

Axos Q1 Fiscal 2023 Earnings Supplement

October 27, 2022

NYSE: AX

axos™
Banking Evolved℠

Loan Growth by Category for First Quarter Ended September 30, 2022

$ millions

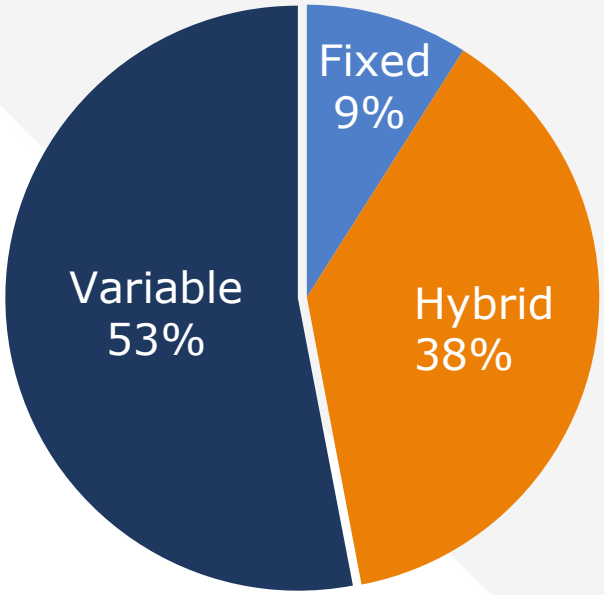
		Q1 FY23	Q4 FY22	Inc (Dec)
Loans	Single Family Mortgage & Warehouse – Jumbo Mortgage	$3,833	$3,708	$125
	Single Family Mortgage & Warehouse – SF Warehouse Lending	177	281	(104)
	Multifamily & Commercial Mortgage – Multifamily	2,127	2,085	42
	Multifamily & Commercial Mortgage – Small Balance Commercial	838	793	45
	Commercial Real Estate – CRE Specialty	4,848	4,395	453
	Commercial Real Estate – Lender Finance RE	676	386	290
	Commercial & Industrial Non-RE* – Lender Finance Non-RE	1,481	1,314	167
	Commercial & Industrial Non-RE* – Equipment Leasing	138	115	23
	Commercial & Industrial Non-RE* – Asset-Based Lending	625	599	26
	Auto & Consumer – Auto	557	493	64
	Auto & Consumer – Unsecured / OD	74	74	0
	Other	10	11	(1)
		$15,384	$14,254	$1,130

* Certain prior period Commercial & Industrial Non-Real Estate loans were reclassified between sub-categories to conform to the current period presentation.

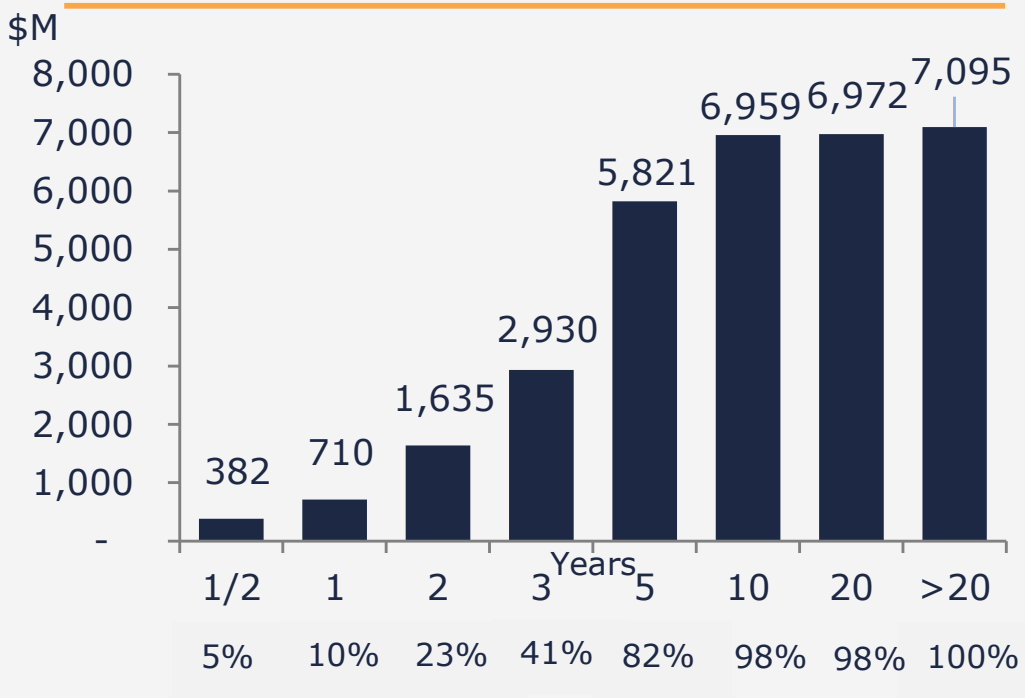
Interest Rate Components of Loan and Lease Portfolio*

At September 30, 2022

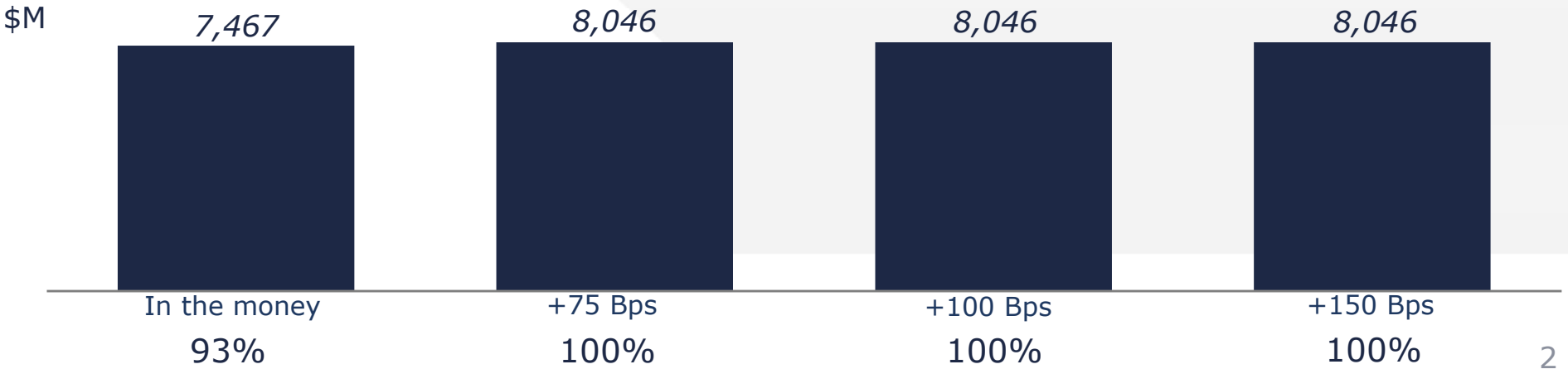
Mix of Loan Repricing Types



Fixed/Hybrid Years to Maturity / Repricing



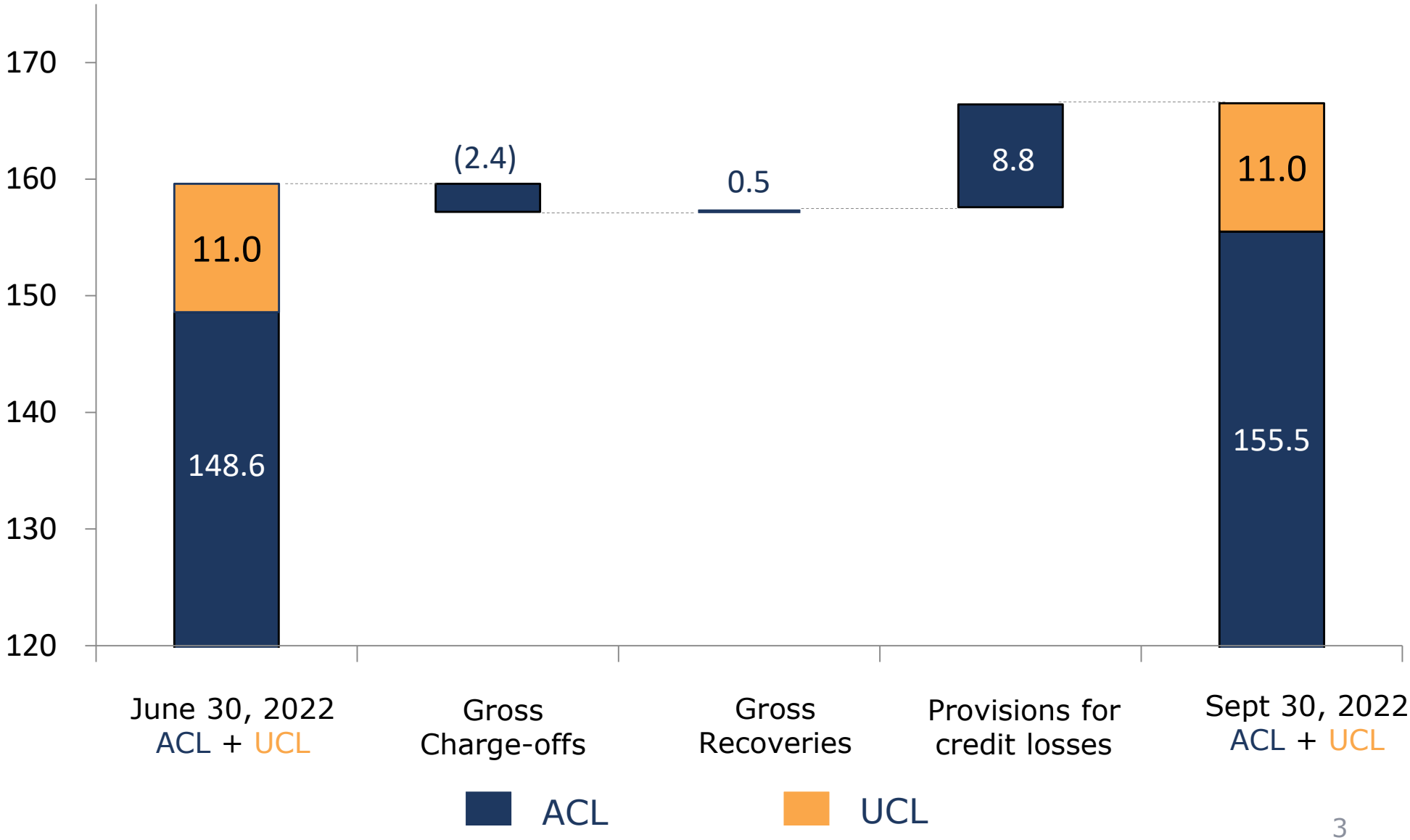
Floor Analysis – Variable-Rate Loans



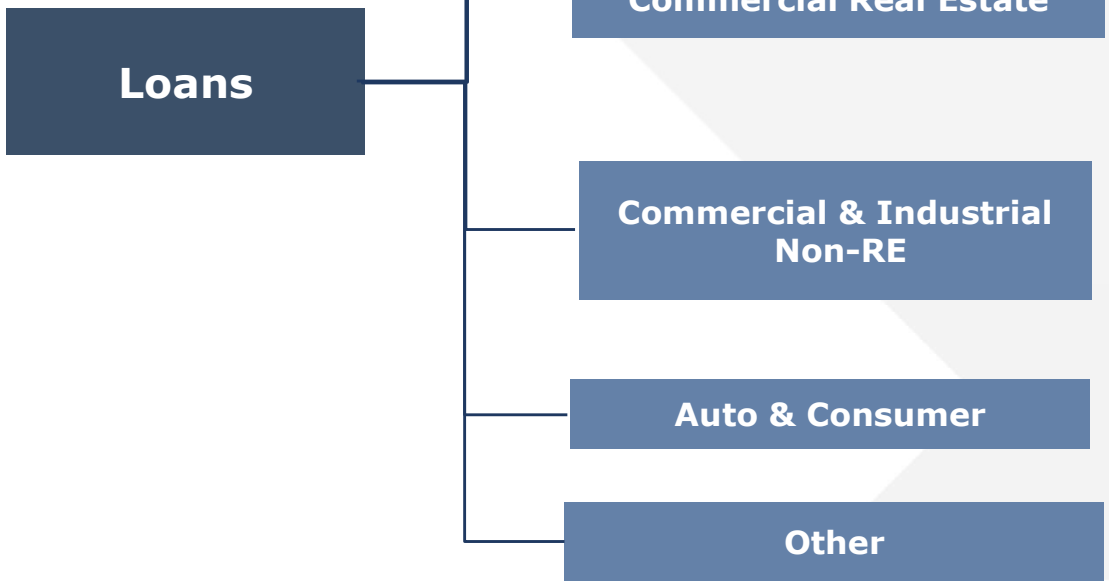
*Excludes Equipment Financing and SFR Warehouse

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, 2022



$ millions

	Loan Balance	ACL $	ACL %
Single Family - Mortgage and Warehouse	$4,009.8	$18.0	0.45%
Multifamily & Commercial Mortgage	2,965.0	14.6	0.49%
Commercial Real Estate	5,523.9	73.8	1.34%
Commercial & Industrial Non-RE	2,244.3	34.4	1.53%
Auto & Consumer	631.3	14.6	2.31%
Other	10.0	0.1	0.10%
	$15,384.3	$155.5	1.01%

Credit Quality ($ millions)

Non-performing Loans Remain Low

6/30/2022	Loans O/S	NPLs	%
Single Family-Mortgage & Warehouse	$3,988.5	$66.4	1.66%
Multifamily and Commercial Mortgage	2,877.7	33.4	1.16
Commercial Real Estate	4,781.0	14.9	0.31
Commercial & Industrial - Non-RE	2,028.1	3.0	0.15
Auto & Consumer	567.2	0.4	0.07
Other	11.1	0.1	0.90
Total	$14,253.6	$118.2	0.83%

9/30/2022	Loans O/S	NPLs	%
Single Family-Mortgage & Warehouse	$4,009.8	$65.7	1.64%
Multifamily and Commercial Mortgage	2,965.0	35.8	1.21
Commercial Real Estate	5,523.9	14.9	0.27
Commercial & Industrial - Non-RE	2,244.3	3.0	0.13
Auto & Consumer	631.3	1.0	0.16
Other	10.0	0.1	1.00
Total	$15,384.3	$120.5	0.78%

Change at 9/30/22 from 6/30/22	Loans O/S	NPLs	
Single Family-Mortgage & Warehouse	$21.3	($0.7)	
Multifamily and Commercial Mortgage	87.3	2.4	
Commercial Real Estate	742.9	0.0	
Commercial & Industrial - Non-RE	216.2	0.0	
Auto & Consumer	64.1	0.6	
Other	(1.1)	0.0	
Total	$1,130.7	$2.3	

Contact Information

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

The following tables set forth certain selected financial data concerning the periods indicated:

AXOS FINANCIAL, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL INFORMATION
(Unaudited – dollars in thousands)

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Selected Balance Sheet Data:					
Total assets	$ 18,407,078	$ 17,401,165	$ 16,080,950	$ 15,547,947	$ 14,906,750
Loans—net of allowance for credit losses	15,211,573	14,091,061	13,093,603	12,607,179	11,879,021
Loans held for sale, carried at fair value	9,463	4,973	19,611	27,428	33,344
Loans held for sale, lower of cost or fair value	10,476	10,938	11,182	11,446	11,949
Allowance for credit losses - loans	155,472	148,617	143,372	140,489	136,778
Securities—trading	75	1,758	366	1,223	1,941
Securities—available-for-sale	257,634	262,518	229,510	139,581	135,996
Securities borrowed	87,622	338,980	274,644	534,243	457,282
Customer, broker-dealer and clearing receivables	410,842	417,417	510,561	429,634	427,169
Total deposits	15,176,631	13,946,422	12,733,002	12,269,172	11,747,442
Advances from the FHLB	112,500	117,500	152,500	157,500	157,500
Borrowings, subordinated notes and debentures	425,818	445,244	381,682	260,435	255,896
Securities loaned	206,889	474,400	447,748	578,762	539,505
Customer, broker-dealer and clearing payables	500,584	511,654	543,905	528,796	510,040
Total stockholders' equity	1,700,972	1,642,973	1,585,585	1,523,157	1,458,621
Capital Ratios:					
Equity to assets at end of period	9.24 %	9.44 %	9.86 %	9.80 %	9.78 %
Axos Financial, Inc.:					
Tier 1 leverage (to adjusted average assets)	8.98 %	9.25 %	9.43 %	9.42 %	9.19 %
Common equity tier 1 capital (to risk-weighted assets)	9.97 %	9.86 %	10.23 %	10.08 %	10.79 %
Tier 1 capital (to risk-weighted assets)	9.97 %	9.86 %	10.23 %	10.08 %	10.79 %
Total capital (to risk-weighted assets)	12.90 %	12.73 %	13.30 %	12.16 %	13.10 %
Axos Bank:					
Tier 1 leverage (to adjusted average assets)	10.30 %	10.65 %	10.51 %	10.13 %	10.14 %
Common equity tier 1 capital (to risk-weighted assets)	10.87 %	11.24 %	11.43 %	10.91 %	11.89 %
Tier 1 capital (to risk-weighted assets)	10.87 %	11.24 %	11.43 %	10.91 %	11.89 %
Total capital (to risk-weighted assets)	11.71 %	12.01 %	12.24 %	11.73 %	12.80 %
Axos Clearing LLC:					
Net capital	$ 49,183	$ 38,915	$ 39,109	$ 39,453	$ 39,663
Excess capital	$ 42,324	$ 32,665	$ 31,612	$ 32,171	$ 31,435
Net capital as a percentage of aggregate debit items	14.34 %	12.45 %	10.43 %	10.84 %	9.64 %
Net capital in excess of 5% aggregate debit items	$ 32,035	$ 23,290	$ 20,369	$ 21,249	$ 19,092

AXOS FINANCIAL, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL INFORMATION
(Unaudited – dollars in thousands, except per share data)

	At or for the Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Selected Income Statement Data:					
Interest and dividend income	$ 223,786	$ 184,161	$ 160,181	$ 157,076	$ 158,310
Interest expense	43,311	18,751	10,643	11,508	11,668
Net interest income	180,475	165,410	149,538	145,568	146,642
Provision for credit losses	8,750	6,000	4,500	4,000	4,000
Net interest income after provision for credit losses	171,725	159,410	145,038	141,568	142,642
Non-interest income	27,208	27,100	28,774	30,787	26,702
Non-interest expense	116,087	104,793	86,819	86,019	84,431
Income before income tax expense	82,846	81,717	86,993	86,336	84,913
Income tax expense	24,439	23,821	25,170	25,549	24,703
Net income	$ 58,407	$ 57,896	$ 61,823	$ 60,787	$ 60,210
Net income attributable to common stock	$ 58,407	$ 57,896	$ 61,823	$ 60,787	$ 60,210
Per Common Share Data:					
Net income:					
Basic	$ 0.98	$ 0.97	$ 1.04	$ 1.02	$ 1.01
Diluted	$ 0.97	$ 0.96	$ 1.02	$ 1.00	$ 0.99
Adjusted earnings per common share (Non-GAAP)[1]	$ 1.18	$ 1.12	$ 1.05	$ 1.04	$ 1.03
Book value per common share	$ 28.35	$ 27.48	$ 26.58	$ 25.60	$ 24.52
Tangible book value per common share (Non-GAAP)[1]	$ 25.24	$ 24.45	$ 23.51	$ 22.54	$ 21.43
Weighted average number of common shares outstanding:					
Basic	59,854,584	59,665,041	59,542,128	59,496,489	59,390,846
Diluted	60,486,394	60,508,304	60,611,959	60,755,981	60,644,288
Common shares outstanding at end of period	59,998,673	59,777,949	59,662,795	59,498,575	59,494,633
Common shares issued at end of period	69,151,152	68,859,722	68,617,410	68,376,837	68,370,617
Performance Ratios and Other Data:					
Loan originations for investment	$ 2,486,224	$ 3,152,064	$ 2,363,599	$ 2,525,871	$ 2,092,279
Loan originations for sale	$ 70,073	$ 86,873	$ 166,327	$ 193,320	$ 209,967
Return on average assets	1.32 %	1.40 %	1.59 %	1.63 %	1.66 %
Return on average common stockholders' equity	13.91 %	14.13 %	15.89 %	16.29 %	16.20 %
Interest rate spread[2]	3.66 %	3.86 %	3.84 %	3.90 %	4.04 %
Net interest margin[3]	4.26 %	4.19 %	4.02 %	4.10 %	4.22 %
Net interest margin[3] – Banking Business Segment	4.50 %	4.45 %	4.21 %	4.30 %	4.48 %
Efficiency ratio[4]	55.90 %	54.44 %	51.26 %	48.78 %	48.71 %
Efficiency ratio[4] – Banking Business Segment	52.93 %	46.69 %	39.79 %	39.39 %	39.93 %
Asset Quality Ratios:					
Net annualized charge-offs to average loans[5]	0.05 %	0.02 %	0.05 %	0.01 %	0.01 %
Non-performing loans and leases to total loans	0.78 %	0.83 %	1.05 %	1.14 %	1.12 %
Non-performing assets to total assets	0.68 %	0.68 %	0.87 %	0.94 %	0.94 %
Allowance for credit losses - loans to total loans held for investment at end of period	1.01 %	1.04 %	1.08 %	1.10 %	1.14 %
Allowance for credit losses - loans to non-performing loans	129.04 %	125.74 %	103.33 %	96.27 %	101.97 %

[1] *See "Use of Non-GAAP Financial Measures" herein.*
[2] *Interest rate spread represents the difference between the annualized weighted average yield on interest-earning assets and the annualized weighted average rate paid on interest-bearing liabilities.*
[3] *Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.*
[4] *Efficiency ratio represents non-interest expense as a percentage of the aggregate of net interest income and non-interest income.*
[5] *Net charge-offs do not include any amounts transferred to loans held for sale.*

Use of Non-GAAP Financial Measures

In addition to the results presented in accordance with GAAP, this earnings supplement includes non-GAAP financial measures such as adjusted earnings, adjusted earnings per diluted common share, and tangible book value per common share. Non-GAAP financial measures have inherent limitations, may not be comparable to similarly titled measures used by other companies and are not audited. Readers should be aware of these limitations and should be cautious as to their reliance on such measures. Although we believe the non-GAAP financial measures disclosed in this report enhance investors' understanding of our business and performance, these non-GAAP measures should not be considered in isolation, or as a substitute for GAAP basis financial measures.

We define "adjusted earnings", a non-GAAP financial measure, as net income without the after-tax impact of non-recurring acquisition-related costs and other costs (unusual or non-recurring charges). Adjusted earnings per diluted common share ("adjusted EPS"), a non-GAAP financial measure, is calculated by dividing non-GAAP adjusted earnings by the average number of diluted common shares outstanding during the period. We believe the non-GAAP measures of adjusted earnings and adjusted EPS provide useful information about the Company's operating performance. We believe excluding the non-recurring acquisition related costs and other costs (unusual or non-recurring) provides investors with an alternative understanding of Axos' core business.

Below is a reconciliation of net income, the nearest compatible GAAP measure, to adjusted earnings and adjusted EPS (Non-GAAP) for the periods shown:

(Dollars in thousands, except per share amounts)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Net income	$ 58,407	$ 57,896	$ 61,823	$ 60,787	$ 60,210
Acquisition-related costs	2,734	2,745	2,803	3,026	2,846
Other costs	16,000	10,975	—	—	—
Income taxes	(5,526)	(4,000)	(811)	(896)	(828)
Adjusted earnings (non-GAAP)	$ 71,615	$ 67,616	$ 63,815	$ 62,917	$ 62,228
Adjusted EPS (Non-GAAP)	$ 1.18	$ 1.12	$ 1.05	$ 1.04	$ 1.03

We define "tangible book value", a non-GAAP financial measure, as book value adjusted for goodwill and other intangible assets. Tangible book value is calculated using common stockholders' equity minus mortgage servicing rights, goodwill and other intangible assets. Tangible book value per common share, a non-GAAP financial measure, is calculated by dividing tangible book value by the common shares outstanding at the end of the period. We believe tangible book value per common share is useful in evaluating the Company's capital strength, financial condition, and ability to manage potential losses.

Below is a reconciliation of total stockholders' equity, the nearest compatible GAAP measure, to tangible book value per common share (non-GAAP) as of the dates indicated:

(Dollars in thousands, except per share amounts)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Common stockholders' equity	$ 1,700,972	$ 1,642,973	$ 1,585,585	$ 1,523,157	$ 1,458,621
Less: mortgage servicing rights, carried at fair value	26,373	25,213	23,519	20,110	18,438
Less: goodwill and other intangible assets	160,429	156,405	159,150	161,954	164,944
Tangible common stockholders' equity (Non-GAAP)	$ 1,514,170	$ 1,461,355	$ 1,402,916	$ 1,341,093	$ 1,275,239
Common shares outstanding at end of period	59,998,673	59,777,949	59,662,795	59,498,575	59,494,633
Tangible book value per common share (Non-GAAP)	$ 25.24	$ 24.45	$ 23.51	$ 22.54	$ 21.43