


# Axos Financial, Inc.
# Investor Presentation

January 2019

NYSE: AX

axos™
Banking Evolved℠

# Safe Harbor



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). The words "believe," "expect," "anticipate," "estimate," "project," or the negation thereof or similar expressions constitute forward-looking statements within the meaning of the Reform Act. These statements may include, but are not limited to, projections of revenues, income or loss, projected consummation of pending acquisitions, estimates of capital expenditures, plans for future operations, products or services, and financing needs or plans, as well as assumptions relating to these matters. Such statements involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company and its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a discussion of these factors, we refer you to the Company's reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended June 30, 2018. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or by any other person or entity that the objectives and plans of the Company will be achieved. For all forward-looking statements, the Company claims the protection of the safe-harbor for forward-looking statements contained in the Reform Act.

# Our Business Model is More Profitable Because Our Costs are Lower

| *As % of average assets* | Axos[1] (%) | Banks $1-$10bn[2] (%) |
|---|---|---|
| Net interest income | 3.74 | 3.62 |
| Salaries and benefits | 0.94 | 1.48 |
| Premises and equipment | 0.19 | 0.31 |
| Other non-interest expense | 0.73 | 1.03 |
| **Total non-interest expense** | **1.86** | **2.82** |
| **Core business margin** | **1.88** | **0.80** |

1. For the three months ended 09/30/2018 – the most recent data on FDIC website "Statistics on Depository Institutions Report" Axos Bank only, excludes Axos Financial, Inc. to compare to FDIC data. Data retrieved 01/29/2019.
2. All Commercial Banks by asset size. FDIC reported for three months ended 09/30/18. Total of 513 institutions $1-$10 billion. Data retrieved 01/29/2019.

# Axos' Business Model is Differentiated From Other Banks

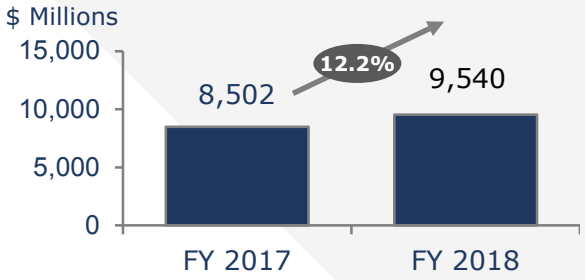
| Customer Acquisition | Sales | Servicing | Distribution |
|---|---|---|---|
| • Digital Marketing<br>• Affinity and Distribution Partners<br>• Data mining/target feeding direct marketing<br>• Cross-sell | • Automated fulfillment<br>• Inbound call center sales<br>• Outbound call center sales<br>• Minimal outside sales<br>• Significant inside sales | • Self-service<br>• Digital journey<br>• Direct banker (call center) | • Balance sheet<br>• Whole loan sales options<br>• Securitization |

## Core Digital Capabilities

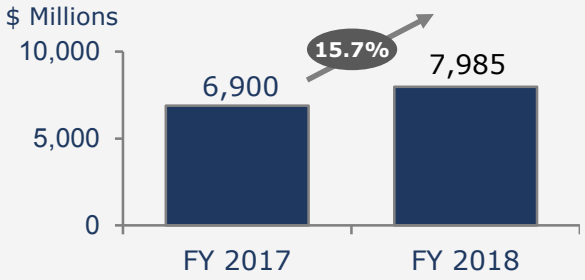
- Data Driven Insight
- Integrated Customer Experience
- Digital Marketing
- Digitally Enabled Operations
- Next-Gen Technology

# Fiscal 2018 Highlights Compared with Fiscal 2017

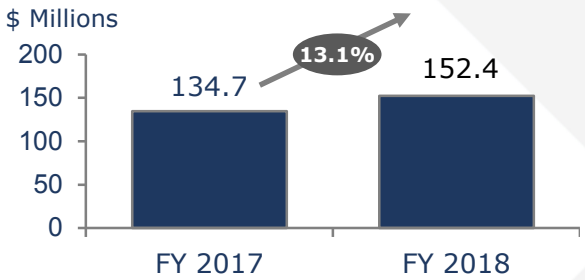
## Asset Growth



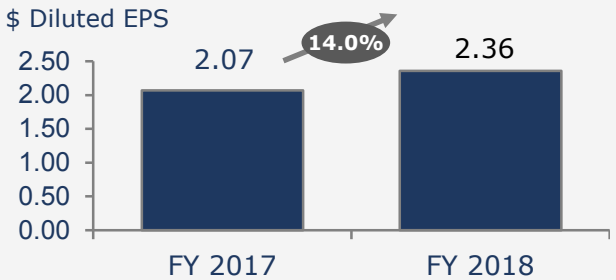

## Deposit Growth




## Net Income




## Diluted EPS

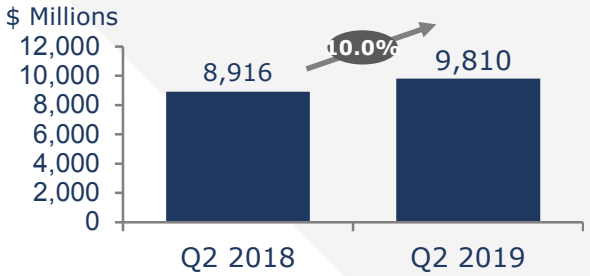



**Return on Equity = 17.05%**

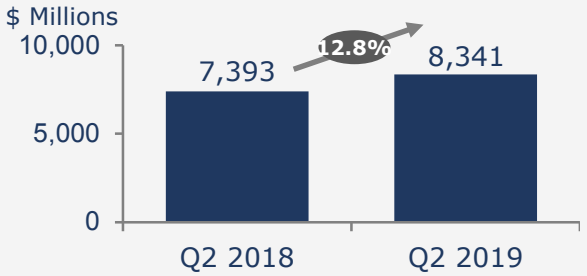
**Return on Assets = 1.68%**

# Fiscal 2019 Second Quarter Highlights Compared with Fiscal 2018 Second Quarter

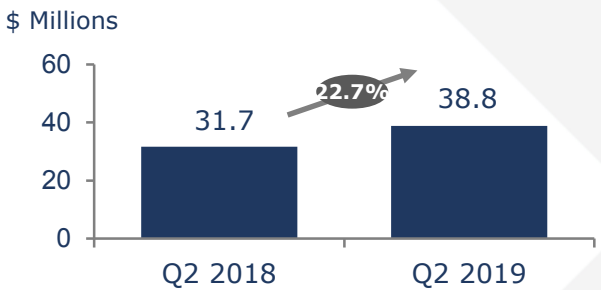
## Asset Growth



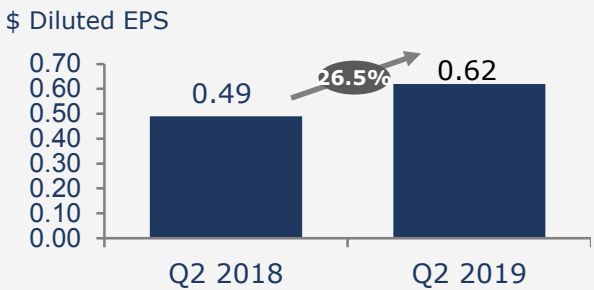

## Deposit Growth




## Net Income




## Diluted EPS

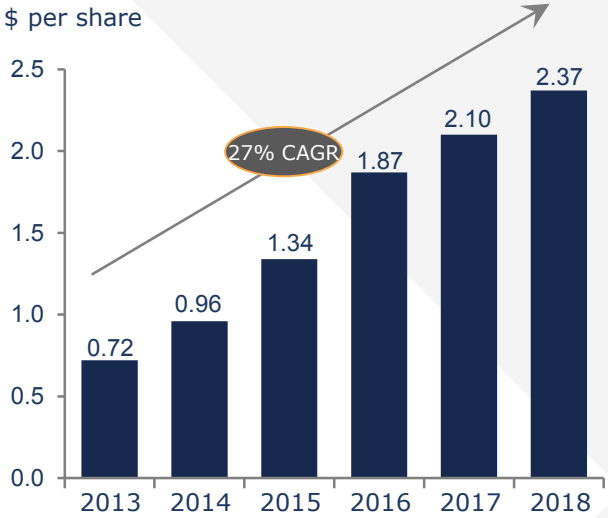



**Return on Equity = 15.29%**

**Return on Assets = 1.59%**

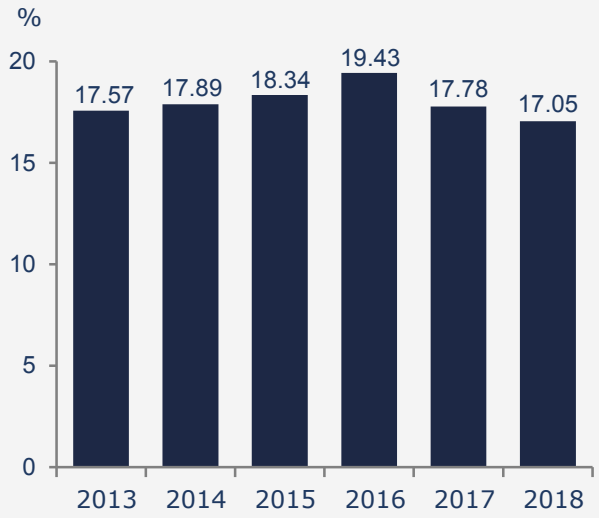
# Diluted EPS and Return on Equity Have Been Consistently Strong Despite Significant Increase in Tier 1 Capital Ratios

## Diluted EPS (FY)




| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **Book value per share** | $4.79 | $6.33 | $8.51 | $10.73 | $13.05 | $15.24 |

## Return On Average Equity (FY)




| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **Tier 1 leverage ratio*** | 8.6% | 8.7% | 9.6% | 9.1% | 10.0% | 9.4% |

* Tier 1 leverage ratio is for Axos Financial, Inc., except 2013 and 2014 which are for Axos Bank

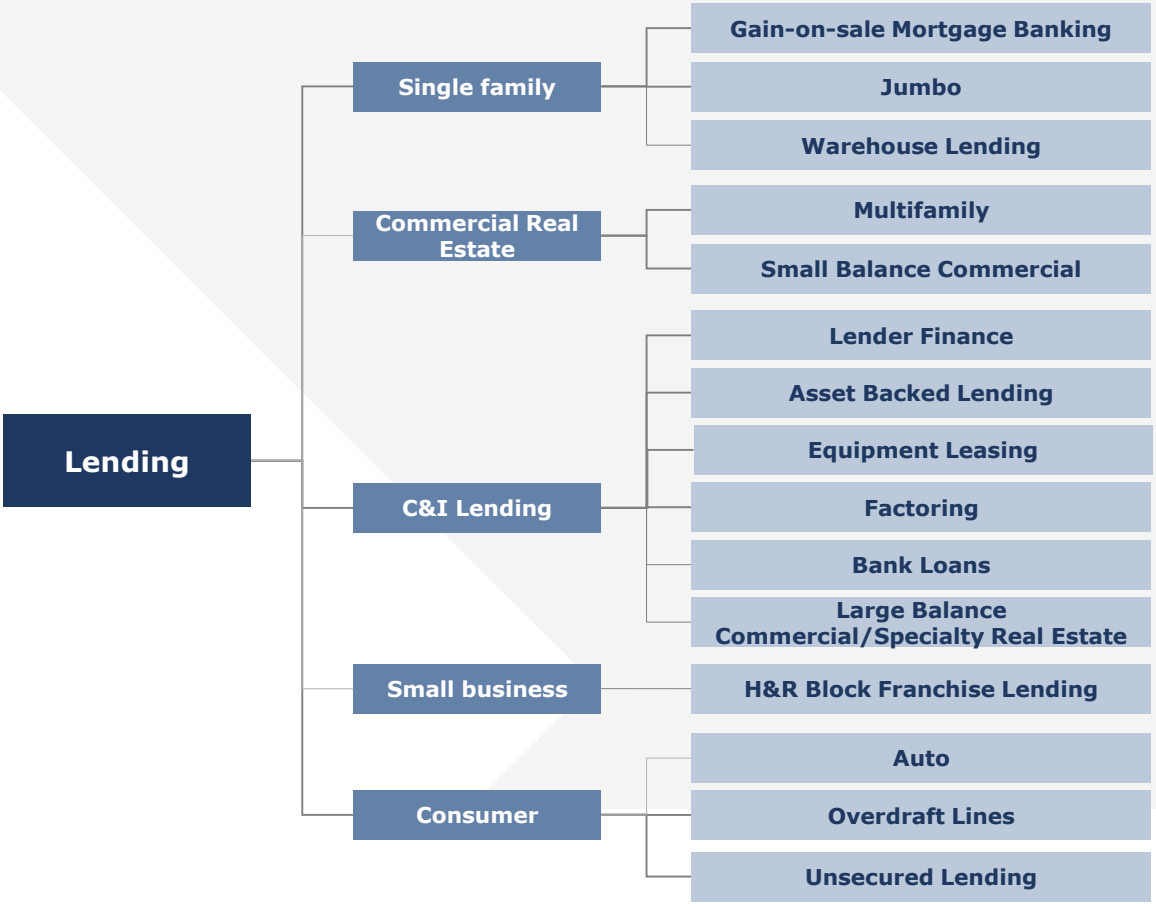
# Axos is a Top Quartile Performer Versus Bank Peer Group

| | Axos Bank | Peer Group | Percentile |
|---|---|---|---|
| ROAA | 1.92% | 1.10% | 90% |
| Return on equity | 20.18% | 10.18% | 90% |
| G&A | 1.76% | 2.55% | 27% |
| Efficiency ratio | 36.22% | 61.93% | 11% |

**The 90% on ROE means that the Bank outperformed 90% of all banks. The 27% G&A ranking means that only 27% of banks spend less on G&A than Axos. Peer group includes savings banks greater than $1 billion.**

Source: Uniform Bank Performance Report (UBPR) as of 9/30/2018; data retrieved 1/29/2019.
Note: Peer group is all savings banks with assets greater than $1 billion for quarter ended 9/30/2018.

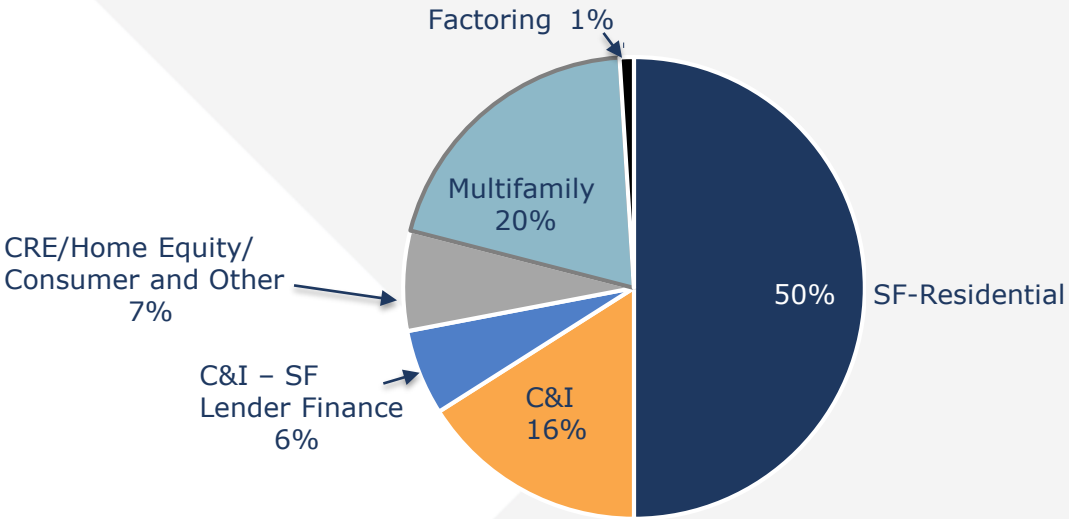
# Diverse Lending Business



# Loan Diversity – December 31, 2018

## Loan Portfolio[1]

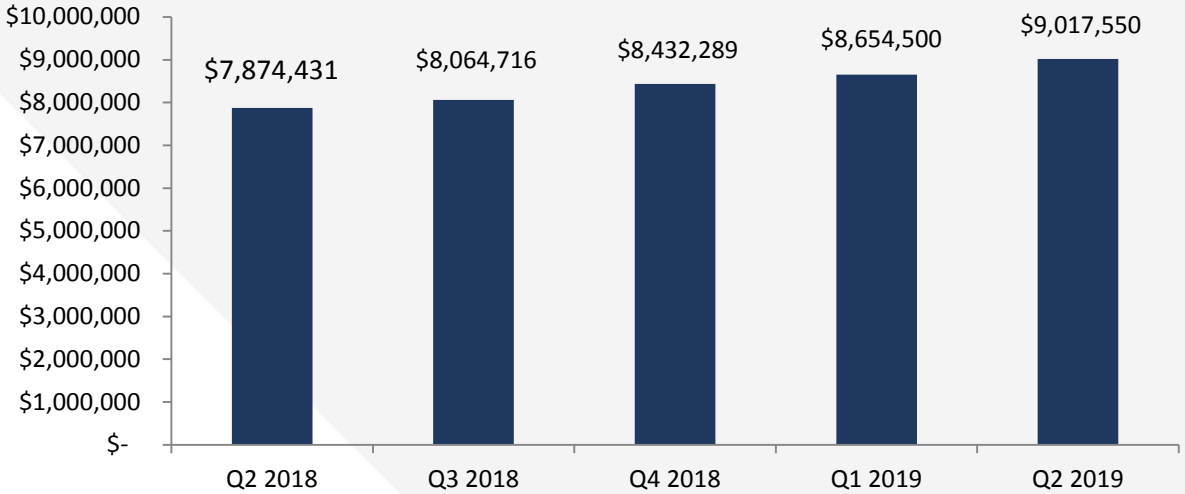
**100% = $9,083 Million**




1. Gross loans and leases before unaccreted discounts and loan and lease fees and allowances.

# Our Asset Growth has been Driven by Strong and Profitable Organic Loan Production

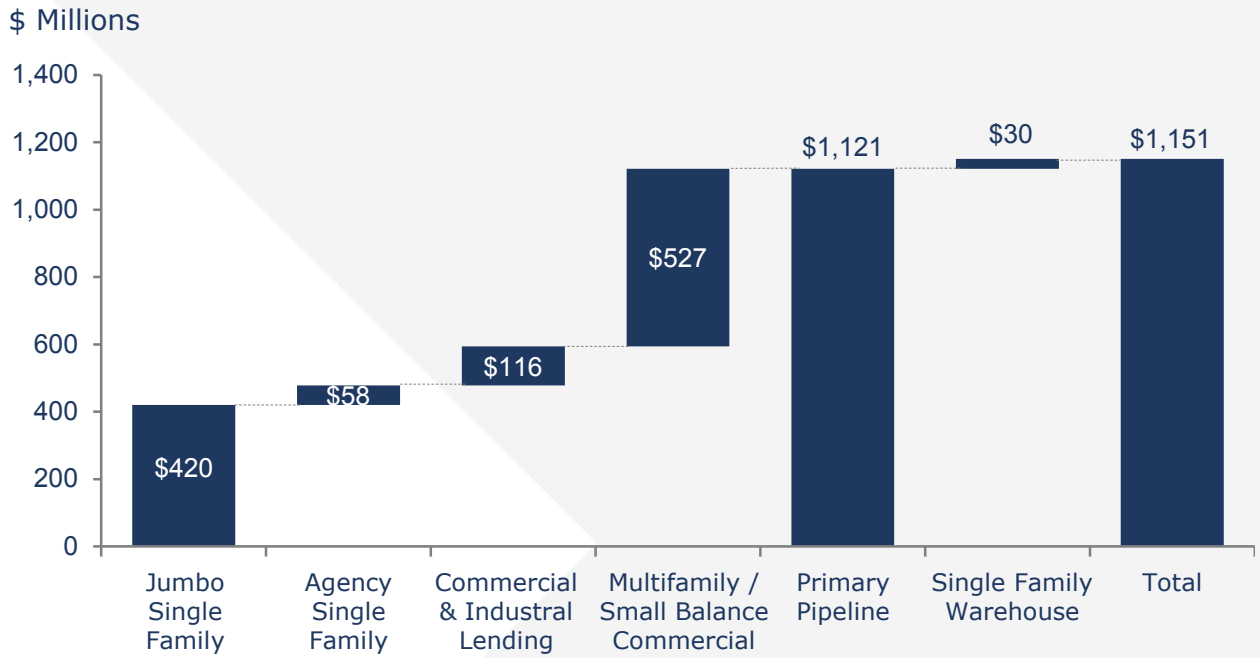
Net Loan Portfolio – End of Last Five Quarters ($ in Thousands)




| Average Loan to Value | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 |
|---|---|---|---|---|---|
| **Multifamily** | 53% | 53% | 53% | 53% | 53% |
| **Single family** | 57% | 57% | 57% | 57% | 57% |

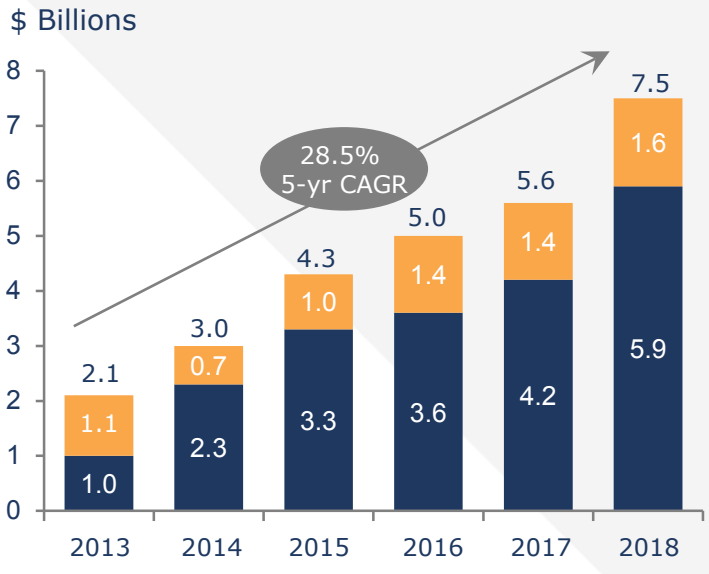
# Loan Pipeline Remains Strong

FY 2019 Q2



# Loan Origination Growth

## Fiscal Year Loan Originations




| | | | | | |
|---|---|---|---|---|---|
| **Annual growth rate** | *42.0%* | *42.2%* | *15.6%* | *11.2%* | *34.7%* |

Loans for sale  Loans for investment

## Future Plans

- Organic growth in existing business lines
  - Multifamily geographic expansion
  - Agency and jumbo mortgage channel expansion
  - Small Balance Commercial Real Estate expansion
  - Large Balance Commercial / Specialty Real Estate expansion
- Additional C&I verticals/product expansion
- Retail auto lending launch
- Consumer unsecured installment lending launch

# Diversified Online Deposit Businesses

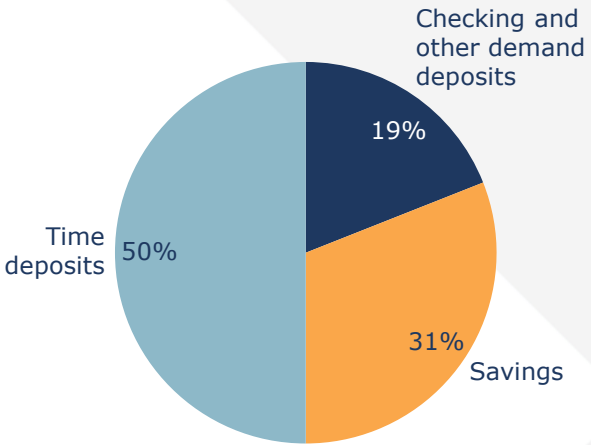
**Deposit**

| | Key Elements |
|---|---|
| **Consumer direct internet brands** | < Demographically targeted brands<br>< Differentiated products with turn-down product options |
| **Distribution Partners** | < Exclusive relationships with significant brands, groups, or employees<br>< Exclusive relationships with financial planners through Axos Advisor |
| **Small business banking** | < Business banking with simple suite of cash management services |
| **Commercial/ Treasury Management** | < Full service treasury/cash management |
| **Specialty deposits** | < 1031 exchange firms<br>< Title and escrow companies<br>< HOA and property management |
| **BIN sponsorship** | < Prepaid program managers with focus on large national programs |

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

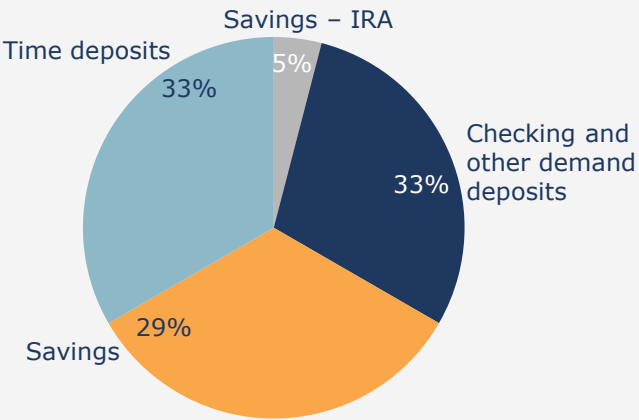
## June 30, 2013

100% of Deposits = $2.1 billion




## December 31, 2018

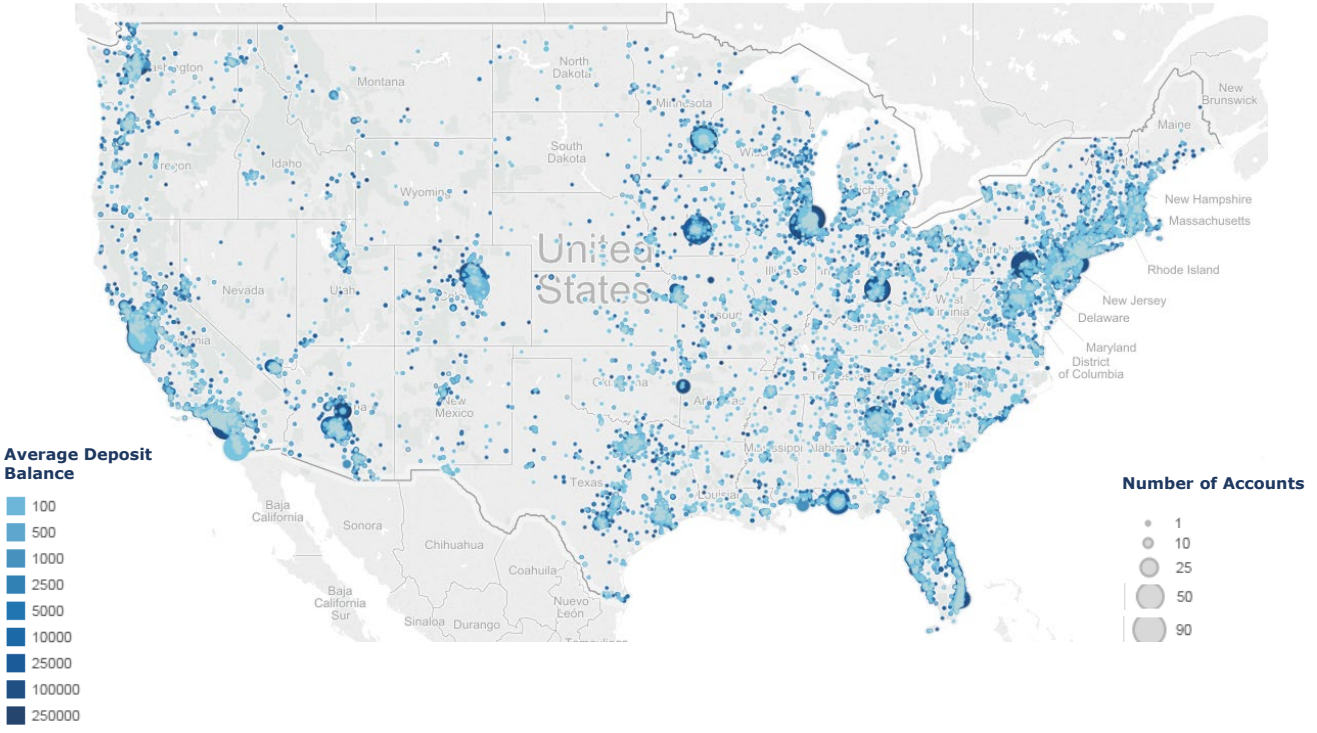
100% of Deposits = $8.3 billion




**Checking Growth (6/2013-12/2018) = 598%**

**Savings Growth (6/2013-12/2018) = 276%**

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




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

# Axos Customers are Highly Engaged

## Customer Engagement Results

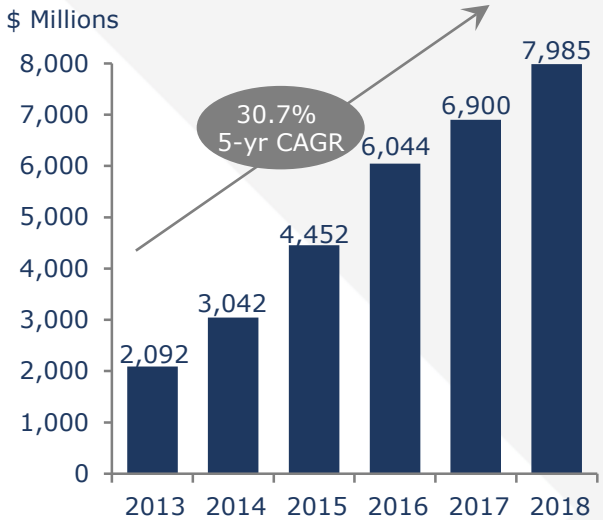
| Engagement | Low Activity | High Activity | | |
|---|---|---|---|---|
| **Attributes** | **Low Activity User** | **Basic User** | **Engaged** | **Elite Engaged** |
| **Engagement Score (0-100)** | 0s | 0 < S < 30 | 30 ≤ S < 60 | ≥ 60 |
| **Average Lifetime Balance** | $100 | $4000 | $6,000 | $50,000 |
| **Average # of Services Used** | - | < 5 | 7 | 10 |
| **Average # of POS** | - | < 1 | 10 | 25 |
| **% of Total Population** | 22% | 15% | 41% | 23% |
| **% of Total Balance** | 0% | 6% | 24% | 70% |
| **Retention** | Moderate | Moderate | High | High |

**64% of Population or 94% of Balance are Overall High Engagement**

Note: Study conducted on Rewards Checking customers.

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

## Deposit Growth



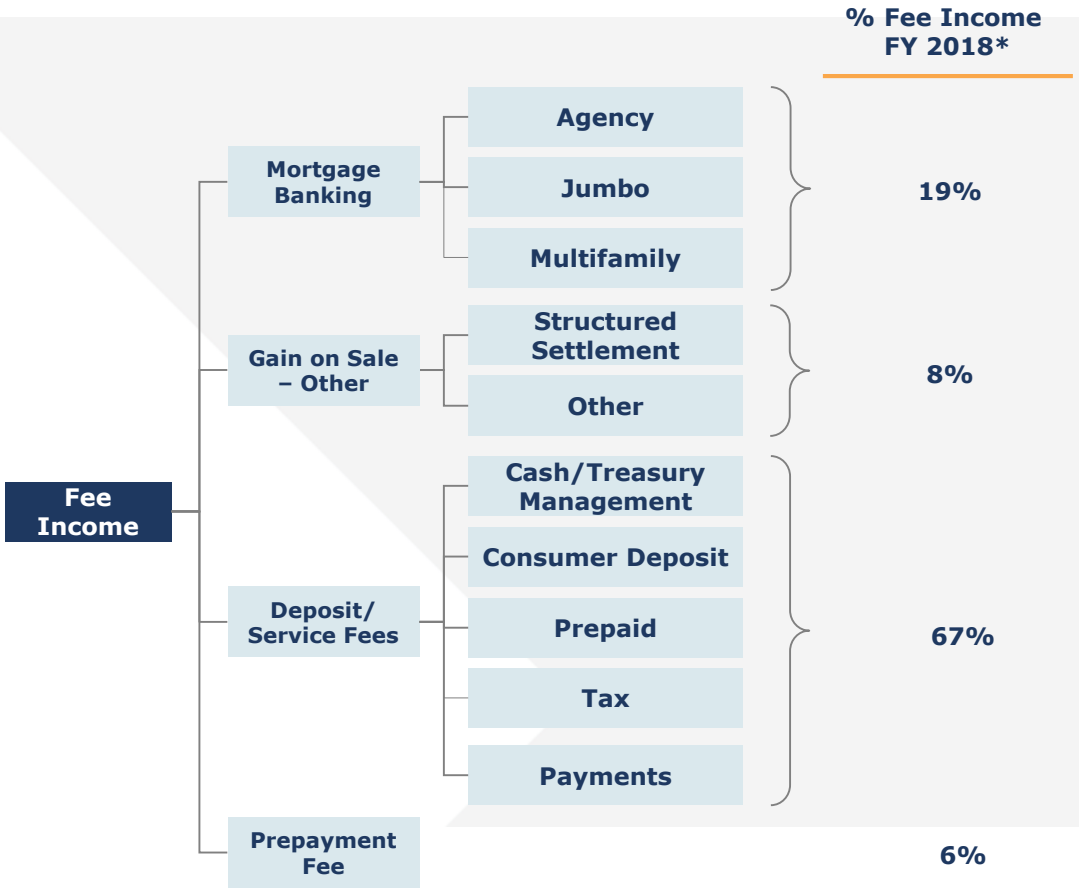

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **% CDs[1]** | 50% | 26% | 18% | 17% | 12% | 25% |
| **% Borrowings[2]** | 25% | 24% | 15% | 12% | 9% | 6% |

## Future Plans

- Enhanced digital marketing automation integrated to outbound sales group
- Products and technology integration targeted to specific industry groups
- Create differentiated consumer and business banking platform
- Enhanced focus on customer service and user experience
- Leverage existing and create new distribution partnerships to reduce acquisition cost and leverage external brands

[1] as a % of total deposits
[2] as a % of total liabilities

# Diversified Fee / Non-Interest Income




*Excludes securities income.

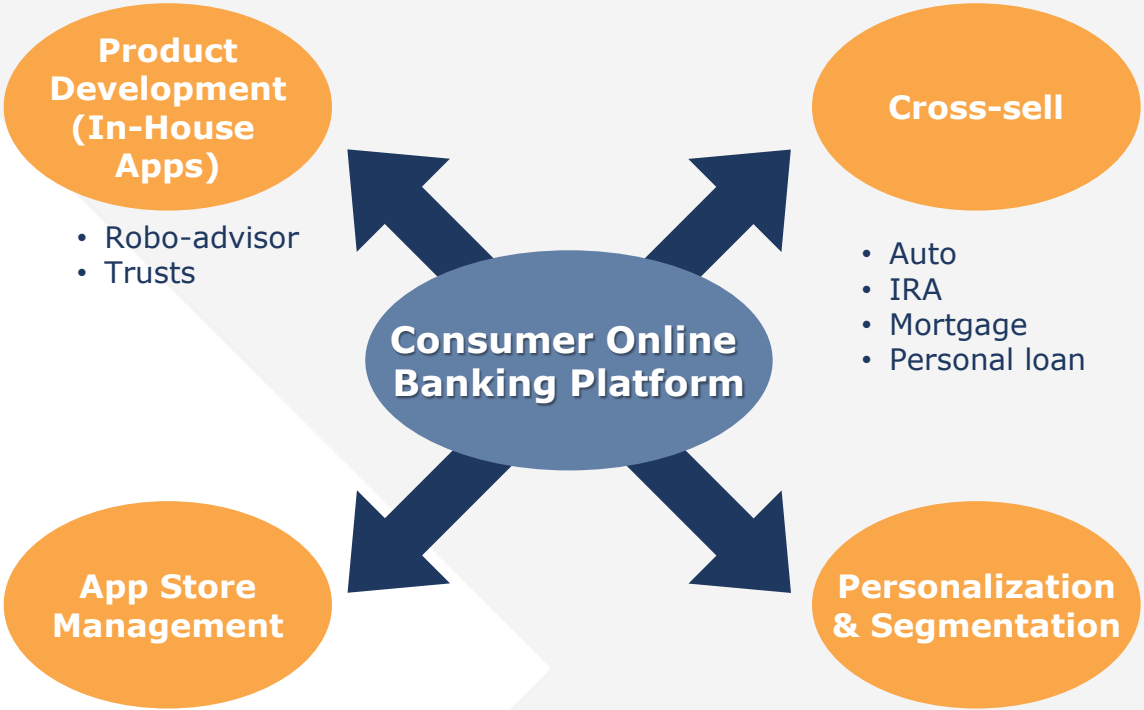
# Over the Last Seven Years, Axos Has Successfully Started New Products, Added Distribution Channels, and Completed Acquisitions

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| New product | • Treasury/ cash manage-ment<br>• C&I<br>• Prepaid<br>• Agency Servicing retention | • Small balance CRE | • Auto | • HRB franchising lending | • Retail Auto<br>• Refund Advance (H&R Block)<br>• Unsecured Consumer Lending | • Factoring<br>• Universal Digital Bank | |
| Distribution/ channel | • UFB Direct<br>• Bank X<br>• IRA | • Virtus | • Wholesale agency | | • H&R Block retail stores | • Homebuilder mortgage group<br>• Nationwide partnership | |
| M&A | • Principal Bank | • Union Federal | • H&R Block Bank | • Equipment leasing | | • Epiq Trustee Services<br>• Nationwide deposits<br>• WiseBanyan acquisition<br>• COR Clearing | • MWABank |

# Key Goals of Universal Digital Bank

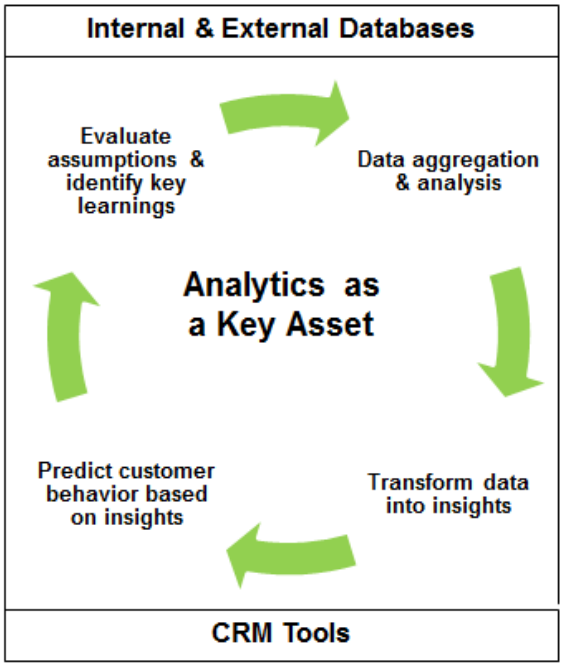
| | |
|---|---|
| **Personalization** | › Increase chance of offering right product at the right time and place<br>› Personalization is the right antidote for too much choice, too much content, and not enough time |
| **Self-Service** | › Eventual artificial intelligence tools assist sale of banking products such as deposits, loans, and mortgages<br>› Products optimized by channel, recipient and journey<br>› 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)<br>› Access to value added tools (e.g., robo-advisory, automated savings features) either proprietary or third party<br>› Enable creative customer acquisition partners |
| **Customizable Experience** | › Provide holistic and interactive and intuitive design experience<br>› Integrate online experience with other channels |
| **Cross-Sell** | › Artificial intelligence and big data credit models enable quick credit decisions<br>› Customized product recommendations based upon analytical determination of need |

# Universal Digital Bank Consumer Platform



# Advanced Data Analytics Provides Key Insights Into Customer Engagement, Profitability, and Retention to Enhance Customer Lifetime Throughout the Bank

## Framework for Data Analysis




## Key Learnings

- **Retention & Attrition Drivers to Boost Long-Term Customer Engagement**
- **Customer Segmentation Methodology to Understand Usage & Behavior**
- **Profitability Analysis at the Individual Customer Level**
- **Streamlined Acquisition Process via Lookalike Modeling & Sales Efficiencies**

# We are Expanding our Strategic Partnership with H&R Block

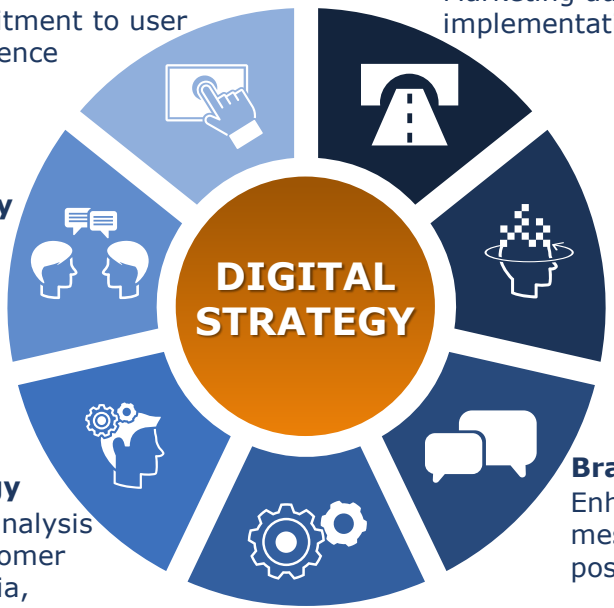
## H&R Block Overview

- Approximately 10,000 U.S branches
- Files 1 in every 7 U.S. tax returns
- 19.7 million U.S. tax returns per year
- 83% of customers receive a refund
- 35% franchise-owned
- Approximately 2,400 employees
- 55 million visits per year on HRB website
- Social media
  - 28,600 Twitter followers
  - 463,000 Facebook fans
  - 1.7 million views on YouTube

## Products for 2019 Tax Season

- Refund Transfer
- Emerald Advance Unsecured Loan
- Emerald Prepaid Card
- Refund Advance Interest-Free Loan
  - Axos is exclusive provider in 2019 tax season
  - Axos provides credit underwriting, loan origination, funding and loan servicing
  - Interest-free loan is repaid using borrower's tax refund proceeds
  - Axos' profits will depend on origination volume and actual credit losses

# Omni Channel Approach for Axos' 2019 Digital Marketing Strategy




**User Experience**
Organizational commitment to user experience

**Infrastructure**
Marketing automation implementation

**Paid, Social & Mobile strategy**
Social employee engagement

**Personalization & Data**
Digital personas for personalized interactions

**Analytical strategy**
Multi-dimensional analysis by geography, customer type, product, media, traffic source

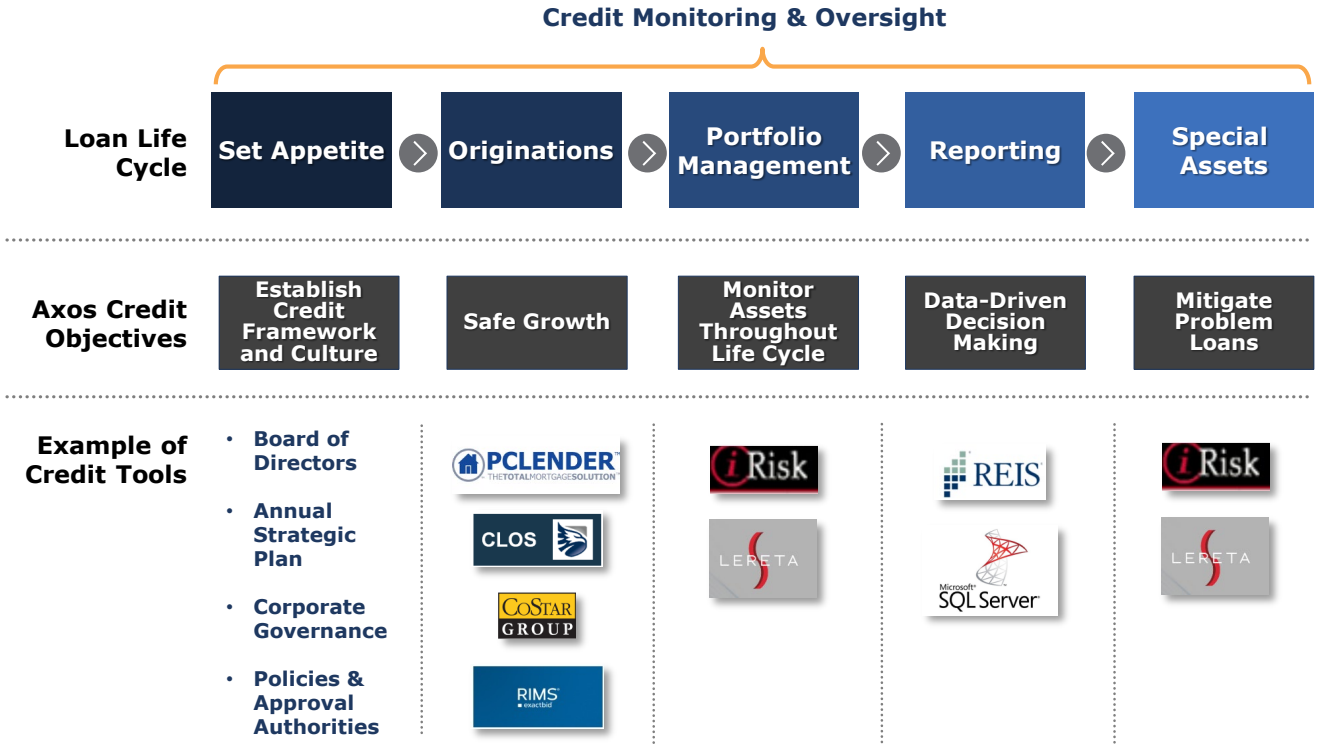
**Brand & Content**
Enhanced branding, messaging and positioning

**Business Process**
Introduced BI reporting tool for analytics

# Holistic Credit Risk Management

**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 Tools list is a sampling and is not purported to be comprehensive.

# Monitoring & Management Oversight: Core Products

## Single Family Residential

- Portfolio level monitoring with individual loan reviews completed on an exception basis (e.g., delinquency, FICO/LTV degradation).
- FICO pulled twice a year
- Updated AVMs twice a year
- Super jumbo loans receive complete annual loan review, including updated credit report
- Pledged assets receive refreshed CLTV ratios on a semiannual basis
- Portfolio-level review performed quarterly

## Income Property Lending

- Risk based annual loan review process, with 4 levels depending on financial performance & risk triggers
- Updated financials at least annually
- FICO pulled twice a year
- Updated AVMs twice a year
- Updated credit report and property inspections requested based on risk triggers
- Classified loans receive quarterly review
- Portfolio-level review performed quarterly
- Stress testing performed twice a year

## Commercial Specialty

- Loan reviews at least quarterly
- Project updates at least quarterly
- Updated financials at least annually
- Site visits & inspections for development projects

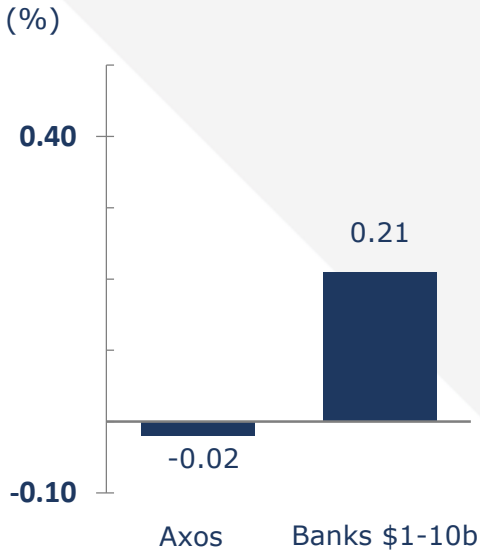
## C&I – Lender Finance

- Loan reviews at least quarterly
- Updated financials at least quarterly
- Borrowing base / custodial reports at least monthly
- Continuous collateral analytics, with quarterly validation

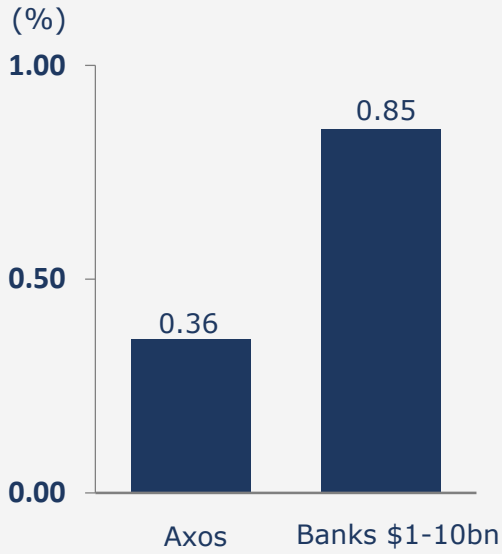
Note: Lists are a sampling and are not purported to be comprehensive.

# Best-in-Class Loan Quality

## Total Net Charge-Offs Annualized[1]




## Loans in non-accrual to total loans[1]




1. From FDIC SDI report at 9/30/2018. Total of 513 institutions included in the $1-$10 billion group. Data retrieved 01/29/2019.

# Investment Summary




**Full service online banking platform with structural cost advantages vs. traditional banks**

**Superior growth and ROE relative to large and small competitors**

**Solid track record of allocating capital to businesses with best risk-adjusted returns**

**New business initiatives will generate incremental growth in customers, loans and profits**

**Robust risk management systems and culture has resulted in lower credit, counterparty and regulatory risks**

# Contact Information

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