

Axos Acquires E*TRADE Advisor Services

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NYSE: AX

axos™
Banking Evolved℠

Safe Harbor



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Deal Summary

Axos Clearing will acquire certain assets and liabilities related to E*TRADE Advisor Services (EAS):

1) $55 million cash purchase price paid at closing from Axos Financial
2) Includes $23 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 complement Axos Clearing's product offering

Strategic and Financial Benefits

1) Adds a proprietary, turnkey technology platform to generate low-cost core deposits
2) Increases Axos' non-interest income by 33%(1)
3) Provides cross-sell opportunities across securities clearing, deposit & lending products to 200+ advisors and 148,000+ wealth management clients
4) Accretive to EPS - projected 1% accretion in FY 2022 and 5% in FY 2023(2)
5) Projected tangible book value earn-back in ~3 years

Calendar Q3 2021 Projected Closing Date

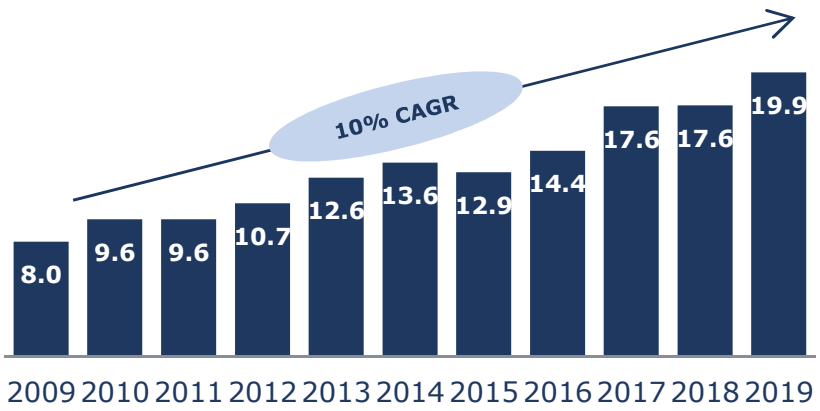
(1) Based on Axos' FY 2021 non-interest income (excluding HRB-related fees) of $94mm and EAS's calendar year 2020 fee-based revenues of $31.3mm
(2) Excludes $1.0mm one-time deal-related expenses

E*TRADE Advisor Services (EAS) At A Glance

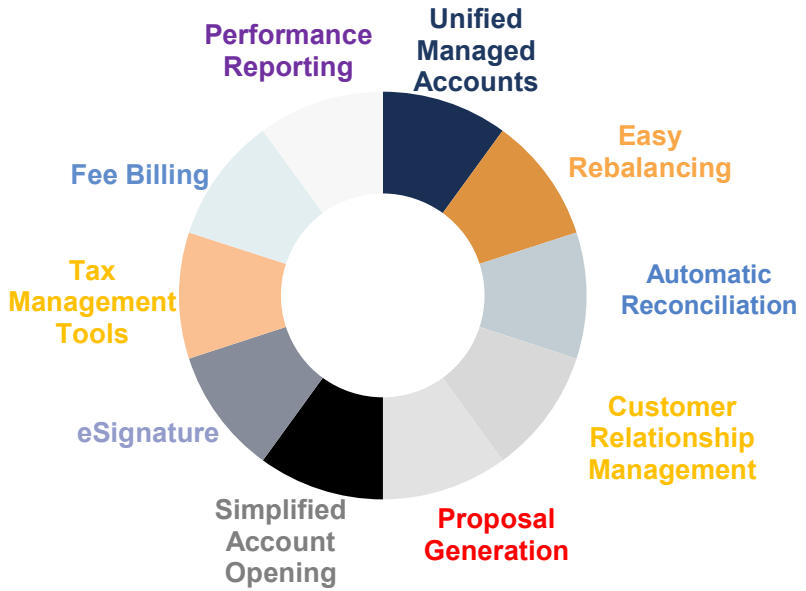
Overview

- Founded in 1972 as Trust Company of America (TCA)
- Headquartered in Centennial, CO; ~180 FTEs
- Acquisition by E*TRADE was announced in October 2017 and transaction closed in April 2018
- A leading B2B provider of custody and technology solutions to RIAs and advisors via the Liberty Platform
- Best-in-class trading, rebalancing and reporting technology
- Custody solutions enhance Liberty platform with seamless functionality, safety and efficiency
- Liberty platform built on proprietary web-based software
- Focused on delivering superior service and being a key part in propelling the success of RIAs

Assets Under Custody ($Bn)



Liberty Provides A Comprehensive Turnkey Platform



Serving 173 RIAs[1] ($1M+ AUC)
~$23B Assets Under Custody[2] (AUC)

TAMPs
64% of Total AUC[3]

Turnkey Asset Management Platform, relies on Reps to gather assets and maintain relationship with investor

Traditional RIAs
33% of Total AUC[3]

Gathers and manages assets, works directly with investor

Small RIAs
4% of Total AUC[3]

Advisors with <$25M in AUC

Note: Data as of 11/30/2020
1. 200 total advisors on Liberty platform; advisors with <$1M AUC comprise <$4M in total assets
2. Includes $226M 401K AUC
3. Excludes $226M 401K AUC

Competitive Positioning

High-touch model focused on serving independent RIAs with no conflicts of interest

Advisors

More Efficient Investment Management

- ✓ Multiple strategies per account
- ✓ Highly flexible trade execution
- ✓ Ability to service fractional shares
- ✓ Advanced rebalancing
- ✓ Fully integrated: no tech add-ons needed

Seamless Account Management

- ✓ Effective performance tracking
- ✓ Simple account reconciliation
- ✓ Seamless fee processing / billing
- ✓ Low-friction process for cash demands
- ✓ Asset-based pricing – no transaction fees
- ✓ Platform flexibility between major operating systems and mobile

E*TRADE ADVISOR SERVICES

Provides a comprehensive technology platform to financial advisors and RIA Firms

Advisors / RIA Firms

Better Service and Support

- ✓ Dedicated conversion / strategic business consultants
- ✓ Single point of contact for client services
- ✓ Extremely efficient conversion process
- ✓ Custom marketing and branding support
- ✓ High satisfaction with client service team[1]
- ✓ Highest service levels in the industry

RIA Firms

Greater Scalability

- ✓ More efficient account management
- ✓ Grow AUM and net income without growing staff size
- ✓ Money Manager X-Change
- ✓ Small account solution
- ✓ Manage reps more effectively

A Non-Competitive Partner

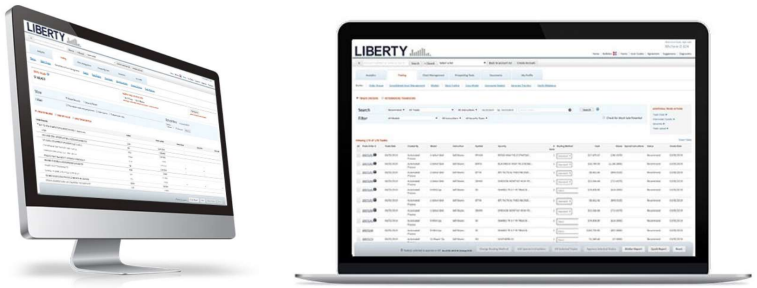
- ✓ Focused on B2B segment
- ✓ No proprietary funds or strategies
- ✓ Private labeling to help build client brand
- ✓ Flexible and adaptable partner
- ✓ Sole focus is serving RIAs

Comprehensive RIA Custody Platform

Holistic Software Platform

Liberty Platform

- Portfolio Management & Trading
- Managed Investment Solutions
- Reporting + Analysis
- Operational Tools
- Growth Tools



42 APIs

Connecting with External Capabilities

Best of Breed 3rd Party Point Solutions

CRM	Risk Profiling	Planning
Aggregation	Digital / Robo	Compliance
Document Management	Tax Prep Software	Personal Finance

- Advisor's Proprietary Software
- Executing Brokers
- Money Managers
- FIX Trading Connections

Private Labeled Reports / Website



Statements



Website

Fully Mobile Solutions

- Dedicated mobile app for both advisors and clients



End-to-End Technology Stack

Liberty

 Liberty Website  Mobile & Tablet Apps

Vendor and API Integration Layer

Portfolio Management System / OMS
(Envestnet, Orion, etc.)

Public APIs
Portfolio Files
FIX Trading

Middle & Back Office Layers

ALF – Custody, Portfolio Management and Model Rebalancing

Provides all custody and back-office functions, including tax reporting, statements, transaction processing, etc.

Omnibus Execution / Custody

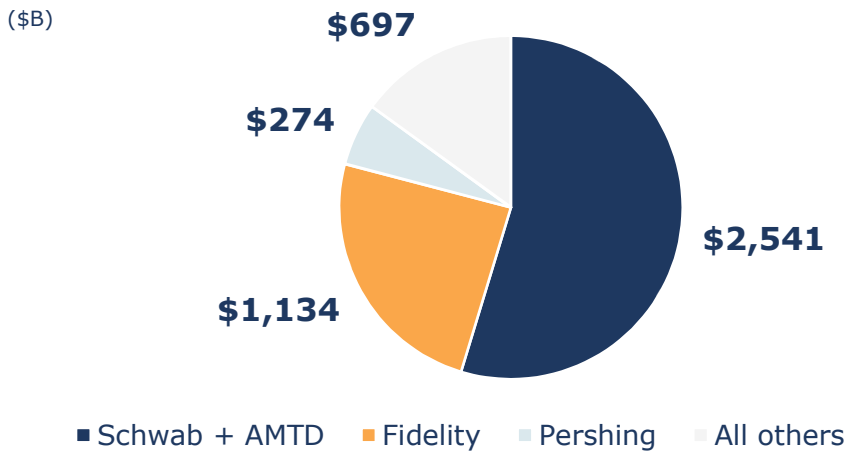
JPM (Equities)

FundServ (MF)

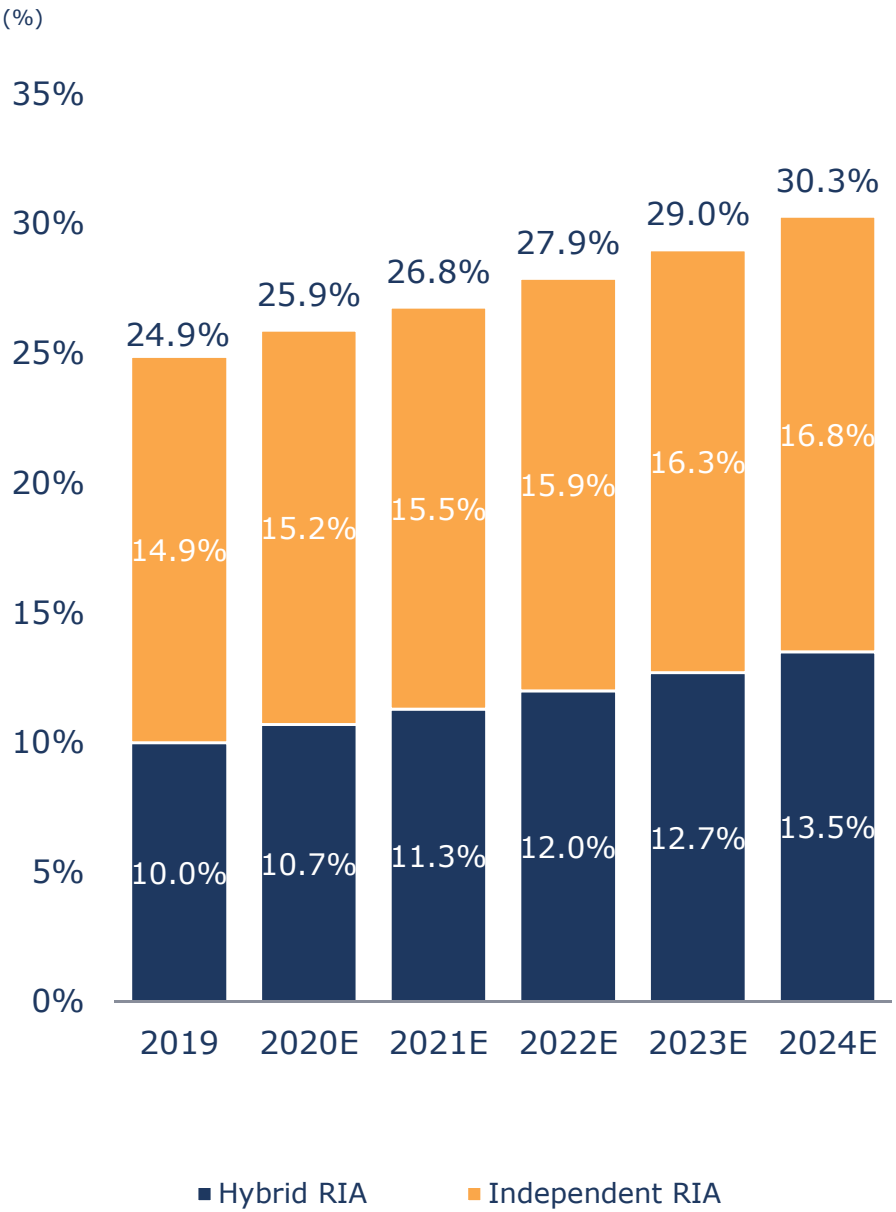
Acquisition Makes Axos a Top 5 RIA Custodian in Large and Growing Market

- RIAs managed ~$5.7T of retail-focused assets at year end 2019
- **RIAs account for ~25% of total assets; by year end 2024, RIAs are expected to control 30% of industry assets**
- Three custodians represent 85% of AUC among retail RIA custodians
  - With the closing of SCHW / AMTD, EAS is well positioned to capitalize on industry disruption and attract growth-oriented advisors
  - Advisor consolidation within the industry positions EAS as a natural alternative for custody diversification, as advisors prefer having multiple custodial relationships
  - Pricing dynamics are continuing to evolve in the commission-free environment, presenting an opportunity to revamp the pricing model

2019 Assets Under Custody



Projected Asset Market Share



Source: Cerulli Research, November 2020

Long-Term Revenue and Expense Synergies

Revenue Synergies*

Axos Securities:

- Margin Loans
- Securities Lending
- Fixed Income Trading
- Payment for 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
- HR
- Customer Service
- IT Infrastructure/Dev

Axos Consumer Banking:

- Deposit Funding Costs
- Deposit Servicing Costs
- Client Acquisition Costs

Axos Business Banking:

- Deposit Funding Costs
- Client Acquisition Costs

*Not included in EPS accretion or tangible book value earn-back analysis

Compelling Benefits for Key Stakeholders

Employees

Entrepreneurial culture and strategic alignment

Expands opportunities for personal and professional development

Shared resources will drive productivity and growth



Shareholders

Adds turnkey, scalable tech platform to generate low-cost deposits & fee income

Accelerates Axos Securities' time-to-scale

Strong returns and EPS accretion

Clients

Continuity of technology, service, personnel & leadership

Commitment to reinvest in people, systems, products & value-added services

Opportunities to expand products, marketing & distribution

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