



# Axos Q3 2021 Earnings Supplement

April 29, 2021

NYSE: AX

**axos**<sup>TM</sup>  
Banking Evolved<sup>SM</sup>

# 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, including the acquisition of E\*TRADE Advisor Services, estimates of capital expenditures, plans for future operations, products or services, the effects of the COVID-19 pandemic, 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, 2020, Form 10-Q for the quarter ended March 31, 2021 and our last earnings press release. 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.

# Net Loan Growth by Category for Third Quarter Ended March 31, 2021



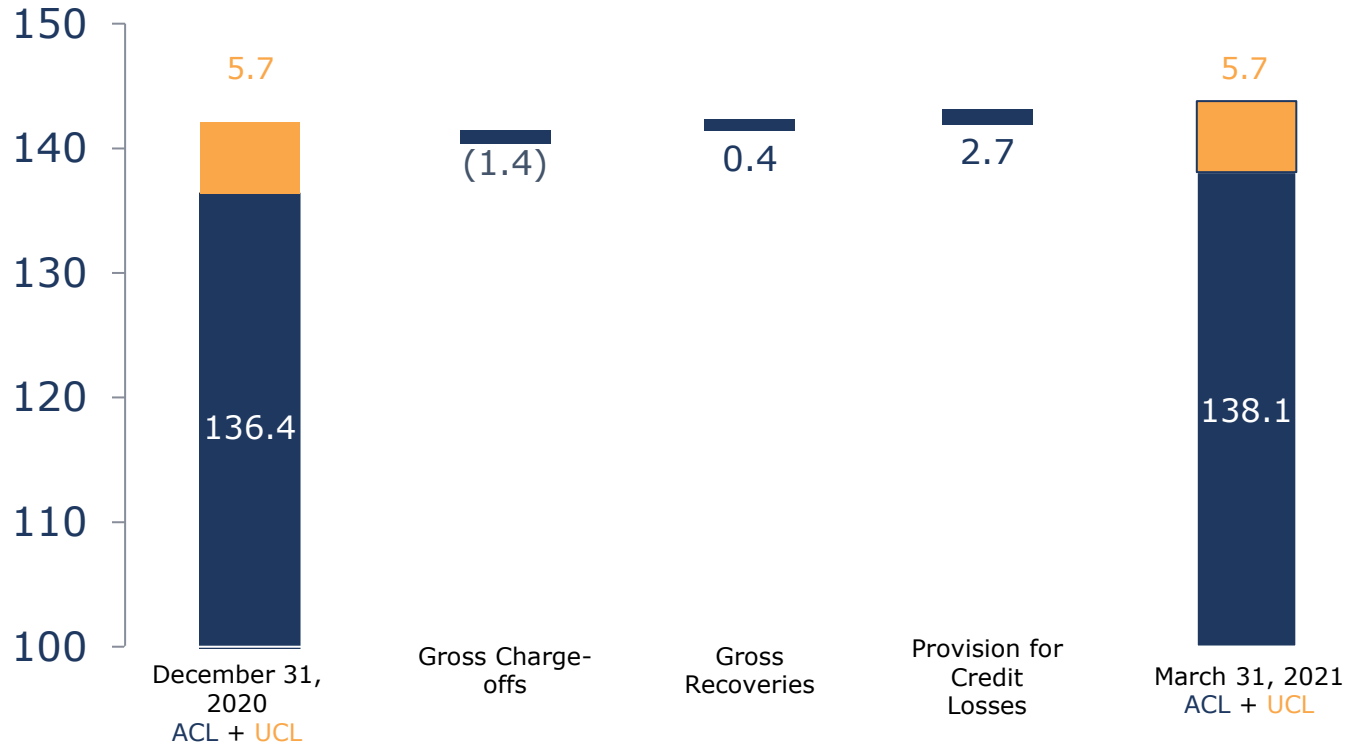
			\$ Millions			
			Q3 FY21	Q2 FY21	Inc (Dec)	
<b>Loans &amp; Leases</b>	<b>Single Family Mortgage &amp; Warehouse</b>	<b>Jumbo Mortgage</b>	\$3,931	\$4,068	(\$137)	
		<b>SF Warehouse Lending</b>	968	1,185	(\$217)	
	<b>Multifamily &amp; SB Commercial Mortgage</b>	<b>Multifamily</b>	1,963	1,930	33	
		<b>Small Balance Commercial</b>	461	433	28	
	<b>Commercial Real Estate</b>	<b>CRE Specialty</b>	2,911	2,586	325	
		<b>Lender Finance RE</b>	132	135	(3)	
	<b>Commercial &amp; Industrial Non-RE</b>	<b>Lender Finance Non RE</b>	523	510	13	
		<b>Equipment Leasing</b>	121	130	(9)	
		<b>SBLOC &amp; Other</b>	387	293	94	
	<b>Auto &amp; Consumer</b>	<b>Auto</b>	266	269	(3)	
		<b>Unsecured / OD</b>	58	58	-	
	<b>Other</b>	<b>PPP</b>	125	140	(15)	
		<b>Refund Advance &amp; Other</b>	10	12	(2)	
				\$11,856	\$11,749	\$107

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



(\$ in millions)

\$M



# Allowance for Credit Losses (ACL) by Loan and Lease Category at March 31, 2021



		\$ Millions		
		<u>Loan Balance</u>	<u>ACL \$</u>	<u>ACL %</u>
<b>Loans &amp; Leases</b>	Single Family Mortgage and Warehouse	\$4,899.2	\$29.9	0.61%
	Multifamily & SB Commercial Mortgage	2,424.2	13.4	0.55%
	Commercial Real Estate	3,042.9	56.3	1.85%
	Commercial & Industrial Non-RE	1,030.9	23.7	2.30%
	Auto & Consumer	323.6	7.2	2.22%
	Other	135.7	7.6	5.60%
		<u>\$11,856.5</u>	<u>\$138.1</u>	<u>1.16%</u>

## No Loans in Forbearance and Decreasing NPAs

<u>12/31/2020</u>	<u>Loans O/S</u>	<u>Loans in Forbearance or Deferral</u>	<u>%</u>	<u>NPAs</u>	<u>%</u>
Single Family-Mortgage & Warehouse	\$5,252.8	\$0.0	0.00%	\$117.2	2.23%
Multifamily and Commercial Mortgage	\$2,363.0	\$0.0	0.00%	\$32.1	1.36%
Commercial Real Estate	\$2,720.9	\$0.0	0.00%	\$16.6	0.61%
Commercial & Industrial - Non-RE	\$933.1	\$0.0	0.00%	\$3.0	0.32%
Auto & Consumer	\$327.3	\$0.0	0.00%	\$0.4	0.11%
Other	\$151.5	\$0.0	0.00%	\$0.0	0.00%
Total	\$11,748.6	\$0.0	0.00%	\$169.3	1.44%
<u>3/31/2021</u>	<u>Loans O/S</u>	<u>Loans in Forbearance or Deferral</u>	<u>%</u>	<u>NPAs</u>	<u>%</u>
Single Family-Mortgage & Warehouse	\$4,899.2	\$0.0	0.00%	\$85.0	1.74%
Multifamily and Commercial Mortgage	\$2,424.2	\$0.0	0.00%	\$30.8	1.27%
Commercial Real Estate	\$3,042.9	\$0.0	0.00%	\$16.4	0.54%
Commercial & Industrial - Non-RE	\$1,030.9	\$0.0	0.00%	\$3.0	0.29%
Auto & Consumer	\$323.6	\$0.0	0.00%	\$0.4	0.12%
Other	\$135.7	\$0.0	0.00%	\$0.0	0.00%
Total	\$11,856.5	\$0.0	0.00%	\$135.6	1.14%
<u>Change from 12/31/20 to 3/31/21</u>	<u>Loans O/S</u>	<u>Loans in Forbearance or Deferral</u>		<u>NPAs</u>	
Single Family-Mortgage & Warehouse	-\$353.6	\$0.0		-\$32.2	
Multifamily and Commercial Mortgage	\$61.2	\$0.0		-\$1.2	
Commercial Real Estate	\$322.0	\$0.0		-\$0.2	
Commercial & Industrial - Non-RE	\$97.8	\$0.0		\$0.0	
Auto & Consumer	-\$3.7	\$0.0		\$0.0	
Other	-\$15.8	\$0.0		\$0.0	
Total	\$107.9	\$0.0		-\$33.6	

# E\*TRADE Advisor Services Acquisition

# E\*TRADE Advisor Services Acquisition



Axos Clearing will acquire certain assets and deposits 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 compliment Axos Clearing's product offering
- 5) Own proprietary front- and back-end RIA custody technology platform

## Strategic and Financial Benefits

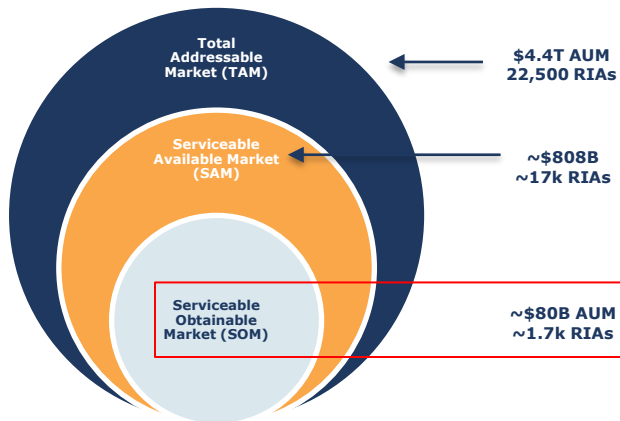
- 1) Adds a turnkey technology platform to generate low-cost core deposits
- 2) Increases Axos' non-interest income by 33%<sup>(1)</sup>
- 3) Provides cross-sell opportunities across securities clearing, deposit & lending products to 200+ advisors and 148,000+ wealth management clients
- 4) Accretive to EPS - projected 1% accretion in FY 2022 and 5% in FY 2023<sup>(2)</sup>
- 5) 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 Sea's calendar year 2020 fee-based revenues of \$31.3mm  
(2) Assumes approximately 75 bps earned on EAS' client cash deposits and \$3.6 million interest expense savings from a 4-5 bps reduction in Axos Bank's interest-bearing checking, savings and money market funding costs in FY 2022; excludes \$1.0mm one-time deal-related expenses

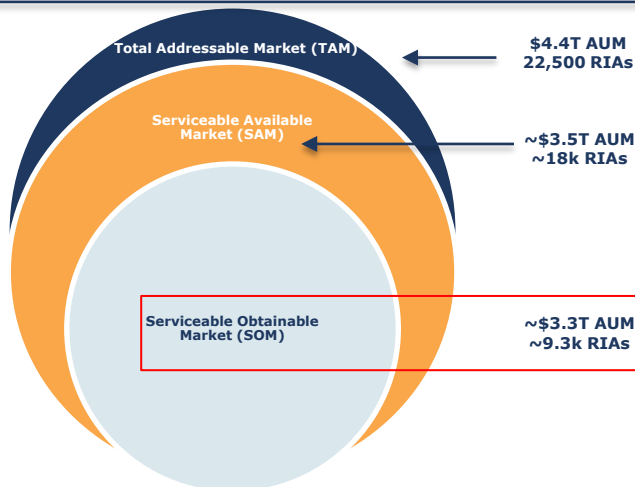


# EAS Expands Axos' Total Addressable Market



## Axos - Standalone

- Axos Advisor Services is a new brand. It will take significant marketing and business development effort to create brand awareness among TAM RIA prospects.
- Undeveloped RIA specific people, process and technology capabilities will limit SAM to the RIA cohorts operating in the <\$250M AUM segment of the RIA channel.
- SOM opportunity is likely limited to 10% of SAM due to lack of brand awareness, platform gaps, RIA complacency, switching costs & pricing elasticity.

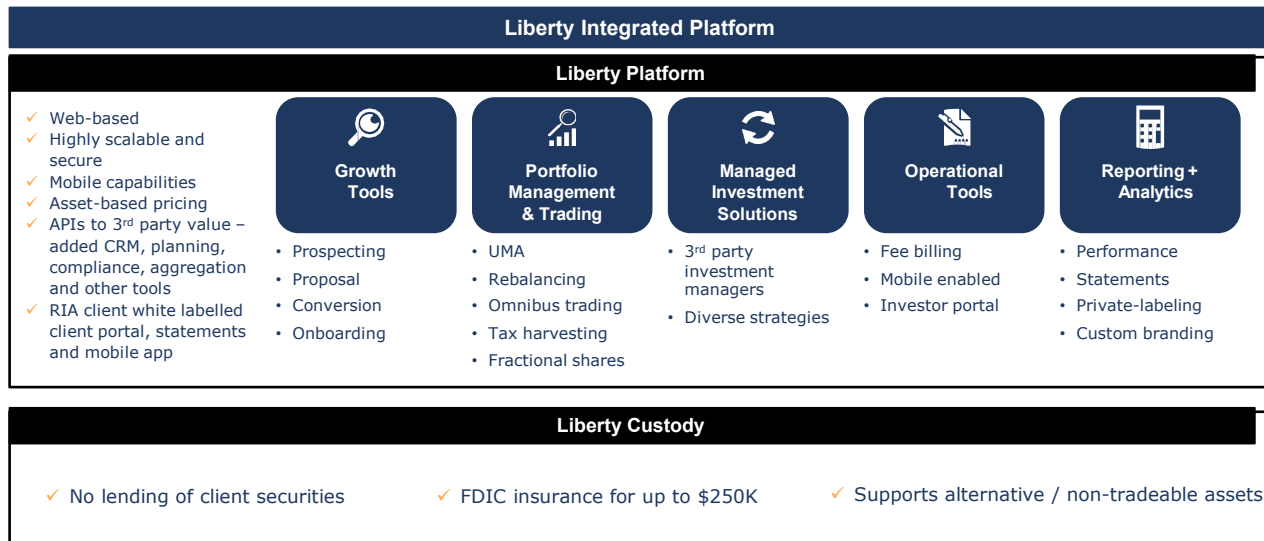


## Axos + EAS

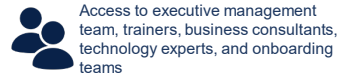
- The TCA/E\*TRADE acquisition instantly gives Axos Advisor Services brand recognition and credibility among TAM RIA prospects.
- Once the Liberty platform is available through Axos and current platform limitations are addressed (margin/options capabilities), the SAM expands to 80% of TAM. Essentially, RIAs in each cohort group are now potential clients.
- SOM opportunity within RIA cohorts in the <\$250M AUM segment increases to 50% and in the >\$250M AUM segment increases to 25%.
- **WE NOW HAVE AN OPPORTUNITY TO SIGNIFICANTLY CHALLENGE THE INCUMBENTS!**

# Adds a Scalable Technology Platform

## > E\*TRADE Advisor Services Platform Overview



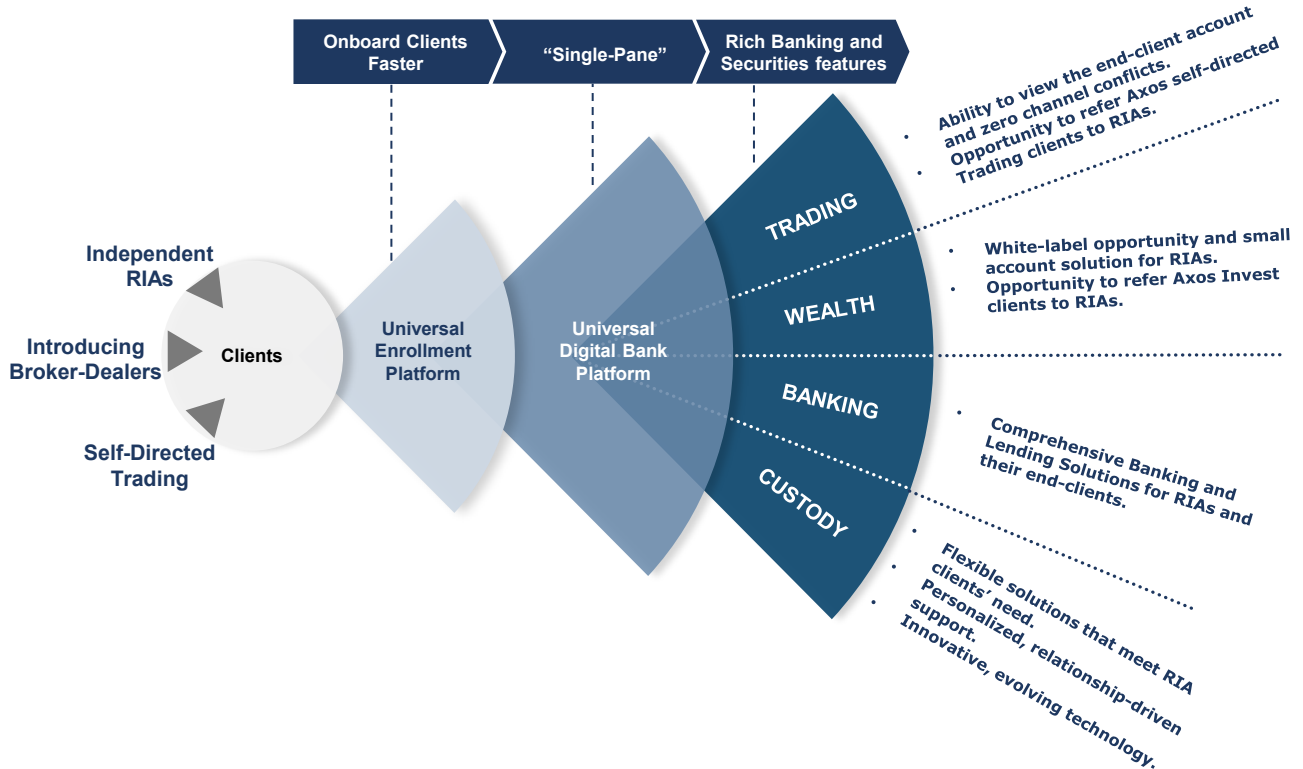
### Supported by High-Touch, Best-In-Class Client Service



*Helping advisors drive efficiencies so they can focus on building and sustaining their long-term client relationships*

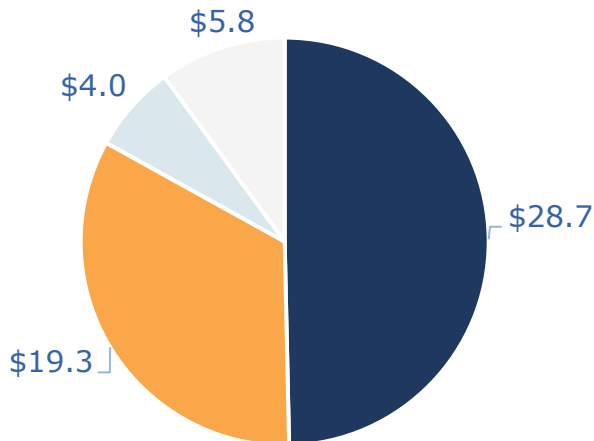
# Enhances Axos' Securities Strategic Vision

Leveraging Bank's existing digital platforms provides a truly differentiated client experience for Independent RIAs.



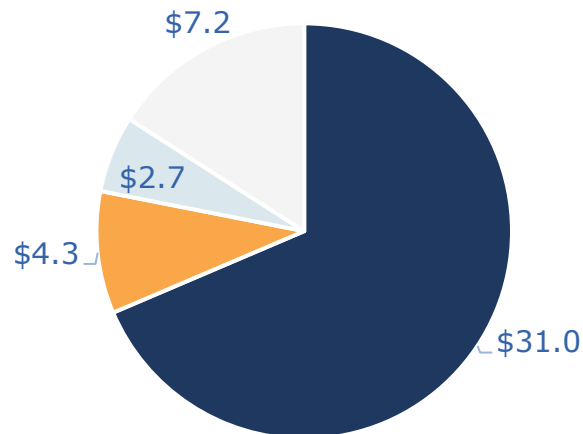
## Diversified Mix of Asset- and Transaction-based Revenues

### 2020 Net Revenues (\$MM)\*



- Net Interest Income
- Custody Fees
- Mutual Fund Fees
- Other Fees

### 2020 Operating Expenses (\$MM)



- Comp/Benefits
- Marketing
- Occupancy
- Other Expenses

\*2020 Net Interest Income was generated from 2.21% Net Interest Margin earned by E\*TRADE Savings Bank from holding investment securities that are not being acquired by Axos

## Revenue Synergies\*

### **Axos Securities:**

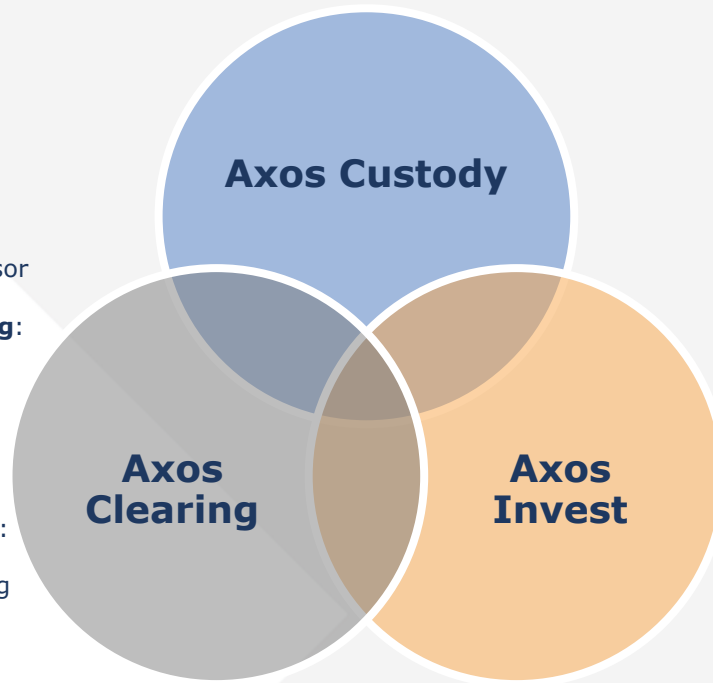
- Margin Loans
- Securities Lending
- Fixed Income Trading
- Order Flow
- White-label Robo Advisor

### **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

## \$55M Purchase Price for EAS is ~0.2% of Assets Under Custody

### E\*TRADE Financial Acquires TCA

---

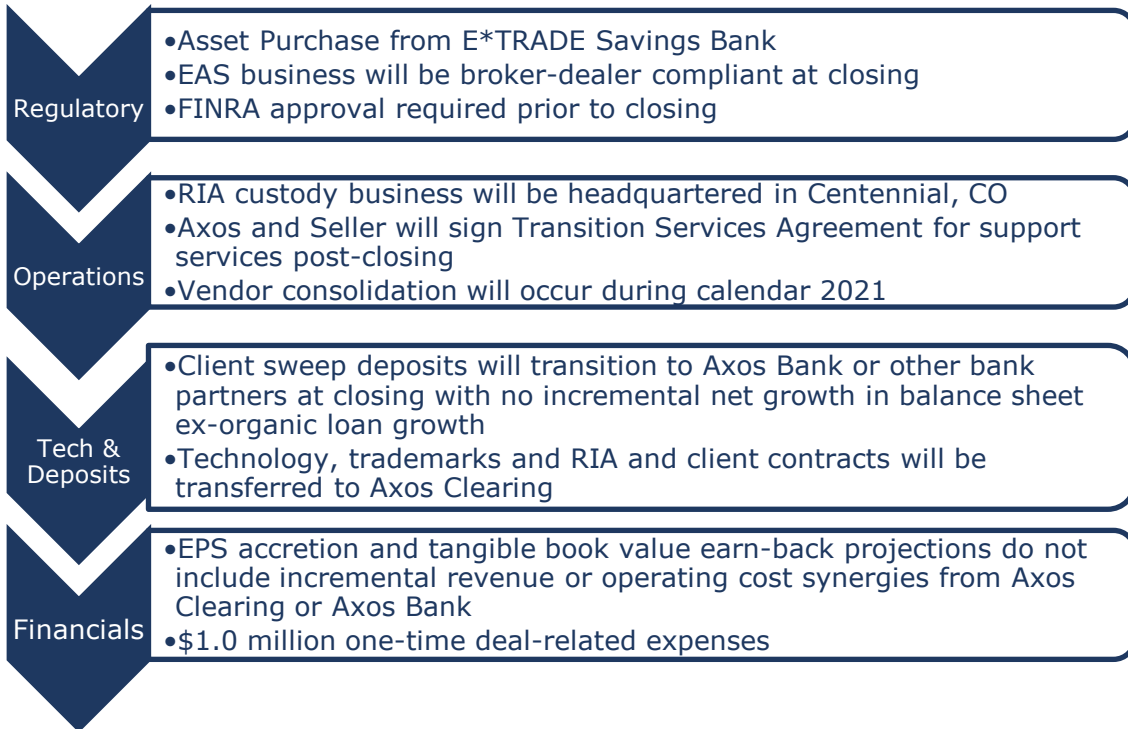
- › Founded in 1972
- › Acquisition Date – April 9, 2018
- › Fed Funds Rate – 175 basis points
- › Cost of Funds – 1 basis point
- › Headquarters – Centennial, CO
- › Purchase Price - \$275 million
- › **% of AUC – 1.5%**
- › AUC - \$18.3 billion
- › Client Cash Balances - \$1.6 billion
- › RIA Clients – 200+
- › FTEs – 190
- › Technology Platform - Liberty

### Goldman Sachs Acquires Folio Financial, Inc.

---

- › Founded in 2000
- › Acquisition Date – September 18, 2020
- › Fed Funds Rate – 0 basis points
- › Cost of Funds – 1 basis point
- › Headquarters – McClean, VA
- › Purchase Price - \$250 million
- › **% of AUC – 2.3%**
- › AUC - \$11 billion AUC
- › Client Cash Balances - \$1 billion
- › RIA Clients - 467
- › FTEs – 160
- › Technology Platform – FolioFn

# Transaction Milestones



**Greg Garrabrants, President and CEO**  
**Andy Micheletti, EVP/CFO**

investors@axosfinancial.com  
www.axosfinancial.com

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

Phone: 858.649.2218  
Mobile: 858.245.1442  
jlai@axosfinancial.com