (mm)
<b>Multifamily</b>	\$1,804	43%	\$11
<b>SFR</b>	1,109	37	15
<b>Hotel</b>	1,061	41	0
<b>Industrial</b>	496	39	0
<b>Office</b>	456	38	0
<b>Retail</b>	226	43	0
<b>Other</b>	336	41	0
<b>Total</b>	<b>\$5,488</b>	<b>41%</b>	<b>\$26</b>



\*Includes CRE Specialty loan portfolio only; see Form 10-Q for the quarterly period ended September 30, 2023 for additional details of other loan categories

# CRE Specialty\* Detail as of September 30, 2023



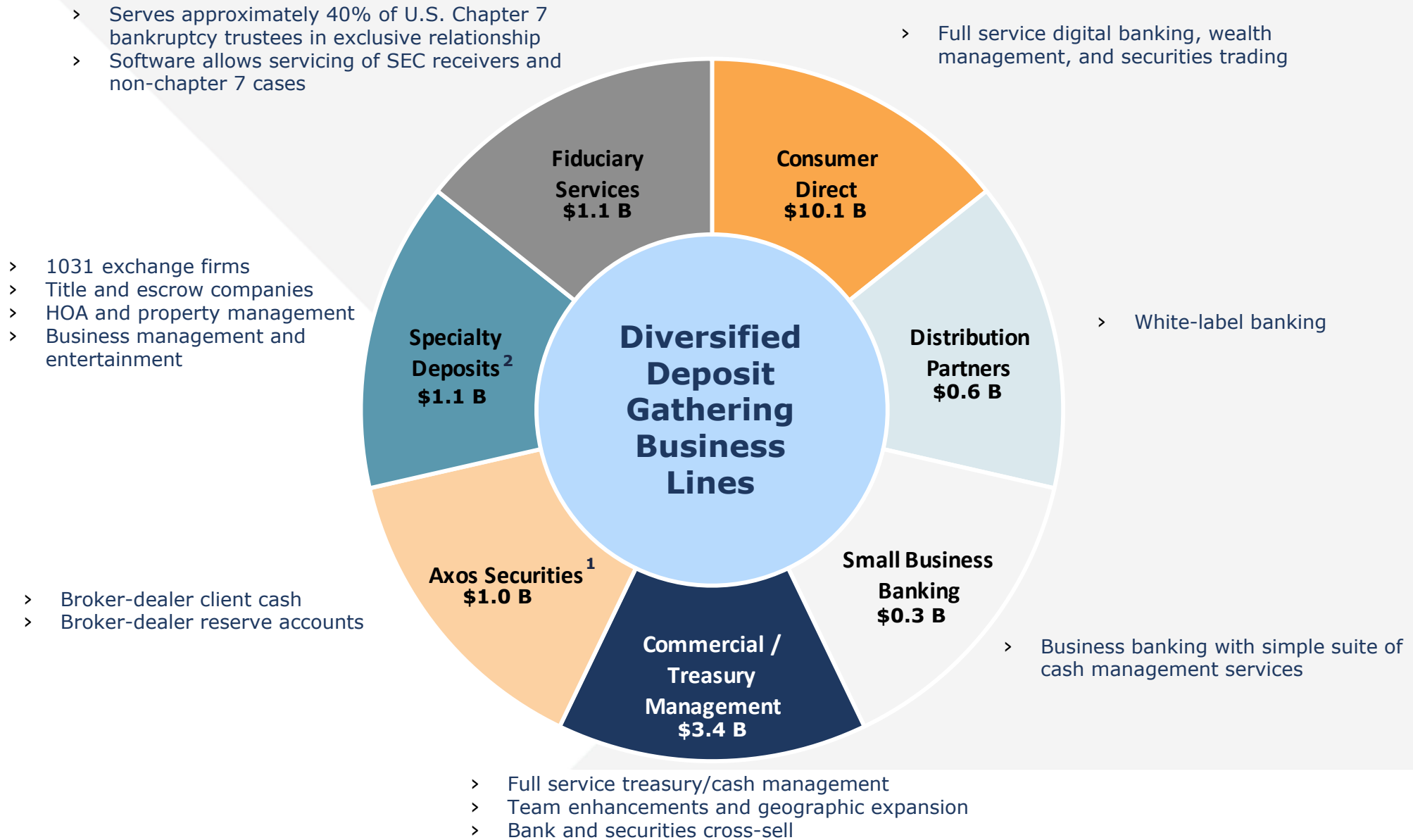
77% of total CRE Specialty balance at September 30, 2023 is indirect note structures where Axos has first payment priority; these loans carry a weighted-average LTV of 40%.

Loan Type	Balance (mm)	Weighted Avg. LTV
Construction	\$2,355	38%
Bridge	2,146	44%
Pre-development	681	40%
Stabilized	306	49%
<b>Total</b>	<b>\$5,488</b>	<b>41%</b>

\*Includes CRE Specialty loan portfolio only; see Form 10-Q for the quarterly period ended September 30, 2023 for additional details of other loan categories

# Diversified Deposit Gathering

Approximately 90% of deposits are FDIC-insured or collateralized



\*Deposit balances as of 9/30/23

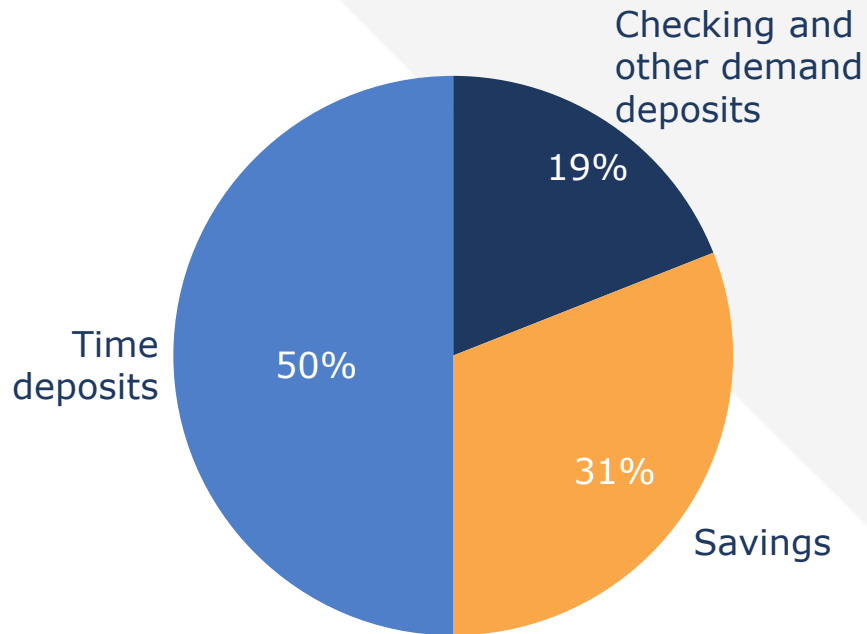
<sup>1</sup>Excludes approximately \$550 million of off-balance sheet deposits

<sup>2</sup>Excludes approximately \$750 million of client deposits held at other banks

# Deposit Growth in Checking, Business, and Savings Was Achieved While Transforming the Mix of Deposits

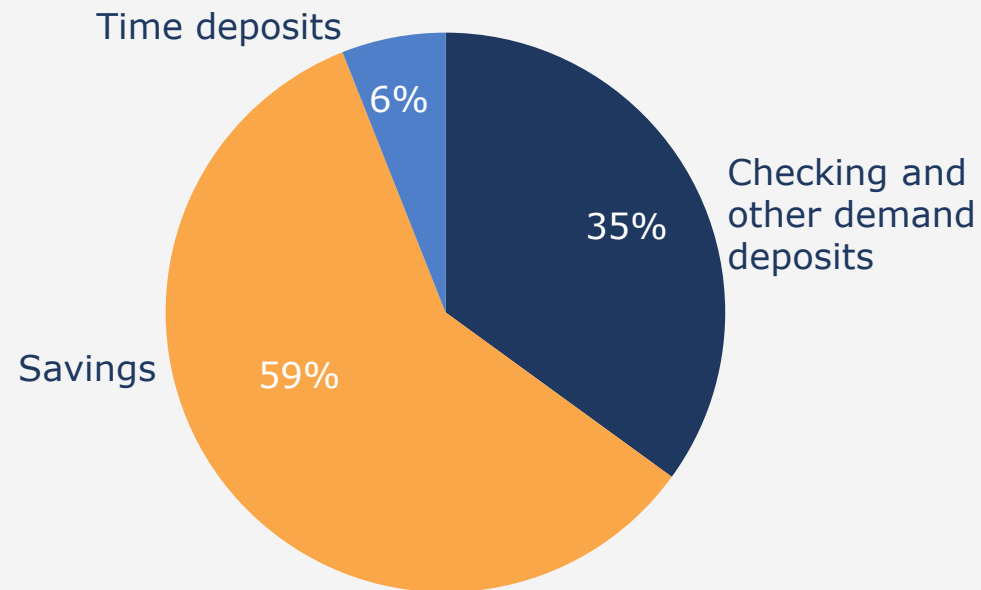
**June 30, 2013**

Total Deposits = \$2.1 billion



**September 30, 2023**

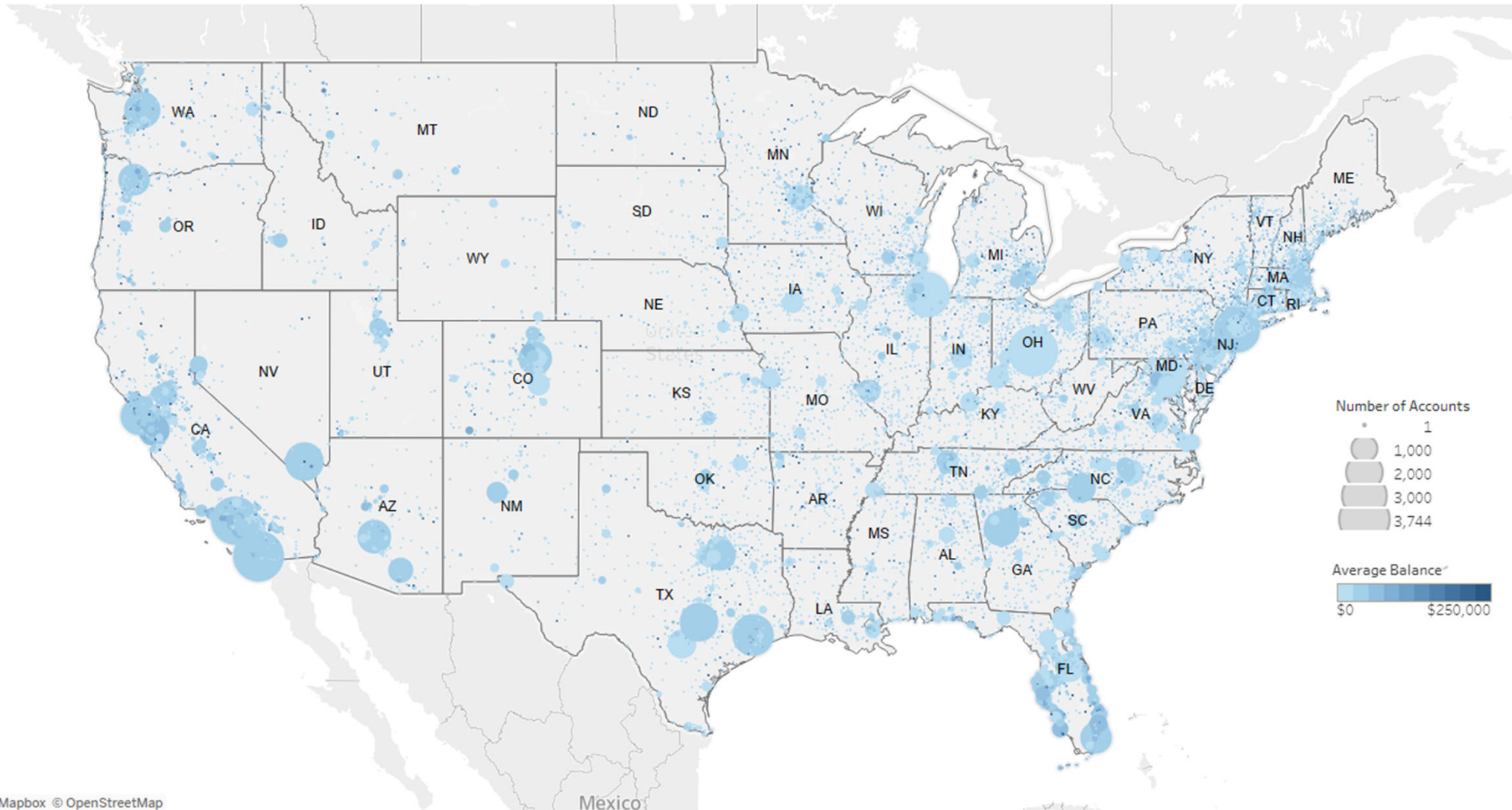
Total Deposits = \$17.6 billion



**Checking Growth (6/2013 – 9/2023) = 1450%**

**Savings Growth (6/2013 – 9/2023) = 1515%**

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



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

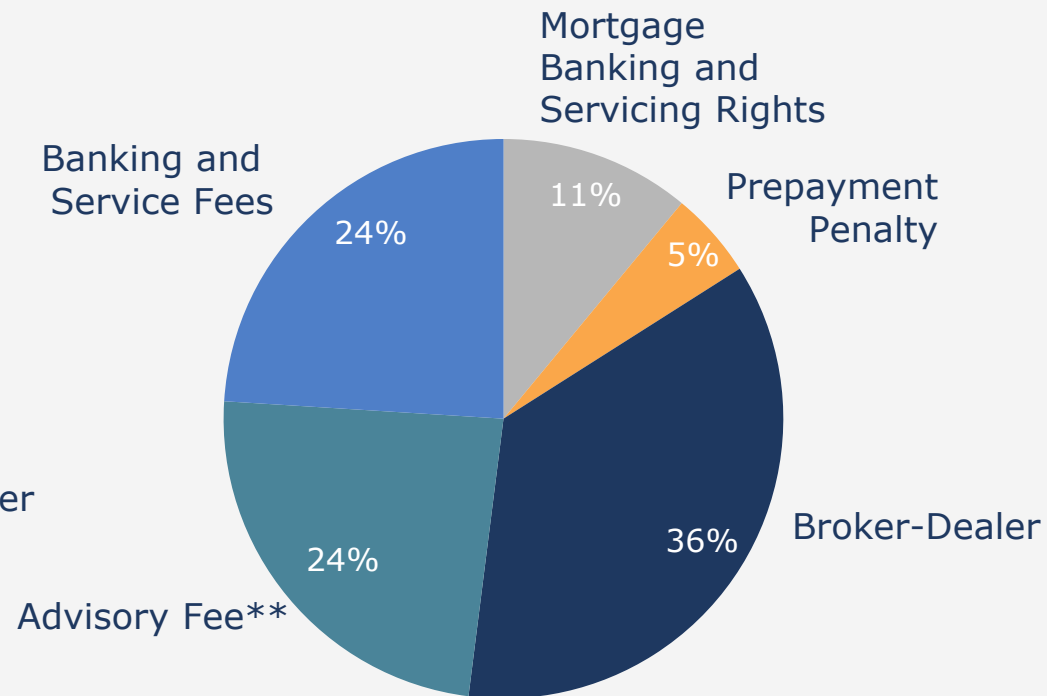
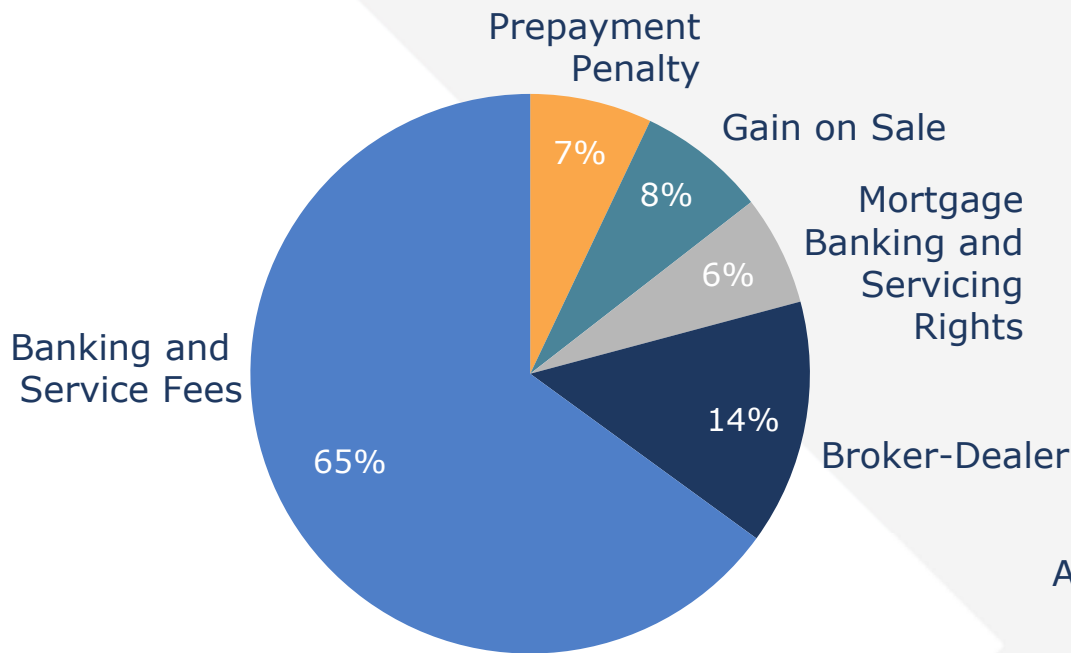
# Non-Interest Income Growth and Diversification

**Year Ended**  
*June 30, 2019*

**Three Months Ended**  
*September 30, 2023*

Total Non-Interest Income =  
\$82.9 million

Total Non-Interest Income =  
\$138.0 million \*



**Securities Segment Fee Income \*\* (6/2019 –9/2023) =605%**

\* Represents annualized September 30, 2023 quarterly data

\*\* Note: Includes advisory fee income from AAS business, which was acquired August 2, 2021.



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

Axos Securities	<b>Axos Clearing</b> Securities Clearing & Custody	64 IBDs 236 RIAs ~320,000 Clients
	<b>Axos Invest</b> Digital Wealth & Personal Financial Management	~29,000 Clients
	<b>Axos Trading</b> Self-Directed Trading	Launched Fiscal Q1 2022

### Consumer Banking

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

### Commercial Banking

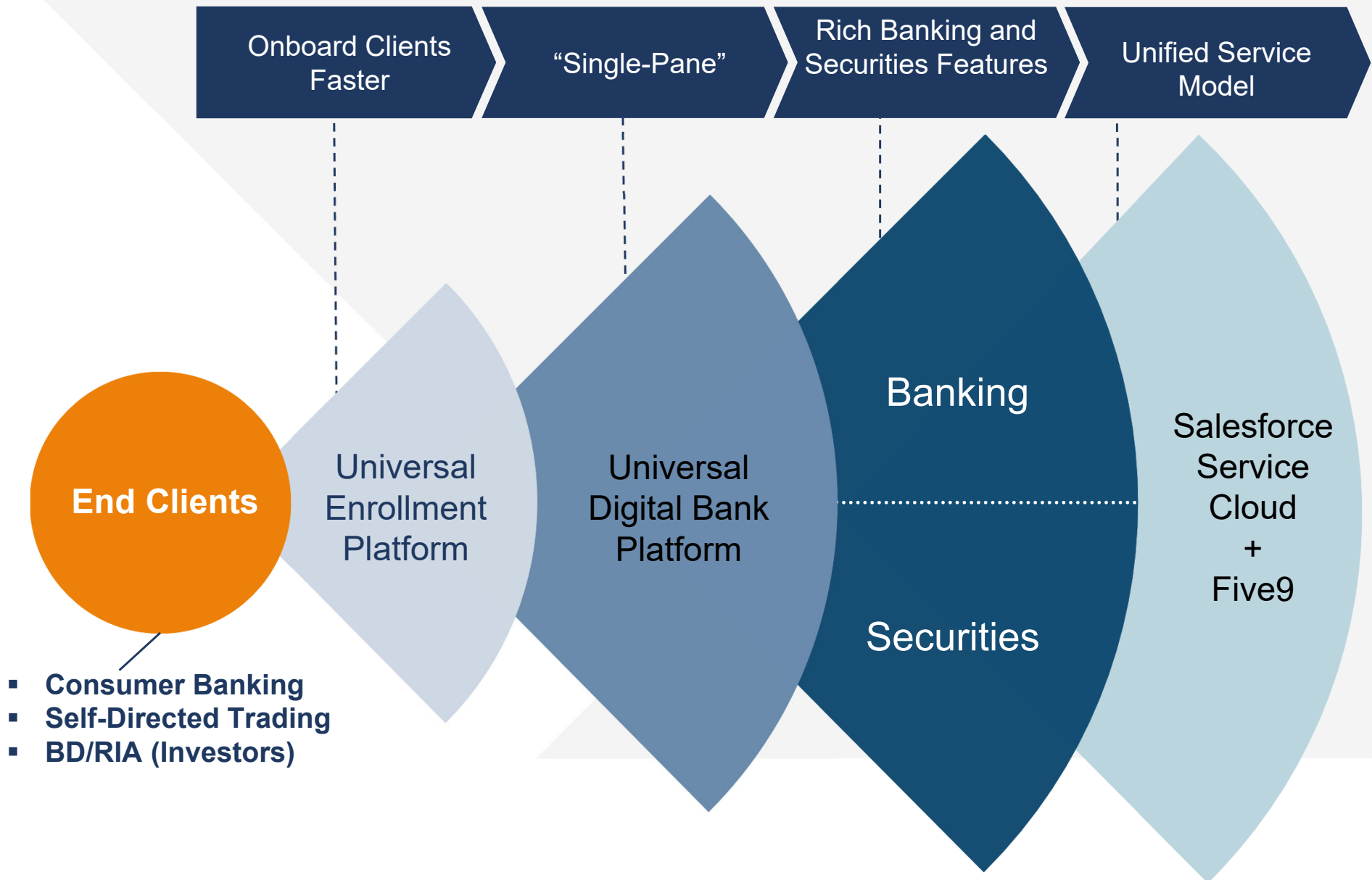
- > Securities-Backed Lines of Credit
- > Cash Management
- > Commercial Property Refinancing

### Digital Solutions

- > Universal Digital Platform
- > Account Opening Platform

Access to  
~349,000  
Clients

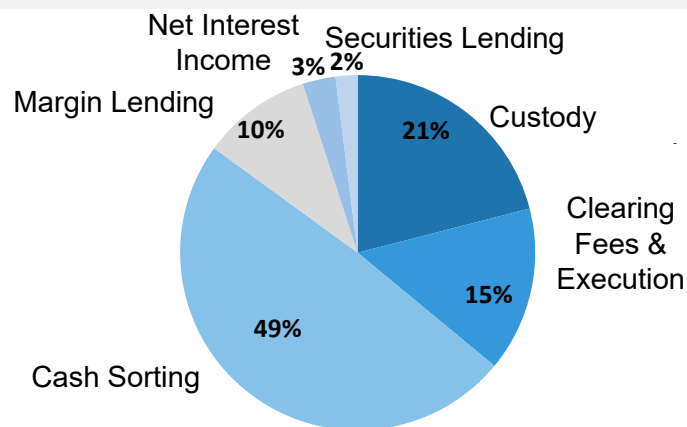
Leveraging Bank's existing digital platforms allows for unique integrated and flexible Banking and Securities product features



# Axos Clearing and Custody Highlights

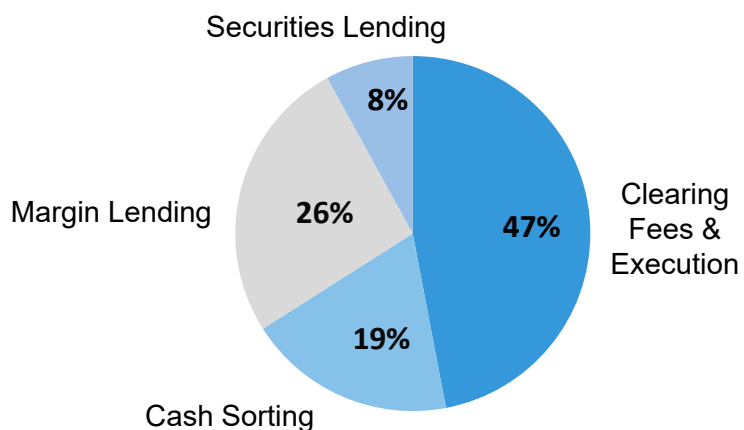
- Leadership team with more than 100 years combined industry experience.
- Proprietary front- and back-end technologies for advisors and broker-dealers.
- Nation's 8<sup>th</sup> largest Clearing Services firm by number of broker-dealer clients<sup>1</sup>.
- More than \$30 billion in Clearing Services client assets under custody and/or administration.
- Axos Financial, Inc. acquired E\*TRADE Advisor Services in August 2021.

## For the 3 months ended 9/30/2023



Custody	\$ 8,219,291
Clearing Fees & Execution	5,898,748
Cash Sorting	19,031,533
Margin Lending	3,903,388
Securities Lending	609,368
Net Interest Income	1,122,064
Net Revenues	\$ 38,784,394

## For the 3 months ended 6/30/2019



Custody	\$ -
Clearing Fees & Execution	5,442,487
Cash Sorting	2,198,140
Margin Lending	3,040,793
Securities Lending	880,751
Net Interest Income (Expense)	(30,406)
Net Revenues	\$ 11,531,765

<sup>1</sup> InvestmentNews Top clearing and custody firms for financial advisers October 2021.

## 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



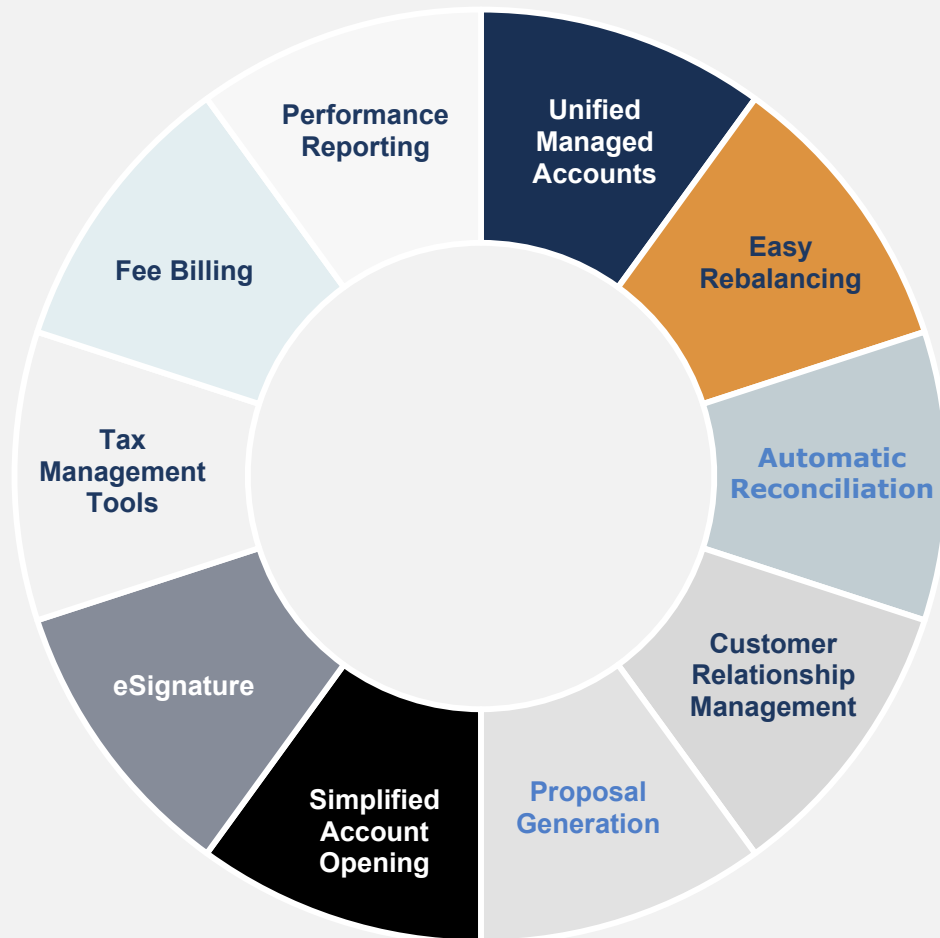
- Axos to provide succession-based and M&A financing to RIAs and IBDs
- Nation-wide footprint and industry focus are competitive advantages

## Digitization of Wealth Management



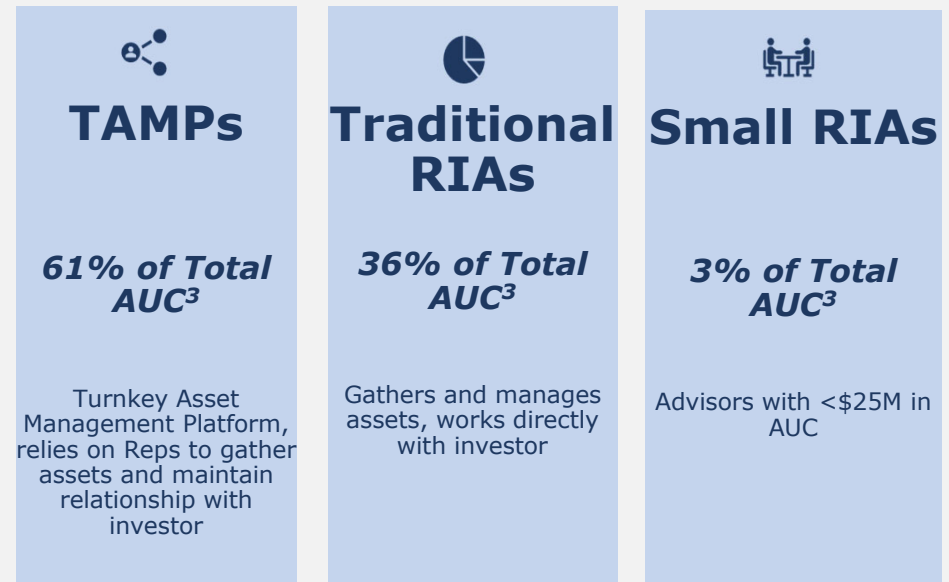
- Axos will offer direct-to-consumer and private label robo-advisory solutions to individuals and independent RIAs

## Liberty Provides a Comprehensive Turnkey Platform



**Serving 195 RIAs<sup>1,3</sup>**  
(\$1M+ AUC)

**~\$33.9B Assets Under Custody<sup>2</sup>**



Note: Data as of 09/30/2023

1. 227 total advisors on Liberty platform; advisors with <\$1M AUC comprise <\$13M in total assets; there are 9 non-AAS RIAs not on Liberty at Axos Clearing
2. Includes \$195M 401K AUC
3. Excludes \$195M 401K AUC

# Axos Clearing Long-Term Revenue and Expense Synergies

## Revenue Synergies

### **Axos Securities:**

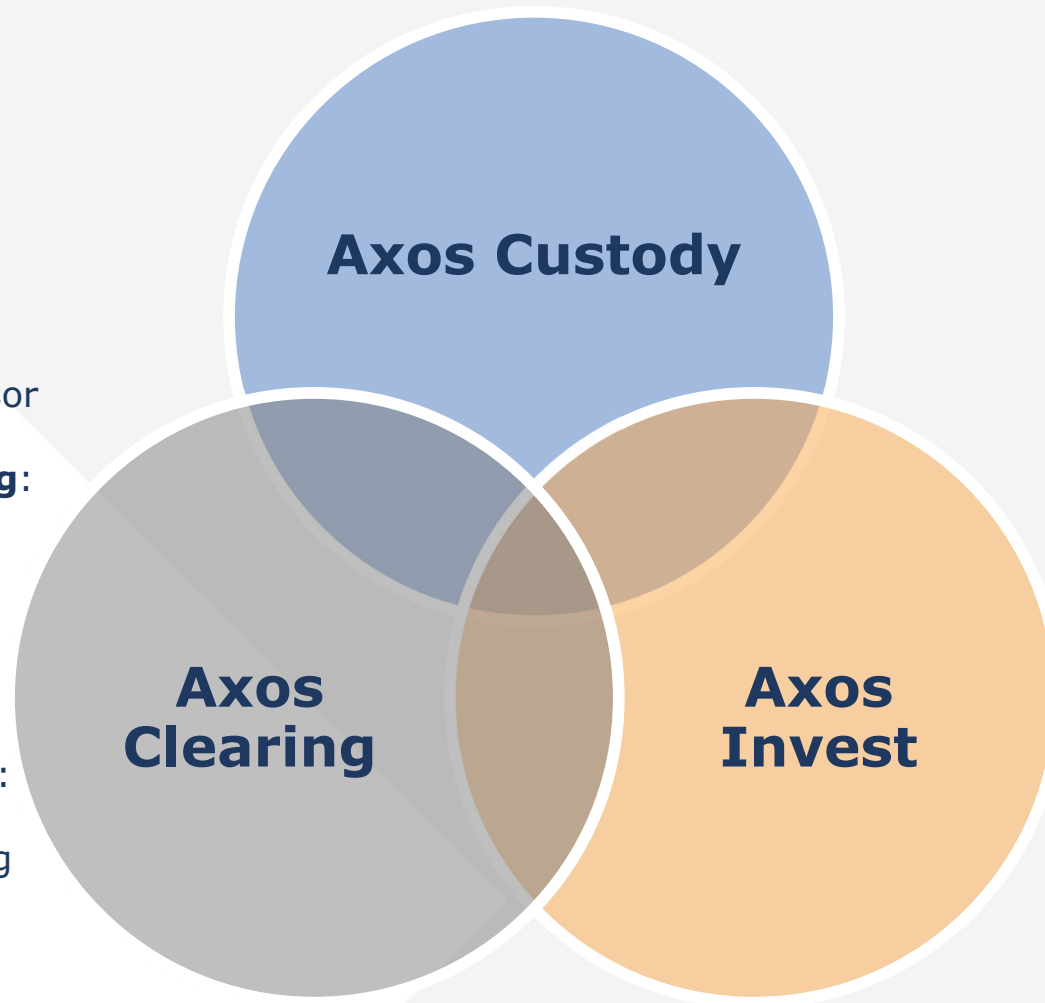
- Margin Loans
- Securities Lending
- Fixed Income Trading
- Order Flow
- White-label Robo Advisor

### **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



## Personalization

- > Increase chances of offering right product at the right time and place
- > Personalization is the right antidote for too much choice, too much content, and not enough time

## Self-Service

- > Eventual artificial intelligence tools assist sale of banking products such as deposits, loans, and mortgages
- > Products optimized by channel, recipient and journey
- > Self service saves time and cost (e.g., activate and de-activate debit-card in platform, send wires via self-service)

## Facilitate Partnerships

- > Easy integration of third-party features (e.g., biometrics)
- > Access to value added tools (e.g., robo-advisory, automated savings features) either proprietary or third party
- > Enable creative customer acquisition partners

## Customizable Experience

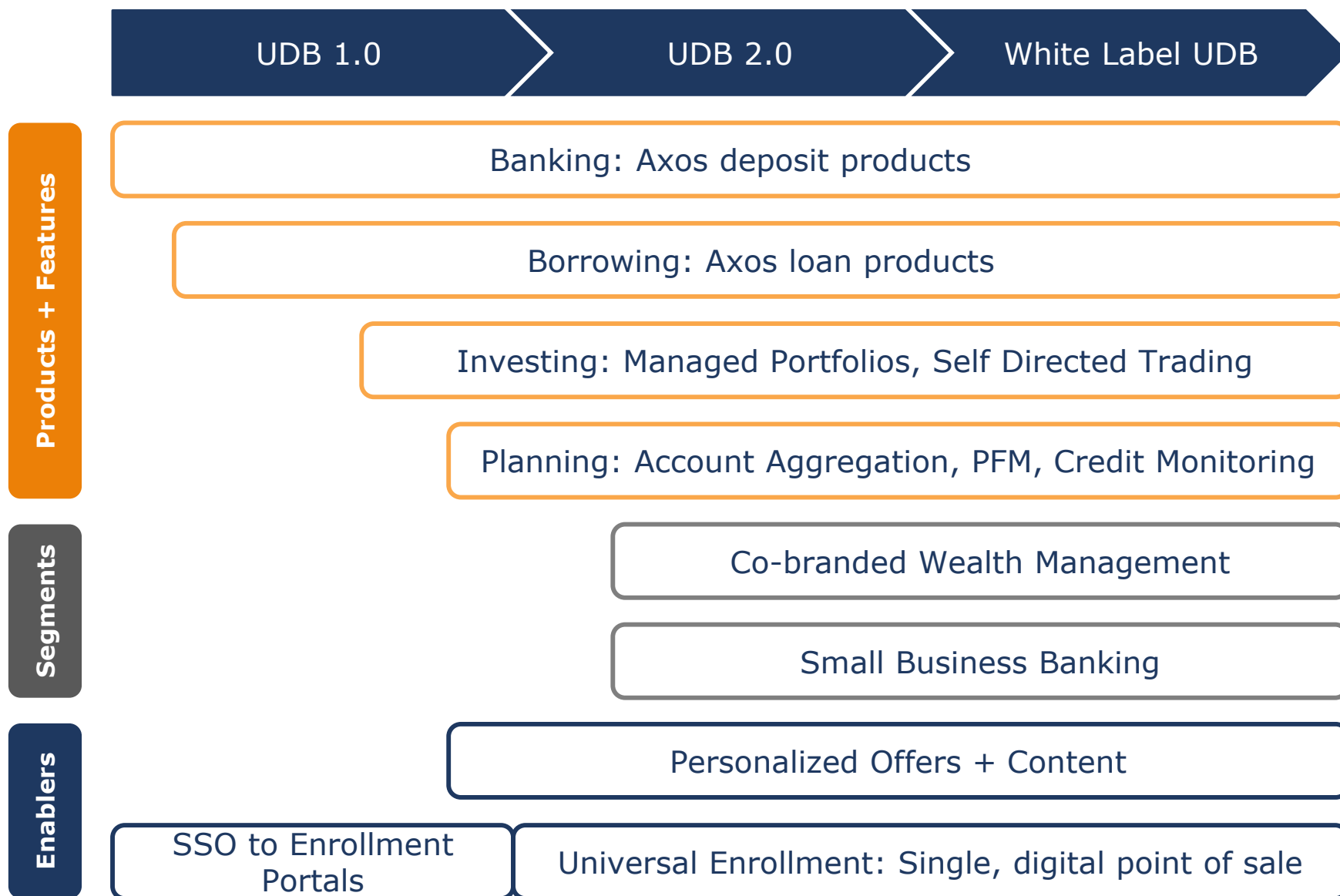
- > Provide holistic and interactive and intuitive design experience
- > Integrate online experience with other channels

## Cross-Sell

- > Artificial intelligence and big data credit models enable quick credit decisions
- > Customized product recommendations based upon analytical determination of need

# Evolving Capabilities of the UDB Platform

UDB offers a growing set of products, capabilities and supported user segments



# The Digital Experience Roadmap

We continue to **evolve our digital experience** and **provide modern solutions** so financial services providers can have the speed, scalability, and flexibility they need to **deliver better client experiences**



## 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

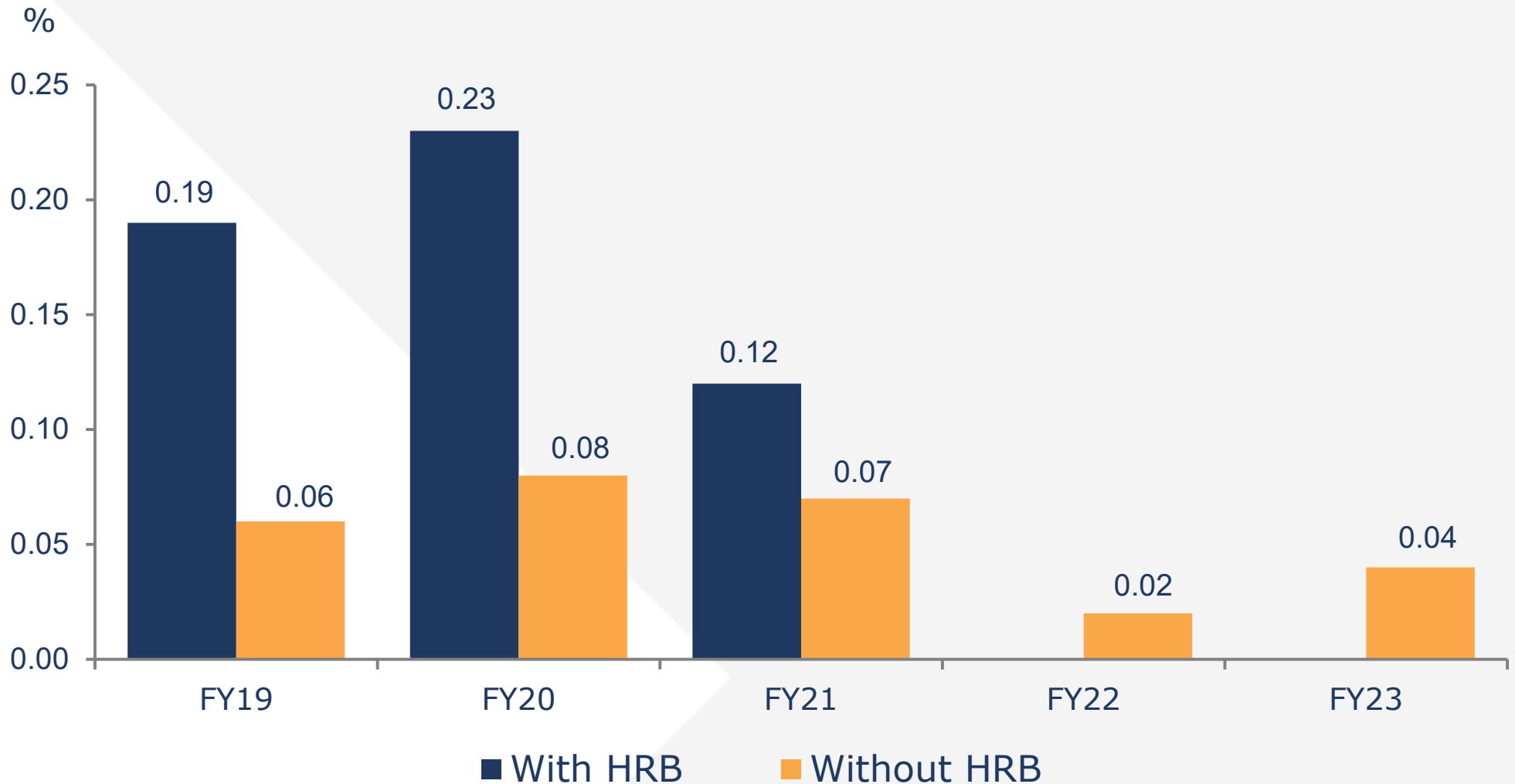
### Credit Monitoring & Oversight



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

# Annualized Charge-offs (Recoveries) to Average Loans Outstanding

Strong Credit Performance Exhibited through Low Charge-off Ratios



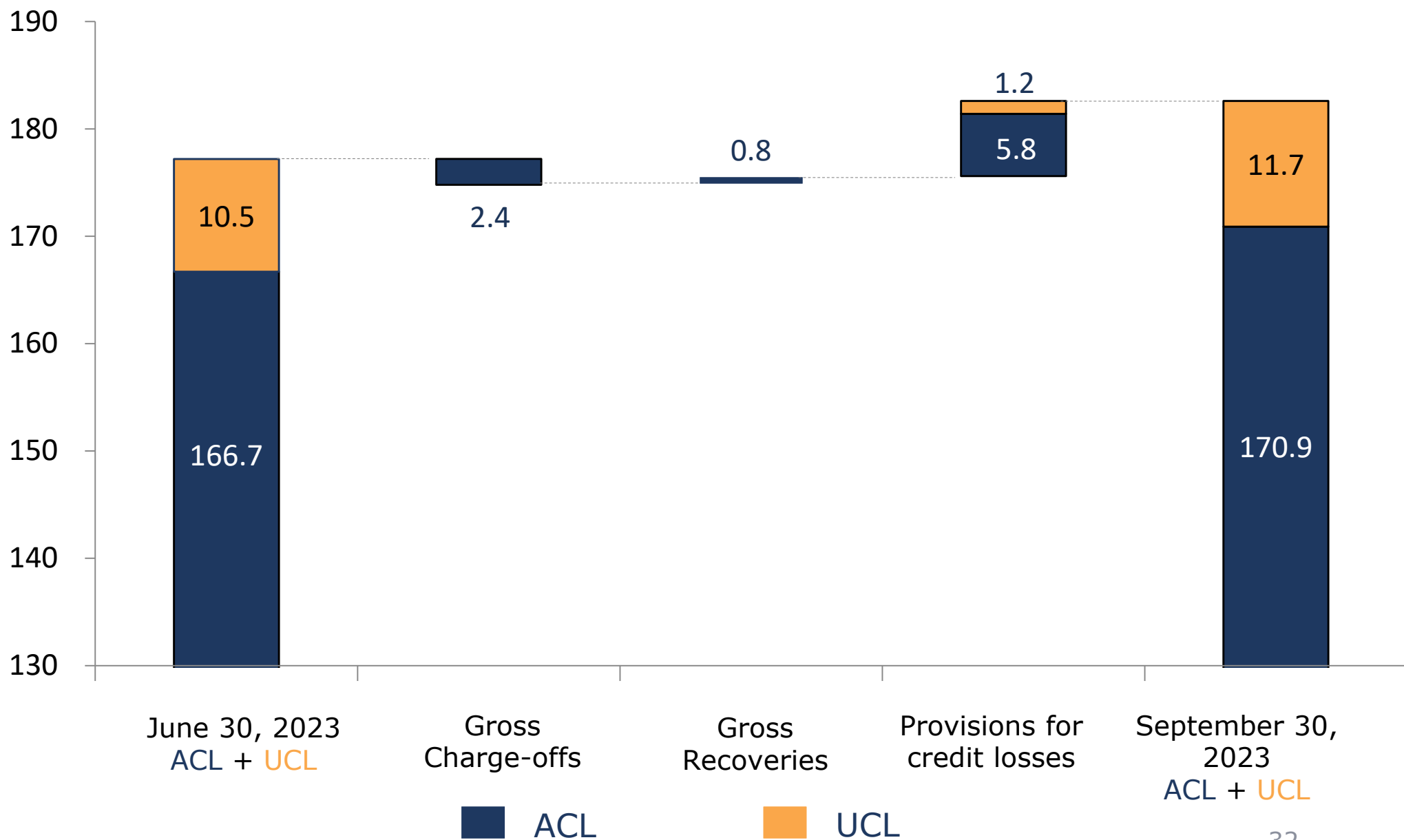
Note I: Company uses a June 30 fiscal year-end.

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

# Change in Allowance for Credit Losses (ACL) & Unfunded Loan Commitments Reserve (UCL)



(\$ in millions)



# Allowance for Credit Losses (ACL) by Loan Category as of September 30, 2023



\$ millions

		<u>Loan Balance</u>	<u>ACL \$</u>	<u>ACL %</u>
<b>Loans</b>	Single Family Mortgage & Warehouse	\$4,314	\$17	0.4%
	Multifamily & Commercial Mortgage	2,962	16	0.5%
	Commercial Real Estate	6,169	71	1.2%
	Commercial & Industrial Non-RE	3,209	55	1.7%
	Auto & Consumer	506	12	2.4%
	Other	2	-	-%
		<b>\$17,162</b>	<b>\$171</b>	<b>1.0%</b>

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

investors@axosfinancial.com  
www.axosfinancial.com

**Johnny Lai, SVP Corporate Development  
and Investor Relations**

Phone: 858.649.2218  
Mobile: 858.245.1442  
jlai@axosfinancial.com