


# Axos Financial, Inc.
# Investor Presentation

May 2020

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, 2019. 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.

# 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

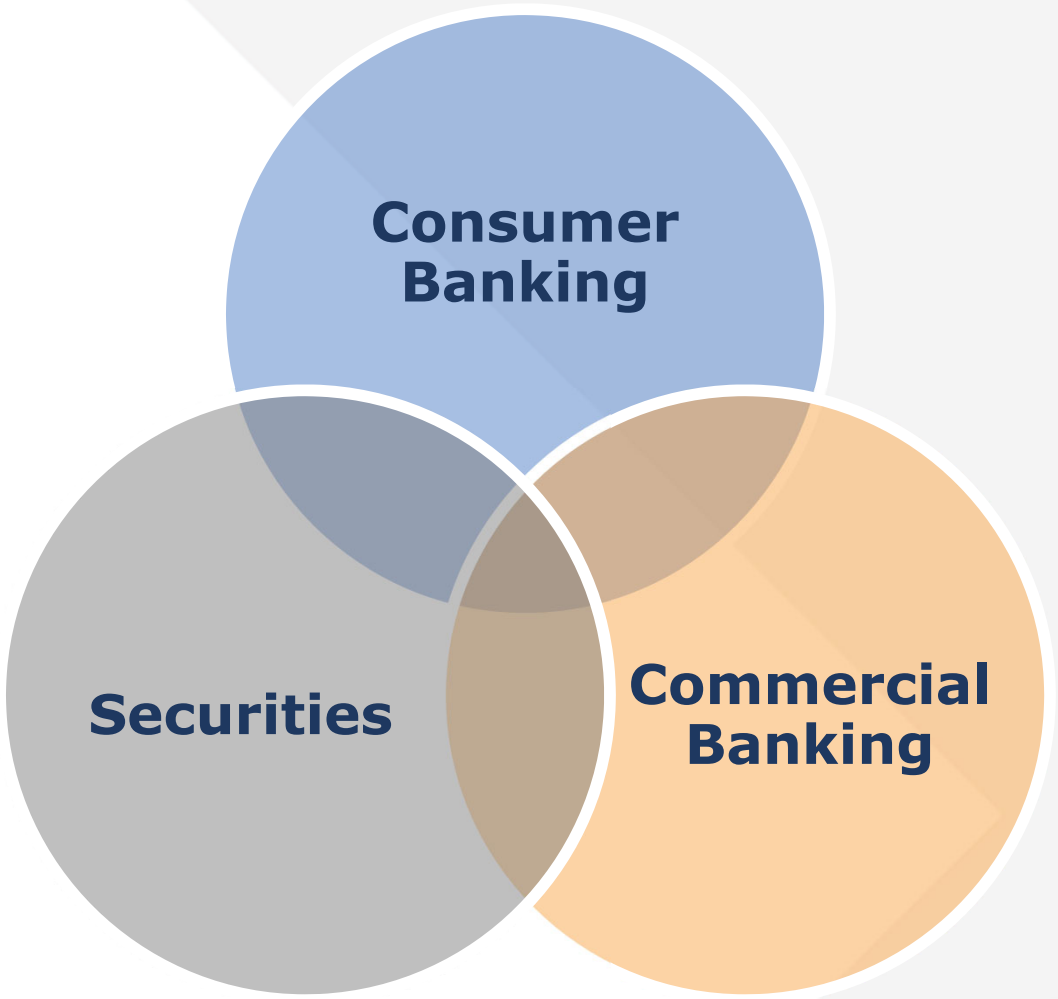
**Data Driven Insight** | **Integrated Customer Experience** | **Digital Marketing** | **Digitally Enabled Operations** | **Next-Gen Technology**

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

| *As % of average assets* | Axos[1] (%) | Banks Greater Than $10bn[2] (%) |
|---|---|---|
| Net interest income | 3.88 | 2.88 |
| Salaries and benefits | 0.92 | 1.16 |
| Premises, equipment and other non-interest expense | 0.98 | 1.40 |
| **Total non-interest expense** | **1.90** | **2.56** |
| **Core business margin** | **1.98** | **0.32** |

1. For the three months ended 12/31/2019 – 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 05/01/2020.
2. All Commercial Banks by asset size. FDIC reported for three months ended 12/31/2019. Total of 140 institutions >$10 billion. Data retrieved 05/01/2020.

# Axos Financial's Three Business Segments Provide the Foundation For Sustained Long-Term Growth

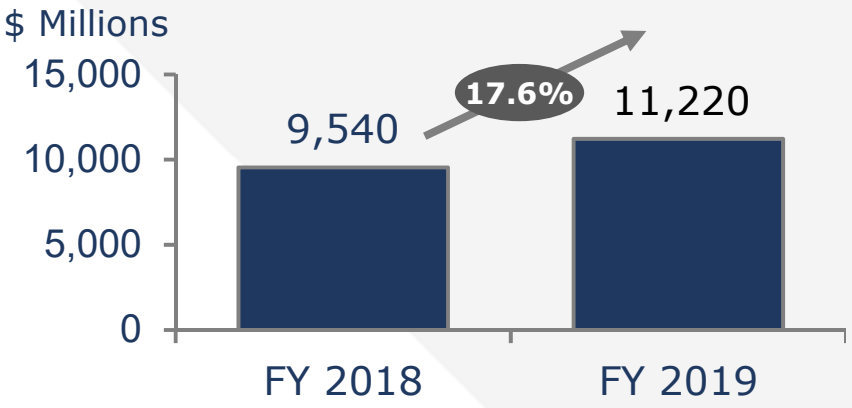



## Investment Thesis

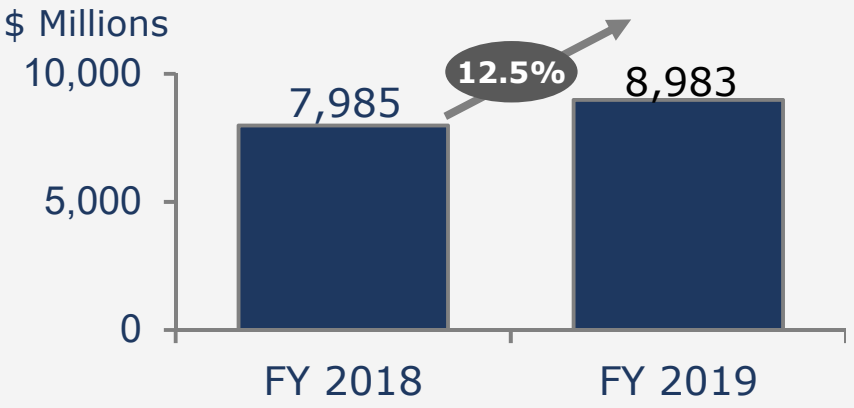
- Diverse mix of asset, deposit, and fee income reduces risk and provides multiple growth opportunities in varying environments
- Differentiated retail digital strategy from "online savings banks" or fin-tech competitors
- Structural cost advantage vs. traditional banks
- Differentiated distribution strategy
- New business initiatives will 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

# Fiscal 2019 Highlights Compared with Fiscal 2018

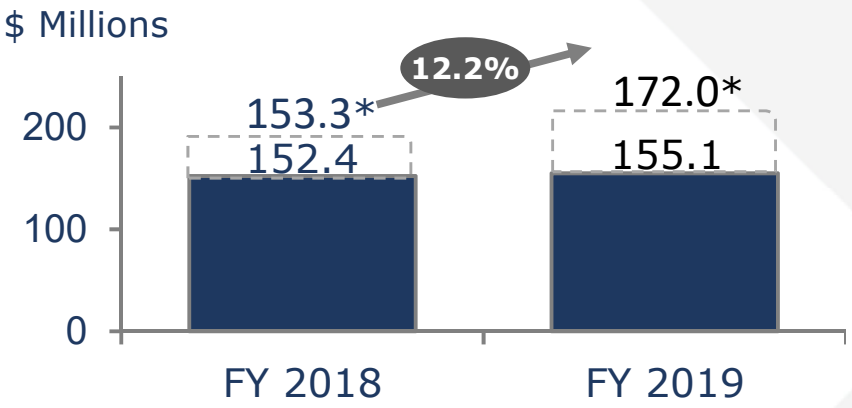
## Asset Growth



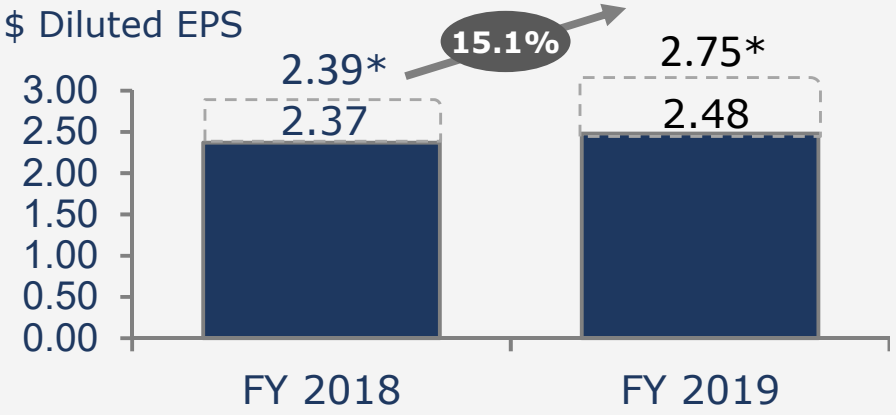

## Deposit Growth




## Net Income




## Diluted EPS



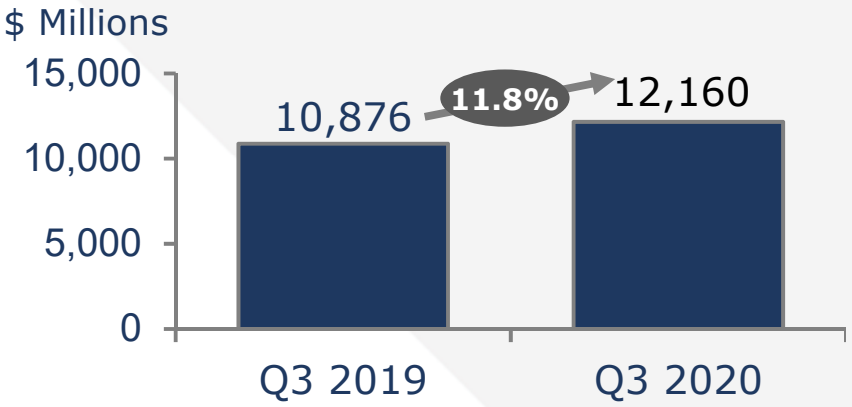

**Return on Equity = 17.08%***

**Return on Assets = 1.68%***

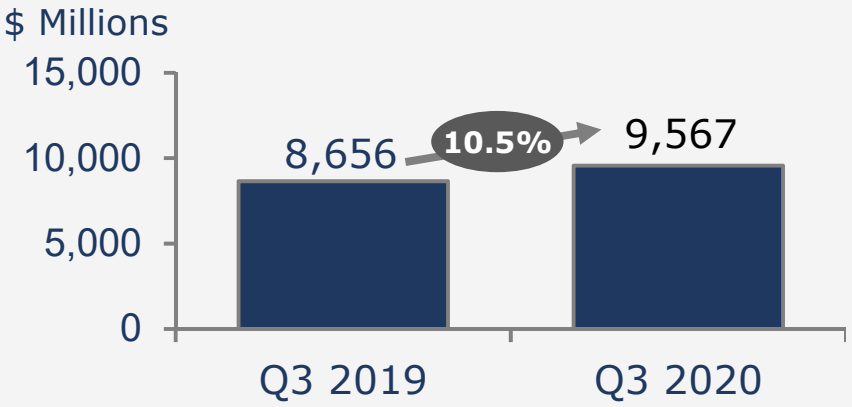
* Adjusted earnings and adjusted earnings per diluted common share, non-GAAP measures, which excludes non-cash amortization expenses and non-recurring costs related to mergers and acquisitions, and other non-recurring costs. Without adjusted earnings, ROE was 15.40% and ROA was 1.51% based on GAAP earnings.

# Fiscal 2020 Third Quarter Highlights Compared with Fiscal 2019 Third Quarter

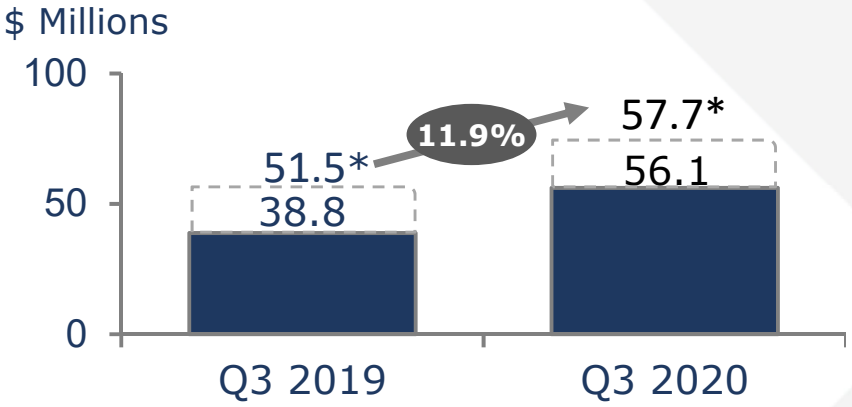
## Asset Growth



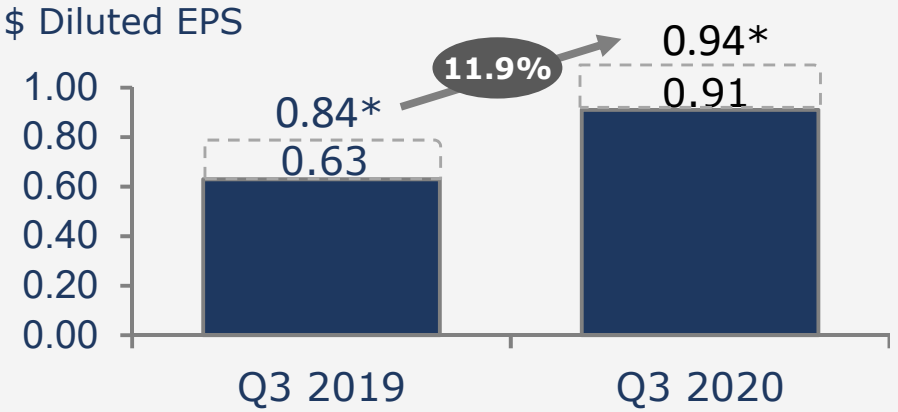

## Deposit Growth




## Net Income




## Diluted EPS



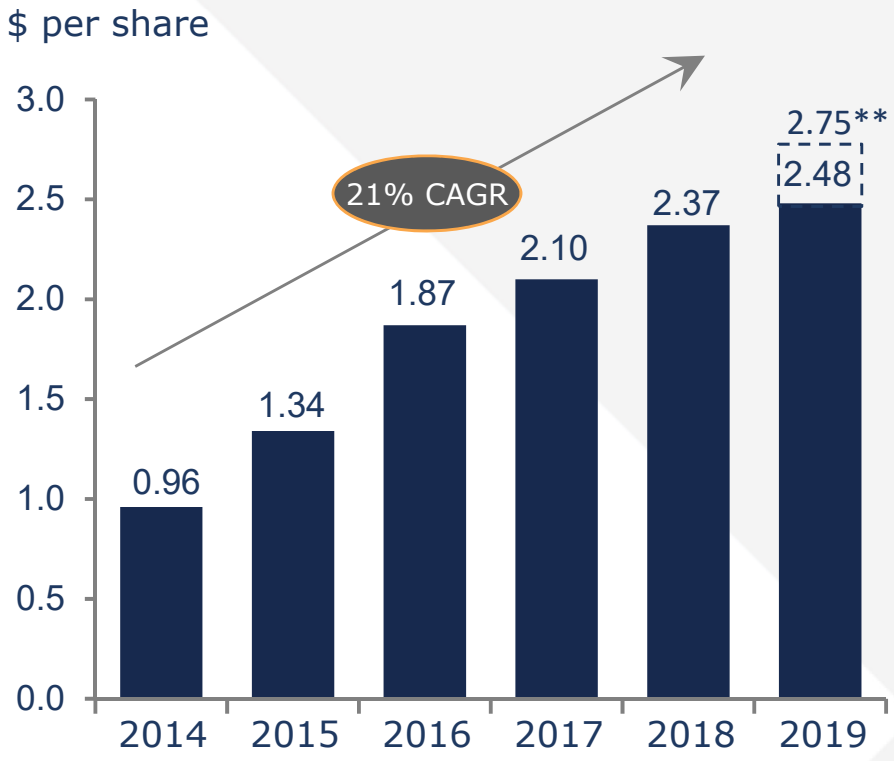

**Return on Equity = 19.16%***

**Return on Assets = 1.84%***

* Adjusted earnings and adjusted earnings per diluted common share, non-GAAP measures, which excludes non-cash amortization expenses and non-recurring costs related to mergers and acquisitions, and other non-recurring costs. Without adjusted earnings, ROE was 18.65% and ROA was 1.79% based on GAAP earnings.

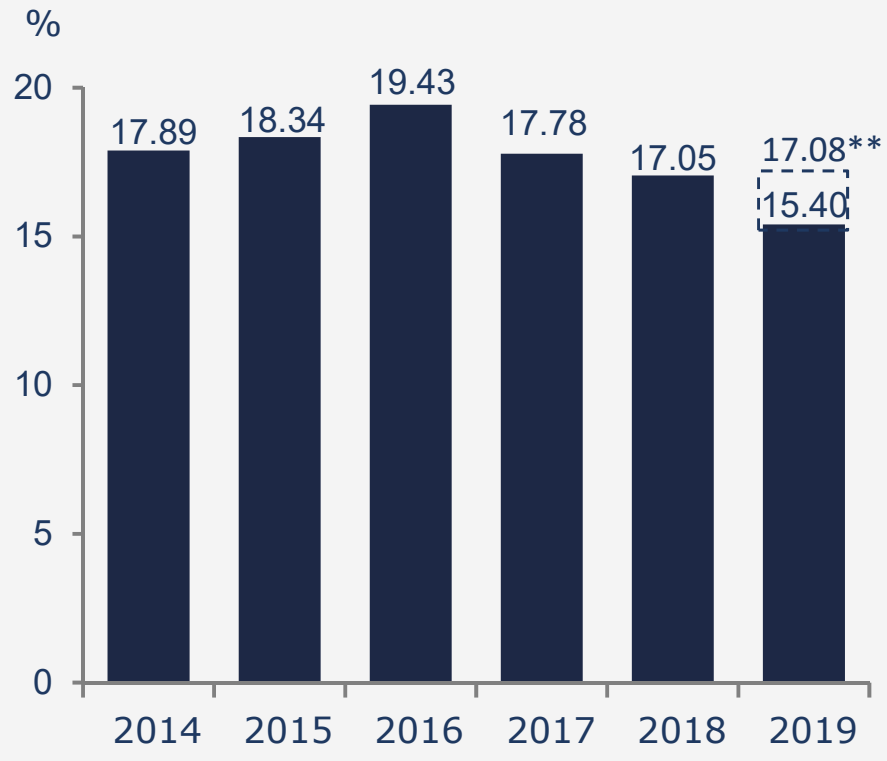
# Diluted EPS and Return on Equity Have Been Consistently Strong

## Diluted EPS (FY)




| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **Book value per share** | $6.33 | $8.51 | $10.73 | $13.05 | $15.24 | $17.47 |

## Return On Average Equity (FY)

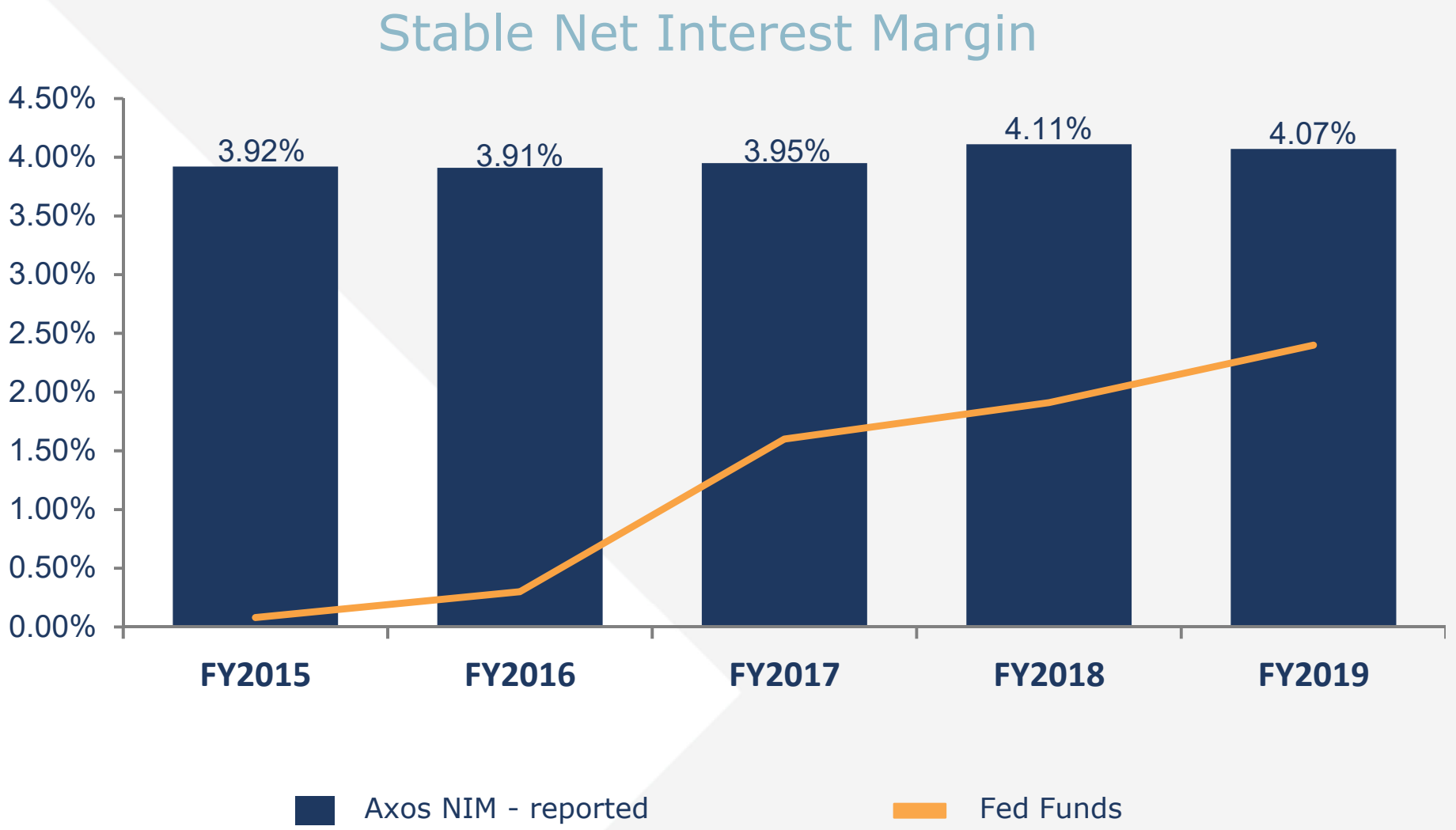



| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **Tier 1 leverage ratio*** | 8.7% | 9.6% | 9.1% | 10% | 9.4% | 8.8% |

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

**Adjusted earnings and adjusted earnings per diluted common share, non-GAAP measures, which excludes non-cash amortization expenses and non-recurring costs related to mergers and acquisitions, and other non-recurring costs. Without adjusted earnings, Diluted EPS was $2.48 ROE was 15.40% based on GAAP earnings.

# Net Interest Margin Has Been Stable/Rising Through a Variety of Interest Rate Cycles



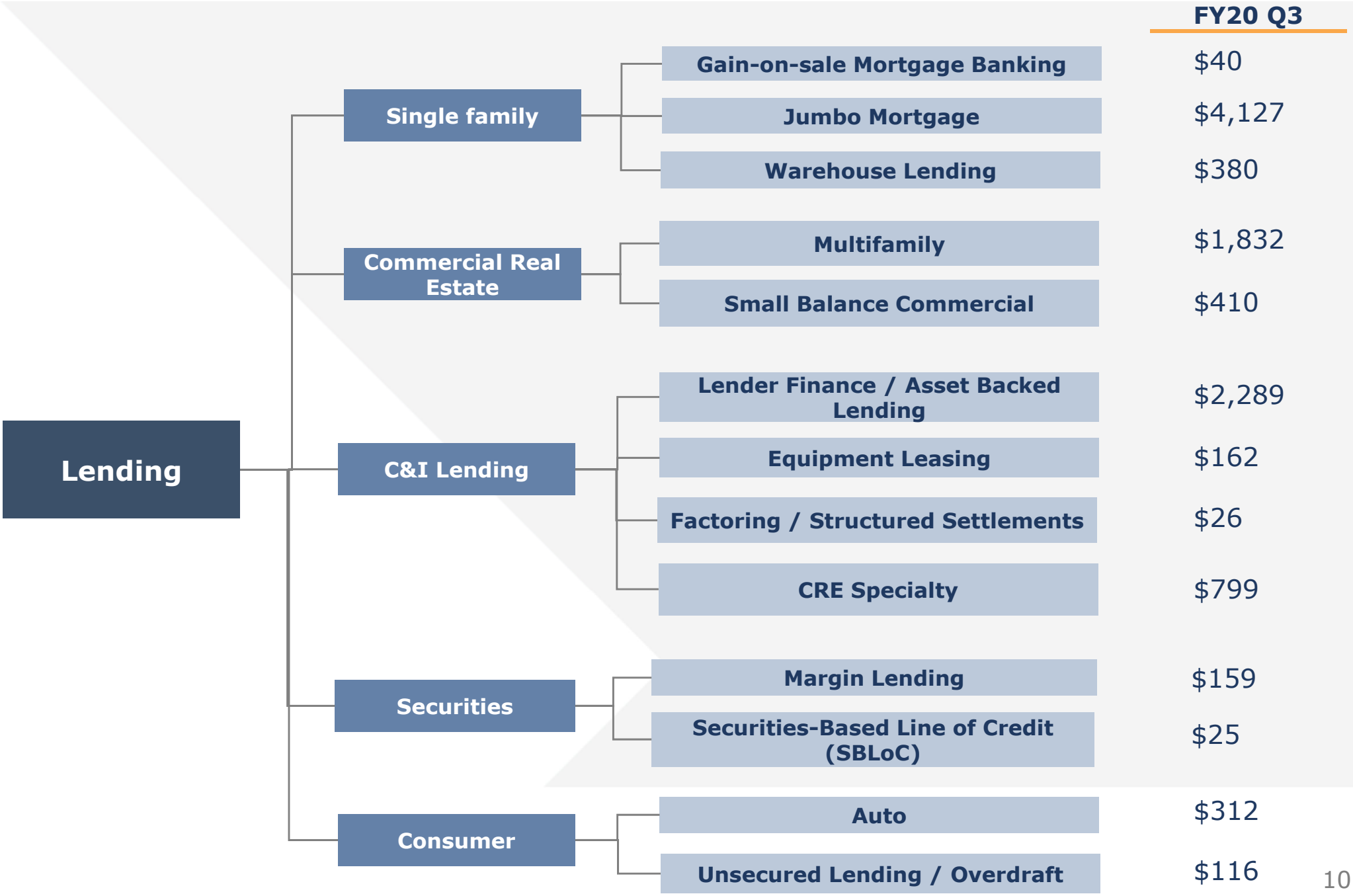
# Axos is a Top Quartile Performer Versus Bank Peer Group

| | Axos Bank | Peer Group | Percentile |
|---|---|---|---|
| ROAA | 1.66% | 1.01% | 83% |
| Return on equity | 18.71% | 8.60% | 91% |
| G&A | 1.96% | 2.58% | 25% |
| Efficiency ratio | 41.08% | 66.69% | 8% |

**The 91% on ROE means that the Bank outperformed 91% of all banks. The 25% G&A ranking means that only 25% 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 12/31/19; data retrieved 05/01/2020.
Note: Peer group is all savings banks with assets greater than $1 billion for quarter ended 12/31/2019.

# Diverse Lending Businesses Across Banking and Securities Segments …



# Conservative Underwriting and Secured Lending Positions Loan Portfolio for Economic Downturn

Actively working with borrowers on case-by-case basis for forbearance requests

## Asset-Based Lender*

- 95% of loans are collateralized by hard assets
- Low LTVs/LTCs:
  - SFR mortgage: 57%
  - Multifamily: 51%
  - CRE: 52%
  - Commercial Specialty Real Estate (CRESL): 44%
  - Lender Finance: 51%
- Senior position in all lender finance and commercial specialty real estate loans with capital support from sponsors and junior partners

## Limited Cash Flow Lending*

- No credit cards
- No commercial cash flow-based loans
- $55 million unsecured consumer loans ~50 bps of total loans outstanding
- $3 million home equity lines of credit
- Shared national credits all asset-backed facilities
- Lend exclusively to prime and super-prime borrowers in consumer lending:
  - Auto: 772 FICO
  - Personal loans: 765 FICO

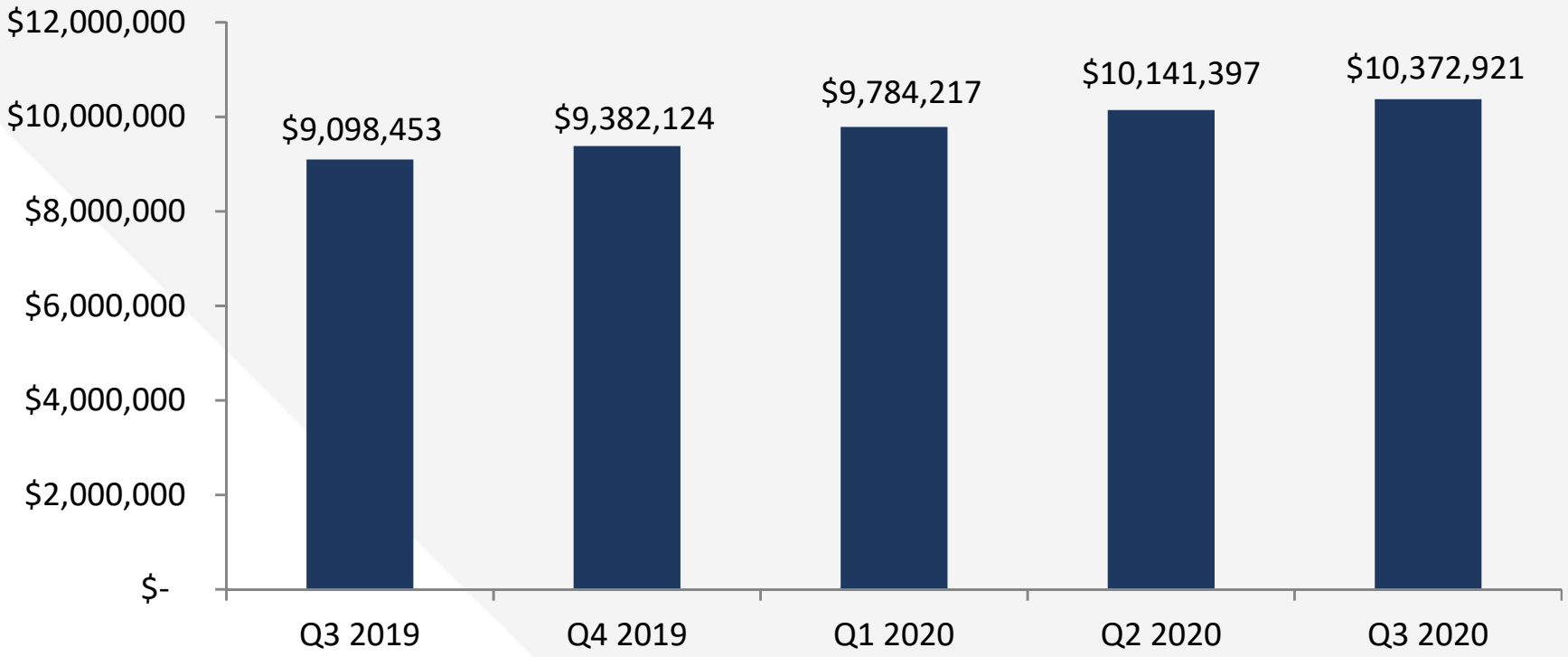
## Minimal Exposure to High Risk Loan Types*

- No credit exposures to airlines, casinos, malls, and theme parks
- Equipment Leases:
  - $28 million - oil and gas
  - $13 million - emergency medical transportation
  - $5 million – large fast-casual restaurant
- Limited hotel and retail exposure:
  - $263 million hotels: majority senior position in A/B notes
  - $97 million: retail CRESL
  - 48% average LTV for hotel and retail CRESL loans
- $159 million securities-backed margin loans

*3/31/20

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

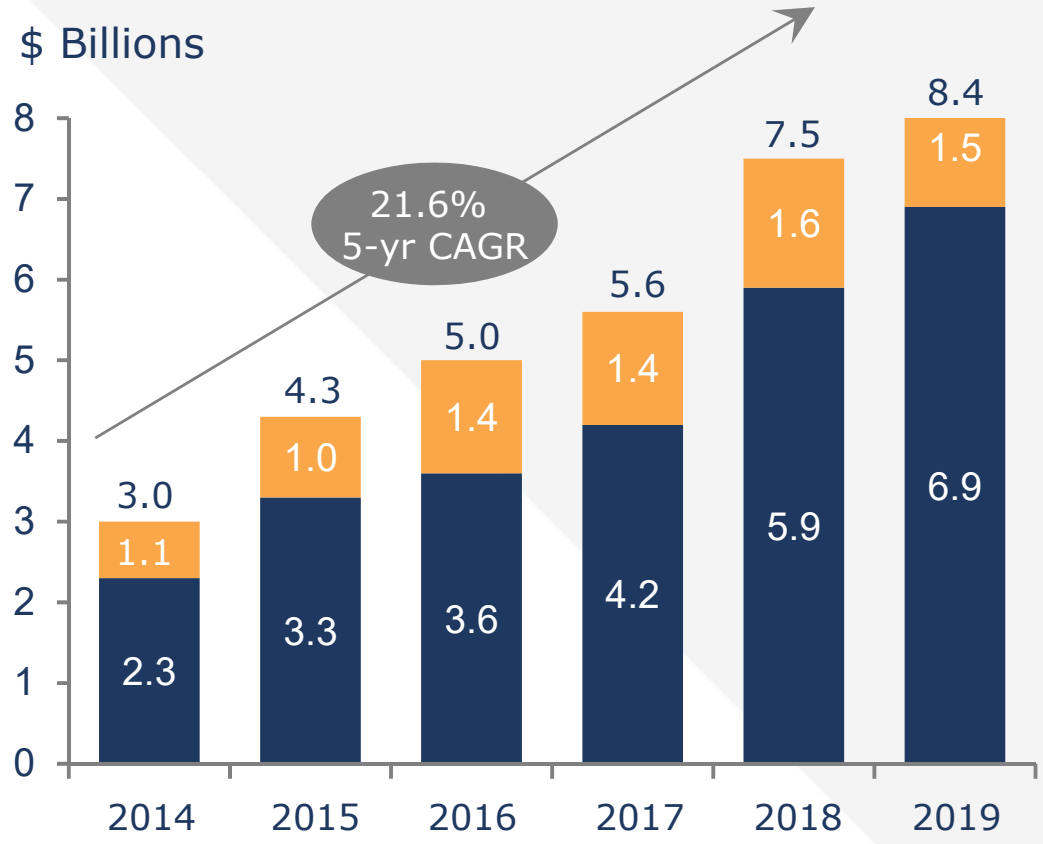
Net Loan Portfolio – End of Last Five Quarters ($ in Thousands) 10Q




| Average Loan to Value | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|---|---|---|---|---|---|
| **Multifamily** | 53% | 53% | 53% | 53% | 54% |
| **Single family** | 57% | 57% | 57% | 57% | 57% |

# Loan Origination Growth

## Fiscal Year Loan Originations




| | | | | | |
|---|---|---|---|---|---|
| **Annual growth rate** | *42.2%* | *15.6%* | *11.2%* | *34.7%* | *12.3%* |

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
- RIA M&A and succession lending

# Diversified Deposit Businesses

**Deposit**

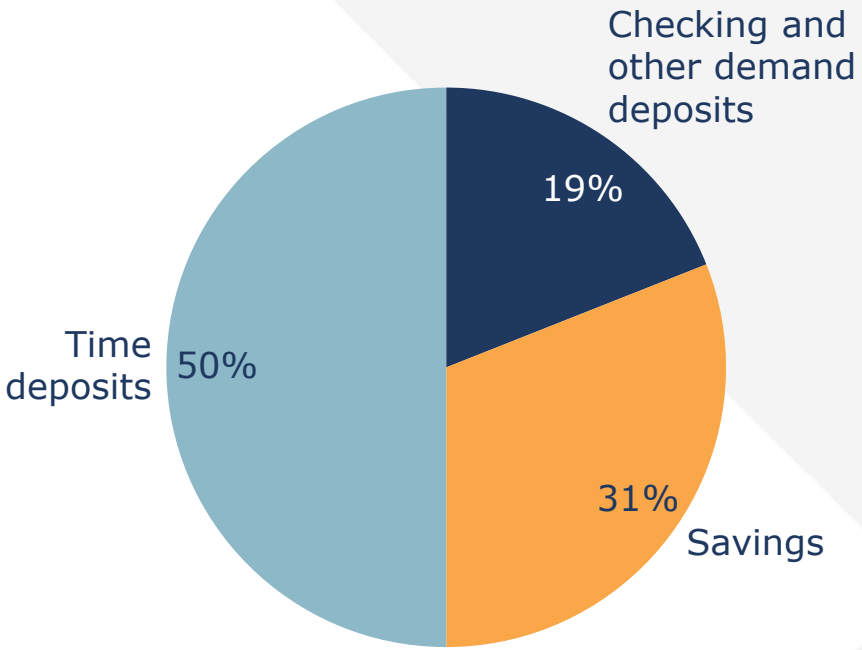
| | Key Elements |
|---|---|
| **Consumer direct** | < Full service digital banking, wealth management, and securities trading* |
| **Distribution Partners** | < Exclusive relationships with significant brands, groups, or employers<br>< Exclusive relationships with brokers and financial planners through Axos Clearing and Axos Advisor |
| **Small business banking** | < Business banking with simple suite of cash management services |
| **Commercial/ Treasury Management** | < Full service treasury/cash management<br>< Team enhancements and geographic expansion<br>< Bank and securities cross-sell |
| **Axos Securities** | < Broker-dealer client cash<br>< Broker-dealer reserve accounts |
| **Specialty deposits** | < Fiduciary services for trustees<br>< 1031 exchange firms<br>< Title and escrow companies<br>< HOA and property management |
| **Fiduciary Services** | < Serves 40% of U.S. Chapter 7 bankruptcy trustees in exclusive relationship<br>< Software allows servicing of SEC receivers and non-chapter 7 cases |

*Mid-2020 Expected Launch

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

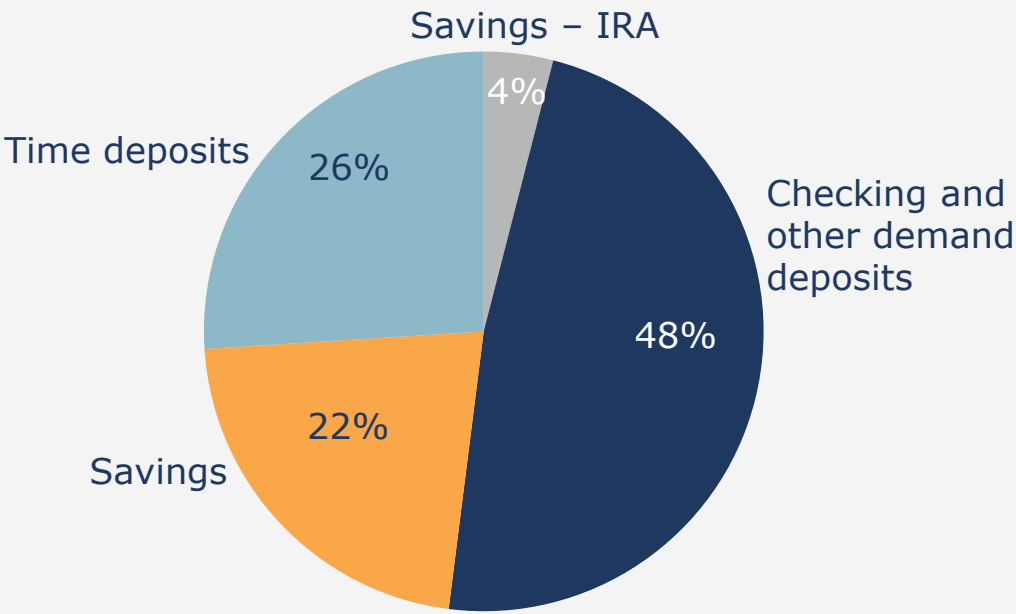
## June 30, 2013

100% of Deposits = $2.1 billion




## March 31, 2020

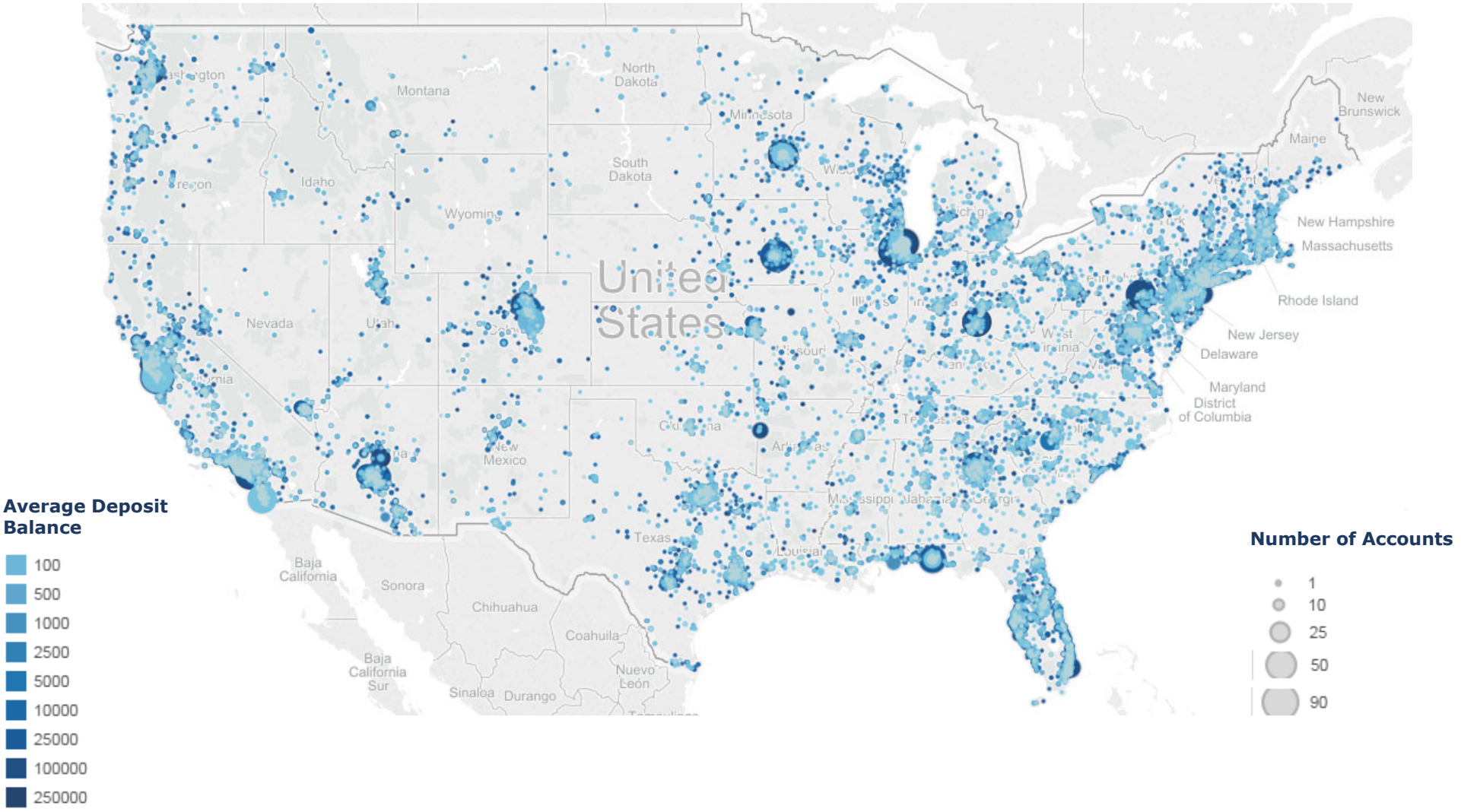
100% of Deposits = $9.6 billion




**Checking Growth (6/2013 – 3/2020) = 1063%**

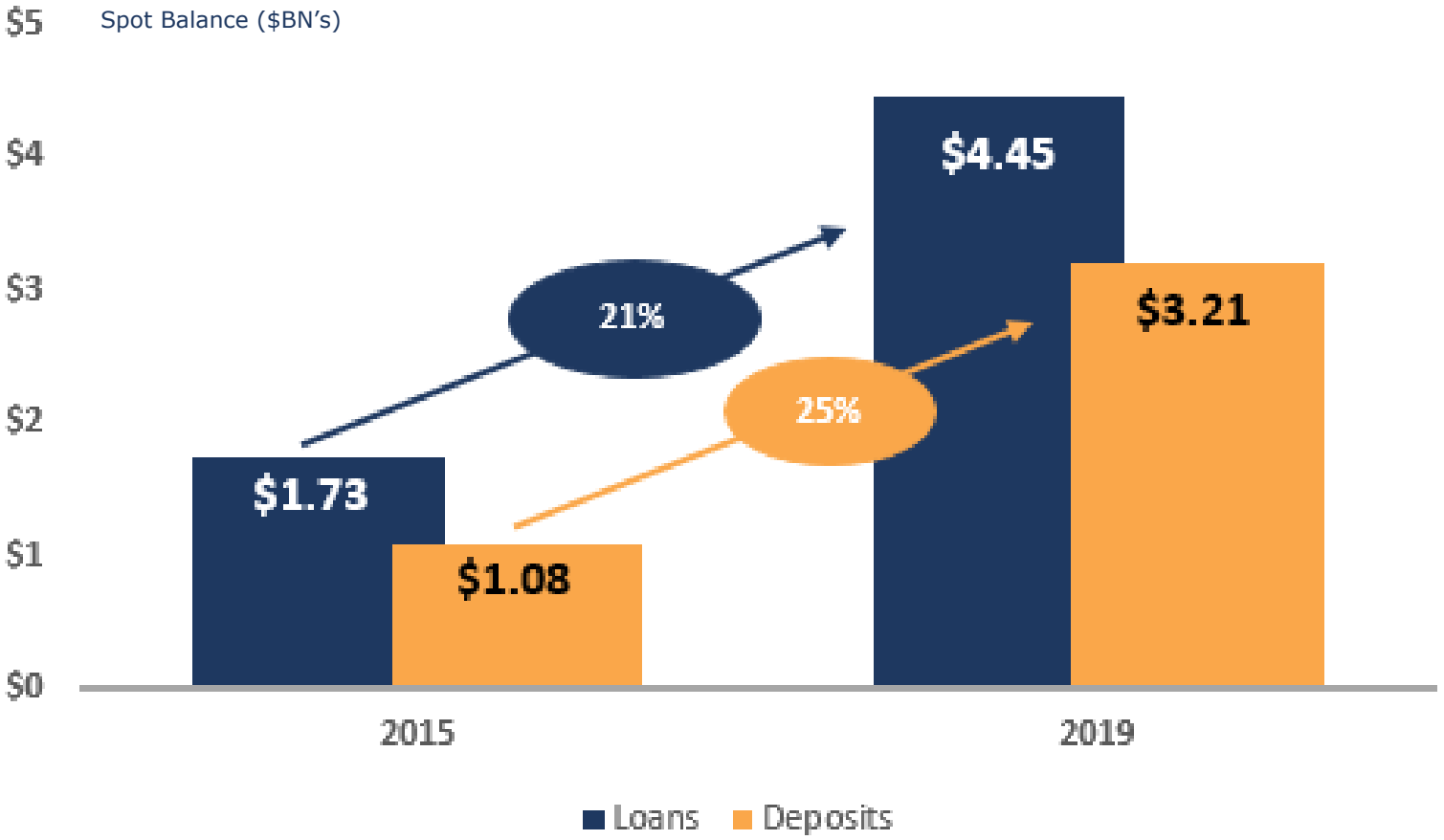
**Savings Growth (6/2013 – 3/2020) = 234%**

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




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

# Commercial Loans and Deposits
# 4 years of growth




## Loan Growth Drivers

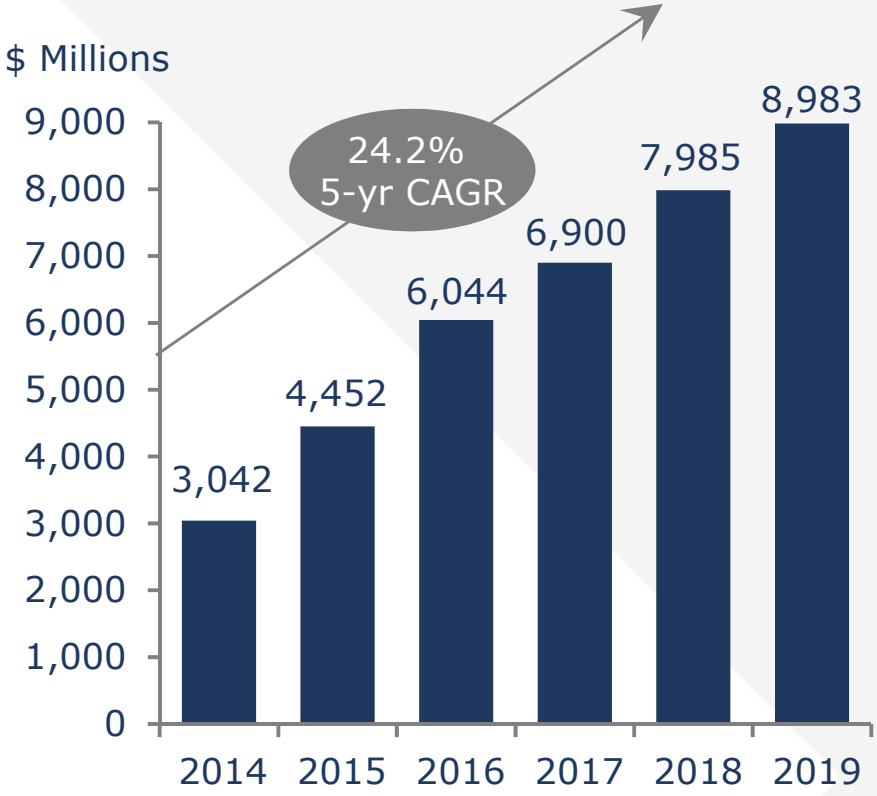
- Product Expansion
- Repeating Client Relationships
- Reputation for Reliable Execution

## Deposit Growth Drivers

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

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

## Deposit Growth



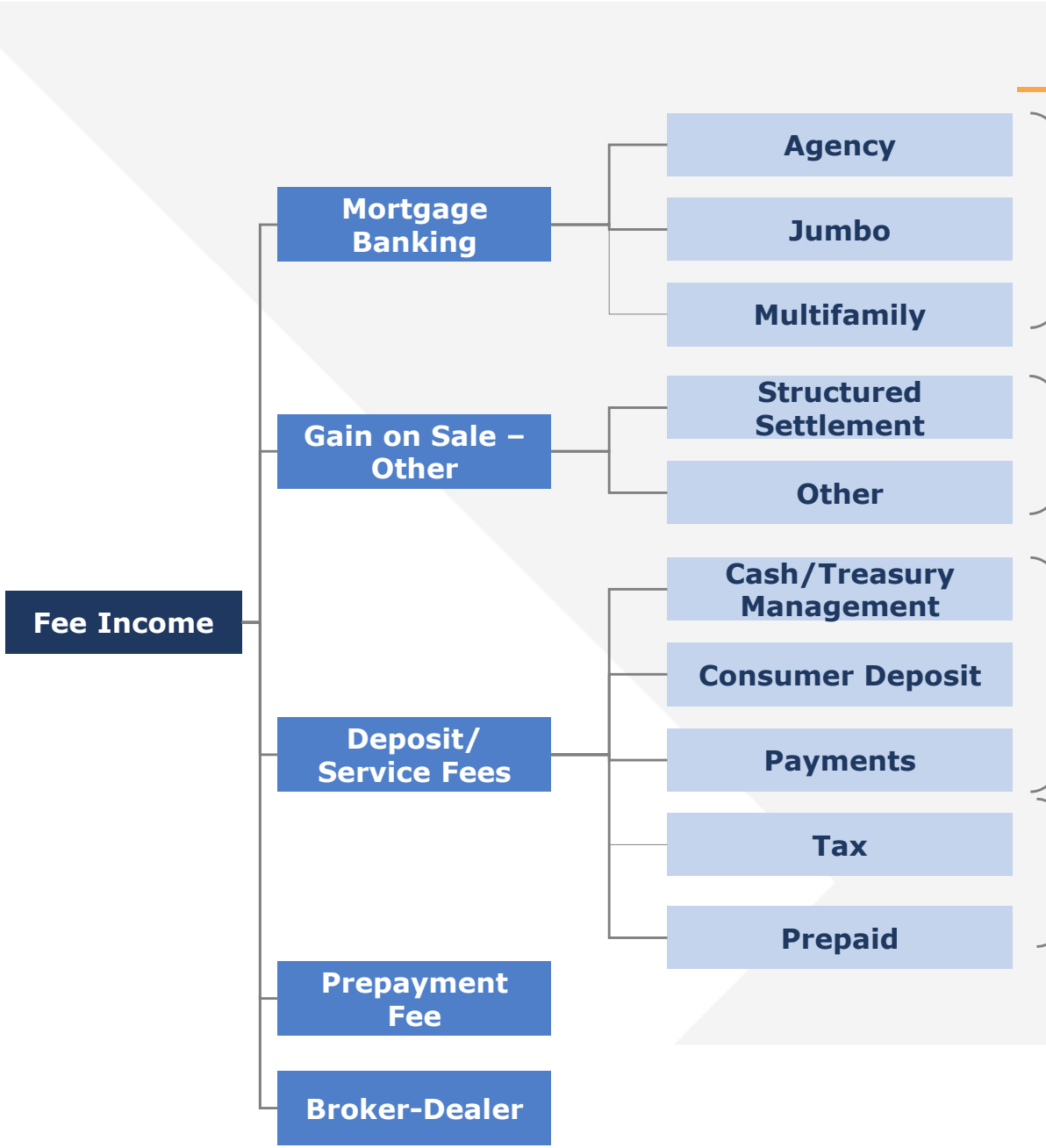

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **% CDs[1]** | 26% | 18% | 17% | 12% | 25% | 26% |
| **% Borrowings[2]** | 24% | 15% | 12% | 9% | 6% | 6% |

## 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




| | % Fee Income FY 2019* | % Fee Income FY 2018* |
|---|---|---|
| Mortgage Banking | 6% | 19% |
| Gain on Sale – Other | 7% | 8% |
| Deposit/ Service Fees | 28% | 21% |
| Tax | 38% | 46% |
| Prepaid | | |
| Prepayment Fee | 7% | 6% |
| Broker-Dealer | 14% | 0% |

*Excludes securities income

# 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 2020 Tax Season

- Refund Transfer
- Emerald Advance Unsecured Loan
- Emerald Prepaid Card
- Refund Advance Interest-Free Loan
  - Axos is exclusive provider for 2020 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

# Axos Securities Overview

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




**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

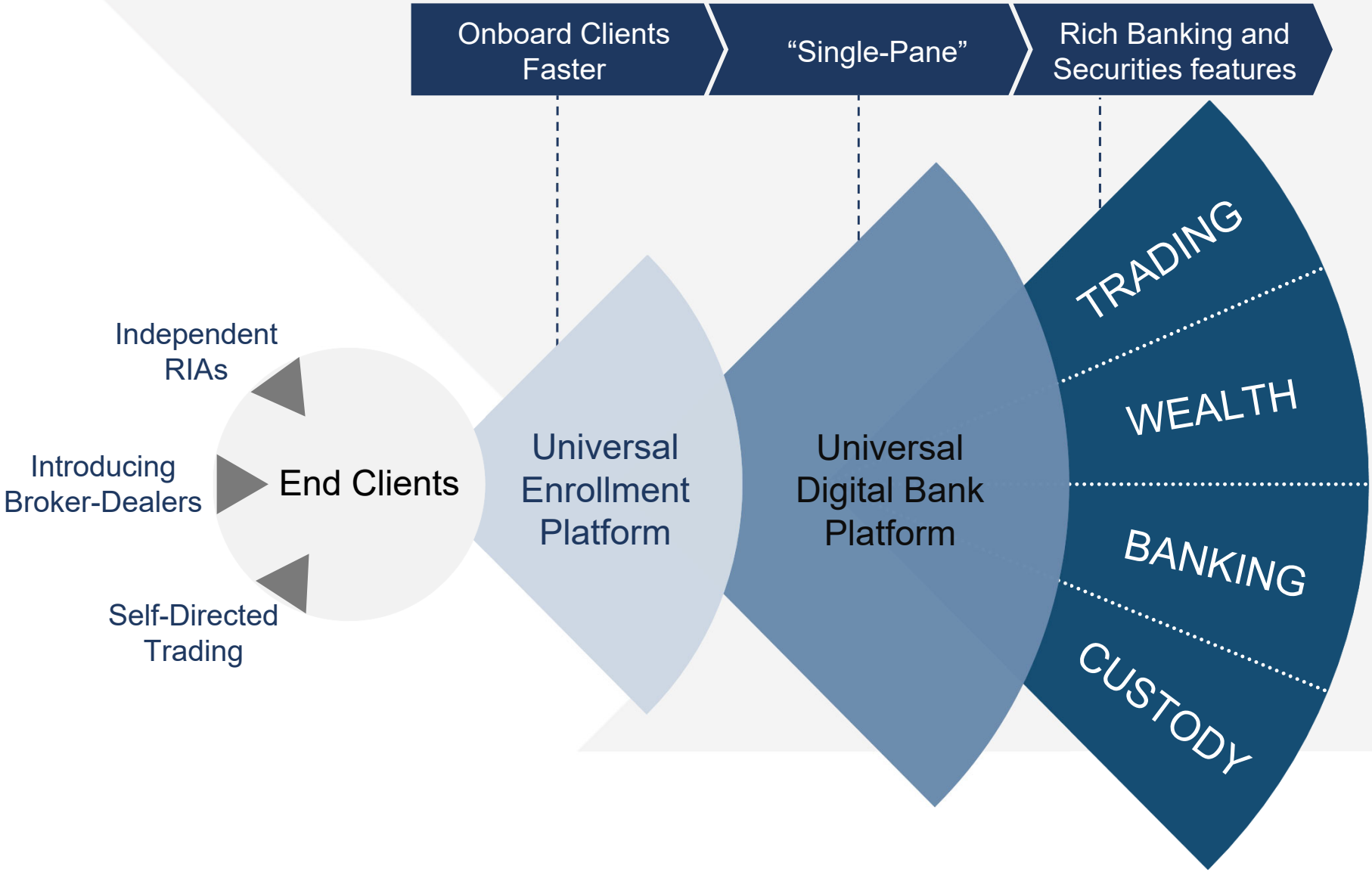
**Digital Solutions**
- Universal Digital Platform
- Account Opening Platform

**Access to ~135,000 Clients**

[1] Target "go-live" June, 2020

# Securities Strategy

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



# Secular Industry Trends Provide Opportunities for Axos

**Fee Compression for Active and Passive Investment Managers**



- RIAs needs 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 and 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

# Business Segment Overview – Axos Invest

**Core Services**

- Free financial digital advisor that helps clients achieve their goals by automating the financial planning process.
- Provides premium packages for clients who want additional value beyond our core services.

**Customer Behavior**

- **High Conversion Rates** – Platform has been able to sustain 20% conversion rate with low client attrition.
- **Low Acquisition Costs**– Compared to industry standards, historic acquisition costs have sub – $50/per client (funded account).
- **Sticky Accounts** – Clients trust our advice with 49% following our recommendations within first week.

**Customer Served**

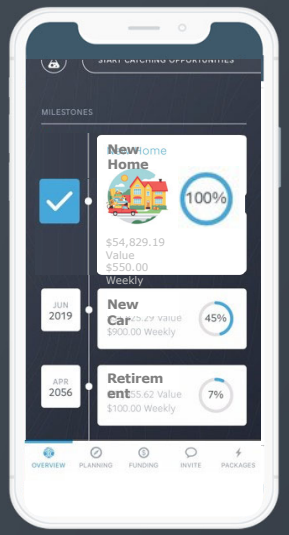
- Do-It-Yourself Mass Market

**32,000+ sticky customer accounts with opportunities to cross-sell banking and premium services**

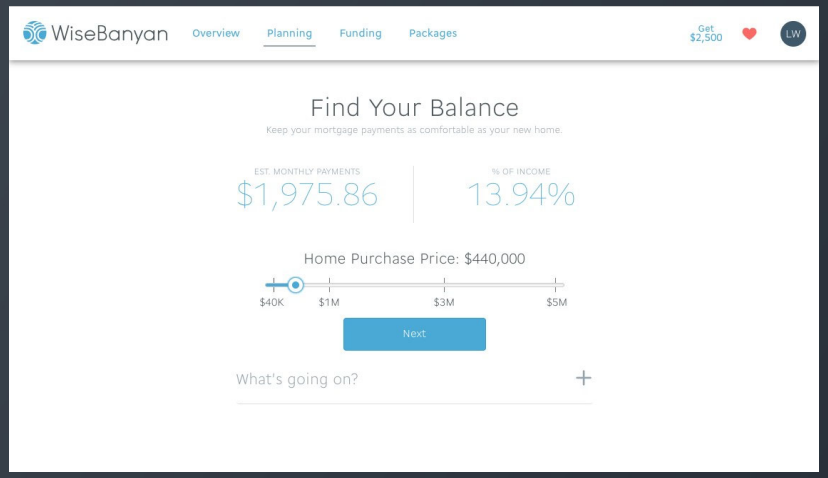
# Monetize Clients by Leveraging Data and Personalization at Key Event-Driven Decision Points

## INTEGRATED FINANCIAL PRODUCTS

SEEK
WISEBANYAN
GUIDANCE




+




=



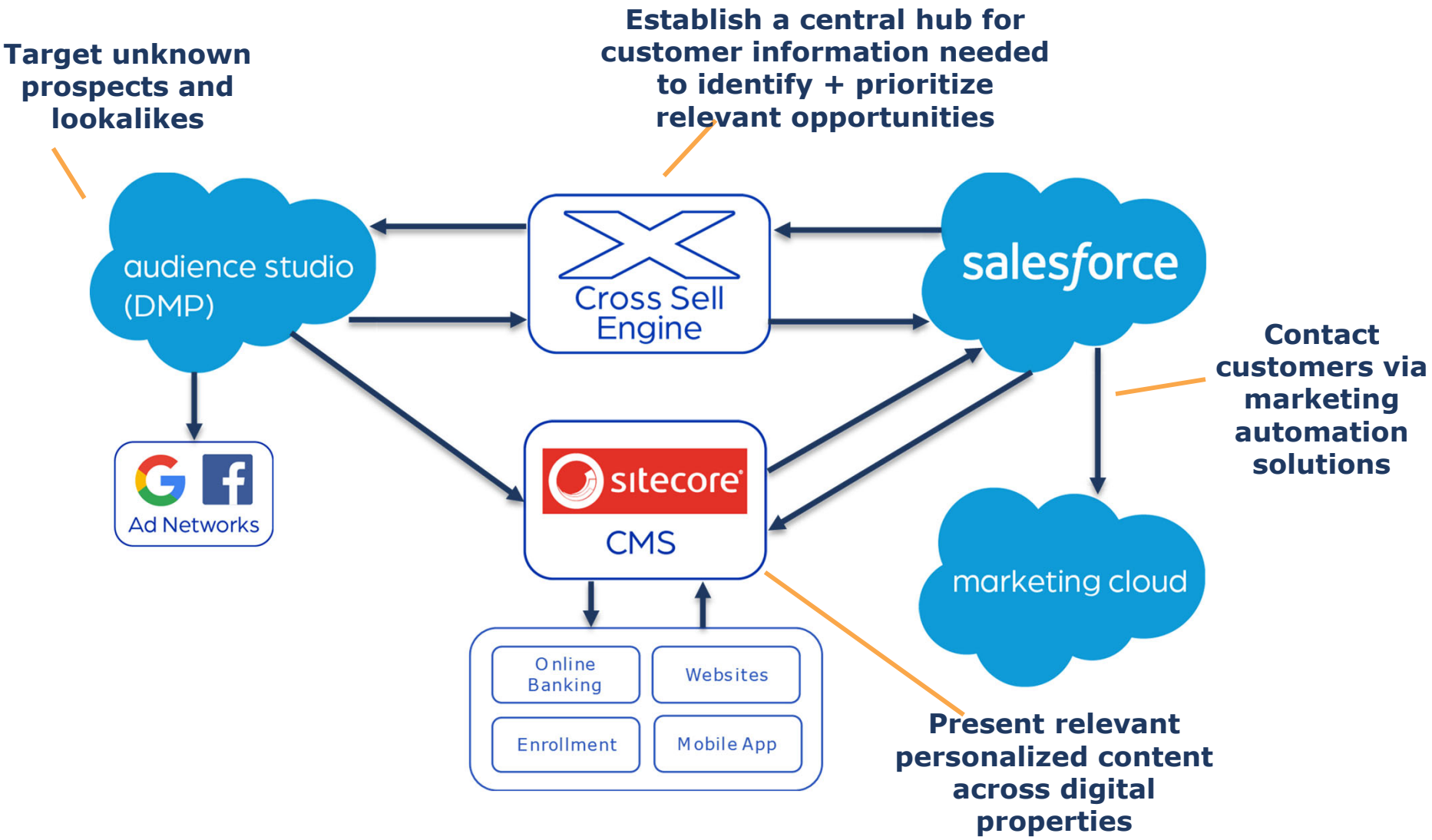

Our recommendation engine already has the capability to integrate a wide variety of financial offerings: savings, credit, purchases, and more

# 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 |

# Personalization Solution Will Increase Consumer Engagement and Lifetime Value

Goal is to present customers with customized and relevant offers at the right time via the right channel



# As We Fully Digitize All Front-End Customer Interactions, Operational Efficiency Gains Also Become Possible

**Online Banking Customer Interaction**

- Provide compelling customer value proposition to use online banking
- Intelligent, personalized, automated campaigns to develop customer confidence in our messages
- Utilization of multiple channels to deliver information that reflects customer preferences

**Customer Self Service**

- Expand digital channels and leverage omnichannel AI Hub across multiple channels, to streamline interactions
  - Easy to use self help via intelligent, automated platforms such as conversational.ai to make it easy to get what's wanted, when it's wanted, anytime, anywhere
  - Customer seamlessly switches from one channel to another e.g. IVR, Chatbot, Facebook Messenger, etc.

**Operational Efficiency**

- Customer centric operational efficiencies reduce cost, while accelerating delivery of customer requests
- Efficiencies are delivered using tools such as our robotic process automation platform, or low code platform to automate high volume, repetitive processes

# Holistic Credit Risk Management

## What We Do

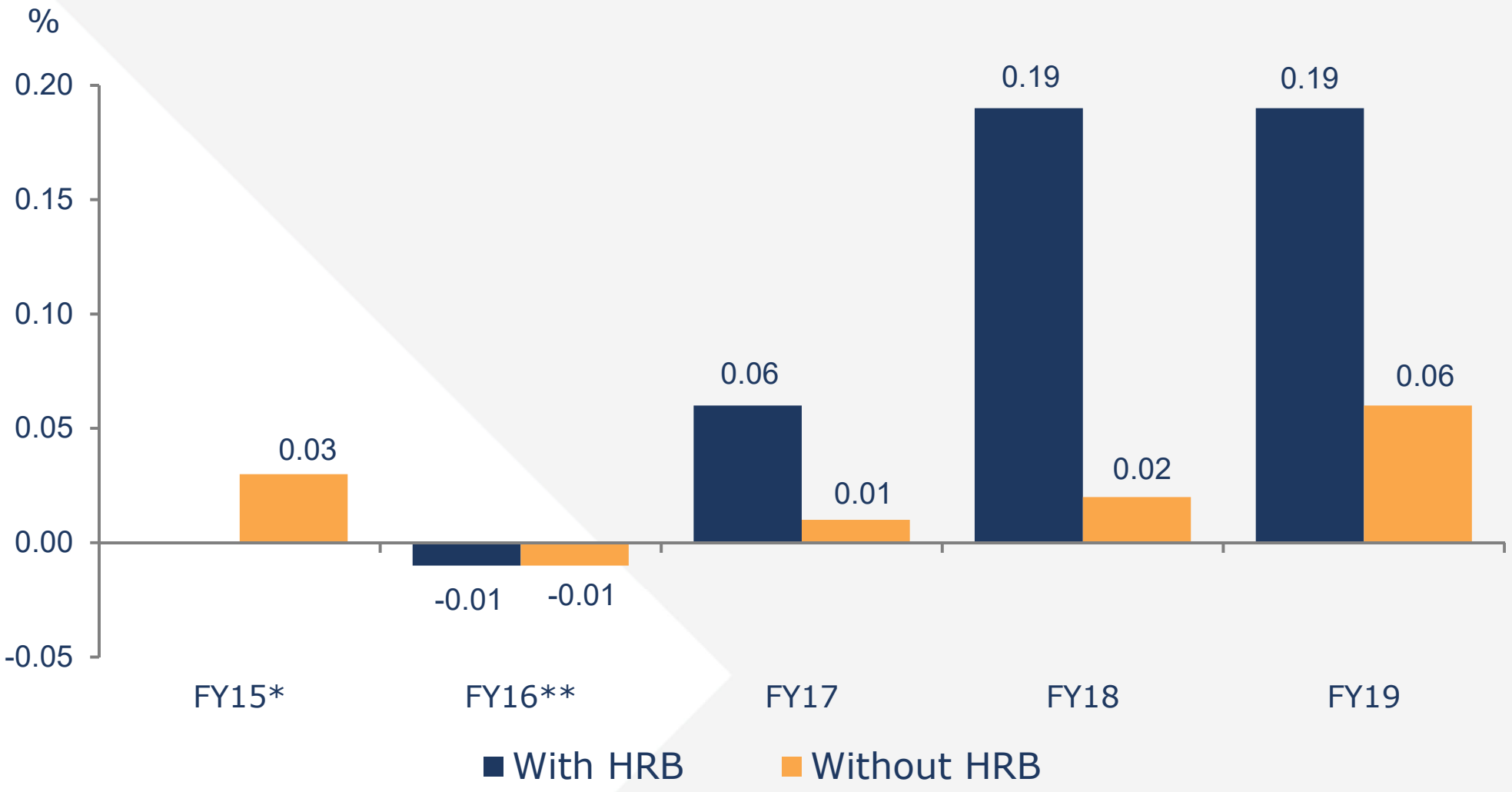
Utilize a holistic credit-risk management framework to manage and monitor credit quality at each stage of the loan life cycle, and leverage specialized Credit Tools to optimize monitoring and reporting capabilities

**Credit Monitoring & Oversight**

| | | | | | |
|---|---|---|---|---|---|
| **Loan Life Cycle** | **Set Appetite** | **Originations** | **Portfolio Management** | **Reporting** | **Special Assets** |
| **Axos Credit Objectives** | **Establish Credit Framework and Culture** | **Safe Growth** | **Monitor Assets Throughout Life Cycle** | **Data-Driven Decision Making** | **Mitigate Problem Loans** |
| **Example of Credit Tools** | • **Board of Directors**<br>• **Annual Strategic Plan**<br>• **Corporate Governance**<br>• **Policies & Approval Authorities** | PCLENDER, CLOS, CoStar Group, RIMS | iRisk, LERETA | REIS, Microsoft SQL Server | iRisk, LERETA |

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

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




*For FY15, there were no co-branded HRB products.
**For FY16, there were no HRB related charge-offs with $16M of annual average loan balances.

# Diversified Funding and Liquidity

Strong Profitability and Liquidity Support Organic Growth

## Consumer and Commercial Deposits

- Axos Advisors
- Consumer Direct
- Small Business Banking
- Specialty Commercial Deposits

## Non-Interest-Bearing Deposits

- Axos Fiduciary Services
- Commercial Cash/Treasury Management
- Prepaid Consumer Debit Cards

## Off Balance Sheet Funding*

- Axos Fiduciary Services - $45 million
- Axos Clearing - $413 million
- FHLB - $3.1 billion
- Federal Reserve Discount Window - $1.4 billion

## Strong Capital Ratios*

- Tier 1 Capital: 11.62% (Bank)
- Tier 1 Leverage: 8.72% (Bank)
- Total Capital: 12.96% (Holdco)
- TCE/TA: 8.66% (Holdco)
- Tangible Book Value/Share: $17.46

*3/31/20

# Contact Information

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