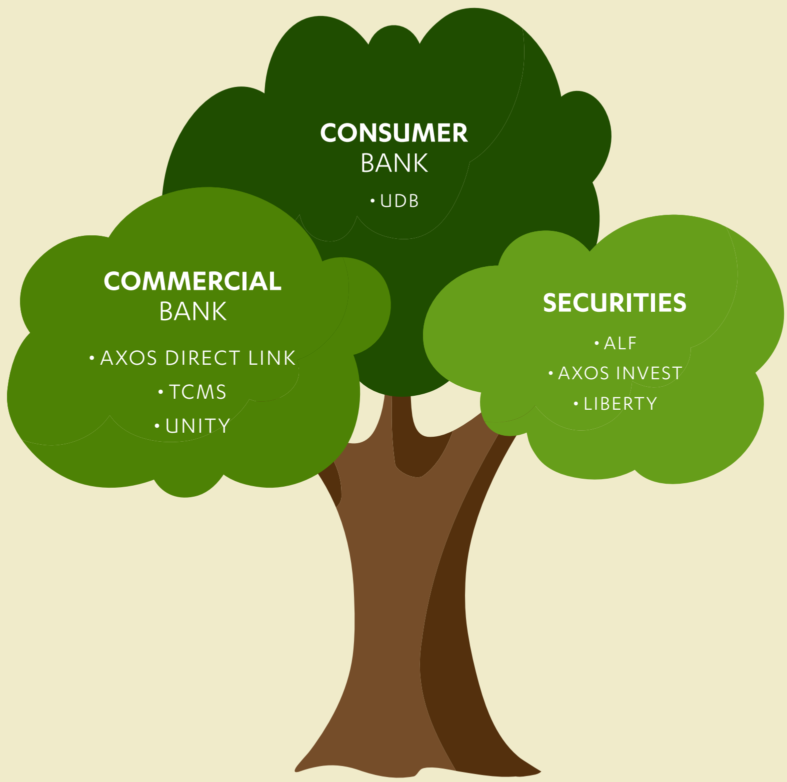
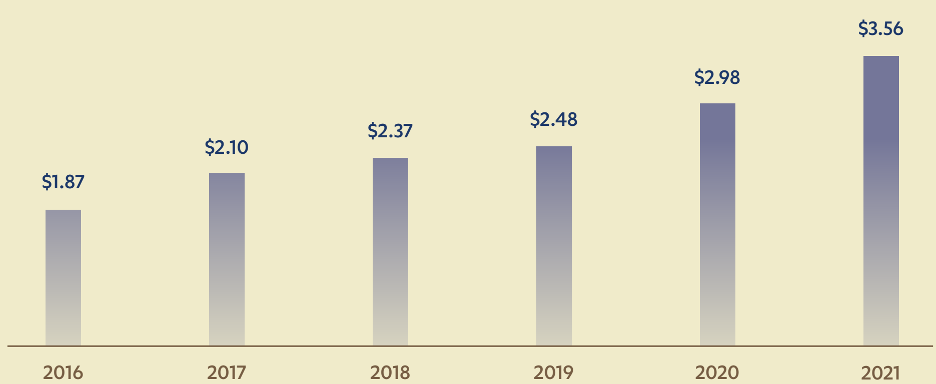
CULTIVATING OPPORTUNITIES FOR GROWTH

AXOS FINANCIAL, INC.

2021 ANNUAL REPORT



AXOS
TECH-ENABLED
SERVICES MODEL



ANNUAL DILUTED
EARNINGS PER SHARE

DEAR FELLOW STOCKHOLDERS:

We achieved record net income of $215.7 million and earnings per share of $3.56 in fiscal year 2021, representing 17.6% and 19.5% growth, respectively. Despite ending our relationship with H&R Block, we generated record fee income of $105.3 million, led by strong mortgage banking and broker dealer income. Our consistent growth in earnings and EPS over the past decade is a byproduct of strong organic growth in our mature businesses, opportunistic investment in technology, processes, and M&A, solid execution by our talented team members, and prudent capital management.

We successfully maintained a strong net interest margin of 3.92% by offsetting the negative impact of excess liquidity with a 93 basis point improvement in our interest-bearing funding costs. Our net interest margin for the banking business was 4.11%, representing an increase of 23 basis points when you exclude the impact of our discontinued tax-related lending products. Strong growth in our broker-dealer sweep deposits, small business banking deposits and commercial specialty deposits positions us well for an eventual rise in interest rates. The addition of $1.2 billion of low-cost deposits from our ETRADE Advisor Services acquisition, which closed on August 2, 2021, further diversifies our funding. The radical transformation in our deposit franchise underscores that some of our strategic investments are starting to bear fruit.

Despite the volatile credit environment of this past fiscal year, as we approach the $15 billion asset milestone, our net annualized charge-offs to average loans excluding tax loan products was 7 basis points in fiscal 2021, essentially unchanged from the prior year. The combination of solid loan and fee income growth, stable net interest margin, and low credit costs is the formula we will deploy to generate EPS and book value per share growth for the next phase of our life cycle.

OTHER HIGHLIGHTS IN FISCAL YEAR 2021 WERE:

- Achieved record mortgage banking income of $42.2 million
- Grew loan originations for investment by 7.4% to $7.3 billion
- Increased non-interest bearing deposits to $2.5 billion, representing approximately 23% of total deposits at June 30, 2021
- Awarded a “Silver” Medal by J.P. Morgan’s U.S. Mid- and Small-Cap Banks 2021 Bank Olympics
- Maintained strong capital ratios – 8.82% and 9.45% Tier 1 Leverage for Axos Financial and Axos Bank, respectively

A pivotal part of our success over the past two decades has been our consistent investments to diversify our lending, fee income and funding. Over five years ago, we recognized the need to control the user experience and back-end technology infrastructure by maintaining an open-architecture for our consumer banking. That led to a multi-year investment in our digital consumer banking software – Universal Digital Banking Platform (UDB) – to modernize and scale our deposit and lending platforms for what we believe the future of banking will become. We were able to monetize that investment through the acquisition of Nationwide's consumer bank and subsequent launch of a white label instance of Nationwide's online and mobile bank. More recently, we integrated our robo advisor Axos Invest into UDB and launched self-directed securities trading on the same flexible direct-to-consumer platform. By controlling our UDB software, we are able to add new features and functionalities and launch new products and services quickly and cost-effectively while constantly improving the user experience.

"The addition of approximately $25 billion of assets under custody across nearly 200 independent RIA firms, including $1.2 billion of client cash sweeps, provides significant scale and revenue opportunities in a large and growing market."

Axos Securities – comprised of our clearing and custody services to registered investment advisors (RIAs) and independent broker dealers (IBDs), and our direct-to-consumer digital wealth management and commission-free securities trading businesses – continues to develop. Since our acquisition of COR Clearing in early 2019, we have expanded the number of IBD clients, added new products, grown margin and stock lending balances and increased our client sweep deposits by nearly $300 million. We believe we are beginning to hit our stride in the overall growth and profitability of Axos Securities.

In August, we closed the acquisition of ETRADE's RIA custody business and rebranded it to Axos Advisor Services (AAS). The addition of approximately $25 billion of assets under custody across nearly 200 independent RIA firms, including $1.2 billion of client cash sweeps, provides significant scale and revenue opportunities in a large and growing market. Equally important, we now own and control Liberty and ALF, a proprietary front- and back-end technology platform, respectively. We intend to upgrade the look-and-feel of Liberty's user interface and add new features and functionalities that will simplify workflows for our clients, their end investors, and servicing team members of AAS. Furthermore, we see meaningful cost and revenue synergies between our clearing and custody operations as we scale both businesses and offer banking and lending services to their end investor clients.

Our clearing and custody businesses share similarities and differences in terms of revenue sources, clients, technologies and growth drivers.

SIMILARITIES AND DIFFERENCES:	CLEARING	CUSTODY
CLIENTS	IBDs	RIAs
ASSETS	Margin Loans SBLOCs Stock Lending	
LIABILITIES	Client Cash Sweeps	Client Cash Sweeps
ASSET-BASED REVENUES	Margin Lending Stock Lending Mutual Fund Fees	Custody Fees Mutual Fund Fees Referral Fees
TRANSACTION-BASED REVENUES	Ticket Charges	12b-1 Fees
GROWTH DRIVERS	Trading Activity Lending Balances Interest from Cash	Assets under Custody Mutual Fund & Referral Fees Interest from Cash

I am excited about the future opportunities in each of our businesses: consumer banking, commercial banking and securities. The convergence of technologies, deposit and lending opportunities between the three businesses expands the addressable market and the number of ways we can monetize these clients. As always, we will strike a balance between investing in our future and delivering value to our clients, team members and stockholders. I thank you for your continued support and invite you and others to join us in this exciting journey ahead.

"The convergence of technologies, deposit and lending opportunities between the three businesses expands the addressable market and the number of ways we can monetize these clients."

Respectfully,

Greg Garrabrants
President and Chief Executive Officer

axos FINANCIAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2021

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-37709

AXOS FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0867444**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9205 West Russell Road, Suite 400, Las Vegas, NV	**89148**
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: **(858) 649-2218**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $.01 par value	**AX**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based upon the closing sales price of the common stock on the New York Stock Exchange of $37.53 on December 31, 2020 was $1,802,220,286.

The number of shares of the registrant's common stock outstanding as of August 21, 2021 was 59,355,332.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders are incorporated by reference into Part III.

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AXOS FINANCIAL, INC.

INDEX

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K may contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include projections, statements of the plans, goals and objectives of management for future operations, statements of future economic performance, assumptions underlying these statements, and other statements that are not statements of historical facts. Words such as “anticipates,” “expects,” “intends,” “plans,” “predicts,” “potential,” “believes,” “seeks,” “estimates,” “should,” “may,” “will” and variations of these words or similar expressions are intended to identify forward-looking statements. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

References in this report to the “Company,” “us,” “we,” “our,” “Axos Financial,” or “Axos” are all to Axos Financial, Inc. on a consolidated basis. References in this report to “Axos Bank,” the “Bank,” or “our bank” are to Axos Bank, one of our consolidated subsidiaries.

Forward-looking statements are subject to significant business, economic and competitive risks, uncertainties and contingencies, many of which are difficult to predict and beyond the control of Axos or the Bank, which could cause our actual results to differ materially from the results expressed or implied in such forward-looking statements. These and other risks, uncertainties and contingencies are described in this Annual Report on Form 10-K, including under “Item 1A. Risk Factors”, and the Company’s other reports filed with the Securities and Exchange Commission (the “SEC”) from time to time.

RISK FACTOR SUMMARY

Investing in our securities involves a high degree of risk. The following is a summary of certain material risks and uncertainties facing our business. This summary is not a complete discussion of the risks and uncertainties affecting us. A more complete discussion of these and other risks and uncertainties is set forth under “Item 1A. Risk Factors” of this Annual Report on Form 10-K. Additional risks not presently known to us or that we presently deem immaterial may also affect us. If any of these risks occur, our business, financial condition or results of operations could be materially and adversely affected.

- *Changes in interest rates;*
- *General economic and market conditions, including the risk of a significant and/or prolonged period of inflation or economic downturn;*
- *The soundness of other financial institutions;*
- *Replacement of the LIBOR benchmark interest rate;*
- *Uncertainties surrounding the severity, duration, and effects of the novel coronavirus (“COVID-19”) pandemic;*
- *Changes in regulation or regulatory oversight, accounting rules, and laws, including tax laws;*
- *Changes to our size and structure;*
- *Policies and regulations enacted by the Consumer Financial Protection Bureau;*
- *Changes in real estate values;*
- *Possible defaults on our mortgage loans;*
- *Potential other-than-temporary impairment on securities held in our portfolio;*
- *Mortgage buying activity of Fannie Mae and Freddie Mac;*
- *Financial and credit risks associated with commercial and industrial and commercial real estate loans;*
- *The adequacy of our allowance for credit losses;*
- *Changes in the value of goodwill and other intangible assets;*
- *Our risk management processes and procedures effectiveness;*
- *Higher FDIC assessments could negatively impact profitability;*
- *Our broker-dealer business and entry into the investment advisory business;*
- *Our ability to acquire and integrate acquired companies;*
- *The outcome or impact of current or future litigation involving the Company;*
- *Our ability to access the equity capital markets;*
- *Access to adequate funding;*
- *Our ability to manage our growth and deploy assets profitably;*
- *Competition for customers from other banks and financial services companies;*

- *Our ability to maintain and enhance our brand;*
- *Reputational risk associated with any negative publicity;*
- *Failure or circumvention of our controls and procedures;*
- *A natural disaster, especially in California, acts of war or terrorism, civil unrest, public health issues, or other adverse external events;*
- *Our ability to retain the services of key personnel and attract, hire and retain other skilled managers;*
- *Possible exposure to environmental liability;*
- *Our dependence on third-party service providers for core banking and securities transactions technology;*
- *Privacy concerns relating to our technology that could damage our reputation or deter customers from using our products and services;*
- *Risk of systems failure and disruptions to operations;*
- *Breach of information security measures and cybersecurity attacks;*
- *Our reliance on continued and unimpeded access to the internet;*
- *The market price of our common stock may be volatile;*
- *Holders of our common stock may not receive dividends; and*
- *Our charter documents and state law may delay or prevent a change of control or changes in our management which may depress the trading price of our common stock.*

The forward-looking statements contained in this Annual Report on Form 10-K are made on the basis of the views and assumptions of management regarding future events and business performance as of the date this Annual Report on Form 10-K is filed with the SEC. We do not undertake any obligation to update these statements to reflect events or circumstances occurring after the date this report is filed.

PART I

ITEM 1. BUSINESS

Overview

Axos Financial, Inc. is a financial holding company, a diversified financial services company with over $14.3 billion in assets that provides banking and securities products and services to its customers through its online and low-cost distribution channels and affinity partners. Axos Bank has deposit and loan customers nationwide including consumer and business checking, savings and time deposit accounts and financing for single family and multifamily residential properties, small-to-medium size businesses in target sectors, and selected specialty finance receivables. The Bank generates fee income from consumer and business products including fees from loans originated for sale and transaction fees earned from processing payment activity. Our securities products and services are offered through Axos Clearing LLC (“Axos Clearing”), acquired on January 28, 2019 and Axos Invest, Inc. (“Axos Invest”), acquired on February 26, 2019, which generate interest and fee income by providing comprehensive securities clearing services to introducing broker-dealers and registered investment advisor correspondents and digital investment advisory services to retail investors, respectively. Axos Clearing is a clearing broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. (“FINRA”). Axos Invest is a Registered Investment Advisor under the Investment Advisers Act of 1940, that is registered with the SEC. Axos Invest LLC, an introducing broker-dealer that is registered with the SEC and FINRA was acquired together with Axos Invest on February 26, 2019. Axos Financial, Inc.’s common stock is listed on the New York Stock Exchange and is a component of the Russell 2000® Index and the S&P SmallCap 600® Index.

At June 30, 2021, we had total assets of $14.3 billion, loans of $11.5 billion, investment securities of $0.2 billion, total deposits of $10.8 billion and borrowings of $0.6 billion. Because we do not incur the significantly higher fixed operating costs inherent in a branch-based distribution system, we are able to rapidly grow our deposits and assets by providing a better value to our customers and by expanding our low-cost distribution channels.

Our business strategy is to grow our loan originations and our deposits to achieve increased economies of scale and reduce the cost of products and services to our customers by leveraging our distribution channels and technology. We have designed our online banking platform and our workflow processes to handle traditional banking functions with elimination of duplicate and unnecessary paperwork and human intervention. Our Bank’s charter allows us to conduct banking operations in all fifty states, and our online presence allows us increased flexibility to target a large number of loan and deposit customers based on demographics, geography and service needs. Our low-cost distribution channels provide opportunities to increase our core deposits and increase our loan originations by attracting new customers and developing new and innovative products and services. Our securities clearing and custody and digital investment management platforms provide a comprehensive set of technology, clearing, cash management and lending services targeted at independent registered investment advisors and introducing broker-dealers, principals and clients of advisory firms and individuals not affiliated with an investment advisor. We plan to integrate our clearing and wealth management platforms with our banking platform to create an easy to use platform for customers’ banking and investing needs. Over time we expect our Securities Business to generate additional low-cost deposits, which would be available to fund the Banking Business. On August 2, 2021, Axos Clearing closed its acquisition of E*TRADE Advisor Services, a registered investment advisor custody business and renamed it Axos Advisor Services (“AAS”). The addition of AAS provides new sources of fee income and services that complement the Securities Business products, a proprietary, turnkey technology platform to attract new registered investment advisor custody business, and generate low-cost core deposits.

Our long-term business plan includes the following principal objectives:

- Maintain an annualized return on average common stockholders’ equity of 17.0% or better;
- Annually increase average interest-earning assets by 12% or more; and
- Maintain an annualized efficiency ratio at the Bank to a level 40% or lower.

Segment Information

We operate through two operating segments: Banking Business and Securities Business.

The Banking Business includes a broad range of banking services including online banking, concierge banking, and mortgage, vehicle and unsecured lending through online and telephonic distribution channels to serve the needs of consumers and small businesses nationally. In addition, the Banking Business focuses on providing deposit products nationwide to industry verticals (e.g., Title and Escrow), cash management products to a variety of businesses, and commercial & industrial and commercial real estate lending to clients. The Banking Business also includes a bankruptcy trustee and fiduciary service that provides specialized software and consulting services to Chapter 7 bankruptcy and non-Chapter 7 trustees and fiduciaries.

The Securities Business includes the Clearing Broker-Dealer, Registered Investment Advisor, and Introducing Broker-Dealer lines of businesses. These lines of business offer products independently to their own customers as well as to Banking Business clients. The products offered by the lines of business in the Securities Business primarily generate net interest and non-banking service fee income.

Segment results are determined based upon the management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around the organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions or in accordance with generally accepted accounting principles.

The Company evaluates performance and allocates resources based on profit or loss from operations. There are no material inter-segment sales or transfers. Certain corporate administration costs and income taxes have not been allocated to the reportable segments. Therefore, in order to reconcile the two segments to the consolidated totals, we include parent-only activities and intercompany eliminations.

BANKING BUSINESS

We distribute our deposit products through a wide range of retail distribution channels, and our deposits consist of demand, savings and time deposits accounts. We distribute our loan products through our retail, correspondent and wholesale channels, and the loans we retain are primarily first mortgages secured by single family real property and by multifamily real property as well as commercial & industrial loans to businesses. Our securities consist of mortgage pass-through securities issued by government-sponsored entities, non-agency collateralized mortgage obligations, and asset-backed securities issued by private sponsors. We believe our flexibility to adjust our asset generation channels has been a competitive advantage allowing us to avoid markets and products where credit fundamentals are poor or rewards are not sufficient to support our required return on equity.

Our distribution channels for our bank deposit and lending products include:

- Multiple national online banking brands with tailored products targeted to specific consumer segments;
- Affinity groups where we gain access to the affinity group's members, and our exclusive relationships with financial advisory firms;
- A commercial banking division focused on providing deposit products and loans to specific nationwide industry verticals (e.g., Homeowners' Associations) and small and medium size businesses;
- A commission-based lending sales force that operates from home offices focusing primarily on the origination of single family and multifamily mortgage loans;
- A commission-based lending sales force that operates from our San Diego office focusing on commercial and industrial loans to businesses;
- A commission-based leasing sales force that operates from our Salt Lake City office focusing on commercial and industrial leases to businesses;
- A bankruptcy and non-bankruptcy trustee and fiduciary services team that operates from our Kansas City office focusing on specialized software and consulting services that provide deposits; and
- Inside sales teams that originate loans and deposits from self-generated leads, third-party purchase leads, and from our retention and cross-sell of our existing customer base.

Banking Business - Asset Origination and Fee Income Businesses

We have built diverse loan origination and fee income businesses that generate attractive financial returns through our digital distribution channels. We believe the diversity of our businesses and our direct and indirect distribution channels provide us with increased flexibility to manage through changing market and operating environments.

Single Family - Mortgage & Warehouse

We generate earning assets and fee income from our mortgage lending activities, which consist of originating and servicing mortgages secured primarily by first liens on single family residential properties for consumers and for lender-finance businesses. We divide our single family mortgage originations between loans we retain and loans we sell. Our mortgage banking business generates fee income and gains from sales of those consumer single family mortgage loans we sell. Our loan portfolio generates interest income and fees from loans we retain. We also provide home equity loans for consumers secured by second liens on single family mortgages. Our lender-finance loans are secured by our first lien on single family mortgages and include warehouse lines for third-party mortgage companies.

We originate fixed and adjustable rate prime residential mortgage loans using a paperless loan origination system and centralized underwriting and closing process. Many of our loans have initial fixed rate periods (three, five or seven years) before starting a regular adjustment period (annually, semi-annually or monthly) as well as, interest rate floors, ceilings and rate change caps. We warehouse our mortgage banking loans and sell to investors prime conforming and jumbo residential mortgage loans. Our mortgage servicing business includes collecting loan payments, applying principal and interest payments to the loan balance, managing escrow funds for the payment of mortgage-related expenses, such as taxes and insurance, responding to customer inquiries, counseling delinquent mortgagors and supervising foreclosures.

We originate single family mortgage loans for consumers through multiple channels on a retail, wholesale and correspondent basis.

- *Retail.* We originate single family mortgage loans directly through i) our multiple national online banking brand websites, where our customers can view interest rates and loan terms, enter their loan applications and lock in interest rates directly online, ii) our relationships with large affinity groups and iii) our call center which uses self-generated internet leads, third-party purchased leads, and cross-selling to our existing customer base.
- *Wholesale.* We have developed relationships with independent mortgage companies, cooperatives and individual loan brokers and we manage these relationships and our wholesale loan pipeline through our originations systems and websites. Through our secure website, our approved brokers can compare programs, terms and pricing on a real time basis and communicate with our staff.
- *Correspondent.* We acquire closed loans from third-party mortgage companies that originate single family loans in accordance with our portfolio specifications or the specifications of our investors. We may purchase pools of seasoned, single-family loans originated by others during economic cycles when those loans have more attractive risk-adjusted returns than those we may originate.

We originate lender-finance loans to businesses secured by first liens on single family mortgage loans from cross selling, retail direct and through third-parties. Our warehouse customers are primarily generated through cross selling to our network of third-party mortgage companies approved to wholesale our consumer mortgage loans. Other lender-finance customers are generated by our commissions-based sales force dedicated to commercial & industrial lending who contact borrowers directly or through individual loan brokers.

Multifamily and Commercial Mortgage

We originate adjustable rate multifamily residential mortgage loans and project-based multifamily real-estate-secured loans with interest rates that adjust based on U.S. Treasury security yields and London Interbank Offered Rate ("LIBOR"). Many of our loans have initial fixed rate periods (three, five or seven years) before starting a regular adjustment period (annually, semi-annually or monthly) as well as prepayment protection clauses, interest rate floors and rate change caps.

We divide our multifamily residential mortgage portfolio between the loans we retain and the loans we sell. Our mortgage banking business includes gains from those multifamily mortgage loans we sell. Our loan portfolio generates interest income and fees from the loans we retain.

We originate multifamily mortgage loans using a commission-based commercial lending sales force that operates from home offices across the United States or from our San Diego location. Customers are targeted through origination techniques such as direct mail marketing, personal sales efforts, email marketing, online marketing and print advertising. Loan applications are submitted electronically to centralized employee teams who underwrite, process and close loans. The sales force team members operate regionally both as retail originators for apartment owners and wholesale representatives to other mortgage brokers.

Commercial Real Estate Secured

We originate loans across the U.S. secured by commercial real estate properties ("CRE") under a variety of structures that we classify as commercial real estate. A few examples are as follows: Commercial Bridge to Sale, Commercial Bridge to Construction, Commercial Bridge to Refinance and Acquisition, Development, and Construction. CRE Loans are originated to businesses secured by first liens on single family, multifamily, condominium, office, retail, mixed-use, hospitality, undeveloped or to-be-redeveloped land or small business loans. Repayment of CRE loans depends on the successful completion of the real estate transition project and permanent take-out. We attempt to mitigate risk by adhering to underwriting policies in evaluating the collateral and the credit-worthiness of borrowers and guarantors.

Commercial & Industrial - Non-Real Estate (Non-RE)

Comprising the majority of this portfolio are commercial and industrial non-real estate, asset-backed loans, lines of credit and term loans made to commercial borrowers secured by commercial assets, including, but not limited to, receivables, inventory and equipment. We typically reduce exposure in these loans by entering into a structured facility, under which we take a senior lien position collateralized by the underlying assets at advance rates well inside the collateral value. Commercial and industrial leases comprise the remainder of this portfolio and are primarily made based on the operating cash flows of the borrower or conversion of working capital assets to cash and secondarily on the underlying collateral provided by the borrower. We provide leases to small businesses and middle market companies that use the funds to purchase machinery, equipment and software essential to their operations. The lease terms are generally between two and ten years and amortize primarily to full repayment, or in some cases, to a residual balance that is expected to be collected through the sale of the collateral to the lessee or to a third party. The leases are offered nationwide to companies in targeted industries through a direct sales force and through independent third party sales referrals. Although commercial and industrial loans and leases are often collateralized directly or indirectly by equipment, inventory, accounts or loans receivable or other business assets, the liquidation of collateral in the event of a borrower default may be an insufficient source of repayment because accounts or loans receivable may be uncollectible and inventories and equipment may be obsolete or of limited use. We attempt to mitigate these risks through the structuring of these lending products, adhering to underwriting policies in evaluating the management of the business and the credit-worthiness of borrowers and guarantors.

Automobile Lending

Our automobile lending division originates prime loans to customers secured by new and used automobiles ("autos"). In 2015 we added systems and personnel to increase our auto lending portfolio. We distribute our auto loan products through direct and indirect channels, hold all of the auto loans that we originate and perform the loan servicing functions for these loans. Our loans carry a fixed interest rate for periods ranging from three to eight years and generate interest income and fees.

Consumer Lending

We originate fixed rate term unsecured loans to individual borrowers in all fifty states. We offer loans between $5,000 and $50,000 with terms of twelve, twenty-four, thirty-six, forty-eight, sixty and seventy-two months to well qualified borrowers. From program inception until December 2018 our minimum credit score was 680. The minimum credit score is currently 700. All applicants apply digitally and are required to supply proof of income, identity and bank account documentation. One hundred percent of loans are manually underwritten by a seasoned underwriter with a telephone interview conducted in respect of every approved loan prior to funding. We source our unsecured loans through existing bank customers, lead aggregators and additional marketing efforts.

Our Bank also provides overdraft lines of credit for our qualifying deposit customers with checking accounts.

Other

We also originate other loans, which include structure settlements, Small Business Administration ("SBA") consumer loans, and securities-backed loans. Structured settlements are originated through the wholesale and retail purchase of state lottery prize and structured settlement annuities. These annuities are high credit quality deferred payment receivables having a state lottery commission or primarily highly rated insurance company payor. Purchases of state lottery prize or structured settlement annuities are governed by specific state statutes requiring judicial approval of each transaction. Federal Paycheck Protection Program ("PPP") loans made by the Bank under the Federal Coronavirus Aid, Relief and Economic Security Act ("CARES") Act are guaranteed by the Small Business Administration ("SBA") and, if the loan funds are used by the borrower for specific purposes as provided under the PPP, may be fully or partially forgiven by the SBA at which time, the Bank will receive funds related to the PPP loan forgiveness directly from the SBA. The Bank provides securities-backed lines of credit (sbloc) to borrowers collateralized by marketable securities at advance rates generally less than 50% of current fair market value.

Portfolio Management

Our investment analysis capabilities are a core competency of our organization. We decide whether to hold originated assets for investment or to sell them in the capital markets based on our assessment of the yield and risk characteristics of these assets as compared to other available opportunities to deploy our capital. Because risk-adjusted returns available on acquisitions may exceed returns available through retaining assets from our origination channels, we have elected to purchase loans and securities (see discussion below) from time to time. Some of our loans and security acquisitions were purchased at discounts to par value, which enhance our effective yield through accretion into income in subsequent periods.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio in amounts and percentages by type of loan at the end of each fiscal year-end for the last five years:

	At June 30,									
	2021		2020		2019		2018		2017	
(Dollars in thousands)	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
Single Family - Mortgage & Warehouse	$ 4,359,472	37.8 %	$4,722,304	44.2 %	$4,586,253	48.6 %	$4,349,254	51.0 %	$4,075,763	54.7 %
Multifamily and Commercial Mortgage	2,470,454	21.4 %	2,263,054	21.1 %	2,098,034	22.2 %	1,767,566	20.8 %	1,548,712	20.8 %
Commercial Real Estate	3,180,453	27.5 %	2,297,920	21.5 %	1,561,368	16.5 %	1,191,081	14.0 %	911,792	12.2 %
Commercial & Industrial - Non-RE	1,123,869	9.7 %	885,320	8.3 %	791,647	8.4 %	808,778	9.5 %	593,532	8.0 %
Auto & Consumer	362,180	3.1 %	341,365	3.1 %	323,995	3.4 %	233,020	2.7 %	157,234	2.1 %
Other	58,316	0.5 %	193,479	1.8 %	88,013	0.9 %	167,987	2.0 %	162,228	2.2 %
Total loans held for investment	$11,554,744	100.0 %	$10,703,442	100.0 %	$9,449,310	100.0 %	$8,517,686	100.0 %	$7,449,261	100.0 %
Allowance for credit losses	(132,958)		(75,807)		(57,085)		(49,151)		(40,832)	
Unamortized premiums/discounts, net of deferred loan fees	(6,972)		3,714		(10,101)		(36,246)		(33,936)	
Net loans held for investment	$11,414,814		$10,631,349		$9,382,124		$8,432,289		$7,374,493	

The following table sets forth the amount of loans maturing in our total loans held for investment based on the contractual terms to maturity:

	Term to Contractual Maturity				
(Dollars in thousands)	**Less Than Three Months**	**Over Three Months Through One Year**	**Over One Year Through Five Years**	**Over Five Years**	**Total**
June 30, 2021	$ 874,212	$ 1,643,001	$ 2,790,502	$ 6,247,029	$ 11,554,744

The following table sets forth the amount of our loans at June 30, 2021 that are due after June 30, 2022 and indicates whether they have fixed, floating or adjustable interest rates:

(Dollars in thousands)	Fixed	Floating or Adjustable[1]	Total
Single Family - Mortgage & Warehouse	$ 90,941	$ 3,523,909	$ 3,614,850
Multifamily and Commercial Mortgage	44,367	2,384,953	2,429,320
Commercial Real Estate	97,509	1,510,532	1,608,041
Commercial & Industrial - Non-RE	248,116	757,469	1,005,585
Auto & Consumer	359,846	—	359,846
Other	19,888	—	19,888
Total	$ 860,667	$ 8,176,863	$ 9,037,530

[1] *Included in this category are hybrid mortgages (e.g., 5/1 adjustable rate mortgages) that carry a fixed rate for an introductory term before transitioning to an adjustable rate.*

Our mortgage loans are secured by properties primarily located in the western United States. The following table shows the largest states and regions ranked by location of these properties:

	At June 30, 2021			
	Percentage of Loan Principal Secured by Real Estate Located in State or Region			
State or Region	**Total Real Estate Mortgage Loans**	**Single Family Mortgage**	**Multifamily real estate secured**	**Commercial Real Estate**
California—south[1]	55.91 %	56.80 %	54.39 %	55.33 %
California—north[2]	16.52 %	15.59 %	17.93 %	17.88 %
New York	13.51 %	12.84 %	15.37 %	10.68 %
Florida	3.74 %	5.58 %	0.87 %	1.23 %
Illinois	1.23 %	0.41 %	2.53 %	2.30 %
Arizona	0.89 %	1.04 %	0.66 %	0.62 %
Washington	0.87 %	0.55 %	1.41 %	1.14 %
Nevada	0.86 %	1.09 %	0.53 %	0.43 %
Hawaii	0.84 %	1.24 %	0.23 %	0.16 %
Colorado	0.75 %	0.40 %	1.08 %	2.23 %
All other states	4.88 %	4.46 %	5.00 %	8.00 %
	100.00 %	100.00 %	100.00 %	100.00 %

[1] *Consists of mortgage loans secured by real property in California with ZIP Code ranges from 90000 to 92999.*

[2] *Consists of mortgage loans secured by real property in California with ZIP Code ranges from 93000 to 96999.*

The ratio of the loan amount to the value of the property securing the loan is called the loan-to-value ratio ("LTV"). The following table shows the LTVs of our loan portfolio on weighted-average and median bases at June 30, 2021. The LTVs were calculated by dividing (a) the loan principal balance less principal repayments by (b) the appraisal value of the property securing the loan.

	Total Real Estate Mortgage Loans	**Single Family - Mortgage & Warehouse**	**Multifamily and Commercial Mortgage**	**Commercial Real Estate**
Weighted Average LTV	55.53 %	57.02 %	53.73 %	51.21 %
Median LTV	54.00 %	56.00 %	49.00 %	47.00 %

[1] *Amounts represent combined LTV calculated by adding the current balances of both the first and second liens of the borrower and dividing that sum by an independent estimated value of the property at the time of origination.*

Our effective weighted-average LTV of 58.33% for real estate mortgage loans originated during the fiscal year ended June 30, 2021 has resulted, and we believe will continue to result, in relatively low average loan defaults and favorable write-off experience.

Loan Underwriting Process and Criteria. We individually underwrite the loans that we originate and all loans that we purchase. For our brand partnership lending products, we construct or validate loan origination models to meet our minimum standards as further described below. Our loan underwriting policies and procedures are written and adopted by our board of directors and our credit committee. Credit extensions generated by the Bank conform to the intent and technical requirements of our lending policies and the applicable lending regulations of our federal regulators.

In the underwriting process we consider all relevant factors including the borrower's credit score, credit history, documented income, existing and new debt obligations, the value of the collateral, and other internal and external factors. For all multifamily and commercial real estate loans, we rely primarily on the cash flow from the underlying property as the expected source of repayment, but we also endeavor to obtain personal guarantees from all material owners or partners of the borrower. In evaluating multifamily or commercial real estate credit, we consider all relevant factors including the outside financial assets of the material owners or partners, payment history at the Bank or other financial institutions, and the management / ownership experience with similar properties or businesses. In evaluating the borrower's qualifications, we consider primarily the borrower's other financial resources, experience in owning or managing similar properties and payment history with us or other financial institutions. In evaluating the underlying property, we consider primarily the recurring net operating income of the property before debt service and depreciation, the ratio of net operating income to debt service and the ratio of the loan amount to the appraised value.

Lending Limits. As a savings association, we are generally subject to the same lending limit rules applicable to national banks. With limited exceptions, the maximum amount that we may lend to any borrower, including related entities of the borrower, at any one time may not exceed 15% of our unimpaired capital and surplus, plus an additional 10% of unimpaired capital and surplus for loans fully secured by readily marketable collateral. See "Regulation of Banking Business - Loan-to-One Borrower Limitations" for further information. At June 30, 2021, the Bank's loans-to-one-borrower limit was $203.8 million, based upon the 15% of unimpaired capital and surplus measurement. At June 30, 2021, our largest outstanding loan balance was $145.0 million.

Loan Quality and Credit Risk. Historically, our level of non-performing mortgage loans as a percentage of our loan portfolio has been relatively low compared to the overall residential lending market. The economy and the mortgage and consumer credit markets remain in flux primarily due to the global pandemic. Additionally, we have recently increased our efforts to make loans to businesses through lending programs that are not as seasoned as our mortgage lending. Therefore, we anticipate that our rate of non-performing loans and leases may increase in the future, and we have provided an allowance for estimated loan and lease losses.

Non-performing assets are defined as non-performing loans and leases, real estate acquired by foreclosure or deed-in-lieu thereof and repossessed vehicles. Generally, non-performing loans and leases are defined as nonaccrual loans and leases and loans and leases 90 days or more overdue. Troubled debt restructurings ("TDRs") are defined as loans that we have agreed to modify by accepting below market terms either by granting interest rate concessions or by deferring principal or interest payments due to financial difficulty of the customer. Our policy with respect to non-performing assets is to place such assets on nonaccrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. When a loan or lease is placed on nonaccrual status, previously accrued but unpaid interest will be deducted from interest income. Our general policy is to not accrue interest on loans and leases past due 90 days or more, unless the individual borrower circumstances dictate otherwise.

See Management's Discussion and Analysis — "Asset Quality and Allowance for credit Losses" for a history of non-performing assets and allowance for credit losses.

Investment Securities Portfolio. We classify each investment security according to our intent to hold the security to maturity, trade the security at fair value or make the security available-for-sale. We invest available funds in government and high-grade non-agency securities. Our investment policy, as established by our Board of Directors, is designed to maintain liquidity and generate a favorable return on investment without incurring undue interest rate risk, credit risk or portfolio asset concentration risk. Under our investment policy, we are currently authorized to invest in agency mortgage-backed obligations issued or fully guaranteed by the United States government, non-agency asset-backed obligations, specific federal agency obligations, municipal obligations, specific time deposits, negotiable certificates of deposit issued by commercial banks and other insured financial institutions, investment grade corporate debt securities and other specified investments. We also buy and sell securities to facilitate liquidity and to help manage our interest rate risk.

The following table sets forth the dollar amount of our securities portfolio by intent at the end of each of the last five fiscal years:

	Available-for-Sale	Held-to-maturity	Trading	
(Dollars in thousands)	Fair Value	Carrying Amount	Fair Value	Total
Fiscal year end				
June 30, 2021	$ 187,335	$ —	$ 1,983	$ 189,318
June 30, 2020	187,627	—	105	187,732
June 30, 2019	227,513	—	—	227,513
June 30, 2018	180,305	—	—	180,305
June 30, 2017	264,470	—	8,327	272,797

The following table sets forth the expected maturity distribution of our mortgage-backed securities and the contractual maturity distribution of our Non-RMBS securities and the weighted-average yield for each range of maturities:

	At June 30, 2021									
	Total Amount		Due Within One Year		Due After One but within Five Years		Due After Five but within Ten Years		Due After Ten Years	
(Dollars in thousands)	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]
Available-for-sale										
Mortgage-backed securities:										
Agency[2]	$ 23,639	1.47 %	$ 3,885	1.63 %	$ 11,162	1.57 %	$ 5,980	1.30 %	$ 2,612	1.21 %
Non-Agency[3]	65,174	4.82 %	7,420	6.01 %	55,352	4.49 %	2,313	8.34 %	89	18.69 %
Total Mortgage-Backed Securities	$ 88,813	3.93 %	$ 11,305	4.50 %	$ 66,514	4.00 %	$ 8,293	3.26 %	$ 2,701	1.79 %
Non-RMBS										
Municipal	3,466	3.57 %	60	3.38 %	—	— %	—	— %	3,406	3.57 %
Asset-backed securities and structured notes	90,549	4.58 %	43,739	4.07 %	46,810	5.05 %	—	— %	—	— %
Total Non-RMBS	$ 94,015	4.54 %	$ 43,799	4.07 %	$ 46,810	5.05 %	$ —	— %	$ 3,406	3.57 %
Available-for-sale—Amortized Cost	$182,828	4.24 %	$ 55,104	4.16 %	$113,324	4.44 %	$ 8,293	3.26 %	$ 6,107	2.78 %
Available-for-sale—Fair Value	$187,335	4.24 %	$ 55,531	4.16 %	$116,912	4.44 %	$ 8,593	3.26 %	$ 6,299	2.78 %
Total available-for-sale securities	$187,335	4.24 %	$ 55,531	4.16 %	$116,912	4.44 %	$ 8,593	3.26 %	$ 6,299	2.78 %

[1] *Weighted-average yield is based on amortized cost of the securities. Residential mortgage-backed security yields and maturities include impact of expected prepayments and other timing factors such as interest rate forward curve. Yields presented in this table are adjusted for OTTI, which is non-accretable.*

[2] *Includes securities guaranteed by Ginnie Mae, a U.S. government agency, and the government sponsored enterprises Fannie Mae and Freddie Mac.*

[3] *Private sponsors of securities collateralized primarily by pools of 1-4 family residential first mortgages. Primarily super senior securities and secured by prime, Alt-A or pay-option ARM mortgages.*

Our available-for-sale securities portfolio of $187.3 million at June 30, 2021 is composed of approximately 12.8% agency residential mortgage-backed securities ("RMBS") and other debt securities issued by the government-sponsored enterprises primarily, Fannie Mae and Freddie Mac (each, a "GSE" and, together, the "GSEs"); 4.3% Alt-A, private-issue super senior, first-lien RMBS; 4.8% Pay-Option ARM, private-issue super senior first-lien RMBS; 27.0% commercial mortgage-backed securities ("CMBS"); 1.9% Municipal securities and 49.2% asset-backed and whole business securities. We had no sub-prime RMBS or bank pooled trust preferred securities at June 30, 2021.

We manage the credit risk of our non-agency securities by purchasing those securities which we believe have the most favorable blend of historic credit performance and remaining credit enhancements including subordination, over collateralization, excess spread and purchase discounts. Substantially all of our non-agency securities are senior tranches protected against realized loss by subordinated tranches. The amount of structural subordination available to protect each of our securities (expressed as a percentage of the current face value) is known as credit enhancement. At June 30, 2021, the weighted-average credit enhancement in our entire non-agency MBS portfolio was 18.4%. We have experienced personnel monitor the performance and measure the security for impairment in accordance with regulatory guidance. See Management's Discussion and Analysis—"Critical Accounting Policies—Securities."

Banking Business - Deposit Generation

We offer a full line of deposit products, which we source through both online and branch distribution channels using an operating platform and marketing strategies that emphasize low operating costs and are flexible and scalable for our business. Our full featured products and platforms, 24/7 customer service and our affinity relationships result in customer accounts with strong retention characteristics. We continuously collect customer feedback and improve our processes to satisfy customer needs.

At June 30, 2021, we had $10,815.8 million in deposits of which $9,303.0 million, or 86.0% were demand and savings accounts and $1,512.8 million, or 14.0% were time deposits. We generate deposit customer relationships through our distribution channels including websites, sales teams, online advertising, print and digital advertising, financial advisory firms, affinity partnerships and lending businesses which generate escrow deposits and other operating funds. Our distribution channels include:

- A commercial banking division, which focuses on providing deposit and treasury management solutions nationwide to targeted industry verticals through a dedicated team. The comprehensive suite of services offered through the commercial banking division include;
    - Deposit and Liquidity Management: Analyzed Checking Accounts, Interest Checking Accounts, Money Market Accounts, Zero Balance Accounts, Insured Cash Sweep;
    - Payables: ACH Origination, Wire Transfer, Commercial Check Printing, Business Bill Pay and Account Transfer;
    - Receivables: Remote Deposit Capture, Mobile Deposit, Lockbox, Merchant Services, Online Payment Portal;
    - Information Reporting and Reconciliation: Prior Day and Current Day Summary and Detail Reporting;
    - Security and Fraud Prevention: Direct Link Security, Check Positive Pay, ACH Blocks and Filters; and
    - API Capabilities: A growing suite of API-enabled provides an additional channel for clients to perform their banking activities.
- An online consumer platform that delivers an enhanced banking experience with tailored products targeted to specific consumer segments. For example, one tailored product is designed for customers who are looking for full-featured demand accounts and very competitive fees and interest rates, while another product targets primarily tech-savvy, Generation X and Generation Y customers that are seeking a low-fee cost structure and a high-yield savings account;
- A concierge banking offer serving the needs of high net worth individuals with premium products and dedicated service;
- Financial advisory firms who introduce their clients to our deposit products through *Axos Advisor*;
- A call center that opens accounts through self-generated internet leads, third-party purchased leads, partnerships, and our retention and cross-sell efforts to our existing customer base;
- A full-service fiduciary team catered specifically to support bankruptcy and non-bankruptcy trustees and fiduciaries with their software and banking needs.

Our online consumer banking platform is full-featured requiring only single sign-in with quick and secure access to activity, statements and other features including:

- *Purchase Rewards.* Customers can earn cash back by using their VISA® Debit Card at select merchants;
- *Mobile Banking.* Customers can access with Touch ID on eligible devices, review account balances, transfer funds, deposit checks and pay bills from the convenience of their mobile phone;
- *Mobile Deposit.* Customers can instantly deposit checks from their smart phones using our Mobile App;
- *Online Bill Payment Service.* Customers can automatically pay their bills online from their account;
- *Peer to Peer payments.* Customers can securely send money via email or text messaging through this service;
- *My Deposit.* Customers can scan checks with this remote deposit solution from their home computers. Scanned images will be electronically transmitted for deposit directly to their account;
- *Text Message Banking.* Customers can view their account balances, transaction history, and transfer funds between their accounts via these text message commands from their mobile phones;

- *Unlimited ATM reimbursements.* With certain checking accounts, customers are reimbursed for any fees incurred using an ATM (excludes international ATM transactions). This gives them access to any ATM in the nation, for free;
- *Secure Email and chatbot.* Customers can use our chatbot and send or receive secure emails from our customer service department without concern for the security of their information;
- *InterBank Transfer.* Customers can transfer money to their accounts at other financial institutions from their online banking platform;
- *VISA® Debit Cards or ATM Cards.* Customers may choose to receive either a free VISA® Debit or an ATM card upon account opening. Customers can access their accounts worldwide at ATMs and any other locations that accept VISA® Debit cards;
- *Overdraft Protection.* Eligible customers can enroll in one of our overdraft protection programs;
- *Digital Wallets.* Our Apple Pay™, Samsung Pay™ and Android Pay™ solutions provide the same ease to pay as a debit card with an eligible device. The mobile experience is easy and seamless; and
- *Cash Deposit through Reload @ the Register.* Customers can visit any Walmart, Safeway, ACE Cash Express, CVS Pharmacy, Dollar General, Dollar Tree, Family Dollar, Kroger, Rite Aid, 7-Eleven and Walgreens, and ask to load cash into their account at the register. A fee is applied.

Our consumer and business deposit balances consisted of 41.6% and 58.4% of total deposits at June 30, 2021, respectively. Our business deposit accounts feature a full suite of treasury and cash management products for our business customers including online and mobile banking, remote deposit capture, analyzed business checking and money market accounts. We service our business customers by providing them with a dedicated relationship manager and an experienced business banking operations team.

Our deposit operations are conducted through a centralized, scalable operating platform which supports all of our distribution channels. The integrated nature of our systems and our ability to efficiently scale our operations create competitive advantages that support our value proposition to customers. Additionally, the features described above such as online account opening and online bill-pay promote self-service and further reduce our operating expenses.

We believe our deposit franchise will continue to provide lower all-in funding costs (interest expense plus operating costs) with greater scalability than branch-intensive banking models because the traditional branch model with high fixed operating costs will experience continued declines in consumer traffic due to the decline in paper check deposits and due to growing consumer preferences to bank online.

The number of deposit accounts at the end of each of the last five fiscal years is set forth below:

	At June 30,				
	2021	**2020**	**2019**	**2018**	**2017**
Non-interest-bearing, prepaid and other	36,726	3,361,965	3,743,334	3,535,904	3,113,128
Checking and savings accounts	336,068	310,463	311,067	270,082	274,962
Time deposits	12,815	18,450	23,447	2,309	2,748
Total number of deposit accounts	385,609	3,690,878	4,077,848	3,808,295	3,390,838

Our non-interest bearing, prepaid and other accounts contain two omnibus accounts that when condensed for regulatory reporting purposes result in 27,108 accounts, 16,706 accounts, 7,370 accounts, and 5,636 accounts for the years ended June 30, 2020, 2019, 2018, and 2017, respectively. The decrease in the number of accounts is the result of the termination of our third-party prepaid card relationships, such as H&R Block, due to the reduction of our interchange fees effective July 1, 2020 as a result of the Durbin Amendment.

Deposit Composition. The following table sets forth the dollar amount of deposits by type and weighted average interest rates at the end of each of the last five fiscal years:

	At June 30,									
	2021		2020		2019		2018		2017	
(Dollars in thousands)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Non-interest-bearing	$ 2,474,424	—	$ 1,936,661	—	$ 1,441,930	—	$ 1,015,355	—	$ 848,544	—
Interest-bearing:										
Demand	3,369,845	0.15 %	3,456,127	0.37 %	2,709,014	2.06 %	2,519,845	1.60 %	2,593,491	0.89 %
Savings	3,458,687	0.21 %	3,697,188	0.78 %	2,466,214	1.48 %	2,482,430	1.31 %	2,651,176	0.81 %
Total demand and savings	6,828,532	0.18 %	$ 7,153,315	0.58 %	$ 5,175,228	1.78 %	$ 5,002,275	1.46 %	$ 5,244,667	0.85 %
Time deposits	1,512,841	1.22 %	2,246,718	1.91 %	2,366,015	2.43 %	1,967,720	2.32 %	806,296	2.46 %
Total interest-bearing[2]	$ 8,341,373	0.37 %	$ 9,400,033	0.90 %	$ 7,541,243	1.99 %	$ 6,969,995	1.70 %	$ 6,050,963	1.06 %
Total deposits	$ 10,815,797	0.29 %	$11,336,694	0.75 %	$ 8,983,173	1.67 %	$ 7,985,350	1.48 %	$ 6,899,507	0.93 %

[1] *Based on weighted-average stated interest rates at the end of the period.*

[2] *The total interest-bearing includes brokered deposits of $621.4 million as of June 30, 2021, of which $380.0 million are time deposits classified as $250 and under.*

The following tables set forth the average balance, the interest expense and the average rate paid on each type of deposit at the end of each of the last five fiscal years:

	For the Fiscal Year Ended June 30,								
	2021			2020			2019		
(Dollars in thousands)	Average Balance	Interest Expense	Avg. Rate Paid	Average Balance	Interest Expense	Avg. Rate Paid	Average Balance	Interest Expense	Avg. Rate Paid
Demand	$ 3,817,516	$ 14,444	0.38 %	$ 2,191,103	$ 31,882	1.46 %	$ 1,494,040	$ 25,321	1.69 %
Savings	3,387,182	14,587	0.43 %	2,653,597	35,001	1.32 %	2,412,793	36,070	1.49 %
Time deposits	1,825,795	31,498	1.73 %	2,482,151	60,033	2.42 %	2,322,039	55,689	2.40 %
Total interest-bearing deposits	$ 9,030,493	$ 60,529	0.67 %	$ 7,326,851	$ 126,916	1.73 %	$ 6,228,872	$ 117,080	1.88 %
Total deposits	$11,212,502	$ 60,529	0.54 %	$ 9,316,856	$ 126,916	1.36 %	$ 7,456,157	$ 117,080	1.57 %

	For the Fiscal Year Ended June 30,					
	2018			2017		
(Dollars in thousands)	Average Balance	Interest Expense	Avg. Rate Paid	Average Balance	Interest Expense	Avg. Rate Paid
Demand	$ 2,381,000	$ 28,807	1.21 %	$ 2,197,000	$ 16,049	0.73 %
Savings	2,325,238	25,206	1.08 %	2,422,769	18,507	0.76 %
Time deposits	990,635	25,838	2.61 %	941,919	21,938	2.33 %
Total interest-bearing deposits	$ 5,696,873	$ 79,851	1.40 %	$ 5,561,688	$ 56,494	1.02 %
Total deposits	$ 6,749,817	$ 79,851	1.18 %	$ 6,336,099	$ 56,494	0.89 %

The following table shows the maturity dates of our certificates of deposit at the end of each of the last five fiscal years:

	At June 30,				
(Dollars in thousands)	2021	2020	2019	2018	2017
Within 12 months	$ 1,021,465	$ 1,079,674	$ 1,306,072	$ 1,259,119	$ 187,536
13 to 24 months	214,232	540,669	351,374	97,226	14,149
25 to 36 months	125,943	180,590	99,502	11,118	74,631
37 to 48 months	138,485	132,629	126,525	35,981	3,305
49 months and thereafter	12,716	313,156	482,542	564,276	526,675
Total	$ 1,512,841	$ 2,246,718	$ 2,366,015	$ 1,967,720	$ 806,296

The following table shows maturities of our time deposits having principal amounts of $100,000 or more at the end of each of the last five fiscal years:

	Term to Maturity				
(Dollars in thousands)	**Within Three Months**	**Over Three Months to Six Months**	**Over Six Months to One Year**	**Over One Year**	**Total**
Fiscal year end					
June 30, 2021	$ 469,404	$ 163,710	$ 140,740	$ 175,566	$ 949,420
June 30, 2020	487,188	94,647	321,409	469,283	1,372,527
June 30, 2019	151,176	363,486	376,714	335,201	1,226,577
June 30, 2018	96,837	75,464	33,125	41,569	246,995
June 30, 2017	71,771	21,137	71,266	606,892	771,066

SECURITIES BUSINESS

Our Securities Business consists of two sets of products and services, securities services provided to third-party securities firms and investment management provided to consumers.

Securities services. We offer fully disclosed clearing services through Axos Clearing to FINRA and SEC registered member firms for trade execution and clearance as well as back office services such as record keeping, trade reporting, accounting, general back-office support, securities and margin lending, reorganization assistance, and custody of securities. At June 30, 2021, we provided services to 69 financial organizations, including correspondent broker-dealers and registered investment advisers.

We provide financing to our brokerage customers for their securities trading activities through margin loans that are collateralized by securities, cash, or other acceptable collateral. We earn a spread equal to the difference between the amount we pay to fund the margin loans and the amount of interest income we receive from our customers.

We conduct securities lending activities that include borrowing and lending securities with other broker-dealers. These activities involve borrowing securities to cover short sales and to complete transactions in which clients have failed to deliver securities by the required settlement date, and lending securities to other broker-dealers for similar purposes. The net revenues for this business consist of the interest spreads generated on these activities.

We assist our brokerage customers in managing their cash balances and earn a fee through an insured bank deposit cash sweep program.

Through our retail securities business, Axos Invest, we provide our customers with the option of having both self-directed and digital advice services through a comprehensive and flexible technology platform. We have integrated both the digital advice platform and self-directed trading platforms into our universal digital banking platform, creating a seamless user experience and a holistic personal financial management ecosystem. Our digital advice business generates fee income from customers paying an annual fee for advisory services and deposits from cash balances. Our self-directed trading program generates income from traditional transaction charges, and fees from customer memberships.

BORROWINGS

In addition to deposits, we have historically funded our asset growth through advances from the Federal Home Loan Bank of San Francisco (“FHLB”). Our bank can borrow up to 40% of its total assets from the FHLB, and borrowings are collateralized by mortgage loans and mortgage-backed securities pledged to the FHLB. At June 30, 2021, the Company had $353.5 million advances outstanding with another $2.3 billion available immediately and an additional $3.1 billion available with additional collateral, for advances from the FHLB for terms up to ten years.

The Bank has federal funds lines of credit with two major banks totaling $175.0 million. At June 30, 2021, the Bank had no outstanding balance on either line.

The Bank can also borrow from the Federal Reserve Bank of San Francisco (“FRBSF”), and borrowings may be collateralized by commercial, consumer and mortgage loans as well as securities pledged to the FRBSF. Based on loans and securities pledged at June 30, 2021, we had a total borrowing capacity of approximately $2.1 billion, none of which was outstanding. The Bank has additional unencumbered collateral that could be pledged to the FRBSF Discount Window to increase borrowing liquidity. Additionally, the Bank can borrow through the Paycheck Protection Program Liquidity Facility (“PPPLF”). The Bank has zero advances outstanding from the Federal Reserve Bank through the Paycheck Protection Program

Liquidity Facility, and no Small Business Administration Paycheck Protection Program Loans pledged as of June 30, 2021. The advances during the year had interest rates of 0.35% and mature at the earlier of PPP borrower forgiveness or June 2022.

Axos Clearing has $133.8 million uncommitted secured lines of credit available for borrowing. As of June 30, 2021, there was $36.2 million outstanding. These credit facilities bear interest at rates based on the Federal Funds rate and are due upon demand. The weighted average interest rate on the borrowings at June 30, 2021 was 1.75%.

Axos Clearing has a $50.0 million committed unsecured line of credit available for limited purpose borrowing. As of June 30, 2021, there was none outstanding. This credit facility bears interest at rates based on the Federal Funds rate and are due upon demand. The unsecured line of credit requires Axos Clearing operate in accordance with specific covenants surrounding capital and debt ratios. Axos Clearing was in compliance of all covenants as of June 30, 2021.

In December 2004, we completed a transaction that resulted in $5.2 million of junior subordinated debentures for our company with a stated maturity date of February 23, 2035. We have the right to redeem the debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indenture plus any accrued but unpaid interest through the redemption date. Interest accrues at the rate of three-month LIBOR plus 2.4%, for a rate of 2.55% as of June 30, 2021, with interest paid quarterly.

In March 2016, we completed the sale of $51.0 million aggregate principal amount of our 6.25% Subordinated Notes due February 28, 2026 (the "Notes"). We received $51.0 million in gross proceeds as a part of this transaction, before the 3.15% underwriting discount and other offering expenses. The Notes mature on February 28, 2026 and accrue interest at a rate of 6.25% per annum, with interest payable quarterly. On March 31, 2021, the Company completed the redemption of $51.0 million aggregate principal amount of its 6.25% Subordinated Notes due 2026 (the "Notes 2026"). The Notes 2026 were redeemed for cash by the Company at 100% of their principal amount, plus accrued and unpaid interest, in accordance with the terms of the indenture governing the Notes 2026. Remaining unamortized deferred financing costs associated with such notes were expensed and included under *Interest Expense - Other Borrowings* in the Consolidated Statements of Income.

In March 2021, we filed a new shelf registration with the SEC which allows us to issue up to $400.0 million through the sale of debt securities, common stock, preferred stock and warrants.

In January 2019, we issued subordinated notes totaling $7.5 million, to the principal stockholders of COR Securities in an equal principal amount, with a maturity of 15 months, to serve as the sole source of payment of indemnification obligations of the principal stakeholders of COR Securities under the Merger Agreement. Interest accrues at a rate of 6.25% per annum. During the fiscal year ended June 30, 2019, $0.1 million of subordinated loans were repaid. The Company is in the process of making an indemnification claim against the $7.4 million remaining.

In September 2020, the Company completed the sale of $175.0 million aggregate principal amount of its 4.875% Fixed-to-Floating Rate Subordinated Notes due October 1, 2030 (the "Notes"). The Notes mature on October 1, 2030 and accrue interest at a fixed rate per annum equal to 4.875%, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2021. From and including October 1, 2025, to, but excluding October 1, 2030 or the date of early redemption, the Notes will bear interest at a floating rate per annum equal to a benchmark rate (which is expected to be the Three-Month Term Secured Overnight Financing Rate) plus a spread of 476 basis points, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on January 2026. The Notes may be redeemed on or after October 1, 2025, which date may be extended at the Company's discretion, at a redemption price equal to principal plus accrued and unpaid interest, subject to certain conditions. Fees and costs incurred in connection with the debt offering amortize to interest expense over the term of the Notes.

The table below sets forth the amount of our borrowings, the maximum amount of borrowings in each category during any month-end during each reported period, the approximate average amounts outstanding during each reported period and the approximate weighted average interest rate thereon at or for the last five fiscal years:

	At or For The Fiscal Years Ended June 30,				
(Dollars in thousands)	2021	2020	2019	2018	2017
Advances from the FHLB:					
Average balance outstanding	$ 211,077	$ 747,358	$ 1,397,460	$ 1,296,120	$ 798,982
Maximum amount outstanding at any month-end during the period	$ 353,500	$ 1,462,500	$ 3,424,000	$ 2,240,000	$ 1,317,000
Balance outstanding at end of period	$ 353,500	$ 242,500	$ 458,500	$ 457,000	$ 640,000
Average interest rate at end of period	1.18 %	2.22 %	2.32 %	2.14 %	1.79 %
Average interest rate during period	2.21 %	1.60 %	2.35 %	1.76 %	1.55 %
Securities sold under agreements to repurchase:					
Average balance outstanding	$ —	$ —	$ —	$ 5,575	$ 33,068
Maximum amount outstanding at any month-end during the period	$ —	$ —	$ —	$ 20,000	$ 35,000
Balance outstanding at end of period	$ —	$ —	$ —	$ —	$ 20,000
Average interest rate at end of period	— %	— %	— %	— %	4.25 %
Average interest rate during period	— %	— %	— %	4.11 %	4.43 %
Paycheck Protection Program Liquidity Facility advances					
Average balance outstanding	$ 116,102	$ 3,092	$ —	$ —	$ —
Maximum amount outstanding at any month-end during the period	151,952	151,952	—	—	—
Balance outstanding at end of period	—	151,952	—	—	—
Average interest rate at end of period	— %	0.35 %	— %	— %	— %
Average interest rate during period	0.35 %	0.35 %	— %	— %	— %
Borrowings, subordinated notes and debentures:					
Average balance outstanding	$ 340,699	$ 100,560	$ 104,287	$ 54,522	$ 55,873
Maximum amount outstanding at any month-end during the period	$ 456,380	$ 162,546	$ 214,477	$ 54,552	$ 56,511
Balance outstanding at end of period	$ 221,358	$ 83,837	$ 168,929	$ 54,552	$ 54,463
Average interest rate at end of period	4.68 %	5.18 %	4.78 %	6.55 %	6.57 %
Average interest rate during period	3.65 %	5.60 %	5.39 %	6.70 %	6.62 %

MERGERS AND ACQUISITIONS

From time to time, we undertake acquisitions or similar transactions consistent with our operating and growth strategies. There were no such transactions during fiscal years 2021 and 2020. During 2019, we completed two business acquisitions and two asset acquisitions, and on August 2, 2021, we closed an asset acquisition, which is discussed further in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Mergers and Acquisitions."

TECHNOLOGY

Our technology is built on a collection of enterprise and client platforms that have been purchased, developed in-house or integrated with software systems to provide products and services to our customers. The implementation of our technology has been conducted using industry best-practices and using standardized approaches in system design, software development, testing and delivery. At the core of our infrastructure, we have designed and implemented secure and scalable hardware solutions to ensure we meet the needs of our business. Our customer experiences were designed to address the needs of a digital bank and its customers. Our websites and technology platforms drive our customer-focused and self-service engagement model, reducing the need for human interaction while increasing our overall operating efficiencies. Our focus on internal technology platforms enable continuous automation and secure and scalable processing environments for increased transaction capacity. We intend to continue to improve and adapt technology platforms to meet business objectives and implement new systems with the goal of efficiently enabling our business.

SECURITY

We recognize that information is a critical asset. How information is managed, controlled and protected has a significant impact on the delivery of services. Information assets, including those held in trust, must be protected from unauthorized use, disclosure, theft, loss, destruction and alteration.

We employ a robust information security program to achieve our security objectives. The program is designed to prevent, detect and respond to cyberattacks. We also continue to make significant investments in enhancing our cyber defense capabilities to mitigate the risks from the full spectrum of emerging cybersecurity threats.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

As part of our strategy to protect and enhance our intellectual property, we rely on a variety of legal protections, including copyrights, trademarks, trade secrets, patents and certain contractual restrictions on solicitation and competition, and disclosure and distribution of confidential and proprietary information. We also undertake measures to control access to and/or disclosure of our trade secrets and other confidential and proprietary information. Policing unauthorized use of our intellectual property, trade secrets and other proprietary information is difficult and litigation may be necessary to enforce our intellectual property rights. We own certain internet domain names. Domain names in the United States and in foreign countries are regulated, and the laws and regulations governing the internet are continually evolving. Additionally, the relationship between regulations governing domain names and laws protecting intellectual property rights is not entirely clear. As a result, in the future, we may be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademark and other intellectual property rights.

HUMAN CAPITAL

At June 30, 2021, we had 1,165 full-time equivalent employees. None of our employees are represented by a labor union or are subject to a collective bargaining agreement. We have not experienced any work stoppage and consider our relations with our employees to be satisfactory. We offer market-based, competitive wages and benefits in the market where we compete for talent.

We believe in promoting a diverse and inclusive work environment. We believe this is important to recruiting and retaining talent to allow our organization to achieve its goals and objectives.

The safety, health and wellness of our employees is a top priority. In response to the COVID-19 pandemic, we took several actions, including implementing safety measures in buildings and supporting work from home when appropriate.

COMPETITION

The market for banking and financial services is intensely competitive, and we expect competition to continue to intensify in the future. The Bank attracts deposits through its online acquisition channels. Competition for those deposits comes from a wide variety of other banks, savings institutions, and credit unions. Money market funds, full-service securities brokerage firms and financial technology companies also compete with us for these funds. The Bank competes for these deposits by offering superior service and a variety of deposit accounts at competitive rates.

In real estate lending, we compete against traditional real estate lenders, including large and small savings banks, commercial banks, mortgage bankers and mortgage brokers. Many of our current and potential competitors have greater brand recognition, longer operating histories, larger customer bases and significantly greater financial, marketing and other resources and are capable of providing strong price and customer service competition. In order to compete profitably, we may need to reduce the rates we offer on loans and investments and increase the rates we offer on deposits, which may adversely affect our overall financial condition and earnings. We may not be able to compete successfully against current and future competitors.

In our Securities Business segment, we face significant competition in providing clearing and advisory services based on a number of factors, including price, speed of execution, perceived expertise, quality of advice, reputation, range of services and products, technology, and innovation. There exists significant competition for recruiting and retaining talent. Axos Clearing competes directly with numerous other financial advisory and investment banking firms, broker-dealers and banks, including large national and major regional firms and smaller niche companies, some of whom are not broker-dealers and, therefore, are not subject to the broker-dealer regulatory framework. We separate ourselves from the competition through our excellence in customer service, including a highly attentive and dedicated workforce, while providing an expanding range of clearing and advisory products and services.

SUPERVISION AND REGULATION

GENERAL

We are subject to comprehensive regulation under state and federal laws. This regulation is intended primarily for the protection of our customers, the deposit insurance fund and the U.S. finance system and not for the benefit of our security holders.

Axos Financial, Inc. is supervised and regulated as a savings and loan holding company by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). The Bank, as a federal savings bank, is subject to regulation, examination and supervision by the Office of the Comptroller of the Currency (“OCC”) as its primary regulator, and the Federal Deposit Insurance Corporation (“FDIC”) as its deposit insurer. The Bank must file reports with the OCC and the FDIC concerning its activities and financial condition. In addition, the Bank is subject to the regulation, examination and supervision by the Consumer Financial Protection Bureau (“CFPB”) with respect to a broad array of federal consumer laws. Our subsidiaries, Axos Clearing LLC and Axos Invest LLC, are broker-dealers and are registered with and subject to regulation by the SEC and FINRA. In addition, Axos Invest, Inc. as an investment adviser is registered with the SEC. Axos Invest, Inc. is subject to the requirements of the Investment Advisers Act of 1940, as amended and the Investment Company Act of 1940, as amended, and is subject to examination by the SEC.

The following information describes aspects of the material laws and regulations applicable to the Company. The information below does not purport to be complete and is qualified in its entirety by reference to all applicable laws and regulations. In addition, new and amended legislation, rules and regulations governing the Company, the Bank and our Securities Businesses are introduced from time to time by the U.S. government and its various agencies. Any such legislation, regulatory changes or amendments could adversely affect us and no assurance can be given as to whether, or in what form, any such changes may occur.

REGULATION OF FINANCIAL HOLDING COMPANY.

General. The Company is a unitary savings and loan holding company within the meaning of the Home Owners’ Loan Act (“HOLA”), and is treated as a “financial holding company” under Federal Reserve rules. Accordingly, the Company is registered as a savings and loan holding company with the Federal Reserve and is subject to the Federal Reserve’s regulations, examinations, supervision and reporting requirements. The Company is required to file reports with, comply with the rules and regulations of, and is subject to examination by the Federal Reserve. In addition, the Federal Reserve has enforcement authority over the Company and its subsidiaries. Among other things, this authority permits the Federal Reserve to restrict or prohibit activities that are determined to be a serious risk to the saving and loan holding company or its subsidiaries.

Capital. The Company and the Bank are subject to the risk-based regulatory capital framework and guidelines established by the Federal Reserve and the OCC. In July 2013, the Federal Reserve and the OCC published final rules (the “Regulatory Capital Rules”) establishing a new comprehensive capital framework for U.S. banking organizations that became effective for the Company and the Bank as of January 1, 2015, subject to a phase in period for certain provisions. The Regulatory Capital Rules are intended to measure capital adequacy with regard to a banking organization’s balance sheet, including off-balance sheet exposures such as unused portions of loan commitments, letters of credit, and recourse arrangements. The capital requirements for the Company are similar to those for the Bank.

The rules implement the Basel Committee’s December 2010 capital framework known as “Basel III” for strengthening international capital standards as well as certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The failure of the Company or the Bank to meet minimum capital requirements can result in certain mandatory, and possibly additional discretionary actions by federal banking regulators that could have a material effect on the Company, explained in more detail below under “Regulation of Banking Business – Regulatory Capital Requirements and Prompt Corrective Action”.

The Regulatory Capital Rules require banking organizations (i.e., both the Company and the Bank) to maintain a minimum “common equity Tier 1” (or “CET1”) ratio of 4.5%, a Tier 1 risk-based capital ratio of 6.0% (increased from 4.0%), a total risk-based capital ratio of 8.0%, and a minimum leverage ratio of 4.0% (calculated as Tier 1 capital to average consolidated assets). A capital conservation buffer of 2.5% above each of these levels is required for banking institutions to avoid restrictions on their ability to make capital distributions, including the payment of dividends.

The Regulatory Capital Rules provide for a number of new deductions from and adjustments to CET1. These include, for example, the requirement that deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 began on

January 1, 2015 and were phased in over three years. In addition, trust preferred securities have been phased out of tier 1 capital for banking organizations that had $15 billion or more in total consolidated assets as of December 31, 2009 unless the banking organization grows above $15.0 billion in assets as a result of an acquisition. The Company's trust preferred securities currently are grandfathered under this provision.

The implementation of certain regulations and standards relating to regulatory capital could disproportionately affect our regulatory capital position relative to that of our competitors, including those that may not be subject to the same regulatory requirements as the Bank. Various aspects of the Regulatory Capital Rules continue to be subject to further evaluation and interpretation by the U.S. banking regulators.

As of June 30, 2021, the capital ratios of both the Company and the Bank exceeded the minimums necessary to be considered "well-capitalized" under the currently enacted capital adequacy requirements, including after implementation of the deductions and other adjustments to CET1 on a fully phased-in basis. For additional information, please see Note 19 (Minimum Regulatory Capital Requirements) to the financial statements filed with this report.

Source of Strength. The Dodd-Frank Act extends the Federal Reserve "source of strength" doctrine to savings and loan holding companies. Such policy requires holding companies to act as a source of financial strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of an institution's financial distress. The regulatory agencies have yet to issue joint regulations implementing this policy.

Change in Control. The federal banking laws require that appropriate regulatory approvals must be obtained before an individual or company may take actions to "control" a bank or savings association. The definition of control found in the HOLA is similar to that found in the Bank Holding Company Act of 1956 ("BHCA") for bank holding companies. Both statutes apply a similar three-prong test for determining when a company controls a bank or savings association. Specifically, a company has control over either a bank or savings association if the company:

- directly or indirectly or acting in concert with one or more persons, owns, controls, or has the power to vote 25% or more of the voting securities of a company;
- controls in any manner the election of a majority of the directors (or any individual who performs similar functions in respect of any company, including a trustee under a trust) of the board; or
- directly or indirectly exercises a controlling influence over the management or policies of the bank.

Regulation LL, which was implemented in 2011 by the Federal Reserve, includes a specific definition of "control" similar to the statutory definition, with certain additional provisions. Additionally, Regulation LL modifies the regulations for purposes of determining when a company or natural person acquires control of a savings association or savings and loan holding company under the HOLA or the Change in Bank Control Act ("CBCA"). In light of the similarity between the statutes governing bank holding companies and savings and loan holding companies, the Federal Reserve uses its established rules and processes with respect to control determinations under HOLA and the CBCA to ensure consistency between equivalent statutes administered by the same agency.

Furthermore, the Federal Reserve may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions; (i) the approval of interstate supervisory acquisitions by savings and loan holding companies and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Financial Holding Company. In August 2018 the Company received approval from the Federal Reserve Bank of San Francisco and became a savings and loan holding company that is treated as a financial holding company under the rules and regulations of the Federal Reserve. Financial holding companies are generally permitted to affiliate with securities firms and insurance companies and engage in other activities that are "financial in nature." Such activities include, among other things, securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve has determined to be closely related to banking. If the Bank ceases to be "well capitalized" or "well managed" under applicable regulatory standards, the Federal Reserve may, among other things, place limitations on our ability to conduct these broader financial activities. In addition, if the Bank receives a rating of less than satisfactory under the Community Reinvestment Act, we would be prohibited from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies. If a financial holding company fails to continue to meet any of the prerequisites for financial holding company status, including those described above, the Federal Reserve may order the company to divest its subsidiary banks or discontinue or divest investments in companies engaged in activities permissible only for a bank holding company that has elected to be treated as a financial holding company. No regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve.

Volcker Rule. Effective April 15, 2014, the federal banking agencies adopted regulations with a conformance period for certain features that lasted until July 21, 2017, to implement the provisions of the Dodd-Frank Act known as the Volcker Rule. Under the regulations, FDIC-insured depository institutions, their holding companies, subsidiaries and affiliates, are generally prohibited, subject to certain exemptions, from proprietary trading of securities and other financial instruments and from acquiring or retaining an ownership interest in a “covered fund”. The term “covered fund” can include, in addition to many private equity and hedge funds and other entities, certain collateralized mortgage obligations, collateralized debt obligations and collateralized loan obligations, and other items, but does not include wholly owned subsidiaries, certain joint ventures, or loan securitizations generally if the underlying assets are solely loans.

Trading in certain government obligations is not prohibited by the Volcker Rule, including obligations of or guaranteed by the United States or an agency or government-sponsored entity of the United States, obligations of a State of the United States or a political subdivision thereof, and municipal securities. Proprietary trading generally does not include transactions under repurchase and reverse repurchase agreements, securities lending transactions and purchases and sales for the purpose of liquidity management if the liquidity management plan meets specified criteria; nor does it generally include transactions undertaken in a fiduciary capacity. In addition, activities eligible for exemption include, among others, certain brokerage, underwriting and marketing activities, and risk-mitigating hedging activities with respect to specific risks and subject to specified conditions.

In June 2020, the Federal Reserve, FDIC, OCC, SEC, and the Commodity Futures Trading Commission (CFTC) finalized a rule modifying the Volcker Rule’s prohibition on banking entities investing in or sponsoring hedge funds or private equity funds (referred to under the rules as covered funds). The final rule streamlines several aspects of the covered funds portion of the rule; allows banking organizations to offer and sponsor venture capital funds and a wider array of loan-related funds; and permits banking entities to offer financial services to, and engage in other activities with, covered funds that do not raise concerns that the Volcker rule was intended to address. The final rule became effective October 1, 2020.

Potential Regulatory Enforcement Actions. If the Federal Reserve or the OCC determines that the a saving and loan holding company’s or federal savings bank’s financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of its operations are unsatisfactory or that its management has violated any law or regulation, the agency has the authority to take a number of different remedial actions as it deems appropriate under the circumstances. These actions include the power to enjoin any “unsafe or unsound” banking practices; to require that affirmative action be taken to correct any conditions resulting from any violation of law or unsafe or unsound practice; to issue an administrative order that can be judicially enforced; to require that it increase its capital; to restrict its growth; assess civil monetary penalties against it or its officers or directors; and to remove any of its officers and directors.

REGULATION OF BANKING BUSINESS

General. As a federally-chartered savings and loan association whose deposit accounts are insured by the FDIC, Axos Bank is subject to extensive regulation by the OCC and FDIC. The Bank is also subject to regulation by the CFPB with respect to federal consumer financial laws. The following discussion summarizes some of the principal areas of regulation applicable to the Bank and its operations.

Insurance of Deposit Accounts. The FDIC administers a deposit insurance fund (the “DIF”) that insures depositors in certain types of accounts up to a prescribed amount for the loss of any such depositor’s respective deposits due to the failure of an FDIC member depository institution. As the administrator of the DIF, the FDIC assesses its member depository institutions and determines the appropriate DIF premiums to be paid by each such institution. The FDIC is authorized to examine its member institutions and to require that they file periodic reports of their condition and operations. The FDIC may also prohibit any member institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the DIF. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the primary federal regulator the opportunity to take such action. The FDIC may terminate an institution’s access to the DIF if it determines that the institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition. We do not know of any practice, condition or violation that might lead to termination of our access to the DIF.

Axos Bank is a member depository institution of the FDIC and its deposits are insured by the DIF up to the applicable limits, which are backed by the full faith and credit of the U.S. Government. The basic deposit insurance limit is $250,000.

Regulatory Capital Requirements and Prompt Corrective Action. The prompt corrective action regulation of the OCC requires mandatory actions and authorizes other discretionary actions to be taken by the OCC against a savings association that falls within undercapitalized capital categories specified in OCC regulations.

In general, the prompt corrective action regulation prohibits an FDIC member institution from declaring any dividends, making any other capital distribution, or paying a management fee to a controlling person if, following the distribution or payment, the institution would be within any of the three undercapitalized categories. In addition, adequately capitalized institutions may accept brokered deposits only with a waiver from the FDIC, but are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll-over brokered deposits.

If the OCC determines that an institution is in an unsafe or unsound condition, or if the institution is deemed to be engaging in an unsafe and unsound practice, the OCC may, if the institution is well-capitalized, reclassify it as adequately capitalized. If the institution is adequately capitalized, but not well-capitalized, the OCC may require it to comply with restrictions applicable to undercapitalized institutions. If the institution is undercapitalized, the OCC may require it to comply with restrictions applicable to significantly undercapitalized institutions. Finally, pursuant to an interagency agreement, the FDIC can examine any institution that has a substandard regulatory examination score or is considered undercapitalized without the express permission of the institution's primary regulator.

Capital regulations applicable to savings associations such as the Bank also require savings associations to meet the additional capital standard of tangible capital equal to at least 1.5% of total adjusted assets.

The Bank's capital requirements are viewed as minimum standards and most financial institutions are expected to maintain capital levels well above the minimum. In addition, OCC regulations provide that minimum capital levels greater than those provided in the regulations may be established by the OCC for individual savings associations upon a determination that the savings association's capital is or may become inadequate in view of its circumstances. Axos Bank is not subject to any such individual minimum regulatory capital requirement and the Bank's regulatory capital exceeded all minimum regulatory capital requirements as of June 30, 2021. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Stress Testing. Enhanced prudential standards for larger institutions mandated by the Dodd-Frank Act were implemented by Federal Reserve regulation, which require additional risk management policies and practices and annual stress testing designed to determine whether capital planning, assessment of capital adequacy and risk management practices of regulated bank and savings and loan holding companies adequately protect them in the event of an economic downturn. The original rules called for stress tests to be conducted by the Federal Reserve and company-run stress tests for institutions with total consolidated assets of $10 billion or more. Our total assets exceeded $10 billion beginning with the quarter ending March 31, 2019.

The Economic Growth, Regulatory Relief, and Consumer Protection Act, enacted in May 2018, raised the asset threshold for stress testing from $10 billion in total consolidated assets to $100 billion. As a result, neither the Company nor the Bank are subject to stress test regulations. The federal banking agencies have indicated that the capital planning and risk management practices of financial institutions with total assets less than $100 billion will continue to be reviewed through the regular supervisory process. We plan to continue monitoring our capital consistent with the safety and soundness expectations of the Federal Reserve and will continue to use customized stress testing as part of our capital planning process.

Standards for Safety and Soundness. The federal banking regulatory agencies have prescribed, by regulation, guidelines for all insured depository institutions relating to: (i) internal controls, information systems and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate risk exposure; (v) asset growth; (vi) asset quality; (vii) earnings; and (viii) compensation, fees and benefits. The guidelines set forth safety and soundness standards that the federal banking regulatory agencies use to identify and address problems at FDIC member institutions before capital becomes impaired. If the OCC determines that the Bank fails to meet any standard prescribed by the guidelines, the OCC may require us to submit to it an acceptable plan to achieve compliance with the standard. OCC regulations establish deadlines for the submission and review of such safety and soundness compliance plans in response to any such determination.

Loans-to-One-Borrower Limitations. Savings associations generally are subject to the lending limits applicable to national banks. With limited exceptions, the maximum amount that a savings association or a national bank may lend to any borrower, including related entities of the borrower, at one time may not exceed 15% of the unimpaired capital and surplus of the institution, plus an additional 10% of unimpaired capital and surplus for loans fully secured by readily marketable collateral. Savings associations are additionally authorized to make loans to one borrower by order of its regulator, in an amount not to exceed the lesser of $30.0 million or 30% of unimpaired capital and surplus for the purpose of developing residential housing, if the following specified conditions are met:

- The savings association is in compliance with its fully phased-in capital requirements;
- The loans comply with applicable loan-to-value requirements; and
- The aggregate amount of loans made under this authority does not exceed 150% of unimpaired capital and surplus.

Qualified Thrift Lender Test. Savings associations must meet a qualified thrift lender, or "QTL," test. This test may be met either by maintaining a specified level of portfolio assets in qualified thrift investments as specified by the HOLA, or by meeting the definition of a "domestic building and loan association" under the Internal Revenue Code of 1986, as amended, or the "Code". Qualified thrift investments are primarily residential mortgage loans and related investments, including mortgage related securities. Portfolio assets generally mean total assets less specified liquid assets, goodwill and other intangible assets and the value of property used in the conduct of the Bank's business. The required percentage of qualified thrift investments under the HOLA is 65% of "portfolio assets" (defined as total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business). An association must be in compliance with the QTL test or the definition of domestic building and loan association on a monthly basis in nine out of every 12 months. Savings associations that fail to meet the QTL test will generally be prohibited from engaging in any activity not permitted for both a national bank and a savings association. At June 30, 2021, the Bank was in compliance with its QTL requirement and met the definition of a domestic building and loan association.

Liquidity Standard. Savings associations are required to maintain sufficient liquidity to ensure safe and sound operations. As of June 30, 2021, Axos Bank was in compliance with the applicable liquidity standard.

Transactions with Related Parties. The authority of the Bank to engage in transactions with "affiliates" (i.e., any company that controls or is under common control with it, including the Company and any non-depository institution subsidiaries) is limited by federal law. The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of a savings institution's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in federal law. The purchase of low quality assets from affiliates is generally prohibited. Transactions with affiliates must be on terms and under circumstances that are at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies, and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The Sarbanes-Oxley Act generally prohibits loans by public companies to their executive officers and directors. However, there is a specific exception for loans by financial institutions, such as the Bank, to its executive officers and directors that are made in compliance with federal banking laws. Under such laws, our authority to extend credit to executive officers, directors, and 10% or more shareholders ("insiders"), as well as entities such persons control, is limited. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on its capital position and requires certain board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and cannot involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees.

Capital Distribution Limitations. OCC regulations limit the ability of a savings association to make capital distributions, such as cash dividends. These regulations limit the ability of the Bank to pay dividends or other capital distributions to the Company, which in turn may limit our ability to pay dividends, repay debt or redeem or purchase shares of our outstanding common stock. Under these regulations, a savings association may, in circumstances described in those regulations:

- Be required to file an application and await approval from the OCC before it makes a capital distribution;
- Be required to file a notice 30 days before the capital distribution; or
- Be permitted to make the capital distribution without notice or application to the OCC.

Community Reinvestment Act and the Fair Lending Laws. Savings associations have a responsibility under the Community Reinvestment Act and related regulations of the OCC to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. An institution's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in regulatory restrictions on its activities and the denial of applications for certain expansionary activities. In addition, an institution's failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in the OCC, other federal regulatory agencies or the Department of Justice, taking enforcement actions against the institution. In the most recent Community Reinvestment Act Report, issued May 2019, the Bank received a 'Satisfactory' rating covering calendar years 2016, 2017, and 2018.

Federal Home Loan Bank ("FHLB") System. The Bank is a member of the FHLB system. Among other benefits, each FHLB serves as a reserve or central bank for its members within its assigned region. Each FHLB is financed primarily from the sale of consolidated obligations of the FHLB system. Each FHLB makes available loans or advances to its members in compliance with the policies and procedures established by the board of directors of the individual FHLB. As an FHLB member, the Bank is required to own capital stock in a Federal Home Loan Bank in specified amounts based on either its aggregate outstanding principal amount of its residential mortgage loans, home purchase contracts and similar obligations at the beginning of each calendar year or its outstanding advances from the FHLB.

Activities of Subsidiaries. A savings association seeking to establish a new subsidiary, acquire control of an existing company or conduct a new activity through a subsidiary must provide 30 days prior notice to the FDIC and the OCC and conduct any activities of the subsidiary in compliance with regulations and orders of the OCC. The OCC has the power to require a savings association to divest any subsidiary or terminate any activity conducted by a subsidiary that the OCC determines to pose a serious threat to the financial safety, soundness or stability of the savings association or to be otherwise inconsistent with sound banking practices.

Consumer Laws and Regulations. The Dodd-Frank Act established the CFPB with broad rule-making, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards. The CFPB is an independent "watchdog" within the Federal Reserve System with authority to enforce and create (i) rules, orders and guidelines of the CFPB, (ii) all consumer financial protection functions, powers and duties transferred from other federal agencies, such as the Federal Reserve, the OCC, the FDIC, the Federal Trade Commission, and the Department of Housing and Urban Development, and (iii) a long list of consumer financial protection laws enumerated in the Dodd-Frank Act, such as the Electronic Fund Transfer Act, the Consumer Leasing Act of 1976, the Alternative Mortgage Transaction Parity Act of 1982, the Equal Credit Opportunity Act, the Expedited Funds Availability Act, the Truth in Lending Act and the Truth in Savings Act, among many others. The CFPB has broad examination and enforcement authority, including the power to issue subpoenas and cease and desist orders, commence civil actions, hold investigations and hearings and seek civil penalties, as well as the authority to regulate disclosures, mandate registration of any covered person and to regulate what it considers unfair, deceptive, abusive practices.

Depository institutions with more than $10 billion in assets and their affiliates are subject to direct supervision by the CFPB, including any applicable examination, enforcement and reporting requirements the CFPB may establish. As of June 30, 2021, we had $14.3 billion in total assets, placing the Bank under the direct supervision and oversight of the CFPB. The laws and regulations of the CFPB and other consumer protection laws and regulations to which the Bank is subject mandate certain disclosure requirements and regulate the manner in which we must deal with customers when taking deposits from, making loans to, or engaging in other types of transactions with, our customers.

A section of the Dodd-Frank Act, commonly referred to as the Durbin Amendment, reduced the level of interchange fees that could be charged by institutions with greater than $10 billion in total assets. The exemption for small issuers ceases to apply as of July 1st of the year following the calendar year in which the issuer has total consolidated assets of $10 billion or more at calendar year-end. At December 31, 2019, we had total assets in excess of $10 billion. Therefore, as of July 1, 2020, the Durbin Amendment reduced the amount of interchange fees that we can charge and adversely affected our non-interest income. As expected, and previously disclosed, our fee-sharing prepaid card partnerships, including H&R Block, executed their termination rights.

In May 2020, the OCC finalized its "true lender" rule to address the legal uncertainty regarding the effect of a transfer on a loan's permissible interest rate caused by the Second Circuit's 2015 decision in Madden v. Midland Funding, LLC. The rule clarified that when a national bank (or federal savings bank, such as the Bank) sells, assigns, or otherwise transfers a loan, the interest permissible before the transfer continues to be permissible after the transfer. On June 30, 2021, President Biden signed a Congressional Review Act resolution repealing the OCC's true lender rule. The repeal creates uncertainty regarding the ability of nonbank loan purchasers to collect interest on loans originated by a national bank or federal savings bank as originally agreed.

Privacy Standards and Cybersecurity. The Gramm-Leach-Bliley Act ("GLBA") modernized the financial services industry by establishing a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms and other financial service providers. The Bank is subject to OCC regulations implementing the privacy protection provisions of the GLBA. These regulations require the Bank to disclose its privacy policy, including informing consumers of its information sharing practices and informing consumers of their rights to opt out of certain practices.

State regulators have been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. In June 2018, the California legislature passed the California Consumer Privacy Act of 2018 (the "California Privacy Act"), which took effect on January 1, 2020. The California Privacy Act, which covers businesses that obtain or access personal information on California resident consumers, grants consumers enhanced privacy rights and control over their personal information and imposes significant requirements on covered companies with respect to consumer data privacy rights.

New laws or changes to existing laws, including privacy-related enforcement activity, increase our operating and compliance costs (including technology costs) and could reduce income from certain business initiatives or restrict our ability to provide certain products and services. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions, and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations.

Bank Secrecy Act and Anti-Money Laundering

The Bank and its affiliated broker-dealers are subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA PATRIOT Act. The Bank Secrecy Act requires all financial institutions to, among other things, establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. The Bank Secrecy Act includes various record keeping and reporting requirements such as cash transaction and suspicious activity reporting as well as due diligence requirements. The USA PATRIOT Act gives the federal government broad powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.

Office of Foreign Assets Control Regulation

The Bank and its affiliated broker-dealers are also required to comply with the U.S. Treasury's Office of Foreign Assets Control imposed economic sanctions that affect transactions with designated foreign countries, nationals, individuals, entities and others. These are typically known as the "OFAC" rules, based on their administration by the U.S. Treasury Department Office of Foreign Assets Control. The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with, or investment in, a sanctioned country, including prohibitions against direct or indirect imports from, and exports to, a sanctioned country and prohibitions on "U.S. persons" engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off, or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

REGULATION OF SECURITIES BUSINESS

In early 2019, we acquired COR Clearing, LLC (now Axos Clearing LLC), a correspondent clearing firm for broker-dealers, and the WiseBanyan (now Axos Invest) entities, an introducing broker and a registered investment adviser. The correspondent clearing firm and introducing broker are broker-dealers registered with the SEC and members of FINRA and various other self-regulatory organizations. Axos Clearing also uses various clearing organizations, including the Depository Trust Company, the National Securities Clearing Corporation, and the Options Clearing Corporation.

Our broker-dealers are registered with the SEC, FINRA, all 50 U.S. states and the District of Columbia. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations, principally FINRA, the Municipal Securities Rulemaking Board or national securities exchanges. These self-regulatory organizations adopt rules (which are subject to approval by the SEC) for governing their members and the industry. Broker-dealers are also subject to federal regulation and the securities laws of each state where they conduct business. Our broker-dealers are members of, and are primarily subject to regulation, supervision and regular examination by FINRA.

Broker-dealers are subject to extensive laws, rules and regulations covering all aspects of the securities business, including sales and trading practices, public offerings, publication of research reports, use and safekeeping of clients' funds and securities, capital adequacy, record keeping and reporting, the conduct of directors, officers, and employees, qualification and licensing of supervisory and sales personnel, marketing practices, supervisory and organizational procedures intended to ensure compliance with securities laws and to prevent improper trading on material nonpublic information, limitations on extensions of credit in securities transactions, clearance and settlement procedures, and rules designed to promote high standards of commercial honor and just and equitable principles of trade. Broker-dealers are also regulated by state securities administrators in those jurisdictions where they do business. Regulators may conduct periodic examinations and review reports of our operations, performance, and financial condition. Our broker-dealers' margin lending is regulated by the Federal Reserve Board's restrictions on lending in connection with client purchases and short sales of securities, and FINRA rules also require our broker-dealers to impose maintenance requirements based on the value of securities contained in margin accounts. The rules of the Municipal Securities Rulemaking Board, which are enforced by the SEC and FINRA, apply to the municipal securities activities of Axos Clearing, and the Axos Invest broker-dealer.

Violations of laws, rules and regulations governing a broker-dealer's actions could result in censure, penalties and fines, the issuance of cease-and-desist orders, the restriction, suspension, or expulsion from the securities industry of such broker-dealer, its registered representatives, officers or employees, or other similar adverse consequences.

Significant new rules and regulations continue to arise as a result of the Dodd-Frank Act, including the implementation of a more stringent fiduciary standard for broker-dealers and increased regulation of investment advisers. Compliance with these provisions could result in increased costs. Moreover, to the extent the Dodd-Frank Act affects the operations, financial condition, liquidity, and capital requirements of financial institutions with whom we do business, those institutions may seek to pass on increased costs, reduce their capacity to transact, or otherwise present inefficiencies in their interactions with us.

Limitation on Businesses. The businesses that our broker-dealers may conduct are limited by its agreements with, and its oversight by, FINRA, other regulatory authorities and federal and state law. Participation in new business lines, including trading of new products or participation on new exchanges or in new countries often requires governmental and/or exchange approvals, which may take significant time and resources. In addition, our broker-dealers are operating subsidiaries of Axos, which means their activities may be further limited by those that are permissible for subsidiaries of financial holding companies, and as a result, may be prevented from entering new businesses that may be profitable in a timely manner, if at all.

Net Capital Requirements. The SEC, FINRA and various other regulatory authorities have stringent rules and regulations with respect to the maintenance of specific levels of net capital by regulated entities. Rule 15c3-1 of the Exchange Act (the "Net Capital Rule") requires that a broker-dealer maintain minimum net capital. Generally, a broker-dealer's net capital is net worth plus qualified subordinated debt less deductions for non-allowable (or non-liquid) assets and other adjustments and operational charges. At June 30, 2021, our broker-dealers were in compliance with applicable net capital requirements.

The SEC, CFTC, FINRA and other regulatory organizations impose rules that require notification when net capital falls below certain predefined thresholds. These rules also dictate the ratio of debt-to-equity in the regulatory capital composition of a broker-dealer, and constrain the ability of a broker-dealer to expand its business under certain circumstances. If a broker-dealer fails to maintain the required net capital, it may be subject to penalties and other regulatory sanctions, including suspension or revocation of registration by the SEC or applicable regulatory authorities, and suspension or expulsion by these regulators could ultimately lead to the broker-dealer's liquidation. Additionally, the Net Capital Rule and certain FINRA rules impose requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to, and approval from, the SEC and FINRA for certain capital withdrawals.

Compliance with the net capital requirements may limit our operations, requiring the intensive use of capital. Such rules require that a certain percentage of a broker-dealer's assets be maintained in relatively liquid form and therefore act to restrict our ability to withdraw capital from our broker-dealer entities, which in turn may limit our ability to pay dividends, repay debt or redeem or purchase shares of our outstanding common stock. Any change in such rules or the imposition of new rules affecting the scope, coverage, calculation or amount of capital requirements, or a significant operating loss or any unusually large charge against capital, could adversely affect our ability to pay dividends, repay debt, meet our debt covenant requirements or to expand or maintain our operations. In addition, such rules may require us to make substantial capital contributions into one or more of the our broker-dealers in order for such subsidiaries to comply with such rules, either in the form of cash or subordinated loans made in accordance with the requirements of all applicable net capital rules.

Customer Protection Rule. Our broker-dealers that hold customers' funds and securities are subject to the SEC's customer protection rule (Rule 15c3-3 under the Exchange Act), which generally provides that such broker-dealers maintain physical possession or control of all fully-paid securities and excess margin securities carried for the account of customers and maintain certain reserves of cash or qualified securities.

Securities Investor Protection Corporation ("SIPC"). Our broker-dealers are subject to the Securities Investor Protection Act and belong to SIPC, whose primary function is to provide financial protection for the customers of failing brokerage firms. SIPC provides protection for customers up to $500,000, of which a maximum of $250,000 may be in cash.

Anti-Money Laundering. Our broker-dealers must also comply with the USA PATRIOT Act and other rules and regulations, including FINRA requirements, designed to fight international money laundering and to block terrorist access to the U.S. financial system. We are required to have systems and procedures to ensure compliance with such laws and regulations.

AVAILABLE INFORMATION

Axos Financial, Inc. files reports, proxy and information statements and other information electronically with the SEC. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information may be obtained on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's website site address is http://www.sec.gov. Our web site address is http://www.axosfinancial.com, and we make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments thereto available on our website free of charge.

ITEM 1A. RISK FACTORS

An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this report. In addition to the risks and uncertainties described below, *other* risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations. Risks disclosed in this section may have already materialized. The value or market price of our common stock could decline due to any of these identified or other risks, and you could lose all or part of your investment. This Annual Report on Form 10-K is qualified in its entirety by these risk factors.

Risks Relating to Macroeconomic Conditions

Changes in interest rates could adversely affect our performance.

Our results of operations depend to a great extent on our net interest income, which is the difference between the interest rates earned on interest-earning assets such as loans and investment securities, and the interest rates paid on interest-bearing liabilities such as deposits and borrowings. We are exposed to interest rate risk because our interest-earning assets and interest-bearing liabilities do not react uniformly or concurrently to changes in interest rates, as the two have different time periods for adjustment and can be tied to different measures of rates. Interest rates are sensitive to factors that are beyond our control, including domestic and international economic conditions and the policies of various governmental and regulatory agencies, including the Federal Reserve. The monetary policies of the Federal Reserve, implemented through open market operations, the federal funds rate targets, the discount rate for banking borrowings and reserve requirements, affect prevailing interest rates. A material change in any of these policies could have a material impact on us or our customers (including borrowers), and therefore on our results of operations. After steadily increasing the target federal funds rate in 2018 and 2017, the Federal Reserve in 2019 decreased the target federal funds rate by 75 basis points, and in response to the COVID-19 pandemic in March 2020, decreased the target federal funds rate by an additional 150 basis points to a range of 0.0% to 0.25% as of March 31, 2020. Since March 2020, the Federal Reserve has maintained its federal funds rate target in a range of 0% to 0.25%.

Loan originations and repayment rates tend to increase with declining interest rates and decrease with rising interest rates. On the deposit side, increasing interest rates generally lead to interest rate increases on our deposit accounts. We manage the sensitivity of our assets and liabilities. However, a decrease in or continued low interest rates could cause borrowers to refinance higher rate loans at lower rates and under those circumstances, we may not be able to reinvest those prepayments in assets earning interest rates as high as the rates on those prepaid loans. Meanwhile, large, unanticipated, or rapid increase in market interest rates may have an adverse impact on our net interest income and could decrease our refinancing business and related fee income, and could cause an increase in delinquencies and non-performing loans and leases in our adjustable-rate loans. In addition, interest rate volatility can affect the value of our loans and leases, investments and other interest-rate sensitive assets and our ability to realize gains on the sale or resolution of these assets. There can be no assurance that we will be able to successfully manage our interest rate risk.

A significant economic downturn could result in increases in our level of non-performing loans and leases and/or reduce demand for our products and services, which could have an adverse effect on our results of operations.

Our business and results of operations are affected by the financial markets and general economic conditions, including factors such as the level and volatility of interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income and consumer spending. While the national economy and most regions have improved since the onset of the COVID-19 pandemic, we now operate in an uncertain economic environment primarily due to the continuing COVID-19 pandemic, in addition to a variety of other reasons for economic uncertainty, including but not limited to trade policies and tariffs, geopolitical tensions, concerns about inflation, the national debt, the stability of the European Union ("EU"), including Britain's exit from the EU, volatile oil prices and emerging market crises. The risks associated with our business become more acute in periods of a slowing economy or slow growth. The continuation of recessionary conditions, high unemployment or potential negative events in the housing markets, including significant and continuing home price declines and increased delinquencies and foreclosures, would adversely affect our mortgage and construction loans and result in increased asset write-downs. While we are continuing to take steps to decrease and limit our exposure to problem loans, we nonetheless retain direct exposure to the residential and commercial real estate markets. Declines in real estate values, a prolonged economic downturn and an increase in unemployment levels may result in higher than expected loan and lease delinquencies and a decline in demand for our products and services. Furthermore, given our high concentration of loans secured by real estate in California, the Company remains specifically susceptible to a downturn in California's economy. These negative events may cause us to incur losses and may adversely affect our capital, financial condition and results of operations.

The weakness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers-dealers, other commercial banks, investment banks, mutual and hedge funds, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

Replacement of the LIBOR benchmark interest rate may have an impact on our business, financial condition or results of operations.

On July 27, 2017, the Financial Conduct Authority (FCA), a regulator of financial services firms in the United Kingdom, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve to use a Secured Overnight Financing Rate ("SOFR") as an alternative to LIBOR. SOFR is a broad measure of the cost of overnight borrowings collateralized by Treasury securities that was selected by the Alternative Reference Rate Committee due to the depth and robustness of the U.S. Treasury repurchase market. Other financial services regulators and industry groups are evaluating the possible phase-out of LIBOR and the development of alternate reference rate indices or reference rates. At this time, it is not possible to predict whether these recommendations and proposals will be broadly accepted, whether they will continue to evolve, and what the effect of their implementation may be on the markets for floating-rate financial instruments.

Many of our assets and liabilities are indexed to LIBOR. We are evaluating the potential impact of the possible replacement of the LIBOR benchmark interest rate, but are not able to predict whether LIBOR will cease to be available after 2021, whether the alternative rates the Federal Reserve proposes to publish will become market benchmarks in place of LIBOR, or what the impact of such a transition will have on our business, financial condition, or results of operations. We continue to develop and implement plans to mitigate the risks associated with the expected discontinuation of LIBOR. The market transition away from LIBOR to an alternative reference rate is complex and could have a range of adverse effects on our business, financial condition and results of operations. In particular, any such transition could:

- adversely affect the interest rates paid or received on, the revenue and expenses associated with, and the value of our floating-rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate;
- require extensive changes to the contracts that govern these LIBOR-based products;

- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities;
- require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on the applicable alternative pricing benchmark; and
- impact our pricing and interest rate risk models, our loan product structures, our funding costs, our valuation tools and result in increased compliance and operational costs.

Risks Related to COVID-19 and the Federal Paycheck Protection Program

The outbreak of COVID-19 has impacted our business and could adversely affect our business activities, financial condition and results of operations.

The COVID-19 pandemic has contributed to (i) increased unemployment and decreased consumer confidence and business generally, leading to an increased risk of delinquencies, defaults and foreclosures; (ii) sudden and significant declines, and significant increases in volatility, in financial markets; (iii) ratings downgrades, credit deterioration and defaults in many industries, including commercial real estate and multifamily; (iv) significant reductions in the targeted federal funds rate; and (v) heightened cybersecurity, information security and operational risks as a result of arrangements to work remotely. In addition, we also face an increased risk of client disputes, litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19 on market and economic conditions and actions governmental authorities take in response to those conditions, including moratoria and other suspensions of collections, foreclosures, and related obligations.

The continued impact on our business, financial condition, liquidity and results of operations, is unknown at this time, and will depend on a number of evolving factors and future developments beyond our control and that we are unable to predict, including the duration, spread and severity of the pandemic; the nature, extent and effectiveness of containment measures; the timing of development and widespread availability of medical treatments or vaccines; the extent and duration of the effect on the economy, unemployment, consumer confidence and consumer and business spending; the impact and continued availability of monetary, fiscal and other economic policies and programs designed to provide economic assistance to individuals and small businesses; and how quickly and to what extent normal economic and operating conditions can resume.

Additionally, the COVID-19 pandemic has significantly affected the financial markets and has resulted in a number of the Federal Reserve actions causing market interest rates to decline significantly, which could negatively impact our net interest income. A prolonged period of extremely volatile and unstable market conditions would likely increase our funding costs and negatively affect the effectiveness of our market risk mitigation strategies. Higher income volatility from changes in interest rates and spreads to benchmark indices could cause a loss of future net interest income and a decrease in current fair market values of our assets. Fluctuations in interest rates will impact both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition.

Although the Company makes estimates of loan losses related to the COVID-19 pandemic as part of its evaluation of the allowance for credit losses, such estimates involve significant judgment and are made in the context of significant uncertainty as to the impact the COVID-19 pandemic will have on the credit quality of our loan portfolio. Any increases in the allowance for credit losses will result in a decrease in net income.

We rely on many outside service providers that support our day-to-day operations including data processing and electronic communications, real estate appraisal, loan servicers and local and federal government agencies, offices and courthouses. If any of these service providers are unable to continue to provide us with these services, it could negatively impact our ability to serve our customers. Although we have a business continuity plan and other safeguards in place that are designed to provide for our continuing operation in case of potentially disruptive events, such as a global pandemic, there can be no guarantee that our plan will effectively address some or all of the effects of the COVID-19 pandemic.

The pandemic and containment measures have caused us to modify our strategic plans and business practices, and we may take further actions that we determine are in the best interests of our colleagues, customers and business partners. If we do not respond appropriately to the pandemic, or if customers or other stakeholders do not perceive our response to be adequate, we could suffer damage to our reputation and our brand, which could materially adversely affect our business.

The ultimate economic impacts to the Company of the COVID-19 pandemic are uncertain and difficult to predict and could adversely impact our business, financial condition and results of operations. Further, a significant decrease in results of future operations may place a strain on the Bank's capital reserve ratios.

Our bank has elected to participate as a lender in the Federal Paycheck Protection Program ("PPP") and has accordingly become subject to risks applicable to lenders under the PPP.

The PPP loans made by the Bank under the federal CARES Act are guaranteed by the Small Business Administration ("SBA") and, if the loan funds are used by the borrower for specific purposes as provided under the PPP, may be fully or partially forgiven by the SBA at which time, the Bank will receive funds related to the PPP loan forgiveness directly from the SBA. If the borrower under the PPP loan fails to qualify for loan forgiveness, we are at the heightened risk of holding these loans at unfavorable interest rates as compared to the loans to customers that we would have otherwise extended credit. Because of the brief time between the passing of the CARES Act and implementation of the PPP, some of the rules and guidance relating to the PPP evolved or were issued after lenders, including the Bank, began processing PPP applications. There was and continues to be uncertainty regarding some of the laws, rules and guidance relating to the PPP. If the SBA or other regulators determine that the Bank has not complied with all PPP laws, rules and guidance, we could be required to refund some or all of the fees related to PPP loans that we have earned or be subject to other regulatory enforcement action. Furthermore, in the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded or serviced by the Bank, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty or, if it has already made payment under the guaranty, seek recovery of any loss related to the deficiency from the Bank. In addition, since the commencement of the PPP, several banks have been subject to litigation regarding their processing of PPP loan applications. The Bank may be exposed to the risk of similar litigation and/or negative media attention, from both customers and non-customers that approached the Bank seeking PPP loans. PPP lenders, including the Bank, may also be subject to the risk of litigation in connection with other aspects of the PPP, including but not limited to borrowers seeking forgiveness of their loans. Any financial liability, litigation costs, or reputational damage caused by PPP related litigation or media attention could have a material adverse impact on our business, financial condition, and results of operations.

Risks Relating to Regulation of our Business

Changes in laws, regulations or oversight or increased enforcement activities by regulatory agencies may increase our costs and adversely affect our business and operations.

We operate in a highly regulated industry and are subject to oversight, regulation and examination by federal and/or state governmental authorities under various laws, regulations and policies, which impose requirements or restrictions on our operations, capitalization, payment of dividends, mergers and acquisitions, investments, loans and interest rates charged and interest rates paid on deposits. We must also comply with federal anti-money laundering, bank secrecy, tax withholding and reporting, and various consumer protection statutes and regulations. A considerable amount of management time and resources is devoted to oversight of, and development and implementation of controls and procedures relating to, compliance with these laws, regulations and policies.

The laws, regulation and supervisory policies applicable to us are subject to regular modification and change. New or amended laws, rules and regulations could impact our operations, increase our capital requirements or substantially restrict our growth and adversely affect our ability to operate profitably by making compliance much more difficult or expensive, restricting our ability to originate or sell loans, or further restricting the amount of interest or other charges or fees earned on loans or other products. In addition, further regulation could increase the assessment rate we are required to pay to the FDIC, adversely affecting our earnings. It is very difficult to predict future changes in regulation or the competitive impact that any such changes would have on our business. Any new laws, rules and regulations including the recently effective California Privacy Act that could make compliance more difficult, expensive, costly to implement or may otherwise adversely affect our business, financial condition or growth prospects. Other changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect us in substantial and unpredictable ways including subjecting us to additional costs, limiting the types of financial services and products we may offer, and increasing the ability of non-banks to offer competing financial services and products.

In addition, the federal Bank Secrecy Act, the USA PATRIOT Act, and similar laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and to file suspicious activity and currency transaction reports as appropriate. The Financial Crimes Enforcement Network ("FinCEN"), a bureau of the United States Department of Treasury, is authorized to impose significant civil money penalties for violations of those requirements and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and IRS. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control ("OFAC"). Federal and state bank regulators also have focused on compliance with the Bank Secrecy Act and anti-money laundering regulations. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approval to proceed with acquisitions and other strategic transactions, which could negatively impact our business, financial condition, results of operations and prospects. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have material adverse reputational consequences for us.

Our failure to comply with current, or adapt to new or changing, laws, regulations or policies could result in enforcement actions and sanctions against us by regulatory agencies, civil money penalties and/or reputation damage, along with corrective action plans required by regulatory agencies, any of which could have a material adverse effect on our business, financial condition and results of operations, and the value of our common stock.

Our broker-dealer and investment advisory businesses subjects us to regulatory risks.

Our broker-dealer and investment advisory business subject us to regulation by the SEC, FINRA and other SROs and state securities commissions, among other regulatory bodies. Such violations could result in censure, penalties and fines, the issuance of cease-and-desist orders, the restriction, suspension, or expulsion from the securities industry of the company or its officers or employees, or other similar adverse consequences, any of which could cause us to incur losses and adversely affect our capital, financial condition and results of operations. The SEC, FINRA and other SROs and state securities commissions, among other regulatory bodies, can censure, fine, issue cease-and-desist orders or suspend or expel a broker-dealer or any of its officers or employees. Clearing securities firms are subject to substantially more regulatory control and examination than introducing brokers that rely on others to perform clearing functions. Similarly, the attorney general of each state could bring legal action to ensure compliance with state securities laws, and regulatory agencies in foreign countries have similar authority. Our ability to comply with multiple laws and regulations pertaining to the securities industry depends in large part on our ability to establish and maintain an effective compliance function. The failure to establish and enforce reasonable compliance procedures, even if unintentional, could subject us to significant losses or disciplinary or other actions. Federally registered investment advisers are regulated and subject to examination by the SEC. In addition, the Advisers Act imposes numerous obligations on our investment advisory business, including fiduciary duties, disclosure obligations, recordkeeping and reporting requirements, marketing restrictions and general anti-fraud prohibitions. Our failure to comply with the Advisers Act and associated rules and regulations of the SEC could subject us to enforcement proceedings and sanctions for violations, including censure or termination of SEC registration, litigation and reputational harm. In addition, our investment advisory business is subject to notice filings and the anti-fraud rules of state securities regulators. See “Regulation of Securities Business”.

Recent changes to our size and structure will subject us to additional regulation, increased supervision and increased costs.

The Company is a savings and loan holding company that is subject to regulation and supervision by the Federal Reserve. As such, the Company is required to act as a financial “source of strength” for the Bank. The term “source of financial strength” is defined in the Dodd-Frank Act as the ability of a company to provide financial assistance to such insured depository institution in the event of the financial distress of such insured depository institution. Given the power provided to the federal banking agencies in this provision, it is possible that the Company could be required to serve as a source of financial strength for the Bank when we might not otherwise voluntarily choose to do so. In such event, if the Company did not hold or was unable to raise necessary capital, we could become subject to negative or burdensome regulatory conditions that could negatively impact our growth, financial condition and results of operations.

The Dodd-Frank Act imposes additional regulatory requirements on financial institutions with $10 billion or more in total assets. The Company has grown to hold total assets in excess of $10 billion beginning with the quarter ending March 31, 2019. As a result, we are now subject to the following additional requirements:

- supervision, examination and enforcement by the CFPB with respect to consumer financial protection laws;
- a modified methodology for calculating FDIC insurance assessments and potentially higher assessment rates as a result of institutions with $10 billion or more in assets being required to bear a greater portion of the cost of raising the reserve ratio to 1.35% as required by the Dodd-Frank Act;
- heightened compliance standards under the Volcker Rule; and
- enhanced supervision as a larger financial institution.

The imposition of these regulatory requirements and increased supervision may require additional commitment of financial resources to regulatory compliance and may increase our cost of operations.

In addition, under the Durbin Amendment to the Dodd-Frank Act, institutions with $10 billion or more in assets are subject to a cap on the interchange fees that may be charged in certain electronic debit and prepaid card transactions, beginning July 1st of the following year in which the institution exceeds such size. The maximum permissible interchange fee for electronic debit transactions is the sum of 21 cents per transaction and five basis points multiplied by the value of the transaction. In addition, an issuer may charge up to one cent on each transaction as a fraud prevention adjustment if the issuer meets certain fraud prevention standards.

Policies and regulations enacted by the Consumer Financial Protection Bureau may negatively impact our residential mortgage loan business and compliance risk.

Our consumer business, including our mortgage and deposit businesses, may be adversely affected by the policies enacted or regulations adopted by the CFPB, which, under the Dodd-Frank Act, has broad rule-making authority over consumer financial products and services. The CFPB is in the process of reshaping consumer financial protection laws through rule-making and enforcement against unfair, deceptive and abusive acts or practices. The CFPB has broad rule-making authority to administer and carry out the provisions of the Dodd-Frank Act with respect to financial institutions that offer covered financial products and services to consumers. The CFPB has also been directed to write rules identifying practices or acts that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The prohibition on "abusive" acts or practices is being clarified each year by CFPB enforcement actions and opinions from courts and administrative proceedings. In January 2014, a series of final rules issued by the CFPB to implement provisions in the Dodd-Frank Act related to mortgage origination and servicing went into effect and caused an increase in the cost of originating and servicing residential mortgage loans. While it is difficult to quantify any future increases in our regulatory compliance burden, the costs associated with regulatory compliance, including the need to hire additional compliance personnel, may continue to increase.

Risks Relating to Mortgage Loans and Mortgage-Backed Securities

Declining real estate values, particularly in California, could reduce the value of our loan and lease portfolio and impair our profitability and financial condition.

The majority of the loans in our portfolio are secured by real estate. At June 30, 2021, approximately 72.4% of our mortgage portfolio was secured by real estate located in California. In recent years, there has been significant volatility in real estate values in California and in some cases the collateral for our real estate loans has become less valuable. If real estate values decrease or more of our borrowers experience financial difficulties, we will experience increased charge-offs, as the proceeds resulting from foreclosure may be significantly lower than the amounts outstanding on such loans. In addition, declining real estate values frequently accompany periods of economic downturn or recession and increasing unemployment, all of which can lead to lower demand for mortgage loans of the types we originate. A decline of real estate values or decline of the credit position of our borrowers in California would have a material adverse effect on our business, prospects, financial condition and results of operations.

Many of our mortgage loans are unseasoned and defaults on such loans would harm our business.

At June 30, 2021, our multifamily residential loans were $2,470.5 million or 21.4% of our loan portfolio. The payment on such loans is typically dependent on the cash flows generated by the projects, which are affected by the supply and demand for multifamily residential units and commercial property within the relative market. If the market for multifamily residential units and commercial property experiences a decline in demand, multifamily and commercial borrowers may suffer losses on their projects and be unable to repay their loans. If residential housing values were to decline and nationwide unemployment continues to remain at historically elevated levels, we are likely to experience increases in the level of our non-performing loans and foreclosures in future periods.

We could recognize other-than-temporary impairment on securities held in our available-for-sale portfolio.

We analyze securities held in our portfolio for other-than-temporary impairment on a quarterly basis. The process for determining whether impairment is other-than-temporary can involve difficult, subjective judgments about the future financial performance of the issuer, market conditions, and the value of any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers and the performance of the underlying collateral, we may be required to recognize other-than-temporary impairment in future periods reducing future earnings and capital levels.

A decrease in the mortgage buying activity of Fannie Mae, Freddie Mac, and MBS's guaranteed by Ginnie Mae or a failure by Fannie Mae, Ginnie Mae, and Freddie Mac to satisfy their obligations with respect to their RMBS could have a material adverse effect on our business, financial condition and results of operations.

During the last three fiscal years we have sold approximately $2.6 billion of residential mortgage loans to Fannie Mae and Freddie Mac and into MBS's guaranteed by Ginnie Mae. As of June 30, 2021, approximately 12.8% of our securities portfolio consisted of RMBS issued or guaranteed by these GSEs. Since 2008, Fannie Mae and Freddie Mac have been in conservatorship, with its primary regulator, the Federal Housing Finance Agency, acting as conservator. The United States government may enact structural changes to one or more of the GSEs, including privatization, consolidation and/or a reduction in the ability of GSEs to purchase mortgage loans or guarantee mortgage obligations. We cannot predict if, when or how the conservatorships will end, or what associated changes (if any) may be made to the structure, mandate or overall business practices of either of the GSEs. Accordingly, there continues to be uncertainty regarding the future of the GSEs, including whether they will continue to exist in their current form and whether they will continue to meet their obligations with respect to their RMBS. A substantial reduction in mortgage purchasing activity by the GSEs could result in a material decrease in the availability of residential mortgage loans and the number of qualified borrowers, which in turn may lead to increased volatility in the residential housing market, including a decrease in demand for residential housing and a corresponding drop in the value of real property that secures current residential mortgage loans, as well as a significant increase in interest rates. In a rising or higher interest rate environment, our originations of mortgage loans may decrease, which would result in a decrease in mortgage loan revenues and a corresponding decrease in non-interest income. Any decision to change the structure, mandate or overall business practices of the GSEs and/or the relationship among the GSEs, the government and the private mortgage loan markets, or any failure by the GSEs to satisfy their obligations with respect to their RMBS, could have a material adverse effect on our business, financial condition and results of operations.

Commercial and industrial and commercial real estate loans may expose our company to greater financial and credit risk than other loans.

Our commercial and industrial loans as well as our commercial real estate – mortgage portfolio were approximately $1,123.9 million and $3,180.5 million at June 30, 2021, comprising approximately 9.7% and 27.5% of our total loan portfolio, respectively. Commercial loans generally carry larger loan balances and can involve a greater degree of financial and credit risk than other loans. Any significant failure to pay on time by our customers could hurt our earnings. The increased financial and credit risk associated with these types of loans are a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the size of loan balances, the effects of general economic conditions on income-producing properties and businesses and the increased difficulty of evaluating and monitoring these types of loans.

Risks Relating to our Business Operations

Our results of operations could vary as a result of the methods, estimates, and judgments that we use in applying our accounting policies, including with respect to our allowance for credit losses.

From time to time, the Financial Accounting Standards Board (the "FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, the FASB, SEC, bank regulators and outside independent auditors may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations. Such methods, estimates and judgments, include methodologies to value our securities, evaluate securities for other-than-temporary impairment and estimate our allowance for loan and lease losses. These methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

In June 2016, the FASB issued an accounting standards update ASU 2016-13 *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("Topic 326") that replaces the current "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the Current Expected Credit Loss ("CECL") model for annual periods beginning after December 15, 2019. Under the CECL standard, which we adopted on July 1, 2020, we are required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected over the life of the loan. The measurement of expected credit losses is based on information about past events, including credit quality, our historical experience, current conditions and reasonable and supportable macroeconomic forecasts that may affect the collectibility of the reported amount. This measurement takes place at the time the financial asset is first added to the balance sheet and at least quarterly thereafter. This differs significantly from the previous "incurred loss" model, which delayed recognition of estimated losses until it is probable a loss has been incurred and measured those losses over the estimated life of the loan rather than the loss emergence period. Certain CECL factors are outside of our control and may be procyclical and/or create more volatility in the level of our allowance for credit losses which could impact our results of operations. CECL requires management judgment that is supported by new models and more data elements, including macroeconomic forecasts, than the previous allowance standard. This increases the complexity and associated risk, particularly in times of economic uncertainty or other unforeseen circumstances, which could impact our results of operations and may place stress on our internal controls over financial reporting.

If our allowance for credit losses, particularly in growing areas of lending such as commercial and industrial ("C&I") is not sufficient to cover actual credit losses, our earnings, capital adequacy and overall financial condition may suffer materially.

Our loans are generally secured by single family, multifamily and commercial real estate properties, each initially having a fair market value generally greater than the amount of the loan secured. Although our loans and leases are typically secured, the risk of default, generally due to a borrower's inability to make scheduled payments on his or her loan, is an inherent risk of the banking business. In determining the amount of the allowance for loan and lease losses, we make various assumptions and judgments about the collectibility of our loan and lease portfolio, including the creditworthiness of our borrowers, the value of the real estate serving as collateral for the repayment of our loans and our loss history. Defaults by borrowers could result in losses that exceed our loan and lease loss reserves. We have originated or purchased many of our loans and leases recently, so we do not have sufficient repayment experience to be certain whether the established allowance for loan and lease losses is adequate. We may have to establish a larger allowance for loan and lease losses in the future if, in our judgment, it becomes necessary. Any increase in our allowance for loan and lease losses would increase our expenses and consequently may adversely affect our profitability, capital adequacy and overall financial condition.

In addition, we continue to increase our emphasis on non-residential lending, particularly in C&I lending, and these types of loans and leases are expected to comprise a larger portion of our originations and loan and lease portfolio in future periods. To the extent that we fail to adequately address the risks associated with C&I lending, we may experience increases in levels of non-performing loans and leases and be forced to take additional loan and lease loss reserves, which would adversely affect our net interest income and capital levels and reduce our profitability. For further information about our C&I lending business, please refer to "Business - Asset Origination and Fee Income Businesses - Commercial Real Estate Secured and Commercial Lending."

Changes in the value of goodwill and other intangible assets could reduce our earnings.

The Company accounts for goodwill and other intangible assets in accordance with generally accepted accounting principles ("GAAP"), which, in general, requires that goodwill not be amortized, but rather that it be tested for impairment at least annually at the reporting unit level using the two step approach. Testing for impairment of goodwill and other intangible assets is performed annually and involves the identification of reporting units and the estimation of fair values. The estimation of fair values involves a high degree of judgment and subjectivity in the assumptions used. Changes in the local and national economy, the federal and state legislative and regulatory environments for financial institutions, the stock market, interest rates and other external factors (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability, and may materially impact the fair value of publicly traded financial institutions and could result in an impairment charge at a future date.

Our risk management processes and procedures may not be effective in mitigating our risks.

We have established processes and procedures intended to identify, measure, monitor and control material risks to which we are subject, including, for example, credit risk, market risk, liquidity risk, strategic risk and operational risk. If the models that we use to manage these risks are ineffective at predicting future losses or are otherwise inadequate, we may incur unexpected losses or otherwise be adversely affected. In addition, the information we use in managing our credit and other risks may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid. There may also be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated, including when processes are changed or new products and services are introduced. If our risk management framework does not effectively identify and control our risks, we could suffer unexpected losses or be adversely affected, and that could have a material adverse effect on our business, results of operations and financial condition.

Higher FDIC assessments could negatively impact profitability.

FDIC insurance premiums are “risk based”. Accordingly, higher premiums are charged to banks that have lower capital ratios or higher risk profiles. As a result, a decrease in the Bank’s capital ratios, or a negative evaluation by the FDIC, may increase the Bank’s net funding cost and reduce its earnings.

Our broker-dealer business subjects us to a variety of risks associated with the securities industry.

Our broker-dealer business subjects us to a number of risks and challenges, including risks related to our ability to integrate the acquired operations and the associated internal controls and regulatory functions into our current operations; our ability to retain key personnel of the acquired operations; our ability to limit the outflow of acquired deposits and successfully retain and manage acquired assets; our ability to retain existing correspondents who may choose to perform their own clearing services, move their clearing business to one of our competitors or exit the business; our ability to attract new customers and generate new assets in areas not previously served; and the possible assumption of risks and liabilities related to litigation or regulatory proceedings involving the acquired operations.

In addition, the broker-dealer business may subject us to new risks related to the movement of equity prices. For example, if securities prices decline rapidly, the value of our collateral could fall below the amount of the indebtedness secured by these securities, and in rapidly appreciating markets, credit risk may increase due to short positions. The securities lending and securities trading and execution businesses also subject us to credit risk if a counterparty fails to perform or if collateral securing the counterparty’s obligations is insufficient. In securities transactions generally, we will be subject to credit risk during the period between the execution of a trade and the settlement by the customer. Significant failures by our customers, including correspondents, or clients to honor their obligations, or increases in their rates of default, together with insufficient collateral and reserves, could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, in March 2019, we suffered a $15.3 million bad debt expense due to a default by a correspondent customer arising from unauthorized securities trades by an employee of the customer.

Our broker-dealer business is also subject to regulatory requirements and risks discussed above under *“Our broker-dealer and investment advisory businesses subjects to new regulatory risks”*. Our broker-dealer business also exposes us to other risks and uncertainties that are common in the securities industry, including intense competition, and potentially new areas and types of litigation including lawsuits based on allegations concerning our correspondents. For example, we allow our brokerage customers to engage in self-directed trading, and there has been an increase in regulatory enforcement and securities litigation against broker-dealers with self-directed trading platforms. These actions may become more common or frequent, particularly if there is a prolonged decrease in equity prices resulting in investor losses. Allegations of violations of securities laws or FINRA rules, even if not ultimately asserted or proved, could substantially impact our results of operations and lead to reputational harm.

Our broker-dealer business is also subject to the net capital requirements of the SEC, FINRA and various self-regulatory organizations. These requirements typically specify the minimum level of net capital a broker-dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. Failure to maintain the required net capital may subject a firm to limitation of its activities, including suspension or revocation of its registration by the SEC and suspension or expulsion by FINRA and other regulatory bodies, and ultimately may require its liquidation.

Our investment advisory business subjects us to a variety of risks associated with investment performance and advisory services.

Our investment advisory business is subject to regulatory requirements and risks discussed above under “Our broker-dealer and investment advisory businesses subjects us to regulatory risks.” The acquisition of certain assets and liabilities of E*TRADE Advisor Services (“EAS”), the registered investment advisor custody business of Morgan Stanley, acquired August 2, 2021, will also be subject to these regulatory requirements and risks.

Our investment advisory business is and will be subject to various data privacy and cybersecurity laws designed to protect client and employee personally identifiable information. These laws and regulations are increasing in complexity and number which has resulted in greater compliance risk and cost for the business. The unauthorized access, use, theft or destruction of client or employee personal, financial or other data could expose us to potential financial penalties and legal liability.

Additionally, poor investment returns and declines in client assets in our investment advisory business, due to either general market conditions or under-performance (relative to our competitors or to benchmarks) by investment products, may affect our ability to retain existing assets, prevent clients from transferring their assets out of products or their accounts, or inhibit our ability to attract new clients or additional assets from existing clients. Any such poor performance could adversely affect our investment advisory business and the advisory fees that we earn on client assets.

Our acquisitions involve integration and other risks.

From time to time we undertake acquisitions of assets, deposits, lines of business and other companies consistent with our operating and growth strategies. Acquisitions generally involve a number of risks and challenges, including our ability to integrate the acquired operations and the associated internal controls and regulatory functions into our current operations, our ability to retain key personnel of the acquired operations, our ability to limit the outflow of acquired deposits and successfully retain and manage acquired assets, our ability to attract new customers and generate new assets in areas not previously served, and the possible assumption of risks and liabilities related to litigation or regulatory proceedings involving the acquired operations. Additionally, no assurance can be given that the operation of acquisitions would not adversely affect our existing profitability, that we would be able to achieve results in the future similar to those achieved by the acquired operations, that we would be able to compete effectively in the markets served by the acquired operations, or that we would be able to manage any growth resulting from the transaction effectively. We also face the risk that the anticipated benefits of any acquisition may not be realized fully or at all, or within the time period expected.

As a public company, we face the risk of shareholder lawsuits and other related or unrelated litigation, particularly if we experience declines in the price of our common stock. We have been named as a party to purported class action and derivative lawsuits, and we may be named in additional litigation, all of which could require significant management time and attention and result in significant legal expenses.

As described in detail below in "Item 3 – Legal Proceedings," putative class action lawsuits have been filed in the United States District Court, Southern District of California, alleging, among other things, that our Company, Chief Executive Officer and Chief Financial Officer violated the federal securities laws by failing to disclose the wrongful conduct that is alleged by a former employee in a complaint, and that as a result the Company's statements regarding its internal controls, and portions of its financial statements, were false and misleading. Derivative lawsuits have also been filed against our management arising from the same events, alleging breach of fiduciary duty, mismanagement, abuse of control and unjust enrichment. Regardless of the merits, the expense of defending such litigation may have a substantial impact if our insurance carriers fail to cover the full cost of the litigation, and the time required to defend the actions could divert management's attention from the day-to-day operations of our business, which could adversely affect our business, results of operations and cash flows. An unfavorable outcome in such litigation could have a material adverse effect on our business, financial condition, results of operations and cash flows. The Company and its management deny any wrongdoing and are vigorously defending the referenced lawsuits.

We may seek additional capital, but it may not be available when it is needed, which would limit our ability to execute our strategic plan. In addition, raising additional equity capital would dilute existing shareholders' equity interests and may cause our stock price to decline.

We are required by regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support the growth of our business or to finance acquisitions, if any, or we may elect to raise additional capital for other reasons. We may seek to do so through the issuance of, among other things, our common stock or securities convertible into our common stock, which could dilute existing shareholders' interests in the Company.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions, our financial performance and a number of other factors, many of which are outside our control. Accordingly, we cannot provide assurance on our ability to raise additional capital if needed or whether it can be raised on terms acceptable to us. If we cannot raise additional capital when needed or on terms acceptable to us, it may have a material adverse effect on our financial condition, results of operations and prospects. In addition, raising equity capital will have a dilutive effect on the equity interests of our existing shareholders and may cause our stock price to decline.

Liquidity and access to adequate funding cannot be assured.

Liquidity is essential to our business and the inability to raise funds through deposits, borrowings, equity and debt offerings, or other sources could have a materially adverse effect on our liquidity. The Bank may not be able to meet the cash flow requirements of its customers who may be either depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. Company specific factors such as a decline in our credit rating, an increase in the cost of capital from financial capital markets, a decrease in business activity due to adverse regulatory action or other company specific event, or a decrease in depositor or investor confidence may impair our access to funding with acceptable terms adequate to finance our activities. General factors related to the financial services industry such as a severe disruption in financial markets, a decrease in industry expectations, or a decrease in business activity due to political or environmental events may impair our access to liquidity. We rely primarily upon deposits and FHLB advances. Our ability to attract deposits could be negatively impacted by a public perception of our financial prospects or by increased deposit rates available at troubled institutions suffering from shortfalls in liquidity. The FHLB advances and the FRBSF discount window are subject to regulation and other factors beyond our control. These factors may adversely affect the availability and pricing of advances to members such as the Bank. Selected sources of liquidity may become unavailable to the Bank if it were to no longer be considered "well-capitalized."

Our inability to manage our growth or deploy assets profitably could harm our business and decrease our overall profitability, which may cause our stock price to decline.

Our assets and deposit base have grown substantially in recent years, and we anticipate that we will continue to grow over time, perhaps significantly. To manage the expected growth of our operations and personnel, we will be required to manage multiple aspects of the business simultaneously, including among other things: (i) improve existing and implement new transaction processing, operational and financial systems, procedures and controls; (ii) maintain effective credit scoring and underwriting guidelines; (iii) maintain sufficient levels of regulatory capital; and (iv) expand our employee base and train and manage this growing employee base. In addition, acquiring other banks, asset pools or deposits may involve risks such as exposure to potential asset quality issues, disruption to our normal business activities and diversion of management's time and attention due to integration and conversion efforts. If we are unable to manage growth effectively or execute integration efforts properly, we may not be able to achieve the anticipated benefits of growth and our business, financial condition and results of operations could be adversely affected.

In addition, we may not be able to sustain past levels of profitability as we grow, and our past levels of profitability should not be considered a guarantee or indicator of future success. If we are not able to maintain our levels of profitability by deploying growth in our deposits in profitable assets or investments, our net interest margin and overall level of profitability will decrease and our stock price may decline.

We face strong competition for customers and may not succeed in implementing our business strategy.

Our business strategy depends on our ability to remain competitive. There is strong competition for customers from existing banks and other types of financial institutions, including those that use the internet as a medium for banking transactions or as an advertising platform. Technology has also lowered barriers to entry and made it possible for non-bank, financial technology companies ("FinTechs") to offer products and services traditionally provided by banks. FinTechs continue to emerge and compete with traditional financial institutions across a wide variety of products and services. Consumers have demonstrated a growing willingness to obtain banking services from FinTechs. As a result, our ability to remain competitive is increasingly dependent upon our ability to maintain critical technological capabilities, and to identify and develop new, value-added products for existing and future customers. Our competitors include large, publicly-traded, internet-based banks, as well as smaller internet-based banks; "brick and mortar" banks, including those that have implemented websites to facilitate online banking; and traditional banking institutions such as thrifts, finance companies, credit unions and mortgage banks. Some of these competitors have been in business for a long time and have broader name recognition and a more established customer base. Most of our competitors are larger and have greater financial and personnel resources. In order to compete profitably, we may need to reduce the rates we offer on loans and leases and investments and increase the rates we offer on deposits, which actions may adversely affect our business, prospects, financial condition and results of operations.

To remain competitive, we believe we must successfully implement our business strategy. Our success depends on, among other things:

- Having a large and increasing number of customers who use our bank for their banking needs;
- Our ability to attract, hire and retain key personnel as our business grows;
- Our ability to secure additional capital as needed;
- The relevance of our products and services to customer needs and demands and the rate at which we and our

competitors introduce or modify new products and services;
- Our ability to offer products and services with fewer employees than competitors;
- The satisfaction of our customers with our customer service;
- Ease of use of our websites and smartphone applications;
- Our ability to provide a secure and stable technology platform for financial services that provides us with reliable and effective operational, financial and information systems; and
- Integration of our broker-dealer and registered investment-advisory businesses.

If we are unable to implement our business strategy, our business, prospects, financial condition and results of operations could be adversely affected.

Our business depends on a strong brand, and failing to maintain and enhance our brand could hurt our ability to maintain or expand our customer base.

The brand identities that we have developed will significantly contribute to the success of our business. Maintaining and enhancing the "Axos Bank" brands (including our other trade styles and trade names) is critical to expanding our customer base. We believe that the importance of brand recognition will increase due to the relatively low barriers to entry for our "brick and mortar" competitors in the internet-based banking market. Our brands could be negatively impacted by a number of factors, including data privacy and security issues, service outages, product malfunctions , and trademark infringement. If our name change is not widely accepted by customers or proves to be less popular than anticipated, if we fail to maintain and enhance our brands generally, or if we incur excessive expenses in these efforts, our business, financial condition and results of operations may be adversely affected. In addition, maintaining and enhancing our brand will depend on our ability to continue to provide high-quality products and services, which we may not do successfully.

Our reputation and business could be damaged by negative publicity.

Reputational risk, including as a result of negative publicity, is inherent in our business. Negative publicity can result from actual or alleged conduct in a number of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, inadequate protection of customer data, illegal or unauthorized acts taken by third parties that supply products or services to us, and ethical behavior of our employees. Damage to our reputation could adversely impact our ability to attract new, and maintain existing, loan and deposit customers, employees and business relationships, and, particularly with respect to our broker-dealer and registered investment adviser businesses, could result in the imposition of new regulatory requirements, operational restrictions, enhanced supervision and/or civil money penalties. Such damage could also adversely affect our ability to raise additional capital. Any such damage to our reputation could have a material adverse effect on our financial condition and results of operations.

Our controls and procedures may fail or be circumvented.

We regularly review and update our internal controls, disclosure controls and procedures, compliance monitoring activities and corporate governance policies and procedures. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations, reputation and financial condition. In addition, if we identify material weaknesses or significant deficiencies in our internal control over financial reporting or are required to restate our financial statements, we could be required to implement expensive and time-consuming remedial measures. We could lose investor confidence in the accuracy and completeness of our financial reports and potentially subject us to litigation. Any material weaknesses or significant deficiencies in our internal control over financial reporting or restatement of our financial statements could have a material adverse effect on our business, results of operations, reputation, and financial condition.

Natural disasters, acts of war or terrorism, civil unrest, public health issues, or other adverse external events could harm our business.

Our Bank is based in San Diego, California, and approximately 72.4% of our mortgage loan portfolio was secured by real estate located in California at June 30, 2021. In addition, some of our computer systems that operate our internet websites and their back-up systems are located in San Diego, California. Historically, California has been vulnerable to natural disasters. Therefore, we are susceptible to the risks of natural disasters, such as earthquakes, wildfires, floods and mudslides, the nature and magnitude of which cannot be predicted and may be exacerbated by global climate change. Natural disasters could harm our operations directly through interference with communications, including the interruption or loss of our websites, which would prevent us from gathering deposits, originating loans and leases and processing and controlling our flow of business, as well as through the destruction of facilities and our operational, financial and management information systems. A natural disaster or recurring power outages may also impair the value of our largest class of assets, our loan and lease portfolio, which is comprised substantially of real estate loans. Losses from disasters for which borrowers are uninsured or under-insured may reduce borrowers' ability to repay mortgage loans. Natural disasters, acts of war or terrorism, civil unrest, public health issues, or other adverse external events could each negatively impact our business operations or the stability of our deposit base, cause significant property damage, adversely impact the values of collateral securing our loans and/or interrupt our borrowers' abilities to conduct their business in a manner to support their debt obligations, which could result in losses and increased provisions for credit losses. Although we have implemented several back-up systems and protections (and maintain standard business interruption insurance), these measures may not protect us fully from the effects of a natural disaster, acts of war or terrorism, civil unrest, public health issues, or other adverse external events. The occurrence of natural disasters, particularly in California, could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our success depends in large part on the continuing efforts of a few individuals. If we are unable to retain these key personnel or attract, hire and retain others to oversee and manage our company, our business could suffer.

Our success depends substantially on the skill and abilities of our senior management team, including our Chief Executive Officer and President, Gregory Garrabrants, our Chief Financial Officer, Andrew J. Micheletti, and other employees that perform multiple functions that might otherwise be performed by separate individuals at larger banks. The loss of the services of any of these individuals or other key employees, whether through termination of employment, disability or otherwise, could have a material adverse effect on our business. In addition, our ability to grow and manage our growth depends on our ability to continue to identify, attract, hire, train, retain and motivate highly skilled executive, technical, managerial, sales, marketing, customer service and professional personnel. The implementation of our business plan and our future success will depend on such qualified personnel. Competition for such employees is intense, and there is a risk that we will not be able to successfully attract, assimilate or retain sufficiently qualified personnel. If we fail to attract and retain the necessary personnel, our business, prospects, financial condition and results of operations could be adversely affected.

Our ability to attract and retain qualified employees is critical to our success.

Competition for qualified personnel is intense in many areas of the financial services industry. We endeavor to attract talented and diverse new employees and retain and motivate our existing employees. The inability to recruit and retain qualified personnel in the future could materially and adversely affect our financial condition and results of operations.

We are exposed to risk of environmental liability with respect to properties to which we take title.

In the course of our business, we may foreclose and take title to real estate, including commercial real estate, and could be subject to environmental liabilities with respect to those properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we become subject to significant environmental liabilities, our business, prospects, financial condition and results of operations could be adversely affected.

Technology Risks in our Online Business

We depend on third-party service providers for our core banking and securities transactions technology, and interruptions in or terminations of their services could materially impair the quality of our services.

We rely substantially upon third-party service providers for our core banking technology and to protect us from bank system failures or disruptions, including with respect to securities technology at our clearing broker-dealer. This reliance may mean that we will not be able to resolve operational problems internally or on a timely basis, which could lead to customer dissatisfaction or long-term disruption of our operations. Our operations also depend upon our ability to replace a third-party service provider if it experiences difficulties that interrupt operations or if an essential third-party service terminates. If these service arrangements are terminated for any reason without an immediately available substitute arrangement, our operations may be severely interrupted or delayed. If such interruption or delay were to continue for a substantial period of time, our business, prospects, financial condition and results of operations could be adversely affected.

Privacy concerns relating to our technology could damage our reputation and deter current and potential customers from using our products and services.

Generally speaking, concerns have been expressed about whether internet-based products and services compromise the privacy of users and others. Concerns about our practices with regard to the collection, use, disclosure or security of personal information of our customers or other privacy related matters, even if unfounded, could damage our reputation and results of operations. While we strive to comply with all applicable data protection laws and regulations, as well as our own posted privacy policies, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, or could cause us to lose customers, which could potentially have an adverse effect on our business.

Misconduct by employees could also result in fraudulent, improper or unauthorized activities on behalf of clients or improper use of confidential personal information. The Company may not be able to prevent employee errors or misconduct, and the precautions the Company takes to detect this type of activity might not be effective in all cases. Employee errors or misconduct could subject the Company to civil claims for negligence or regulatory enforcement actions, including fines and restrictions on our business.

In addition, as nearly all of our products and services are internet-based, the amount of data we store for our customers on our servers (including personal information) has been increasing and will continue to increase. Any systems failure or compromise of our security that results in the release of our customers' data could seriously limit the adoption of our products and services, as well as harm our reputation and brand and, therefore, our business. We may also need to expend significant resources to protect against security breaches. System enhancements and updates may also create risks associated with implementing new systems and integrating them with existing ones. Due to the complexity and interconnectedness of information technology systems, the process of enhancing our layers of defense can itself create a risk of systems disruptions and security issues. In addition, addressing certain information security vulnerabilities, such as hardware-based vulnerabilities, may affect the performance of our information technology systems. The ability of our hardware and software providers to deliver patches and updates to mitigate vulnerabilities in a timely manner can introduce additional risks, particularly when a vulnerability is being actively exploited by threat actors.

The risk that these types of events could seriously harm our business is likely to increase as we add more customers and expand the number of internet-based products and services we offer.

We have risks of systems failure and disruptions to operations.

The computer systems and network infrastructure utilized by us and others could be vulnerable to unforeseen problems. This is true of both our internally developed systems and the systems of our third-party service providers. Our operations are dependent upon our ability to protect computer equipment against damage from fire, power loss, telecommunication failure or similar catastrophic events.

Any damage or failure that causes an interruption in our operations could adversely affect our business, prospects, financial condition and results of operations.

If our security measures are breached, or if our services are subject to cybersecurity attacks that degrade or deny the ability of customers to access our products and services, our products and services may be perceived as not being secure, customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure.

Our products and services involve the storage and transmission of customers' proprietary information, and security breaches could expose us to a risk of loss of this information, litigation, and potential liability. We employ cybersecurity measures that are designed to prevent, detect, and respond to cyberattacks, including management-level engagement and corporate governance, formalized risk management, advanced technical controls, incident response planning, frequent vulnerability testing, vendor management, intrusion monitoring, security awareness program, and partnerships with the appropriate government and law enforcement agencies. These procedures cannot, however, assure that we will be fully protected from a cybersecurity incident. Our security measures may be breached due to the actions of organized crime, hackers, terrorists, nation-states, activists and other outside parties, employee error, failure to follow security procedures, malfeasance, or otherwise and, as a result, an unauthorized party may obtain access to our data or our customers' data. In addition, to access our products and services, our customers use personal computers, smartphones, tablets, and other mobile devices that are beyond our control environment. Additionally, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our data or our customers' data. Other types of cybersecurity attacks may include computer viruses, malicious or destructive code, denial-of-service attacks, ransomware or ransom demands to not expose security vulnerabilities in the Company's systems or the systems of third parties. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our products and services that could potentially have an adverse effect on our business. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, including those of our third-party vendors, such as hacking or identity theft, it could cause serious negative consequences, including significant disruption of our operations, misappropriation of confidential information, or damage to computers or systems, and may result in violations of applicable privacy and other laws, financial loss and loss of confidence in our security measures. As a result, we could lose customers, suffer employee productivity losses, incur technology replacement and incident response costs, be subject to additional regulatory scrutiny, and be subject to civil litigation and possible financial liability, any of which may have a material adverse effect on our business, financial condition and results of operations.

Our business depends on continued and unimpeded access to the internet by us and our customers. Internet access providers may be able to block, degrade or charge for access to our website, which could lead to additional expenses and the loss of customers.

Our products and services depend on the ability of our customers to access the internet and our website. Currently, this access is provided by companies that have significant market power in the broadband and internet access marketplace, including incumbent telephone companies, cable companies and mobile communications companies. Some of these providers have the ability to take measures that could degrade, disrupt, or increase the cost of customer access to our products and services by restricting or prohibiting the use of their infrastructure to access our website or by charging fees to us or our customers to provide access to our website. Such interference could result in a loss of existing customers and/or increased costs and could impair our ability to attract new customers, which could have a material adverse effect on our business, financial condition and results of operations.

We are heavily reliant on technology, and a failure in effectively implementing technology initiatives or anticipating future technology needs or demands could adversely affect our business or financial results.

We depend on technology to deliver our products and services and to conduct our business and operations. To remain technologically competitive and operationally efficient, we invest in system upgrades, new solutions, and other technology initiatives. Many of these initiatives take a significant amount of time to develop and implement, are tied to critical systems, and require substantial financial, human, and other resources. Although we take steps to mitigate the risks and uncertainties associated with these initiatives, no assurance can be provided that they will be implemented on time, within budget, or without negative financial, operational, or customer impact or that, once implemented, they will perform as we or our customers expect. We also may not succeed in anticipating or keeping pace with future technology needs, the technology demands of customers, or the competitive landscape for technology. If we are not able to anticipate and keep pace with existing and future technology needs, our business, financial results, or reputation could be negatively impacted.

Risks Associated with our Common Stock

The market price of our common stock may be volatile.

Stock price volatility may make it more difficult for our stockholders to resell their common stock when desired. Our common stock price may fluctuate significantly due to a variety of factors that include the following:

- actual or expected variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of comparable companies, as deemed by investors;
- news reports relating to trends, concerns, and other issues in the financial services industry;
- perceptions in the marketplace about our company or competitors;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by, or involving, our Company or competitors;
- failure to integrate acquisitions or realize expected benefits from acquisitions;
- changes in government regulations; and
- geopolitical conditions, such as acts or threats of terrorism or military action.

General market fluctuations; industry factors; political conditions; and general economic conditions and events, such as economic slowdowns, recessions, interest rate changes, or credit loss trends, could also cause our common stock price to decrease regardless of operating results.

You may not receive dividends on our common stock.

We currently intend to retain any earnings to finance the growth and development of our business and common stock repurchases. Our board of directors has never declared or paid any cash dividends on our common stock and does not expect to do so in the foreseeable future. Our ability to pay dividends, should our board of directors elect to do so, depends largely upon the ability of the Bank to declare and pay dividends to us. Future dividends will depend primarily upon our earnings, financial condition and need for funds, as well as government policies and regulations applicable to us and our bank that limit the amount that may be paid as dividends without prior approval. As a result, any payment of dividends in the future may depend on our ability to satisfy these regulatory restrictions and our earnings, capital requirements, financial condition and other factors.

Provisions in our Certificate of Incorporation, By-laws and Delaware laws might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our Certification of Incorporation, by-laws and Delaware laws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- supermajority voting provisions providing that certain sections of our Certificate of Incorporation and our By-laws may not be amended or repealed by our stockholders without the affirmative vote of the holders of at least 75% of the voting power, and requiring the affirmative vote of the holders of at least 75% of the voting power to remove a director or directors and only for cause;
- our classified Board of Directors, which may tend to discourage a third-party from making a tender offer or otherwise attempting to obtain control of us since the classification of our board of directors generally increases the difficulty of replacing a majority of directors;
- advance notice provisions requiring stockholders seeking to nominate candidates to be elected as directors at an annual meeting or to bring business before an annual meeting to comply with the written procedure specified in our By-laws;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our by-laws;
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval;

- the additional shares of authorized common stock and preferred stock available for issuance under our Certificate of Incorporation, which could be issued at such times, under such circumstances and with such terms and conditions as to impede a change in control.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our board of directors. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal offices are located at 9205 West Russell Road, Suite 400, Las Vegas, NV 89148. Our Banking and Securities segments conduct business at this location and our telephone number is (858) 649-2218. We have additional office space located at 4350 La Jolla Village Drive, Suite 140, San Diego, California 92122. Our offices in Las Vegas consist of a total of approximately 27,100 square feet under leases that expire December 31, 2023 and our San Diego facilities consist of a total of approximately 182,000 square feet under leases that expire June 30, 2030.

ITEM 3. LEGAL PROCEEDINGS

We may from time to time become a party to other claims or litigation that arise in the ordinary course of business, such as claims to enforce liens, claims involving the origination and servicing of loans, and other issues related to the business of the Bank. None of such matters are expected to have a material adverse effect on the Company’s financial condition, results of operations or business.

Litigation. On October 15, 2015, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a putative class action lawsuit styled Golden v. BofI Holding, Inc., et al, and brought in United States District Court for the Southern District of California (the “Golden Case”). On November 3, 2015, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a second putative class action lawsuit styled Hazan v. BofI Holding, Inc., et al, and also brought in the United States District Court for the Southern District of California (the “Hazan Case”). On February 1, 2016, the Golden Case and the Hazan Case were consolidated as In re BofI Holding, Inc. Securities Litigation, Case #: 3:15-cv-02324-GPC-KSC (the “Class Action”), and the Houston Municipal Employees Pension System was appointed lead plaintiff. The plaintiffs allege that the Company and other named defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by failing to disclose wrongful conduct that was alleged in a complaint filed in connection with a wrongful termination of employment lawsuit filed on October 13, 2015 (the “Employment Matter”) and that as a result the Company’s statements regarding its internal controls, as well as portions of its financial statements, were false and misleading. On March 21, 2018, the Court entered a final order dismissing the Class Action with prejudice. Subsequently, the plaintiff appealed, the Court overturned the dismissal and the Company is preparing a petition for a rehearing.

On April 3, 2017, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a putative class action lawsuit styled Mandalevy v. BofI Holding, Inc., et al, and brought in United States District Court for the Southern District of California (the "Mandalevy Case"). The Mandalevy Case seeks monetary damages and other relief on behalf of a putative class that has not been certified by the Court. The complaint in the Mandalevy Case (the "Mandalevy Complaint") alleges a class period that differs from that alleged in the First Class Action, and that the Company and other named defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by failing to disclose wrongful conduct that was alleged in a March 2017 media article. The Mandalevy Case has not been consolidated into the First Class Action. On December 7, 2018, the Court entered a final order granting the defendants' motion and dismissing the Mandalevy Case with prejudice. Subsequently, the plaintiff filed a notice of appeal and the Court took the matter under advisement. On November 3, 2020, the Court issued a ruling affirming in part and reversing in part the District Court's Order dismissing the Class Action Second Amended Complaint. The defendants filed a petition for rehearing en banc on November 17, 2020, which petition was denied on December 16, 2020. The defendants filed a motion to dismiss the remanded complaint on February 19, 2021.

The Company and the other named defendants dispute the allegations of wrongdoing advanced by the plaintiffs in the Class Action, the Mandalevy Case, and in the Employment Matter, as well as those plaintiffs' statement of the underlying factual circumstances, and are vigorously defending each case.

In addition to the First Class Action and the Mandalevy Case, two separate shareholder derivative actions were filed in December, 2015, purportedly on behalf of the Company. The first derivative action, *Calcaterra v. Garrabrants, et al*, was filed in the United States District Court for the Southern District of California on December 3, 2015. The second derivative action, *Dow v. Micheletti, et al*, was filed in the San Diego County Superior Court on December 16, 2015. A third derivative action, *DeYoung v. Garrabrants, et al*, was filed in the United States District Court for the Southern District of California on January 22, 2016, a fourth derivative action, *Yong v. Garrabrants, et al*, was filed in the United States District Court for the Southern District of California on January 29, 2016, a fifth derivative action, *Laborers Pension Trust Fund of Northern Nevada v. Allrich et al*, was filed in the United States District Court for the Southern District of California on February 2, 2016, and a sixth derivative action, *Garner v. Garrabrants, et al*, was filed in the San Diego County Superior Court on August 10, 2017. Each of these six derivative actions names the Company as a nominal defendant, and certain of its officers and directors as defendants. Each complaint sets forth allegations of breaches of fiduciary duties, gross mismanagement, abuse of control, and unjust enrichment against the defendant officers and directors. The plaintiffs in these derivative actions seek damages in unspecified amounts on the Company's behalf from the officer and director defendants, certain corporate governance actions, and an award of their costs and attorney's fees.

The United States District Court for the Southern District of California ordered the four above-referenced derivative actions pending before it to be consolidated and appointed lead counsel in the consolidated action. On June 7, 2018, the Court entered an order granting defendant's motion for judgment on the pleadings, but giving the plaintiffs limited leave to amend by June 28, 2018. The plaintiffs failed to file an amended complaint, and instead plaintiffs filed on June 28, 2018 a motion to stay the case pending resolution of the securities class action and Employment Matter. On August 10, 2018, defendants filed an opposition to plaintiffs' motion. On September 11, 2018, the plaintiffs filed a second amended complaint. On October 16, 2018, defendants filed a motion to dismiss the second amended complaint. On October 16, 2018, defendants filed a motion to dismiss the second amended complaint. The Court dismissed the second amended complaint with prejudice on May 23, 2019. Subsequently, the plaintiff filed a notice of appeal and opening brief and the Company filed its answering brief. Oral argument was held September 2, 2020 and the Court took the matter under advisement.

The two derivative actions pending before the San Diego County Superior Court have been consolidated and have been stayed by agreement of the parties.

In view of the inherent difficulty of predicting the outcome of each legal action, particularly since claimants seek substantial or indeterminate damages, it is not possible to reasonably predict or estimate the eventual loss or range of loss, if any, related to each legal action.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since October 1, 2018, our common stock has traded on the New York Stock Exchange under the symbol "AX". Prior to October 1, 2018, our common stock traded on the NASDAQ Global Select Market under the symbol "BOFI". There were 59,355,332 shares of common stock outstanding held by approximately 36,000 holders of record as of August 21, 2021. A substantially larger number of holders of our common stock are beneficial holders, whose shares are held of record by brokers and other financial institutions. The transfer agent and registrar of our common stock is Computershare.

DIVIDENDS

As discussed below, on October 30, 2020, we redeemed all 515 outstanding shares of Series A - 6% Cumulative Nonparticipating Perpetual Preferred Stock. As such, no holders of record of any class of stock are entitled to receive dividends currently. We currently intend to retain any earnings to finance the growth and development of our business and common stock repurchases. Our board of directors has never declared or paid any cash dividends on our common stock and does not expect to do so in the foreseeable future. Our ability to pay dividends, should our board of directors elect to do so, depends largely upon the ability of the Bank to declare and pay dividends to us. Future dividends will depend primarily upon our earnings, financial condition and need for funds, as well as government policies and regulations applicable to us and our bank that limit the amount that may be paid as dividends without prior approval.

Preferred Stock. The Company redeemed for cash all 515 outstanding shares of Series A-6% Cumulative Nonparticipating Perpetual Preferred Stock on October 30, 2020, at the face value $10,000 liquidation price per share plus accrued dividends.

The Company declared dividends to holders of its Series A preferred stock totaling $0.3 million for each of the years ended June 30, 2020 and 2019. Dividends totaling $0.1 million were declared for the year ended June 30, 2021, an amount less than prior years as preferred stock was redeemed before the full year.

ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Repurchases. On March 17, 2016, the Board of Directors of the Company authorized a program to repurchase up to $100 million of common stock and extended the program by an additional $100 million on August 2, 2019. The Company may repurchase shares on the open market or through privately negotiated transactions at times and prices considered appropriate, at the discretion of the Company, and subject to its assessment of alternative uses of capital, stock trading price, general market conditions and regulatory factors. The repurchase program does not obligate the Company to acquire any specific number of shares. The share repurchase program will continue in effect until terminated by the Board of Directors of the Company. Shares of common stock repurchased under this plan will be held as treasury shares. Under the 2016 authorization, the Company repurchased a total of $100 million or 3,567,051 common shares at an average price of $28.03 per share. Under the 2019 authorization the Company has repurchased a total of $47.2 million or 2,399,853 common shares at an average price of $19.68 per share and there remains $52.8 million under the plan. During the fiscal year ended June 30, 2021, the Company repurchased a total of $16.8 million, or 753,597 common shares, at an average price of $22.24 per share. The Company accounts for treasury stock using the cost method as a reduction of shareholders' equity in the accompanying unaudited condensed consolidated financial statements.

Net Settlement of Restricted Stock Awards. In October 2019, the stockholders of the Company approved the amended and restated the 2014 Stock Incentive Plan, which, among other changes, permitted net settlement of stock issuances related to equity awards for purposes of payment of a grantee's minimum income tax obligation. During the fiscal year ended June 30, 2021, there were 287,362 restricted stock unit award shares which were retained by the Company and converted to cash at the average rate of $37.05 per share to fund the grantee's income tax obligations.

The following table sets forth our market repurchases of Axos common stock and the Axos common shares retained in connection with net settlement of restricted stock awards during the fourth fiscal quarter ended June 30, 2021.

Period	Number of Shares Purchased	Average Price Paid Per Shares	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
Stock Repurchases[1] ***(dollars in thousands)***				
Quarter Ended June 30, 2021				
April 1, 2021 to April 30, 2021	—	$ —	—	$ —
May 1, 2021 to May 31, 2021	—	—	—	—
June 1, 2021 to June 30, 2021	—	—	—	—
For the Three Months Ended June 30, 2021	—	$ —	—	$ 52,764
Stock Retained in Net Settlement[2]				
April 1, 2021 to April 30, 2021	2,323			
May 1, 2021 to May 31, 2021	277			
June 1, 2021 to June 30, 2021	84,303			
For the Three Months Ended June 30, 2020	86,903			

[1] On March 17, 2016, the Board of Directors of the Company authorized a program to repurchase up to $100 million of common stock and extended the program by an additional $100 million on August 2, 2019. The share repurchase program will continue in effect until terminated by the Board of Directors of the Company. Purchases were made in open-market transactions.

[2] In October 2019, the stockholders of the Company approved the amended and restated the 2014 Stock Incentive Plan, which, among other changes permitted net settlement of stock issuances related to equity awards for purposes of payment of a grantee's minimum income tax obligation. Stock Retained in Net Settlement was purchased at the vesting price of the associated restricted stock unit.

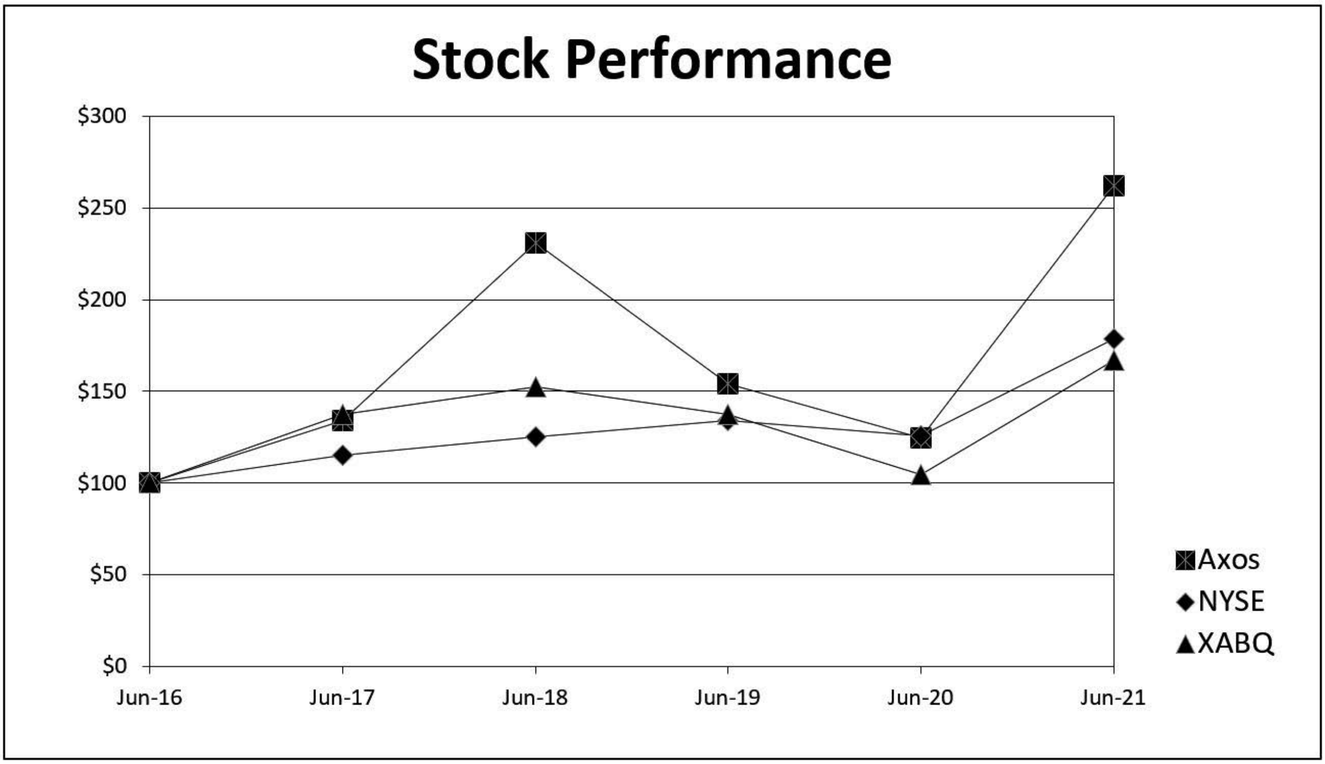
EQUITY COMPENSATION PLAN INFORMATION

The following table provides information regarding the aggregate number of securities to be issued under all of our stock option and equity based compensation plans upon exercise of outstanding options, warrants and other rights and their weighted-average exercise prices as of June 30, 2021. There were no securities issued under equity compensation plans not approved by security holders.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options and units granted	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	—	$ —	1,537,686
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	—	$ —	1,537,686

COMPANY STOCK PERFORMANCE

The following graph compares the total return of our common stock over the last five fiscal years, starting June 30, 2016 through June 30, 2021, with that of (i) the companies included in the total return for the U.S. NYSE Index, and (ii) the banks included in the total return for the ABA NASDAQ Community Bank Index ("ABAQ").



The graph assumes $100 was invested in AX common stock, in U.S. NYSE Composite Total Return Index (ticker: NYATR) and in ABAQ Total Return Index (ticker: XABQ) on June 30, 2016. The indexes assume reinvestment of dividends.

	Cumulative Return as of June 30,					
	2016	2017	2018	2019	2020	2021
Axos	$ 100.00	$ 133.94	$ 231.00	$ 153.87	$ 124.68	$ 261.94
NYSE	100.00	115.02	125.30	134.15	125.44	178.43
XABQ	100.00	137.15	152.26	137.53	104.63	166.80

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information should be read in conjunction with "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and footnotes included elsewhere in this Annual Report on Form 10-K.

	At or for the Fiscal Years Ended June 30,				
(Dollars in thousands, except per share amounts)	**2021**	**2020**	**2019**	**2018**	**2017**
Selected Balance Sheet Data:					
Total assets	$ 14,265,565	$ 13,851,900	$ 11,220,238	$ 9,539,504	$ 8,501,680
Loans, net of allowance for credit losses	11,414,814	10,631,349	9,382,124	8,432,289	7,374,493
Loans held for sale, at fair value	29,768	51,995	33,260	35,077	18,738
Loans held for sale, at cost	12,294	44,565	4,800	2,686	6,669
Allowance for credit losses	132,958	75,807	57,085	49,151	40,832
Securities—trading	1,983	105	—	—	8,327
Securities—available for sale	187,335	187,627	227,513	180,305	264,470
Securities borrowed	619,088	222,368	144,706	N/A	N/A
Customer, broker-dealer and clearing receivables	369,815	220,266	203,192	N/A	N/A
Total deposits	10,815,797	11,336,694	8,983,173	7,985,350	6,899,507
Securities sold under agreements to repurchase	—	—	—	—	20,000
Advances from the FHLB	353,500	242,500	458,500	457,000	640,000
Borrowings, subordinated debentures and other borrowings	221,358	235,789	168,929	54,552	54,463
Securities loaned	728,988	255,945	198,356	N/A	N/A
Customer, broker-dealer and clearing payables	535,425	347,614	238,604	N/A	N/A
Total stockholders' equity	1,400,936	1,230,846	1,073,050	960,513	834,247
Selected Income Statement Data:					
Interest and dividend income	$ 617,863	$ 622,839	$ 564,887	$ 475,074	$ 387,286
Interest expense	79,121	145,228	156,282	106,580	74,059
Net interest income	538,742	477,611	408,605	368,494	313,227
Provision for loan and lease losses	23,750	42,200	27,350	25,800	11,061
Net interest income after provision for loan losses	514,992	435,411	381,255	342,694	302,166
Non-interest income	105,261	102,987	82,757	70,941	68,132
Non-interest expense	314,510	275,766	251,206	173,936	137,605
Income before income tax expense	305,743	262,632	212,806	239,699	232,693
Income tax expense	90,036	79,194	57,675	87,288	97,953
Net income	$ 215,707	$ 183,438	$ 155,131	$ 152,411	$ 134,740
Net income attributable to common stock	$ 215,518	$ 183,129	$ 154,822	$ 152,102	$ 134,431
Per Common Share Data:					
Net income:					
Basic	$ 3.64	$ 3.01	$ 2.50	$ 2.41	$ 2.11
Diluted	$ 3.56	$ 2.98	$ 2.48	$ 2.37	$ 2.10
Adjusted earnings per common share (Non-GAAP[1])	$ 3.68	$ 3.10	$ 2.75	$ 2.39	N/A
Book value per common share	$ 23.62	$ 20.56	$ 17.47	$ 15.24	$ 13.05
Tangible book value per common share (Non-GAAP[1])	$ 21.36	$ 18.28	$ 15.10	$ 13.99	$ 12.94
Weighted average number of common shares outstanding:					
Basic	59,229,495	60,794,555	61,898,447	63,136,232	63,656,542
Diluted	60,519,611	61,437,635	62,382,065	64,147,220	63,915,100
Common shares outstanding at end of period	59,317,944	59,612,635	61,128,817	62,688,064	63,536,244

(Dollars in thousands, except per share amounts)	At or for the Fiscal Years Ended June 30, 2021	2020	2019	2018	2017
Performance Ratios and Other Data:					
Loan originations for investment	$ 7,304,414	$ 6,797,971	$ 6,934,259	$ 5,922,801	$ 4,182,701
Loan originations for sale	$ 1,608,700	$ 1,601,579	$ 1,471,906	$ 1,564,165	$ 1,375,443
Loan purchases	$ 3,619	$ —	$ 11,009	$ —	$ 276,917
Return on average assets	1.52 %	1.53 %	1.51 %	1.68 %	1.68 %
Return on average common stockholders' equity	16.51 %	15.65 %	15.40 %	17.05 %	17.78 %
Interest rate spread[2]	3.70 %	3.65 %	3.66 %	3.79 %	3.74 %
Net interest margin[3]	3.92 %	4.12 %	4.07 %	4.11 %	3.95 %
Net interest margin - Banking segment only[3]	4.11 %	4.19 %	4.14 %	4.14	N/A
Efficiency ratio[4]	48.84 %	47.50 %	51.12 %	39.58 %	36.08 %
Efficiency ratio - Banking segment only[4]	41.95 %	39.81 %	40.51 %	34.55 %	N/A
Capital Ratios:					
Equity to assets at end of period	9.82 %	8.89 %	9.56 %	10.07 %	9.81 %
Axos Financial, Inc:					
Tier 1 leverage (core) capital to adjusted average assets	8.82 %	8.97 %	8.75 %	9.45 %	9.95 %
Common equity tier 1 capital (to risk-weighted assets)	11.36 %	11.22 %	11.43 %	13.27 %	14.66 %
Tier 1 capital (to risk-weighted assets)	11.36 %	11.27 %	11.49 %	13.34 %	14.75 %
Total capital (to risk-weighted assets)	13.78 %	12.64 %	12.91 %	14.84 %	16.38 %
Axos Bank:					
Tier 1 leverage (core) capital to adjusted average assets	9.45 %	9.25 %	9.21 %	8.88 %	9.60 %
Common equity tier 1 capital (to risk-weighted assets)	12.28 %	11.79 %	12.14 %	12.53 %	14.25 %
Tier 1 capital (to risk-weighted assets)	12.28 %	11.79 %	12.14 %	12.53 %	14.25 %
Total capital (to risk-weighted assets)	13.21 %	12.62 %	12.89 %	13.27 %	14.97 %
Axos Clearing:					
Net capital	$ 35,950	$ 34,022	$ 25,027	N/A	N/A
Excess capital	$ 27,904	$ 29,450	$ 21,199	N/A	N/A
Net capital as percentage of aggregate debit item	8.94 %	14.88 %	13.08 %	N/A	N/A
Net capital in excess of 5% aggregate debit item	$ 15,836	$ 22,593	$ 15,458	N/A	N/A
Asset Quality Ratios:					
Net annualized charge-offs (recoveries) to average loans outstanding[5]	0.12 %	0.23 %	0.19 %	0.19 %	0.06 %
Net annualized charge-offs (recoveries) to average loans outstanding excluding tax products[5]	0.07 %	0.08 %	0.06 %	0.02 %	0.01 %
Non-performing loans and leases to total loans and leases	1.26 %	0.82 %	0.51 %	0.37 %	0.38 %
Non-performing assets to total assets	1.07 %	0.68 %	0.50 %	0.43 %	0.35 %
Allowance for loan and lease losses to total loans and leases held for investment at end of period	1.15 %	0.71 %	0.60 %	0.58 %	0.55 %
Allowance for loan and lease losses to non-performing loans and leases	91.57 %	86.20 %	117.84 %	157.40 %	143.81 %

[1] *See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Use of Non-GAAP Financial Measures."*

[2] *Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate paid on interest-bearing liabilities.*

[3] *Net interest margin represents 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.*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains forward-looking statements that are based upon current expectations. Forward-looking statements involve risks and uncertainties. Our actual results and the timing of events could differ materially from those expressed or implied in our forward-looking statements due to various important factors, including those set forth under "Risk Factors" in Item 1A. and elsewhere in this Annual Report on Form 10-K. The following discussion and analysis should be read together with the "Selected Financial Data" and consolidated financial statements, including the related notes included elsewhere in this Annual Report on Form 10-K.

OVERVIEW

The consolidated financial statements include the accounts of Axos Financial, Inc. ("Axos") and its wholly owned subsidiaries, Axos Bank (the "Bank") and Axos Nevada Holding, LLC ("Axos Nevada Holding"), collectively, the "Company." Axos Nevada Holding owns the companies constituting the Securities Business segment, including; Axos Securities, LLC, Axos Clearing LLC ("Axos Clearing"), a clearing broker-dealer, Axos Invest, Inc., a registered investment advisor, and Axos Invest LLC, an introducing broker-dealer. With approximately $14.3 billion in assets, Axos Bank provides consumer and business banking products through its low-cost distribution channels and affinity partners. Axos Clearing and Axos Invest LLC, provide comprehensive securities clearing services to introducing broker-dealers and registered investment advisor correspondents and digital investment advisory services to retail investors, respectively. Axos Financial, Inc.'s common stock is listed on the NYSE under the symbol "AX" and is a component of the Russell 2000® Index and the S&P SmallCap 600® Index. For more information on Axos Bank, please visit axosbank.com.

Net income for the fiscal year ended June 30, 2021 was $215.7 million compared to $183.4 million and $155.1 million for the fiscal years ended June 30, 2020 and 2019, respectively. Net income attributable to common stockholders for the fiscal year ended June 30, 2021 was $215.5 million, or $3.56 per diluted share compared to $183.1 million, or $2.98 per diluted share and $154.8 million, or $2.48 per diluted share for the years ended June 30, 2020 and 2019, respectively. Growth in our interest earning assets, particularly the loan and lease portfolio, and a reduced cost of interest-bearing liabilities were the primary reasons for the increase in our net income from fiscal 2020 to fiscal 2021.

Net interest income increased $61.1 million for the year ended June 30, 2021 compared to the year ended June 30, 2020. Net interest income for the year ended June 30, 2021 was $538.7 million compared to $477.6 million and $408.6 million for the years ended June 30, 2020 and 2019, respectively. The growth of net interest income from fiscal year 2019 through 2021 is primarily due to net loan portfolio growth and a reduction of rates paid on deposits.

Provision for credit losses for the year ended June 30, 2021 was $23.8 million, compared to $42.2 million and $27.4 million for the years ended June 30, 2020 and 2019, respectively. The decrease of $18.5 million for fiscal year 2021 is the result of provisions associated with non-recurring Refund Advance loans. The increase of $14.9 million for fiscal year 2020 is the result of additional provisions for changes in economic and business conditions resulting from the COVID-19 pandemic, overall loan portfolio growth, and changes in the loan mix.

Non-interest income for the fiscal year ended June 30, 2021, was $105.3 million compared to non-interest income of $103.0 million and $82.8 million for the fiscal years ended 2020 and 2019. The increase from fiscal year 2020 to fiscal year 2021 was primarily the result of an increase of mortgage banking income, partially offset by a decrease in banking and service fees related to the discontinued income tax product. The increase from fiscal year 2019 to fiscal year 2020 was primarily the result of an increase of mortgage banking and a full year of broker-dealer fees.

Non-interest expense for the fiscal year ended June 30, 2021 was $314.5 million compared to $275.8 million and $251.2 million for the years ended June 30, 2020 and 2019, respectively. The increase was primarily due to an increase of $8.2 million in staffing for lending, information technology infrastructure development, clearing services, and regulatory compliance, an increase in data processing, and an increase in professional services. Our staffing at June 30, 2021 rose to 1165 employees compared to 1099 and 1007 at June 30, 2020 and 2019, respectively.

Total assets were $14.3 billion at June 30, 2021 compared to $13.9 billion at June 30, 2020. Assets grew $0.4 billion or 3.0% during the last fiscal year, primarily due to loan originations, primarily from C&I and income property lending, partially offset by a decrease in total cash. We built our cash position at the beginning of the COVID-19 pandemic and used it to fund loan growth during fiscal 2021.

COVID-19 Impact. We are closely monitoring the developments of and uncertainties caused by the COVID-19 pandemic. In response to the changes in economic and business conditions as a result of the COVID-19 pandemic, we continue to take the following actions to support customers, employees, partners and shareholders:

- Actively communicating with borrowers and partners to assess individual needs;
- Providing secure and efficient remote work options for our team members;
- Adjusting provisions for credit losses;
- Tightening underwriting standards;
- Reallocating personnel to increase resources for customer service and portfolio management; and
- Limiting business travel.

Under the guidelines set forth in the CARES Act, for our borrowers who were one or less payments past due on April 1, 2020, we may delay payments for an agreed upon timeframe, depending on each individual borrower's characteristics. The Company has taken proactive measures to manage loans that became delinquent during the recent economic downturn as a result of the COVID-19 pandemic. As of June 30, 2021, the Company provided no forbearance nor deferrals of payment obligations on any single family, multifamily and commercial mortgage loans, warehouse loans and commercial real estate loans. Deferrals totaling $0.9 million of auto and consumers loans were granted during the year ended June 30, 2021.

MERGERS AND ACQUISITIONS

From time to time we undertake acquisitions or similar transactions consistent with our Company's operating and growth strategies. We completed no business acquisitions or asset acquisitions during the fiscal years ended June 30, 2021 and June 30, 2020, two business acquisitions and two asset acquisitions during the fiscal year ended June 30, 2019. On August 2, 2021, we acquired certain assets and liabilities of E*TRADE Advisor Services, the registered investment advisor custody business Morgan Stanley acquired in its acquisition of E*TRADE Financial Corporation in 2020.

E*TRADE Advisor Services acquisition. On August 2, 2021, Axos Clearing closed its acquisition of E*TRADE Advisor Services ("EAS"), the registered investment advisor ("RIA") custody business Morgan Stanley acquired in its acquisition of E*TRADE Financial Corporation in 2020. EAS had approximately $24.8 billion of assets under custody, including $1.2 billion of client cash sweeps, at July 30, 2021. EAS has been rebranded Axos Advisor Services and operates as the RIA custody business within Axos Clearing. The $54.9 million cash purchase price was funded with existing capital.

MWABank deposit acquisition. On March 15, 2019, the Bank closed the deposit assumption agreement with MWABank and acquired approximately $173 million of deposits, including approximately $151 million of checking, savings and money market accounts and $22 million of time deposits, from MWABank. Axos did not acquire any assets, employees or branches in this transaction. The Bank received cash equal to the book value of the deposit liabilities.

WiseBanyan. On February 26, 2019 the Company's subsidiary, Axos Securities, LLC, had completed the acquisition of WiseBanyan Holding, Inc. and its subsidiaries (collectively "WiseBanyan"). Headquartered in Las Vegas, Nevada, WiseBanyan (now Axos Invest) is a provider of personal financial and investment management services through a proprietary technology platform. When acquired, WiseBanyan served approximately 24,000 clients with approximately $150 million of assets under management. The Company paid $3.2 million in cash to acquire the assets of WiseBanyan and recorded $2.7 million in intangible assets.The Company purchased the whole WiseBanyan business and has the entire voting interest. Goodwill is not expected to be deducted for tax purposes.

COR Securities Holdings. On January 28, 2019 ("Acquisition Date"), Axos Clearing, LLC and Axos Clarity MergeCo., Inc. completed the acquisition of COR Securities Holdings Inc.("COR Securities"), the parent company of COR Clearing LLC ("COR Clearing"), pursuant to the terms of the Agreement and Plan of Merger, dated as of September 28, 2018 (the "Merger Agreement").

Headquartered in Omaha, Nebraska, COR Clearing is a full-service correspondent clearing firm for independent broker-dealers. Established as a part of Mutual of Omaha Insurance Company and spun off as Legent Clearing in 2002, COR Clearing provides clearing, settlement, custody, and securities and margin lending to more than sixty introducing broker-dealers and 90,000 customers. The total cash consideration of approximately $80.9 million was funded with existing capital. Upon closing, the Company issued subordinated notes totaling $7.5 million to the principal stockholders of COR Securities in an equal principal amount, with a maturity of 15 months, to serve as a source of payment of indemnification obligations of the principal stakeholders of COR Securities under the Merger Agreement. The Company is in the process of making an indemnification claim against the $7.4 million remaining.

The acquisition of COR Securities is accounted for as a business combination using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration paid are recorded at estimated fair values on the Acquisition Date. The Company recorded goodwill of $35.5 million and an additional $20.1 million in intangible assets as of the Acquisition Date. Included in the professional services line of the statement of income the Company recognized $0.4 million in transaction costs.

The acquisition will enable the Company to expand its banking business to a new customer base through independent broker-dealers and consumer account relationships, scale entry into wealth management through technology-driven platforms, and increase and diversify fee revenue, all of which will improve key operating metrics. The goodwill recognized results from the expected synergies and potential earnings from this combination.

Nationwide Bank deposit acquisition. On November 16, 2018, the Bank completed the acquisition of substantially all of Nationwide Bank's ("Nationwide") deposits at the time of closing, adding $2.4 billion in deposits, including $661.4 million in checking, savings and money market accounts and $1.7 billion in time deposit accounts. The Bank received cash for the deposit balances transferred less a premium of $13.5 million, recorded in intangibles, commensurate with the fair market value of the deposits purchased.

CRITICAL ACCOUNTING POLICIES

The following discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements and the notes thereto, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances. However, actual results may differ significantly from these estimates and assumptions that could have a material effect on the carrying value of assets and liabilities at the balance sheet dates and our results of operations for the reporting periods.

Securities. We classify securities as either trading, available-for-sale or held-to-maturity. Trading securities are recorded at fair value with changes in fair value recorded in earnings each period. Securities available-for-sale are reported at estimated fair value, with unrealized gains and losses, net of the related tax effects, excluded from operations and reported as a separate component of accumulated other comprehensive income or loss. The fair values of securities traded in active markets are obtained from market quotes. If quoted prices in active markets are not available, we determine the fair values by utilizing industry-standard tools to calculate the net present value of the expected cash flows available to the securities. For securities other than non-agency MBS, we use observable market participant inputs and categorize these securities as Level II in determining fair value. For non-agency MBS securities, we use a level III fair value model approach. To determine the performance of the underlying mortgage loan pools, we consider where appropriate borrower prepayments, defaults, and loss severities based on a number of macroeconomic factors, including housing price changes, unemployment rates, interest rates and borrower attributes such as credit score and loan documentation at the time of origination. We input for each security our projections of monthly default rates, loss severity rates and voluntary prepayment rates for the underlying mortgages for the remaining life of the security to determine the expected cash flows. The projections of default rates are derived by the Company from the historic default rate observed in the pool of loans collateralizing the security, increased by (or decreased by) the forecasted increase or decrease in the national unemployment rate as well as the forecasted increase or decrease in the national home price appreciation (HPA) index. The projections of loss severity rates are derived by the Company from the historic loss severity rate observed in the pool of loans, increased by (or decreased by) the forecasted decrease or increase in the HPA index. To determine the discount rates used to compute the present value of the expected cash flows for these non-agency MBS securities, we separate the securities by the borrower characteristics in the underlying pool. For example, non-agency RMBS "Prime" securities generally have borrowers with higher FICO scores and better documentation of income. "Alt-A" securities generally have borrowers with lower FICO and less documentation of income. "Pay-option ARMs" are Alt-A securities with borrowers that tend to pay the least amount of principal (or increase their loan balance through negative amortization). Separate discount rates are calculated for Prime, Alt-A and Pay-option ARM non-agency MBS securities using market-participant assumptions for risk, capital and return on equity.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates at the individual security level whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. The remaining change in fair value is recognized in other comprehensive income. Changes in the allowance for credit losses, if any, are recorded as a provision for (or reversal of) credit losses. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale investment security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

For non-agency MBS we determine the cash flow expected to be collected and calculate the present value for purposes of testing for credit loss, by utilizing the same industry-standard tool and the same cash flows as those calculated for fair values (discussed above). We compute cash flows based upon the underlying mortgage loan pools and our estimates of prepayments, defaults, and loss severities. We input our projections for the underlying mortgages for the remaining life of the security to determine the expected cash flows. The discount rates used to compute the present value of the expected cash flows for purposes of testing for credit loss are different from those used to calculate fair value and are either the implicit rate calculated in each of our securities at acquisition or the last accounting yield (ASC Topic 325-40-35). We calculate the implicit rate at acquisition based on the contractual terms of the security, considering scheduled payments (and minimum payments in the case of pay-option ARMs) without prepayment assumptions. We use this discount rate in the industry-standard model to calculate the present value of the cash flows for purposes of measuring the credit loss of our debt securities.

Allowance for Credit Losses. On July 1, 2020, we adopted Accounting Standard Update ("ASU") 2016-13, "Measurement of Credit Losses on Financial Instruments" and all subsequent amendments that modified ASU 2016-13 (collectively, "ASC 326"). The allowance for credit losses is maintained at a level needed to absorb expected credit losses over the contractual life, considering the effects of prepayments, of the loan portfolio as of the reporting date. Determining the adequacy of the allowance is complex and requires judgment by our management team about the effect of matters that are inherently uncertain. As such, a future assessment of current conditions may require material adjustments to the allowance.

Our process for determining expected life-time credit losses entails a loan-level, model-based approach and requires consideration of a broad range of relevant information relating to historical loss experience, current economic conditions and reasonable and supportable forecasts.

A credit loss is estimated for all loans. Consequently, we stratify the full loan population into segments sharing similar characteristics to perform the evaluation of the credit loss collectively.

We define a segment as the level at which we develop a systematic methodology to determine the allowance for credit losses. Additionally, we can further stratify loans of similar type, risk attributes and methods for monitoring credit risk. We categorize the loan portfolio into six segments: Single Family - Mortgage & Warehouse, Multifamily and Commercial Mortgage, Commercial Real Estate, Commercial & Industrial - Non Real Estate, Auto & Consumer and Other – refer to Note 1 – "Summary of Significant Accounting Policies" for further detail of the segments and classes within.

The method for estimating expected life-time credit losses includes, among other things, the following main components: 1) The use of a probability of default ("PD")/loss given default ("LGD") model; 2) defining a number of economic scenarios across the benign to adverse spectrum; 3) a reasonable forecast period of 12 months for all loan segments; and 4) a reversion period of 18 months using a linear transition to historical loss rates for each loan pool. After the reversion period, the historical loss rate is applied over the remaining contractual life of loan. Reasonable forecast periods and reversion periods are subject to periodic review and may be adjusted based on our review of current economic conditions.

Given the inherent limitations of a solely quantitative model, qualitative adjustments are included to arrive at the ending calculated loss amount in order to account for data points not captured from quantitative inputs alone.

Qualitative criteria we consider includes, among other things, the following:

- Regulatory and Legal - matters that may impact the timeliness and/or amounts of repayments;
- Concentration - portfolio composition and loan concentration;
- Collateral Dependency - changes in collateral values;
- Lending/Underwriting Standards - current lending policies and the effects of any new policies;
- Nature and Volume - loan production volume and mix;
- Loan Trends - credit performance trends, including a borrower's financial condition and credit rating.

Specifically, we review whether the model reflects the appropriate level of PD and LGD, given the macroeconomic forecasts used as compared to our loan portfolio. We determine the adequacy of the allowance based on reviews of individual loans, recent loss experience, current economic conditions, expectations about future economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. If, based on our evaluation, macroeconomic factors do not capture our assumption regarding collateral values (LGD) and defaults (PD), we will apply additional qualitative overlays to the loan portfolio. This evaluation is inherently subjective and requires estimates that are susceptible to significant revision as more information becomes available.

For further information on the Allowance for Credit Losses, refer to Note 1 - “Summary of Significant Accounting Policies”.

Goodwill and Other Intangible Assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as core deposit intangibles, are amortized over their estimated useful lives and subject to periodic impairment testing. Intangible assets (other than goodwill) are amortized to expense using accelerated or straight-line methods over their respective estimated useful lives.

Goodwill is subject to impairment testing at the reporting unit level, which is conducted at least annually. The Company performs impairment testing during the third quarter of each year or when events or changes in circumstances indicate the assets might be impaired. The goodwill impairment testing requires us to make judgments and assumptions. The testing consists of estimating the fair value of each reporting unit based on valuation techniques, including a discounted cash flow model using revenue, profit forecasts, and recent industry and market conditions and trends, then comparing those estimated fair values with the carrying values of the assets and liabilities of each reporting unit, which includes the allocated goodwill. Based on the results, the Company determined that the estimated fair value exceeded its carrying value and concluded that the goodwill and other identifiable intangible assets were not impaired.

USE OF NON-GAAP FINANCIAL MEASURES

In addition to the results presented in accordance with GAAP, this report includes non-GAAP financial measures such as adjusted earnings, adjusted earnings per 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” as net income without the after-tax impact of non-recurring acquisition-related costs (including amortization of intangible assets related to acquisitions), and other costs (unusual or nonrecurring charges). Adjusted earnings per diluted common share (“adjusted EPS”) 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 Bank’s operating performance. We believe excluding the non-recurring acquisition related costs, and other costs provides investors with an alternative understanding of Axos’ 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:

	For Twelve Months Ended June 30,		
(Dollars in thousands, except per share amounts)	**2021**	**2020**	**2019**
Net income	$ 215,707	$ 183,438	$ 155,131
Acquisition-related costs	9,826	10,108	6,714
Excess FDIC expense	—	—	1,111
Other costs	—	—	15,299
Tax effect of adjustments	(2,894)	(3,048)	(6,267)
Adjusted earnings (Non-GAAP)	$ 222,639	$ 190,498	$ 171,988
Adjusted EPS (Non-GAAP)	$ 3.68	$ 3.10	$ 2.75

We define “tangible book value,” 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 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 (Non-GAAP) as of the dates indicated:

	At the Fiscal Years Ended June 30,				
(Dollars in thousands, except per share amounts)	**2021**	**2020**	**2019**	**2018**	**2017**
Total stockholders’ equity	$ 1,400,936	$ 1,230,846	$ 1,073,050	$ 960,513	$ 834,247
Less: preferred stock	—	5,063	5,063	5,063	5,063
Common stockholders’ equity	1,400,936	1,225,783	1,067,987	955,450	829,184
Less: mortgage servicing rights, carried at fair value	17,911	10,675	9,784	10,752	7,200
Less: goodwill and intangible assets	115,972	125,389	134,893	67,788	—
Tangible common stockholders’ equity (Non-GAAP)	$ 1,267,053	$ 1,089,719	$ 923,310	$ 876,910	$ 821,984
Common shares outstanding at end of period	59,317,944	59,612,635	61,128,817	62,688,064	63,536,244
Tangible book value per common share (Non-GAAP)	$ 21.36	$ 18.28	$ 15.10	$ 13.99	$ 12.94

AVERAGE BALANCES, NET INTEREST INCOME, YIELDS EARNED AND RATES PAID

The following tables set forth, for the periods indicated, information regarding (i) average balances; (ii) the total amount of interest income from interest-earning assets and the weighted average yields on such assets; (iii) the total amount of interest expense on interest-bearing liabilities and the weighted average rates paid on such liabilities; (iv) net interest income; (v) interest rate spread; and (vi) net interest margin:

	For the Fiscal Years Ended June 30,								
	2021			2020			2019		
(Dollars in thousands)	Average Balance[1]	Interest Income / Expense	Average Yields Earned / Rates Paid	Average Balance[1]	Interest Income / Expense	Average Yields Earned / Rates Paid	Average Balance[1]	Interest Income / Expense	Average Yields Earned / Rates Paid
Assets:									
Loans[2,3]	$ 11,332,020	$ 584,410	5.16 %	$ 10,149,867	$ 582,748	5.74 %	$ 8,974,820	$ 525,317	5.85 %
Interest-earning deposits in other financial institutions	1,600,811	2,185	0.14 %	833,612	10,906	1.31 %	631,228	13,495	2.14 %
Investment securities	192,420	9,560	4.97 %	217,598	11,061	5.08 %	210,189	13,943	6.63 %
Securities borrowed and margin lending	613,735	20,466	3.33 %	362,063	16,585	4.58 %	173,829	8,746	5.03 %
Stock of the regulatory agencies	20,588	1,242	6.03 %	28,776	1,539	5.35 %	41,078	3,386	8.24 %
Total interest-earning assets	13,759,574	$ 617,863	4.49 %	11,591,916	$ 622,839	5.37 %	10,031,144	$ 564,887	5.63 %
Non-interest-earning assets	394,085			395,789			234,993		
Total assets	$ 14,153,659			$ 11,987,705			$ 10,266,137		
Liabilities and Stockholders' Equity:									
Interest-bearing demand and savings	$ 7,204,698	$ 29,031	0.40 %	$ 4,844,700	$ 66,883	1.38 %	$ 3,906,833	$ 61,391	1.57 %
Time deposits	1,825,795	31,498	1.73 %	2,482,151	60,033	2.42 %	2,322,039	55,689	2.40 %
Securities loaned	412,385	1,496	0.36 %	247,420	679	0.27 %	221,469	748	0.34 %
Advances from the FHLB	211,077	4,672	2.21 %	747,358	11,988	1.60 %	1,397,460	32,834	2.35 %
Borrowings, subordinated notes and debentures	340,699	12,424	3.65 %	103,652	5,645	5.45 %	104,287	5,620	5.39 %
Total interest-bearing liabilities	9,994,654	79,121	0.79 %	8,425,281	145,228	1.72 %	7,952,088	156,282	1.97 %
Non-interest-bearing demand deposits	2,182,009			1,990,005			1,227,285		
Other non-interest-bearing liabilities	671,581			397,506			76,651		
Stockholders' equity	1,305,415			1,174,913			1,010,113		
Total liabilities and stockholders' equity	$ 14,153,659			$ 11,987,705			$ 10,266,137		
Net interest income		$ 538,742			$ 477,611			$ 408,605	
Interest rate spread[4]			3.70 %			3.65 %			3.66 %
Net interest margin[5]			3.92 %			4.12 %			4.07 %

[1] *Average balances are obtained from daily data.*

[2] *Loans includes loans held for sale, loan premiums, discounts and unearned fees.*

[3] *Interest income includes reductions for amortization of loan and investment securities premiums and earnings from accretion of discounts and loan fees. Loan and lease fee income is not significant. Also includes $27.2 million as of June 30, 2021, $28.0 million as of June 30, 2020 and $28.7 million as of June 30, 2019 of loans that qualify for Community Reinvestment Act credit which are taxed at a reduced rate.*

[4] *Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate paid on interest-bearing liabilities.*

[5] *Net interest margin represents net interest income as a percentage of average interest-earning assets.*

RESULTS OF OPERATIONS

Our results of operations depend on our net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. Our net interest income has increased as a result of the growth in our interest earning assets and is subject to competitive factors in online banking and other markets. Our net interest income is reduced by our estimate of credit loss provisions for our loan portfolio. We also earn non-interest income primarily from mortgage banking activities, banking products and service activity, our Securities Business, prepaid card fee income, prepayment fee income from multifamily and commercial borrowers who repay their loans before maturity and from gains on sales of other loans and investment securities. Losses on investment securities reduce non-interest income. The largest component of non-interest expense is salary and benefits, which is a function of the number of personnel, which increased to 1,165 full-time equivalent employees at June 30, 2021, from 1,099 full time employees at June 30, 2020. We are subject to federal and state income taxes, and our effective tax rates were 29.45%, 30.15% and 27.10% for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. Other factors that affect our results of operations include expenses relating to data processing, advertising, depreciation, occupancy, professional services, and other miscellaneous expenses.

COMPARISON OF THE FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

Net Interest Income. Net interest income totaled $538.7 million for the fiscal year ended June 30, 2021 compared to $477.6 million for the fiscal year ended June 30, 2020. The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to (i) effects on interest income and interest expense attributable to changes in volume (changes in volume multiplied by prior rate); and (ii) effects on interest income and interest expense attributable to changes in rate (changes in rate multiplied by prior volume). The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

	Fiscal Year Ended June 30, 2021 vs 2020 Increase (Decrease) Due to		
(Dollars in thousands)	Volume	Rate	Total Increase (Decrease)
Increase (decrease) in interest income:			
Loans	$ 63,934	$ (62,272)	$ 1,662
Interest-earning deposits in other financial institutions	5,473	(14,194)	(8,721)
Investment securities	(1,265)	(236)	(1,501)
Securities borrowed and margin lending	9,287	(5,406)	3,881
Stock of the regulatory agencies	(476)	179	(297)
Total increase (decrease) in interest income	$ 76,953	$ (81,929)	$ (4,976)
Increase (decrease) in interest expense:			
Interest-bearing demand and savings	$ 23,234	$ (61,086)	$ (37,852)
Time deposits	(13,730)	(14,805)	(28,535)
Securities loaned	544	273	817
Advances from the FHLB	(10,732)	3,416	(7,316)
Other borrowings	9,184	(2,405)	6,779
Total increase (decrease) in interest expense	$ 8,500	$ (74,607)	$ (66,107)

Interest Income. Interest income for the fiscal year ended June 30, 2021 totaled $617.9 million, a decrease of $5.0 million, or 0.8%, compared to $622.8 million in interest income for the fiscal year ended June 30, 2020 primarily due to reduced rates on interest-earning assets, partially offset by growth in volume of interest-earning assets from loan originations, primarily from commercial real estate and commercial & industrial lending. Average interest-earning assets for the fiscal year ended June 30, 2021 increased by $2,167.7 million compared to the fiscal year ended June 30, 2020 primarily due to loan originations for investment which totaled $7,304.4 million during the year ended June 30, 2021. Yields on loans decreased by 58 basis points to 5.16% for the fiscal year ended June 30, 2021, primarily due to declines in market interest rates. For the fiscal year ended June 30, 2021, the growth in average balances contributed additional interest income of $77.0 million, which was offset by a $81.9 million decrease in interest income due to declines in market interest rates. The average yield earned on our interest-earning assets decreased to 4.49% for the fiscal year ended June 30, 2021, compared to 5.37% in 2020 primarily due to decreases in loan yields and rates earned on deposits in other financial institutions. As a result of the Federal Reserve's decisions to maintain the Fed Funds target rate near zero, the rates earned on our adjustable-rate loans are generally at their floor and the rates on newly originated loans are lower than the average rate of the loan portfolio.

Interest Expense. Interest expense totaled $79.1 million for the fiscal year ended June 30, 2021, a decrease of $66.1 million, or 45.5% compared to $145.2 million in interest expense during the fiscal year ended June 30, 2020, due primarily to a $192.0 million increase in non-interest bearing deposits and decreased rates on deposits, as a result of the Federal Reserve's decision to maintain the Fed Funds target rate near zero throughout the year, partially offset by greater volume of deposits due to growth. The average rate paid on all of our interest-bearing liabilities decreased to 0.79% for the fiscal year ended June 30, 2021 from 1.72% for the fiscal year ended June 30, 2020, due primarily to decreased rates on deposits. Average interest-bearing liabilities for the fiscal year ended June 30, 2021 increased $1,569.4 million compared to fiscal 2020. The average rate on interest-bearing demand and savings deposits decreased to 0.40% from 1.38% due to decreases in prevailing deposit rates across the industry. The rates on borrowings, subordinated notes and debentures also decreased to 3.65% from 5.45% due primarily to the mix of borrowings. The average rate on time deposits decreased to 1.73% for the fiscal year ended June 30, 2021 from 2.42% for the fiscal year ended June 30, 2020, due to higher rate maturing time deposits. The average non-interest-bearing demand deposits were $2,182.0 million for the fiscal year ended June 30, 2021, up from $1,990.0 million, representing an increase of $192.0 million.

Provision for Credit Losses. Provision for credit losses was $23.8 million for the fiscal year ended June 30, 2021 and $42.2 million for fiscal 2020. The decrease was due to the decrease in provisions associated with non-recurring Refund Advance loans and macroeconomic updates relating to COVID-19. The provisions are made to maintain our allowance for credit losses at levels which management believes to be adequate. The assessment of the adequacy of our allowance for credit losses is based upon a number of quantitative and qualitative factors, including levels and trends of past due and nonaccrual loans, loss history and changes in the volume and mix of loans and collateral values.

See "Asset Quality and Allowance for Credit Losses - Loans" for discussion of our allowance for credit losses and the related loss provisions.

Non-interest Income. The following table sets forth information regarding our non-interest income:

	For the Fiscal Year Ended June 30,	
(Dollars in thousands)	**2021**	**2020**
Prepayment penalty fee income	7,166	5,993
Gain on sale – other	491	6,871
Mortgage banking income	42,150	20,646
Broker-dealer fee income	26,317	23,210
Banking and service fees	29,137	46,267
Total non-interest income	$ 105,261	$ 102,987

Through our agreement with H&R Block, Inc. ("H&R Block") and its wholly-owned subsidiaries the Bank earned significant non-interest income by providing H&R Block-branded financial products and services. On July 1, 2020, the Bank received written notification from Emerald Financial Services, LLC ("EFS"), a subsidiary of H&R Block, terminating the Program Management Agreement ("PMA") covering the Emerald Prepaid Mastercard®, Refund Transfer and Emerald Advance products, effective July 1, 2020. While the PMA has been terminated, the Bank continued to perform certain services under the PMA until the services were fully transitioned to another bank in December 2020. Historically, the primary non-interest income generating H&R Block products and services that lead to the increased banking and service fees are Emerald Prepaid Mastercard® ("EPC") and Refund Transfer ("RT").

Non-interest income totaled $105.3 million for the fiscal year ended June 30, 2021 compared to non-interest income of $103.0 million for fiscal 2020. The increase was primarily the result of an increase of $21.5 million in mortgage banking income, resulting from an increase in originations and sales of loans held-for-sale due to the decline in market interest rates, an increase of $3.1 million in broker-dealer fee income, and increased levels of prepayment penalty fee income by $1.2 million, partially offset by a decrease of $17.1 million in banking and service fees, primarily due to Emerald Prepaid Mastercard® and Refund Transfer products associated with H&R Block that did not recur in fiscal 2021, and a $6.4 million decrease in gain on sale-other, as certain sales of lottery receivables and sales of Refund Advance loans to H&R Block in fiscal 2020 did not recur in fiscal 2021. Banking and service fees includes H&R Block-branded product fees, deposit fees, fee income from prepaid card sponsors, and certain C&I loan fees. The primary non-interest income-generating H&R Block products and services that led to increased levels of banking and service fees in fiscal 2020 are EPC and RT. For the fiscal year ended June 30, 2021, EPC was $2.6 million compared to $7.8 million for fiscal 2020. For the fiscal year ended June 30, 2021, RT was $1.4 million compared to $11.5 million for fiscal 2020.

Included in gain on sale – other are sales of unsecured and secured consumer and business loans originated through introductions from our third-party partner relationships and sales of structured settlement annuity and state lottery receivables. We engage in the wholesale and retail purchase of state lottery prize and structured settlement annuity payments. These payments are high credit quality deferred payment receivables having a state lottery commission or investment grade (top two tiers) insurance company payor. The Bank originates contracts for the retail purchase of such payments and classifies these under the category of Other in the loan portfolio. Factoring yields are typically higher than mortgage loan rates. Typically, the gain received upon sale of these payment streams is greater than the gain received from an equivalent amount of mortgage loan sales. Since 2013, pools of structured settlement receivables have been originated for sale depending upon management's assessment of interest rate risk, liquidity, and offers containing favorable terms and are classified on our balance sheet as loans held for sale. Increased sales on favorable terms during fiscal 2020 resulted in an increase in gain on sale from structured settlement annuity and state lottery receivables. Such sales did not recur to the same degree for during fiscal 2021.

Non-interest Expense. The following table sets forth information regarding our non-interest expense for the periods shown:

	For the Fiscal Year Ended June 30,	
(Dollars in thousands)	**2021**	**2020**
Salaries and related costs	$ 152,576	$ 144,341
Data processing	40,719	30,671
Depreciation and amortization	24,124	24,443
Advertising and promotional	14,212	14,523
Occupancy and equipment	13,402	12,059
Professional services	22,241	11,095
Broker-dealer clearing charges	11,152	8,210
FDIC and regulator fees	10,603	5,538
General and administrative expenses	25,481	24,886
Total non-interest expense	$ 314,510	$ 275,766

Non-interest expense totaled $314.5 million for the fiscal year ended June 30, 2021, an increase of $38.7 million compared to fiscal 2020. Salaries and related costs increased $8.2 million, or 5.7%, in fiscal 2021 primarily due to the staffing additions from increased staffing levels to support expansion in the Banking segment, specifically for lending and information technology infrastructure development activities. Our staff increased to 1,165 from 1099 or 6.0% between fiscal years ended June 30, 2021 and 2020 and increased to 1099 from 1007 or 9.1% between fiscal years ended June 30, 2020 and 2019.

Data processing increased $10.0 million, primarily due to enhancements to customer interfaces and the Bank's core processing system.

Depreciation and amortization, decreased $0.3 million primarily due to reduced depreciation on computer hardware and furniture and fixtures.

Advertising and promotion expense decreased $0.3 million, primarily due to reductions in deposit marketing throughout the year.

Occupancy and equipment expense increased $1.3 million, primarily due to the timing of new property leases and an impairment reserve charge on the early exit of a property lease of $0.9 million during fiscal 2021.

Professional services, which include accounting and legal fees, increased $11.1 million in fiscal 2021 compared to 2020. The increase in professional services was primarily due to increased legal and consulting expenses.

Broker-dealer clearing charges increased $2.9 million primarily due to increased correspondent and market activity.

The Federal Deposit Insurance Corporation ("FDIC") and regulator fees increased by $5.1 million in fiscal 2021 compared to fiscal 2020. The increase corresponds to growth in average liabilities and small bank assessment credits received from the FDIC during fiscal 2020 which did not recur in fiscal 2021.

General and administrative expenses increased by $0.6 million in fiscal 2021 compared to 2020. The increase was primarily due increased deposit servicing expenses.

Income Tax Expense. Income tax expense was $90.0 million for the fiscal year ended June 30, 2021 compared to $79.2 million for fiscal 2020. Our effective tax rates were 29.45% and 30.15% for the fiscal years ended June 30, 2021 and 2020, respectively.

As of June 30, 2020, the Company determined that certain stock-based compensation awards would not be granted under the plan, and the deferred tax assets related to these awards would not be realized. Accordingly, the Company wrote-off $6.8 million of a stock-based compensation deferred tax asset, resulting in a $2.0 million increase in tax expense for fiscal 2020.

The Company received federal and state tax credits for the years ended June 30, 2021 and 2020, respectively. These tax credits reduced the effective tax rate by approximately 0.59% and 0.77%, respectively.

SEGMENT RESULTS

The Company determines reportable segments based on the services offered, the significance of the services offered, the significance of those services to the Company's financial condition and operating results and management's regular review of the operating results of those services. The Company operates through two operating segments: Banking Business and Securities Business. In order to reconcile the two segments to the consolidated totals, the Company includes parent-only activities and intercompany eliminations. The following tables present the operating results of the segments:

	Fiscal Year Ended June 30, 2021			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Net interest income	$ 527,760	$ 18,746	$ (7,764)	$ 538,742
Provision for loan losses	23,750	—	—	23,750
Non-interest income	79,150	27,627	(1,516)	105,261
Non-interest expense	254,596	48,095	11,819	314,510
Income (loss) before taxes	$ 328,564	$ (1,722)	$ (21,099)	$ 305,743

	Fiscal Year Ended June 30, 2020			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Net interest income	$ 464,448	$ 16,630	$ (3,467)	$ 477,611
Provision for loan losses	42,200	—	—	42,200
Non-interest income	80,374	24,817	(2,204)	102,987
Non-interest expense	216,895	43,525	15,346	275,766
Income (loss) before taxes	$ 285,727	$ (2,078)	$ (21,017)	$ 262,632

Banking Business

For the fiscal year ended June 30, 2021, we had pre-tax income of $328.6 million compared to pre-tax income of $285.7 million for the fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2021, the increase in pre-tax income was primarily related to increased net interest income due to loan and deposit growth.

We consider the ratios shown in the table below to be key indicators of the performance of our Banking Business segment:

	Fiscal Year Ended	
	June 30, 2021	June 30, 2020
Efficiency ratio	41.95 %	39.81 %
Return on average assets	1.76 %	1.78 %
Interest rate spread	3.92 %	3.72 %
Net interest margin	4.11 %	4.19 %

Our Banking segment's net interest margin exceeds our consolidated net interest margin. Our consolidated net interest margin includes certain items that are not reflected in the calculation of our net interest margin within our Banking Business and reduce our consolidated net interest margin, such as the borrowing costs at our Holding Company and the yields and costs associated with certain items within interest-earning assets and interest-bearing liabilities in our Securities Business, including items related to securities financing operations.

The following table presents our Banking segment's information regarding (i) average balances; (ii) the total amount of interest income from interest-earning assets and the weighted average yields on such assets; (iii) the total amount of interest expense on interest-bearing liabilities and the weighted average rates paid on such liabilities; (iv) net interest income; (v) interest rate spread; and (vi) net interest margin for the twelve months ended June 30, 2021 and 2020:

	For the Fiscal Years Ended June 30,					
	2021			2020		
(Dollars in thousands)	Average Balance[1]	Interest Income/ Expense	Average Yields Earned/Rates Paid	Average Balance[1]	Interest Income/ Expense	Average Yields Earned/Rates Paid
Assets:						
Loans[2,3]	$ 11,287,008	$ 581,504	5.15 %	$ 10,122,818	$ 581,518	5.74 %
Interest-earning deposits in other financial institutions	1,329,029	1,359	0.10 %	700,659	8,839	1.26 %
Investment securities[3]	221,213	10,166	4.60 %	235,893	11,661	4.94 %
Stock of the regulatory agencies, at cost	17,250	932	5.40 %	25,696	1,532	5.96 %
Total interest-earning assets	12,854,500	593,961	4.62 %	11,085,066	603,550	5.44 %
Non-interest-earning assets	172,712			188,625		
Total Assets	$ 13,027,212			$ 11,273,691		
Liabilities and Stockholder's Equity:						
Interest-bearing demand and savings	$ 7,324,855	$ 29,626	0.40 %	$ 4,864,591	$ 67,070	1.38 %
Time deposits	1,825,795	31,498	1.73 %	2,482,151	60,033	2.42 %
Advances from the FHLB	211,077	4,672	2.21 %	747,358	11,988	1.60 %
Borrowings, subordinated notes and debentures	116,255	406	0.35 %	3,092	11	0.36 %
Total interest-bearing liabilities	$ 9,477,982	$ 66,202	0.70 %	$ 8,097,192	$ 139,102	1.72 %
Non-interest-bearing demand deposits	2,209,932			2,000,755		
Other non-interest-bearing liabilities	121,545			85,951		
Stockholder's equity	1,217,753			1,089,793		
Total Liabilities and Stockholders' Equity	$ 13,027,212			$ 11,273,691		
Net interest income		$ 527,759			$ 464,448	
Interest rate spread[4]			3.92 %			3.72 %
Net interest margin[5]			4.11 %			4.19 %

1 *Average balances are obtained from daily data.*
2 *Loans include loans held for sale, loan premiums and unearned fees.*
3 *Interest income includes reductions for amortization of loan and investment securities premiums and earnings from accretion of discounts and loan fees. Loans include average balances of $27.2 million and $28.0 million of Community Reinvestment Act loans which are taxed at a reduced rate for the 2021 and 2020 twelve-month periods, respectively.*
4 *Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate paid on interest-bearing liabilities.*
5 *Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.*

Net Interest Income. Net interest income totaled $527.8 million for the fiscal year ended June 30, 2021 compared to $464.4 million for the fiscal year ended June 30, 2020. The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to (i) effects on interest income and interest expense attributable to changes in volume (changes in volume multiplied by prior rate); and (ii) effects on interest income and interest expense attributable to changes in rate (changes in rate multiplied by prior volume). The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

	Fiscal Year Ended June 30, 2021 vs 2020 Increase (Decrease) Due to		
(Dollars in thousands)	**Volume**	**Rate**	**Total Increase (Decrease)**
Increase (decrease) in interest income:			
Loans and leases	$ 63,068	$ (63,082)	$ (14)
Interest-earning deposits in other financial institutions	4,330	(11,810)	(7,480)
Investment securities	(710)	(785)	(1,495)
Stock of the regulatory agencies	(466)	(134)	(600)
Total increase (decrease) in interest income	$ 66,222	$ (75,811)	$ (9,589)
Increase (decrease) in interest expense:			
Interest-bearing demand and savings	$ 24,084	$ (61,528)	$ (37,444)
Time deposits	(13,730)	(14,805)	(28,535)
Advances from the FHLB	(10,732)	3,416	(7,316)
Other borrowings	395	—	395
Total increase (decrease) in interest expense	$ 17	$ (72,917)	$ (72,900)

The Banking segment’s net interest income for the fiscal year ended June 30, 2021 totaled $527.8 million, an increase of 13.6%, compared to net interest income of $464.4 million for the fiscal year ended June 30, 2020. The growth of net interest income is primarily due to net loan portfolio growth and a reduction of rates paid on deposits.

The Banking segment’s non-interest income decreased $1.2 million during the fiscal year ended June 30, 2021 to $79.2 million from the $80.4 million for the fiscal year ended June 30, 2020. The decrease in non-interest income for the fiscal year ended June 30, 2021, was primarily the result of a decrease of $17.0 million in banking and service fees, primarily from Emerald Prepaid Mastercard® and Refund Transfer products associated with H&R Block that did not recur in fiscal 2021, and a $6.4 million decrease in gain on sale-other, as certain sales of lottery receivables and sales of Refund Advance loans to H&R Block in fiscal 2020 did not recur in fiscal 2021, partially offset by an increase in mortgage banking income of $21.0 million driven by the decline of mortgage rates to record lows over the year, and an increase of $1.2 million in prepayment penalty fee income.

Non-interest expense totaled $254.6 million for the fiscal year ended June 30, 2021, an increase of $37.7 million compared to fiscal 2020. Salaries and related costs increased $13.3 million, or 11.9%, in fiscal 2021 due to increased staffing levels to support growth in staffing specifically for lending and information technology infrastructure development activities, a $9.8 million increase in data processing expense for loan and deposit systems enhancements, a $7.9 million increase in professional services due to increased legal and consulting expenses, an increase of $4.9 million in FDIC and OCC standard regulatory charges due to growth in average liabilities and a small bank assessment credit received from the FDIC in fiscal 2020 which did not recur, and a $1.6 million increase in occupancy expense primarily due to an impairment reserve charge on the early exit of a property lease.

Securities Business

For the fiscal year ended June 30, 2021, our Securities Business segment had a loss before taxes of $1.7 million an improvement of 17.1% compared to the loss before taxes of $2.1 million for the fiscal year ended June 30, 2020.

The following table provides our Securities Business operating results:

	For the Fiscal Year Ended June 30,	
(Dollars in thousands)	2021	2020
Net interest income	$ 18,746	$ 16,630
Non-interest income	27,627	24,817
Non-interest expense	48,095	43,525
Income (Loss) before taxes	$ (1,722)	$ (2,078)

Net interest income for the fiscal year ended June 30, 2021 was $18.7 million compared to $16.6 million for the fiscal year ended June 30, 2020, an increase of $2.1 million due to increased activity. In the Securities business, interest is earned on margin loan balances, securities borrowed, and cash deposit balances. Interest expense is incurred from cash borrowed through bank lines and securities lending.

Non-interest income totaled $27.6 million for the fiscal year ended June 30, 2021, an increase of $2.8 million compared to the $24.8 million during the fiscal year ended June 30, 2020. Increased activity resulted in an increase of $3.3 million from correspondent fees and an increase of $2.7 million from clearing and custodial related fees, partially offset by a decrease of $3.9 million in fees earned on managing customers' FDIC insured bank deposits due to decreased rates.

Non-interest expense was $48.1 million during the fiscal year ended June 30, 2021 an increase of $4.6 million for the $43.5 million during the fiscal year ended June 30, 2020. The increase was primarily the result of an increase broker-dealer clearing charges of $2.9 million due to increased activity and an increase in professional services of $2.1 million due to an increase in legal expenses.

Selected information concerning Axos Clearing LLC follows as of or for the three months ended:

	June 30,	
(Dollars in thousands)	2021	2020
Compensation as a % of net revenue	32.4 %	39.2 %
FDIC insured program balances (end of period)	$ 730,248	$ 450,251
Customer margin balances (end of period)	$ 327,148	$ 206,702
Customer funds on deposit, including short credits (end of period)	$ 322,153	$ 194,042
Clearing:		
Total tickets	2,053,362	1,228,635
Correspondents (end of period)	69	61
Securities lending:		
Interest-earning assets – stock borrowed (end of period)	$ 619,088	$ 222,368
Interest-bearing liabilities – stock loaned (end of period)	$ 728,988	$ 255,945

COMPARISON OF THE FISCAL YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019

Net Interest Income. Net interest income totaled $477.6 million for the fiscal year ended June 30, 2020 compared to $408.6 million for the fiscal year ended June 30, 2019. The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to (i) effects on interest income and interest expense attributable to changes in volume (changes in volume multiplied by prior rate); and (ii) effects on interest income and interest expense attributable to changes in rate (changes in rate multiplied by prior volume). The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

(Dollars in thousands)	Fiscal Year Ended June 30, 2020 vs 2019 Increase (Decrease) Due to Volume	Rate	Total Increase (Decrease)
Increase (decrease) in interest income:			
Loan and Leases	$ 67,483	$ (10,052)	$ 57,431
Interest-earning deposits in other financial institutions	3,570	(6,159)	(2,589)
Investment securities	476	(3,358)	(2,882)
Securities borrowed and margin lending	8,686	(847)	7,839
Stock of the regulatory agencies	(851)	(996)	(1,847)
Total increase (decrease) in interest income	$ 79,364	$ (21,412)	$ 57,952
Increase (decrease) in interest expense:			
Interest-bearing demand and savings	$ 13,522	$ (8,030)	$ 5,492
Time deposits	3,876	468	4,344
Securities loaned	87	(156)	(69)
Advances from the FHLB	(12,364)	(8,482)	(20,846)
Other borrowings	(35)	60	25
Total increase/(decrease) in interest expense	$ 5,086	$ (16,140)	$ (11,054)

Interest Income. Interest income for the fiscal year ended June 30, 2020 totaled $622.8 million, an increase of $58.0 million, or 10.3%, compared to $564.9 million in interest income for the fiscal year ended June 30, 2019 primarily due to growth in volume of interest-earning assets from loan originations, primarily from commercial & industrial lending and the addition of securities borrowed and margin lending from our new securities segment. Average interest-earning assets for the fiscal year ended June 30, 2020 increased by $1,560.8 million compared to the fiscal year ended June 30, 2019 primarily due to loan and lease originations for investment which totaled $6,798.0 million during the year ended June 30, 2020. Yields on loans and leases decreased by 11 basis points to 5.74% for the fiscal year ended June 30, 2020, primarily due to declines in market interest rates. For the fiscal year ended June 30, 2020, the growth in average balances contributed additional interest income of $79.4 million, which was partially offset by by a $21.4 million decrease in interest income due to declines in market interest rates. The average yield earned on our interest-earning assets decreased to 5.37% for the fiscal year ended June 30, 2020, down from 5.63% for the same period in 2019 primarily due to the decrease in rate from loans and leases. As a result of the Federal Reserve decisions to decrease the Fed Funds rate over the last year, the rates earned on our adjustable-rate loans declined and the rates on newly originated loans declined.

Interest Expense. Interest expense totaled $145.2 million for the fiscal year ended June 30, 2020, a decrease of $11.1 million, or 7.1% compared to $156.3 million in interest expense during the fiscal year ended June 30, 2019, due primarily to a $762.7 million increase in non-interest bearing deposits and decreased rates on deposits and advances, as a result of the Federal Reserve's decisions to decrease the Fed Funds rate over the year, partially offset by greater volume of deposits due to growth. The average rate paid on all of our interest-bearing liabilities decreased to 1.72% for the fiscal year ended June 30, 2020 from 1.97% for the fiscal year ended June 30, 2019, due primarily to decreased rates on deposits and advances from FHLB. Average interest-bearing liabilities for the fiscal year ended June 30, 2020 increased $473.2 million compared to fiscal 2019. The average rate on interest-bearing deposits decreased to 1.38% from 1.57% due to decreases in prevailing deposit rates across the industry. The rates on advances from the FHLB also decreased to 1.60% from 2.35% due primarily to the Fed rate decreases. The average rate on time deposits increased to 2.42% for the fiscal year ended June 30, 2020 from 2.40% for the fiscal year ended June 30, 2019, due to changes in the mix of time deposits. Average FHLB advances for the fiscal year ended June 30, 2020 decreased $650.1 million, or 46.5% compared to fiscal 2019. The average non-interest-bearing demand deposits were $1,990.0 million for the fiscal year ended June 30, 2020, representing an increase of $762.7 million.

Provision for Credit Losses. Provision for credit losses was $42.2 million for the fiscal year ended June 30, 2020 and $27.4 million for fiscal 2019. The increase in the credit loss provision was primarily due to additional provisions for changes in economic and business conditions resulting from the COVID-19 pandemic, overall loan portfolio growth, and changes in the loan mix. The provisions are made to maintain our allowance for loan and lease losses at levels which management believes to be adequate. The assessment of the adequacy of our allowance for loan and lease losses is based upon a number of quantitative and qualitative factors, including levels and trends of past due and nonaccrual loans, loss history and changes in the volume and mix of loans and collateral values.

See “Asset Quality and Allowance for Credit Losses - Loans” for discussion of our allowance for loan and lease losses and the related loss provisions.

Non-interest Income. The following table sets forth information regarding our non-interest income:

	For the Fiscal Year Ended June 30,	
(Dollars in thousands)	**2020**	**2019**
Realized gain on securities:	$ —	$ 709
Unrealized loss on securities:		
Total impairment losses	—	(1,666)
Loss (gain) recognized in other comprehensive income	—	845
Total unrealized loss on securities	$ —	$ (821)
Prepayment penalty fee income	5,993	5,851
Gain on sale-other	6,871	6,160
Mortgage banking income	20,646	5,267
Broker-dealer fee income	23,210	11,737
Banking and service fees	46,267	53,854
Total non-interest income	$ 102,987	$ 82,757

Our relationship with H&R Block began in fiscal 2016 and introduced seasonality into banking and service fees category of non-interest income, with an increase during our second quarter and the peak income in this category typically occurring during our third fiscal quarter ended March 31. Therefore, banking and services fees for the three months ended March 31, are not indicative of results to be expected for other quarters during the fiscal year. Historically, the primary non-interest income generating H&R Block products and services that lead to the increased banking and service fees are Emerald Prepaid Mastercard® (“EPC”) and Refund Transfer (“RT”).

Non-interest income totaled $103.0 million for the fiscal year ended June 30, 2020 compared to non-interest income of $82.8 million for fiscal 2019. The increase was primarily the result of an increase of $15.4 million in mortgage banking income, resulting from an increase in originations of loans held-for-sale increased due to the decline in market interest rates, an increase of $11.5 million in broker-dealer fee income from a full year of our securities segment, an increase in net unrealized loss on securities of $0.8 million, a $0.7 million increase in gain on sale-other, and increased levels of prepayment penalty fee income of $0.1 million, partially offset by a decrease of $7.6 million in banking and service fees due to trustee and fiduciary services and a decrease in realized gain on sale of securities of $0.7 million. Banking and service fees includes H&R Block-branded product fees, deposit fees, fee income from prepaid card sponsors, and certain C&I loan fees. The primary non-interest income-generating H&R Block products and services that led to the increased banking and service fees are EPC and RT. For the fiscal year ended June 30, 2020, EPC was flat at $7.8 million compared to fiscal 2019. For the fiscal year ended June 30, 2020, RT decreased $0.8 million to $11.5 million from $12.3 million for fiscal 2019.

Included in gain on sale – other are sales of unsecured and secured consumer and business loans originated through introductions from our third-party partner relationships, for example H&R Block-branded Emerald Advance, and sales of structured settlement annuity and state lottery receivables. We engage in the wholesale and retail purchases of state lottery prize and structured settlement annuity payments. These payments are high credit quality deferred payment receivables having a state lottery commission or investment grade (top two tiers) insurance company payor. The Bank originates contracts for the retail purchase of such payments and classifies these under the heading of Factoring in the loan portfolio. Factoring yields are typically higher than mortgage loan rates. Typically, the gain received upon sale of these payment streams is greater than the gain received from an equivalent amount of mortgage loan sales. Since 2013, pools of structured settlement receivables are originated for sale from time to time depending upon management’s assessment of interest rate risk, liquidity, and offers containing favorable terms and, if originated for sale, would be classified on our balance sheet as loans held for sale.

Non-interest Expense. The following table sets forth information regarding our non-interest expense for the periods shown:

	For the Fiscal Year Ended June 30,	
(Dollars in thousands)	**2020**	**2019**
Salaries and related costs	$ 144,341	$ 127,433
Data processing and internet	30,671	24,150
Depreciation and amortization	24,443	16,471
Advertising and promotional	14,523	14,710
Occupancy and equipment	12,059	8,571
Professional services	11,095	11,916
Broker-dealer clearing charges	8,210	2,822
FDIC and regulator fees	5,538	9,005
General and administrative	24,886	36,128
Total non-interest expense	$ 275,766	$ 251,206

Non-interest expense totaled $275.8 million for the fiscal year ended June 30, 2020, an increase of $24.6 million compared to fiscal 2019. Salaries and related costs increased $16.9 million, or 13.3%, in fiscal 2020 due to staffing additions from the aforementioned acquisitions and increased staffing levels to support growth in the Banking segment, specifically for deposits, lending, information technology infrastructure development, and compliance activities. Our staff increased to 1099 from 1007 or 9.14% between fiscal year ended June 30, 2020 and 2019 and increased to 1007 from 801 or 25.72% between fiscal year ended June 30, 2019 and 2018.

Data processing and internet expense increased $6.5 million, primarily due to the acquisitions in our Securities Business and enhancements to customer interfaces and the Bank's core processing system.

Advertising and promotion expense decreased $0.2 million, primarily due to decreased mortgage lead generation and deposit marketing costs as well as by a reduction of costs from the fiscal 2019 rebranding.

Depreciation and amortization, increased $8.0 million primarily due to the amortization of intangibles from recent acquisitions, depreciation on lending and deposit platform enhancements and infrastructure development.

Occupancy and equipment expense increased $3.5 million, in order to support increased deposit and loan production and additions from our Securities Business.

Professional services, which include accounting and legal fees, decreased $0.8 million in fiscal 2020 compared to 2019. The decrease in professional services was primarily due to a 2019 non-recurring charge of $15.3 million in our Securities Business for an impaired and uncollectible receivable.

The change in Federal Deposit Insurance Corporation ("FDIC") and OCC standard regulatory charges decreased by $3.5 million in fiscal 2020 compared to fiscal 2019. The decrease was a result of a small bank assessment credits received from the FDIC. As an FDIC-insured institution, the Bank is required to pay deposit insurance premiums to the FDIC.

Broker-dealer clearing charges were $8.2 million for the fiscal year ended June 30, 2020. The increase was attributable full period costs compared to the 2019 periods as the Securities Business was acquired part way through the fiscal year in late January 2019.

General and administrative expenses decreased by $11.2 million in fiscal 2020 compared to 2019. The decrease was primarily due to a $15.3 million increase in our Securities Business for an impaired and uncollectible receivable.

Income Tax Expense. Income tax expense was $79.2 million for the fiscal year ended June 30, 2020 compared to $57.7 million for fiscal 2019. Our effective tax rates were 30.15% and 27.10% for the fiscal years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, the Company determined that certain stock-based compensation awards would not be granted under the plan, and the deferred tax assets related to these awards will not be realized. Accordingly, the Company wrote-off $6.8 million of stock-based compensation deferred tax asset, resulting in a $2.0 million increase in tax expense for fiscal 2020.

During the year ended June 30, 2019, the Company acquired COR Securities Holdings. The Company recognized a deferred tax liability benefit of $2.2 million.

The Company received federal and state tax credits for the years ended June 30, 2020, 2019, and 2018, respectively.These tax credits reduced the effective tax rate by approximately 0.77%, 1.55%, and 2.38% respectively.

SEGMENT RESULTS

The Company determines reportable segments based on the services offered, the significance of the services offered, the significance of those services to the Company's financial condition and operating results and management's regular review of the operating results of those services. The Company operates through two operating segments: Banking Business and Securities Business. In order to reconcile the two segments to the consolidated totals, the Company includes parent-only activities and intercompany eliminations. The following tables present the operating results of the segments:

	Fiscal Year Ended June 30, 2020			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Net interest income	$ 464,448	$ 16,630	$ (3,467)	$ 477,611
Provision for loan losses	42,200	—	—	42,200
Non-interest income	80,374	24,817	(2,204)	102,987
Non-interest expense	216,895	43,525	15,346	275,766
Income before taxes	$ 285,727	$ (2,078)	$ (21,017)	$ 262,632

	Fiscal Year Ended June 30, 2019			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Net interest income	$ 404,500	$ 7,564	$ (3,459)	$ 408,605
Provision for loan losses	27,350	—	—	27,350
Non-interest income	70,917	12,071	(231)	82,757
Non-interest expense	192,588	34,430	24,188	251,206
Income before taxes	$ 255,479	$ (14,795)	$ (27,878)	$ 212,806

Banking Business

For the fiscal year ended June 30, 2020, we had pre-tax income of $285.7 million compared to pre-tax income of $255.5 million for the fiscal year ended June 30, 2019. For the fiscal year ended June 30, 2020, the increase in pre-tax income was primarily related to increased net interest income due to loan and deposit growth.

We consider the ratios shown in the table below to be key indicators of the performance of our Banking Business segment:

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Efficiency ratio	39.81 %	40.51 %
Return on average assets	1.78 %	1.83 %
Interest rate spread	3.72 %	3.72 %
Net interest margin	4.19 %	4.14 %

Our Banking segment's net interest margin exceeds our consolidated net interest margin. Our consolidated net interest margin includes certain items that are not reflected in the calculation of our net interest margin within our Banking Business and reduce our consolidated net interest margin, such as the borrowing costs at our Holding Company and the yields and costs associated with certain items within interest-earning assets and interest-bearing liabilities in our Securities Business, including items related to securities financing operations.

The following table presents our Banking segment's information regarding (i) average balances; (ii) the total amount of interest income from interest-earning assets and the weighted average yields on such assets; (iii) the total amount of interest expense on interest-bearing liabilities and the weighted average rates paid on such liabilities; (iv) net interest income; (v) interest rate spread; and (vi) net interest margin for the twelve months ended June 30, 2020 and 2019:

	For the Fiscal Years Ended June 30,					
	2020			2019		
(Dollars in thousands)	Average Balance[1]	Interest Income/ Expense	Average Yields Earned/Rates Paid	Average Balance[1]	Interest Income/ Expense	Average Yields Earned/Rates Paid
Assets:						
Loans and Leases[2,3]	$ 10,122,818	$ 581,518	5.74 %	$ 8,974,624	$ 525,307	5.85 %
Interest-earning deposits in other financial institutions	700,659	8,839	1.26 %	540,047	12,285	2.27 %
Investment securities[3]	235,893	11,661	4.94 %	208,234	13,929	6.69 %
Stock of the regulatory agencies, at cost	25,696	1,532	5.96 %	40,000	3,378	8.45 %
Total interest-earning assets	$ 11,085,066	$ 603,550	5.44 %	$ 9,762,905	$ 554,899	5.68 %
Non-interest-earning assets	188,625			189,802		
Total Assets	$ 11,273,691			$ 9,952,707		
Liabilities and Stockholder's Equity:						
Interest-bearing demand and savings	$ 4,864,591	$ 67,070	1.38 %	$ 3,964,429	$ 61,845	1.56 %
Time deposits	2,482,151	60,033	2.42 %	2,322,039	55,689	2.40 %
Advances from the FHLB	747,358	11,988	1.60 %	1,397,460	32,834	2.35 %
Borrowings, subordinated notes and debentures	3,092	11	0.36 %	1,112	31	2.70 %
Total interest-bearing liabilities	$ 8,097,192	$ 139,102	1.72 %	$ 7,685,040	$ 150,399	1.96 %
Non-interest-bearing demand deposits	2,000,755			1,236,508		
Other non-interest-bearing liabilities	85,951			58,004		
Stockholder's equity	$ 1,089,793			$ 973,155		
Total Liabilities and Stockholders' Equity	$ 11,273,691			$ 9,952,707		
Net interest income		$ 464,448			$ 404,500	
Interest rate spread[4]			3.72 %			3.72 %
Net interest margin[5]			4.19 %			4.14 %

1 *Average balances are obtained from daily data.*
2 *Loans and leases include loans held for sale, loan premiums and unearned fees.*
3 *Interest income includes reductions for amortization of loan and investment securities premiums and earnings from accretion of discounts and loan fees. Loans and leases include average balances of $28.0 million and $28.7 million of Community Reinvestment Act loans which are taxed at a reduced rate for the 2020 and 2019 twelve-month periods, respectively.*
4 *Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate paid on interest-bearing liabilities.*
5 *Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.*

Net Interest Income. Net interest income totaled $464.4 million for the fiscal year ended June 30, 2020 compared to $404.5 million for the fiscal year ended June 30, 2019. The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to (i) effects on interest income and interest expense attributable to changes in volume (changes in volume multiplied by prior rate); and (ii) effects on interest income and interest expense attributable to changes in rate (changes in rate multiplied by prior volume). The change in interest due to both volume and rate has been allocated proportionally to both, based on their relative absolute values.

	Fiscal Year Ended June 30, 2020 vs 2019 Increase (Decrease) Due to		
(Dollars in thousands)	**Volume**	**Rate**	**Total Increase (Decrease)**
Increase (decrease) in interest income:			
Loans and leases	$ 66,222	$ (10,011)	$ 56,211
Interest-earning deposits in other financial institutions	2,990	(6,436)	(3,446)
Investment securities	1,690	(3,958)	(2,268)
Stock of the regulatory agencies	(1,012)	(834)	(1,846)
Total increase (decrease) in interest income	$ 69,890	$ (21,239)	$ 48,651
Increase (decrease) in interest expense:			
Interest-bearing demand and savings	$ 12,928	$ (7,703)	$ 5,225
Time deposits	3,876	468	4,344
Advances from the FHLB	(12,364)	(8,482)	(20,846)
Other borrowings	21	(41)	(20)
Total increase (decrease) in interest expense	$ 4,461	$ (15,758)	$ (11,297)

The Banking segment's net interest income for the fiscal year ended June 30, 2020 totaled $464.4 million, an increase of 14.8%, compared to net interest income of $404.5 million for the fiscal year ended June 30, 2019. The growth of net interest income is primarily due to increased volume of loans and leases, partially offset by decreased average yields earned on interest earning assets and increased levels of interest-bearing demand and savings. The provision increased from 2019 to 2020 due to macroeconomic updates related to COVID-19.

The Banking segment's non-interest income increased $9.5 million from $70.9 million to $80.4 million for the fiscal year ended June 30, 2020 compared to the fiscal year ended June 30, 2019. The increase in non-interest income for the fiscal year ended June 30, 2020, was primarily the result of an increase in mortgage banking income of $14.6 million, a decrease in net unrealized loss on securities of $0.8 million, a $0.7 million increase in gain on sale-other and an increase of $0.1 million in prepayment penalty fee income, partially offset by a decrease of $6.1 million in banking and service fees and a decrease in realized gain on sale of securities of $0.7 million. Banking and service fees includes H&R Block-branded product fees, deposit fees, fee income from prepaid card sponsors, and certain C&I loan fees. EPC and RT, our primary non-interest income-generating H&R Block products and services, are categorized in banking and service fees. For the fiscal year ended June 30, 2020, EPC was flat at $7.8 million compared to fiscal 2019. For the fiscal year ended June 30, 2020, RT decreased $0.8 million to $11.5 million from $12.3 million for fiscal 2019.

Non-interest expense totaled $216.9 million for the fiscal year ended June 30, 2020, an increase of $24.3 million compared to fiscal 2019. Salaries and related costs increased $15.4 million, or 16.0%, in fiscal 2020 due to increased staffing levels to support growth in staffing for lending, information technology infrastructure development, regulatory compliance, and the trustee and fiduciary services, a $6.4 million increase in depreciation and amortization for amortization of fiduciary services intangibles and systems enhancements, a $3.0 million increase in occupancy expense, a $2.9 million increase in data processing expense for loan and deposit systems enhancements, and a $2.0 million increase in other and general expense, partially offset by a decrease of $3.8 million in FDIC and OCC standard regulatory charges due a small bank assessment credit received from the FDIC, and a $1.2 million decrease in professional services.

Securities Business

For the fiscal year ended June 30, 2020, our Securities Business segment had a loss before taxes of $2.1 million. The Securities Business segment was created as a result of acquisitions during fiscal 2019; therefore, comparisons are limited in meaning, since the Securities Business was only part of the consolidated organization for five months of fiscal 2019. For the fiscal year ended June 30, 2019, the $14.8 million loss was primarily due to a $15.3 million bad debt expense related to a correspondent customer of our clearing broker-dealer.

The following table provides our Securities Business operating results:

	Fiscal Year Ended	
(Dollars in thousands)	June 30, 2020	June 30, 2019
Net interest income	$ 16,630	$ 7,564
Non-interest income	24,817	12,071
Non-interest expense	43,525	34,430
Income (Loss) before income taxes	$ (2,078)	$ (14,795)

Net interest income during the fiscal year ended June 30, 2020 was $16.6 million. Net interest income for the fiscal year ended June 30, 2019 was $7.6 million. In the Securities Business, interest is earned on margin loan balances, securities borrowed, and cash deposit balances. Interest expense is incurred from cash borrowed through bank lines and securities lending.

Non-interest income during the fiscal year ended June 30, 2020 was $24.8 million, the result of $8.2 million of clearing and custodial related fees, $7.9 million of correspondent fees, $6.3 million in fees earned on FDIC insured bank deposits, and $2.4 million of clearing technology services. Non-interest income during the fiscal year ended June 30, 2019 was $12.1 million, the result of $8.9 million of clearing and custodial related fees and $3.1 million in fees earned on FDIC insured bank deposits.

Non-interest expense during the fiscal year ended June 30, 2020 was $43.5 million. Total non-interest expense included salaries and related costs of $18.5 million, broker-dealer clearing charges of $8.2 million, data processing of $5.5 million, other and general expenses of $3.8 million, professional services of $2.9 million and depreciation and amortization of $2.6 million.

Non-interest expense during the fiscal year ended June 30, 2019 was $34.4 million. Total non-interest expense included other and general expense of $16.4 million (of which $15.3 million was bad debt expense related to a correspondent customer of our clearing broker-dealer), salaries and related costs of $8.3 million, professional services of $3.0 million, broker-dealer clearing charges of $2.8 million and data processing and internet expenses of $2.1 million.

Selected information concerning Axos Clearing LLC follows:

	Fiscal Year Ended	
(Dollars in thousands)	June 30, 2020	June 30, 2019
Compensation as a % of net revenue	39.2 %	35.0 %
FDIC insured program balances (end of period)	$ 450,251	$ 341,576
Customer margin balances (end of period)	$ 206,702	$ 189,193
Customer funds on deposit, including short credits (end of period)	$ 194,042	$ 206,469
Clearing:		
Total tickets	1,228,635	595,962
Correspondents (end of period)	61	62
Securities lending:		
Interest-earning assets – stock borrowed (end of period)	$ 222,368	$ 144,706
Interest-bearing liabilities – stock loaned (end of period)	$ 255,945	$ 198,356

COMPARISON OF FINANCIAL CONDITION AT JUNE 30, 2021 AND JUNE 30, 2020

Our total assets increased $0.4 billion, or 3.0%, to $14.3 billion, as of June 30, 2021, up from $13.9 billion at June 30, 2020. The loan portfolio increased $0.8 billion on a net basis, primarily from portfolio loan originations of $7.3 billion, less principal repayments and other adjustments of $6.5 billion. Total cash decreased by $0.9 billion primarily due to decreased deposits and loan fundings. Total liabilities increased by $243.6 million or 1.9%, to $12.9 billion at June 30, 2021, up from $12.6 billion at June 30, 2020. The increase in total liabilities resulted primarily from growth in securities loaned of $0.5 billion, advances from the Federal Home Loan Bank of $0.1 billion and customer and broker-dealer payables of $0.2 billion, partially offset by decreased deposits of $0.5 billion. Stockholders' equity increased by $170.1 million, or 13.8%, to $1.4 billion at June 30, 2021, up from $1.2 billion at June 30, 2020. The increase was the result of $215.7 million in net income for the fiscal year, $10.0 million vesting and issuance of RSUs and stock-based compensation expense, partially offset by a $37.1 million adjustment to retained earnings for the adoption of ASC 326, $16.8 million in stock repurchases, $5.2 million for redemption of Series-A preferred stock, $3.4 million unrealized gain in other comprehensive income, net of tax, and $0.1 million in dividends declared on preferred stock. For the year ended June 30, 2021, the Company repurchased a total of $16.8 million, or 753,597 common shares at an average price of $22.24 per share.

ASSET QUALITY AND ALLOWANCE FOR CREDIT LOSSES - LOANS

Non-performing loans and leases and foreclosed assets or "non-performing assets" consisted of the following:

	At June 30,				
(Dollars in thousands)	2021	2020	2019	2018	2017
Non-performing assets:					
Non-accrual loans and leases:					
Single Family - Mortgage & Warehouse	$ 105,708	$ 84,030	$ 46,005	$ 28,462	$ 23,393
Multifamily and Commercial Mortgage	20,428	3,425	2,108	232	4,255
Commercial Real Estate	15,839	—	—	—	—
Total non-accrual loans secured by real estate	141,975	87,455	48,113	28,694	27,648
Commercial & Industrial - Non-RE	2,942	213	—	2,361	588
Auto & Consumer	278	273	331	171	157
Other	—				
Total non-performing loans and leases	145,195	87,941	48,444	31,226	28,393
Foreclosed real estate	6,547	6,114	7,449	9,385	1,353
Repossessed vehicles	235	294	36	206	60
Total non-performing assets	$ 151,977	$ 94,349	$ 55,929	$ 40,817	$ 29,806
Total non-performing loans and leases as a percentage of total loans and leases	1.26 %	0.82 %	0.51 %	0.37 %	0.38 %
Total non-performing assets as a percentage of total assets	1.10 %	0.68 %	0.50 %	0.43 %	0.35 %

Our non-performing assets increased to $152.0 million at June 30, 2021 from $94.3 million at June 30, 2020. The increase in non-performing assets during the fiscal year ended June 30, 2021 was substantially comprised of an increase in non-performing loans and leases of $57.3 million. Non-performing assets as a percentage of total assets increased to 1.10% at June 30, 2021 from 0.68% at June 30, 2020. The increase in non-performing assets during the fiscal year ended June 30, 2020 compared to June 30, 2019 was comprised of an increase in non-performing loans and leases of $39.5 million.

The increase in non-performing loans and leases is primarily the result of increased deliquent single family residential real estate secured loans, multifamily loans and commercial real estate loans as a result of COVID-10 related economic deterioration during the fiscal years ended June 30, 2021 and 2020. Approximately 72.8% of the Bank's nonaccrual loans and leases are single family first mortgages that have an aggregate loan-to-value ratio of 56.7%.

We have experienced growth in our non-performing single family mortgage loans over the last five years; however, we believe that the write-downs taken as of June 30, 2021 on these non-performing loans and the low average LTVs on the balance of our single family mortgage real estate loans in our portfolio make our future risk of loss better than other banks with significant exposure to real estate loans. If average nationwide residential housing values decline or if nationwide unemployment increases, we are likely to experience growth in the level of our non-performing loans and leases, foreclosed real estate and repossessed vehicles in future periods.

For discussion of the COVID-19 impact on our assets and our actions taken, see the beginning of "Management's Discussion and Analysis of Financial Condition and Results of Operations."

***Allowance for Credit Losses - Loans*.**

On July 1, 2020, the Company adopted ASC 326. The update replaces the historical incurred loss model to a current expected loss model, resulting, generally, in earlier recognition of loss. Refer to *Note 1 - Summary of Significant Accounting Policies* within this Form 10-K for further detail on the accounting adoption along with detail of the processes involved in determining the allowance for credit losses under the new guidance.

The following table sets forth the changes in our allowance for loan and lease losses, by portfolio class for the dates indicated:

(Dollars in thousands)	Single Family - Mortgage & Warehouse	Multifamily and Commercial Mortgage	Commercial Real Estate	Auto & Consumer	Commercial & Industrial - Non-RE	Other	Total	Total Allowance as a % of Total Loans
Balance at June 30, 2016	$ 19,350	$ 4,309	$ 3,922	$ 1,669	$ 6,235	$ 341	$ 35,826	0.56 %
Provision for loan losses	2,233	(224)	2,108	1,330	300	5,314	11,061	
Charge-offs	(1,138)	(23)	—	(433)	—	(3,502)	(5,096)	
Transfers to held for sale	—	—	—	—	—	(1,828)	(1,828)	
Recoveries	138	416	—	—	207	108	869	
Balance at June 30, 2017	20,583	4,478	6,030	2,566	6,742	433	40,832	0.55 %
Provision for loan and lease losses	832	(424)	3,172	2,152	3,696	16,372	25,800	
Charge-offs	(559)	—	—	(803)	—	(14,617)	(15,979)	
Transfers to held for sale	—	—	—	—	—	(2,307)	(2,307)	
Recoveries	49	—	—	212	—	544	805	
Balance at June 30, 2018	20,905	4,054	9,202	4,127	10,438	425	49,151	0.58 %
Provision for loan and lease losses	1,777	(356)	5,430	5,731	255	14,513	27,350	
Charge-offs	(799)	—	—	(3,752)	(1,149)	(13,963)	(19,663)	
Transfers to held for sale	—	—	—	—	—	(2,356)	(2,356)	
Recoveries	407	109	—	233	—	1,854	2,603	
Balance at June 30, 2019	22,290	3,807	14,632	6,339	9,544	473	57,085	0.60 %
Provision for loan and lease losses	3,546	793	6,420	7,429	4,542	19,470	42,200	
Charge-offs	(203)	—	—	(5,047)	(4,132)	(16,451)	(25,833)	
Recoveries	266	119	—	741	—	1,229	2,355	
Balance at June 30, 2020	25,899	4,719	21,052	9,462	9,954	4,721	75,807	0.71 %
Effect of Adoption of ASC 326	6,318	7,408	25,893	610	7,042	29	47,300	
Provision for loan and lease losses	(3,242)	1,196	11,238	(1,354)	14,251	1,661	23,750	
Charge-offs	(2,502)	(177)	(255)	(3,517)	(2,833)	(7,274)	(16,558)	
Recoveries	131	—	—	1,318	46	1,164	2,659	
Balance at June 30, 2021	$ 26,604	$ 13,146	$ 57,928	$ 6,519	$ 28,460	$ 301	$ 132,958	1.15 %

The following table sets forth our allowance for credit losses by portfolio class:

	At June 30,									
	2021		2020		2019		2018		2017	
(Dollars in thousands)	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans	Amount of Allowance	Loan Category as a % of Total Loans
Single Family - Mortgage & Warehouse	$ 26,604	37.8 %	$ 25,899	44.1 %	$ 22,290	39.0 %	$ 20,905	42.5 %	$ 20,583	50.4 %
Multifamily and Commercial Mortgage	13,146	21.4 %	4,719	21.1 %	3,807	6.7 %	4,054	8.2 %	4,478	11.0 %
Commercial Real Estate	57,928	27.5 %	21,052	21.5 %	14,632	25.6 %	9,202	18.7 %	6,030	14.8 %
Commercial & Industrial - Non-RE	28,460	9.7 %	9,954	8.3 %	9,544	16.7 %	10,438	21.2 %	6,742	16.5 %
Auto & Consumer	6,519	3.1 %	9,462	3.2 %	6,339	11.1 %	4,127	8.4 %	2,566	6.3 %
Other	301	0.5 %	4,721	1.8 %	473	0.8 %	425	0.9 %	433	1.1 %
Total	$ 132,958	100.0 %	$ 75,807	100.0 %	$ 57,085	100.0 %	$ 49,151	100.0 %	$ 40,832	100.0 %

The Company's allowance for credit losses increased $57.2 million or 75.4% from June 30, 2020 to June 30, 2021. As a percentage of the outstanding loan balance, the Company's allowance was 1.15% at June 30, 2021 and 0.71% at June 30, 2020. Provisions for credit losses were $23.8 million for fiscal 2021 and $42.2 million for fiscal 2020. The Company's credit loss provisions for fiscal 2021 compared to 2020 decreased by $18.5 million primarily due to non-recurring Refund Advance loans and changes in economic and business conditions resulting from the COVID-19 pandemic. Provisions for credit losses for fiscal 2021 were primarily comprised of provisions in commercial real estate and commercial & industrial - non-RE due to growth in these segments of the loan portfolio.

Net charge-offs for single family - mortgage & warehouse loans increased $2.4 million for fiscal 2021. Net charge-offs for each of multifamily and commercial mortgage and commercial real estate loans increased $0.2 million in fiscal 2021. Net charge-offs for auto & consumer decreased $2.1 million for fiscal 2021. Net charge-offs for other decreased $9.1 million for fiscal 2021, primarily due to a $6.3 million decrease in Refund Advance charge-offs and a $0.9 million decrease in net charge-offs for unsecured consumer loans. For fiscal 2020, net charge-offs for single family mortgage real estate secured loans decreased $0.5 million, multifamily and commercial real estate secured loans incurred no charge-offs or recoveries in fiscal 2020. Net charge-offs for the auto & consumer increased $0.4 million for fiscal 2020. Net charge-offs for the other increased $3.5 million for fiscal 2020, primarily due to a $2.8 million increase in Refund Advance charge-offs and a $0.4 million increase in net charge-offs for unsecured consumer loans. In fiscal 2019, the remaining balance of Refund Advance loans were sold prior to year end, and the loss attributable was classified in transfer to held for sale in the allowance for loan and lease losses changes table.

Between June 30, 2020 and 2021, the Bank's total allowance for credit losses as a proportion of the loan portfolio increased 44 basis points primarily due to adoption of ASC 326.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity. For Axos Bank, our sources of liquidity include deposits, borrowings, payments and maturities of outstanding loans, sales of loans, maturities or gains on sales of investment securities and other short-term investments. While scheduled loan payments and maturing investment securities and short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. We generally invest excess funds in overnight deposits and other short-term interest-earning assets. We use cash generated through retail deposits, our largest funding source, to offset the cash utilized in lending and investing activities. Our short-term interest-earning investment securities are also used to provide liquidity for lending and other operational requirements.

As an additional source of funds, we have two credit agreements. Axos Bank can borrow up to 40% of its total assets from the FHLB. Borrowings are collateralized by pledging certain mortgage loans and investment securities to the FHLB. Based on loans and securities pledged at June 30, 2021, we had a total borrowing availability of another $2.3 billion available immediately and an additional $3.1 billion available with additional collateral, for advances from the FHLB for terms up to ten years.

The Bank can also borrow from the discount window at the FRBSF. FRBSF borrowings are collateralized by commercial loans, consumer loans and mortgage-backed securities pledged to the FRBSF. Based on loans and securities pledged at June 30, 2021, we had a total borrowing capacity of approximately $2.1 billion, all of which was available for use. At June 30, 2021, we also had $175.0 million in unsecured federal funds lines of credit with two major banks under which there were no borrowings outstanding.

In the past, we have used long-term borrowings to fund our loans and to minimize our interest rate risk. Our future borrowings will depend on the growth of our lending operations and our exposure to interest rate risk. We expect to continue to use deposits and advances from the FHLB as the primary sources of funding our future asset growth.

The Bank has zero advances outstanding from the Federal Reserve Bank through the Paycheck Protection Program Liquidity Facility, and no Small Business Administration Paycheck Protection Program Loans pledged as of June 30, 2021. The advances had weighted average interest rates of 0.35% during the year ended June 30, 2021.

Axos Clearing has $133.8 million uncommitted secured lines of credit available for borrowing. As of June 30, 2021, there was $36.2 million outstanding. These credit facilities bear interest at rates based on the Federal Funds rate and are due upon demand. The weighted average interest rate on the borrowings at June 30, 2021 was 1.75%.

Axos Clearing has a $50.0 million committed unsecured line of credit available for limited purpose borrowing. As of June 30, 2021, there was no amount outstanding. This credit facility bears interest at rates based on the Federal Funds rate and are due upon demand. The unsecured line of credit requires Axos Clearing operate in accordance with specific covenants surrounding capital and debt ratios. Axos Clearing was in compliance of all covenants as of June 30, 2021.

In December 2004, we completed a transaction that resulted in $5.2 million of junior subordinated debentures for our company with a stated maturity date of February 23, 2035. We have the right to redeem the debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indenture plus any accrued but unpaid interest through the redemption date. Interest accrues at the rate of three-month LIBOR plus 2.4%, for a rate of 2.55% as of June 30, 2021, with interest paid quarterly.

In March 2016, we completed the sale of $51.0 million aggregate principal amount of our 6.25% Subordinated Notes due February 28, 2026 (the "Notes 2026"). On March 31, 2021, the Company completed the redemption of $51.0 million aggregate principal amount. The Notes 2026 were redeemed for cash by the Company at 100% of their principal amount, plus accrued and unpaid interest, in accordance with the terms of the indenture governing the Notes 2026. On March 31, 2021, the Company completed the redemption of $51.0 million aggregate principal amount of its Notes 2026. The Notes 2026 were redeemed for cash by the Company at 100% of their principal amount, plus accrued and unpaid interest, in accordance with the terms of the indenture governing the Notes 2026. Remaining unamortized deferred financing costs associated with such notes were expensed and included under *Interest Expense - Other Borrowings* in the Consolidated Statements of Income.

In January 2019, we issued subordinated notes totaling $7.5 million, to the principal stockholders of COR Securities in an equal principal amount, with a maturity of 15 months, to serve as the source of payment of indemnification obligations of the principal stakeholders of COR Securities under the Merger Agreement. Interest accrues at a rate of 6.25% per annum. During the fiscal year ended June 30, 2019, $0.1 million of subordinated loans were repaid. The Company has made an indemnification claim against the $7.4 million remaining.

In September 2020, the Company completed the sale of $175.0 million aggregate principal amount of its 4.875% Fixed-to-Floating Rate Subordinated Notes due October 1, 2030 (the "Notes"). The Notes mature on October 1, 2030 and accrue interest at a fixed rate per annum equal to 4.875%, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2021. From and including October 1, 2025, to, but excluding October 1, 2030 or the date of early redemption, the Notes will bear interest at a floating rate per annum equal to a benchmark rate (which is expected to be the Three-Month Term Secured Overnight Financing Rate) plus a spread of 476 basis points, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on January 2026. The Notes may be redeemed on or after October 1, 2025, which date may be extended at the Company's discretion, at a redemption price equal to principal plus accrued and unpaid interest, subject to certain conditions.

In March 2021, we filed a new shelf registration with the SEC which allows us to issue up to $400.0 million through the sale of debt securities, common stock, preferred stock and warrants.

Off-Balance Sheet Commitments. At June 30, 2021, we had commitments to originate loans with an aggregate outstanding principal balance of $708.6 million, commitments to sell loans with an aggregate outstanding principal balance at the time of sale of $55.9 million, and no commitments to purchase loans, investment securities or any other unused lines of credit. See Item 3. Legal Proceedings for further information on pending litigation in which we are involved.

Contractual Obligations. The Company enters into contractual obligations in the normal course of business primarily as a source of funds for its asset growth and to meet required capital needs. Our time deposits due within one year of June 30, 2021 totaled $1.0 billion. If these maturing deposits do not remain with us, we may be required to seek other sources of funds, including using off-balance sheet deposits managed by Axos Clearing, other time deposits and borrowings. Depending on market conditions, we may be required to pay higher rates on deposits and borrowings than we currently pay on time deposits maturing within one year. We believe, however, based on past experience, that a portion of our time deposits will remain with us. We believe we have the ability to attract and retain deposits by adjusting interest rates offered.

The following table presents our contractual obligations for long-term debt, time deposits, and operating leases by payment date:

	At June 30, 2021				
	Payments Due by Period				
(Dollars in thousands)	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Long-term debt obligations[1, 2]	$ 635,455	$ 291,934	$ 49,241	$ 50,219	$ 244,061
Other obligations[3]	15,090	7,716	5,925	348	1,101
Time deposits[2]	1,534,801	1,032,195	350,124	152,482	—
Operating lease obligations[4]	79,549	9,548	19,242	16,822	33,937
Total	$ 2,264,895	$ 1,341,393	$ 424,532	$ 219,871	$ 279,099

[1] *Long-term debt includes advances from the FHLB and Subordinated notes and debentures.*
[2] *Amounts include principal and interest due to recipient.*
[3] *Commitments for low income housing project partnerships, which provide income tax credits, and in small business investment companies that call for capital contributions up to an amount specified in the partnership agreements, excludes interest.*
[4] *Payments are for the lease of real property.*

Consolidated and Bank Capital Requirements. Our Company and Bank are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. Failure by our Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by regulators that could have a material adverse effect on our consolidated financial statements. The Federal Reserve establishes capital requirements for our Company and the OCC has similar requirements for our Bank. The following tables present regulatory capital information for our Company and Bank. Information presented for June 30, 2021, reflects the Basel III capital requirements that became effective January 1, 2015 for both our Company and Bank. Under these capital requirements and the regulatory framework for prompt corrective action, our Company and Bank must meet specific capital guidelines that involve quantitative measures of our Company and Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our Company's and Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require our Company and Bank to maintain certain minimum capital amounts and ratios. Federal bank regulators require our Company and Bank maintain minimum ratios of core capital to adjusted average assets of 4.0%, common equity tier 1 capital to risk-weighted assets of 4.5%, tier 1 capital to risk-weighted assets of 6.0% and total risk-based capital to risk-weighted assets of 8.0%. To be "well capitalized," our Company and Bank must maintain minimum leverage, common equity tier 1 risk-based, tier 1 risk-based and total risk-based capital ratios of at least 5.0%, 6.5%, 8.0% and 10.0%, respectively. At June 30, 2021, our Company and Bank met all the capital adequacy requirements to which they were subject to and were "well capitalized" under the regulatory framework for prompt corrective action. Management believes that no conditions or events have occurred since June 30, 2020 that would materially adversely change the Company's and Bank's capital classifications. From time to time, we may need to raise additional capital to support our Company's and Bank's further growth and to maintain their "well capitalized" status.

The Company's and Bank's capital amounts, capital ratios and requirements were as follows:

	Axos Financial, Inc.		Axos Bank		"Well Capitalized" Ratio	Minimum Capital Ratio
(Dollars in thousands)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020		
Regulatory Capital:						
Tier 1	$1,309,496	$1,106,393	$1,262,885	$1,080,455		
Common equity tier 1	$1,309,496	$1,101,330	$1,262,885	$1,080,455		
Total capital (to risk-weighted assets)	$1,587,625	$1,240,923	$1,358,430	$1,156,401		
Assets:						
Average adjusted	$14,851,462	$12,333,030	$13,359,578	$11,679,819		
Total risk-weighted	$11,522,645	$9,817,374	$10,283,135	$9,160,365		
Regulatory Capital Ratios:						
Tier 1 leverage (core) capital to adjusted average assets	8.82 %	8.97 %	9.45 %	9.25 %	5.00 %	4.00 %
Common equity tier 1 capital (to risk-weighted assets)	11.36 %	11.22 %	12.28 %	11.79 %	6.50 %	4.50 %
Tier 1 capital (to risk-weighted assets)	11.36 %	11.27 %	12.28 %	11.79 %	8.00 %	6.00 %
Total capital (to risk-weighted assets)	13.78 %	12.64 %	13.21 %	12.62 %	10.00 %	8.00 %

At June 30, 2021, the Company and Bank are in compliance with the capital conservation buffer requirement, for the common equity tier 1 risk based, tier 1 risk-based and total risk-based capital ratios of 7.0%, 8.5% and 10.5%, respectively.

Securities Business

Pursuant to the net capital requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Axos Clearing, is subject to the SEC Uniform Net Capital (Rule 15c3-1 of the Exchange Act). Under this rule, Axos Clearing has elected to operate under the alternate method and is required to maintain minimum net capital of $250,000 or 2% of aggregate debit balances arising from client transactions, as defined. Under the alternate method, Axos Clearing may not repay subordinated debt, pay cash distributions, or make any unsecured advances or loans to its parent or employees if such payment would result in net capital of less than 5% of aggregate debit balances or less than 120% of its minimum dollar requirement.

The net capital position of Axos Clearing was as follows:

(Dollars in thousands)	June 30, 2021	June 30, 2020
Net capital	$ 35,950	$ 34,022
Less: required net capital	8,046	4,572
Excess capital	$ 27,904	$ 29,450
Net capital as a percentage of aggregate debit items	8.94 %	14.88 %
Net capital in excess of 5% aggregate debit items	$ 15,836	$ 22,593

Axos Clearing, as a clearing broker, is subject to SEC Customer Protection Rule (Rule 15c3-3 of the Exchange Act) which requires segregation of funds in a special reserve account for the benefit of customers. At June 30, 2021, the Company had a deposit requirement of $258.1 million and maintained a deposit of $251.2 million. On July 1, 2021, Axos Clearing made a deposit to satisfy the deposit requirement. At June 30, 2020, the Company had a deposit requirement of $159.5 million and maintained a deposit of $178.8 million.

Certain broker-dealers have chosen to maintain brokerage customer accounts at the Axos Clearing. To allow these broker-dealers to classify their assets held by the Company as allowable assets in their computation of net capital, the Company computes a separate reserve requirement for Proprietary Accounts of Brokers (PAB). At June 30, 2021, the Company had a deposit requirement of $73.6 million and maintained a deposit of $71.0 million. On July 1, 2021, Axos Clearing made a deposit to satisfy the deposit requirement. At June 30, 2020, the Company had a deposit requirement of $17.0 million and maintained a deposit of $15.2 million. On July 1, 2020, Axos Clearing made a deposit to satisfy the deposit requirement.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is defined as the sensitivity of income and capital to changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market rates or prices. The primary market risk to which we are exposed is interest rate risk. Changes in interest rates can have a variety of effects on our business. In particular, changes in interest rates affect our net interest income, net interest margin, net income, the value of our securities portfolio, the volume of loans originated, and the amount of gain or loss on the sale of our loans.

We are exposed to different types of interest rate risk. These risks include lag, repricing, basis, prepayment and lifetime cap risk, each of which is described in further detail below:

Lag/Repricing Risk. Lag risk results from the inherent timing difference between the repricing of our adjustable rate assets and our liabilities. Repricing risk is caused by the mismatch of repricing methods between interest-earning assets and interest-bearing liabilities. Lag/repricing risk can produce short-term volatility in our net interest income during periods of interest rate movements even though the effect of this lag generally balances out over time. One example of lag risk is the repricing of assets indexed to the monthly treasury average ("MTA"). The MTA index is based on a moving average of rates outstanding during the previous 12 months. A sharp movement in interest rates in a month will not be fully reflected in the index for 12 months resulting in a lag in the repricing of our loans and securities based on this index. We expect more of our interest-earning liabilities will mature or reprice within one year than will our interest-bearing assets, resulting in a one year negative interest rate sensitivity gap (the difference between our interest rate sensitive assets maturing or repricing within one year and our interest rate sensitive liabilities maturing or repricing within one year, expressed as a percentage of total interest-earning assets). In a rising interest rate environment, an institution with a positive gap would generally be expected, absent the effects of other factors, to experience a greater increase in its yield on assets relative to its cost on liabilities, and thus an increase in its net interest income.

Basis Risk. Basis risk occurs when assets and liabilities have similar repricing timing but repricing is based on different market interest rate indices. Our adjustable rate loans that reprice are directly tied to indices based upon U.S. Treasury rates, LIBOR, Eleventh District Cost of Funds and the Prime rate. Our deposit rates are not directly tied to these same indices. Therefore, if deposit interest rates rise faster than the adjustable rate loan indices and there are no other changes in our asset/liability mix, our net interest income will likely decline due to basis risk.

Prepayment Risk. Prepayment risk results from the right of customers to pay their loans prior to maturity. Generally, loan prepayments increase in falling interest rate environments and decrease in rising interest rate environments. In addition, prepayment risk results from the right of customers to withdraw their time deposits before maturity. Generally, early withdrawals of time deposits increase during rising interest rate environments and decrease in falling interest rate environments. When estimating the future performance of our assets and liabilities, we make assumptions as to when and how much of our loans and deposits will be prepaid. If the assumptions prove to be incorrect, the asset or liability may perform differently than expected. In the last three fiscal years, the Bank has experienced high rates of loan prepayments due to historically low interest rates and a low LTV loan portfolio.

Lifetime Cap Risk. Our adjustable rate loans have lifetime interest rate caps. In periods of rising interest rates, it is possible for the fully indexed interest rate (index rate plus the margin) to exceed the lifetime interest rate cap. This feature prevents the loan from repricing to a level that exceeds the cap's specified interest rate, thus adversely affecting net interest income in periods of relatively high interest rates. On a weighted average basis, our adjustable rate loans at June 30, 2021 had lifetime rate caps that were 621 basis points greater than their current stated note rates. If market rates rise by more than the interest rate cap, we will not be able to increase these loan rates above the interest rate cap.

The principal objective of our asset/liability management is to manage the sensitivity of Market Value of Equity ("MVE") to changing interest rates. Asset/liability management is governed by policies reviewed and approved annually by our board of directors. Our board of directors has delegated the responsibility to oversee the administration of these policies to the Bank's asset/liability committee ("ALCO"). The interest rate risk strategy currently deployed by ALCO is to primarily use "natural" balance sheet hedging. ALCO makes adjustments to the overall MVE sensitivity by recommending investment and borrowing strategies. The management team then executes the recommended strategy by increasing or decreasing the duration of the investments and borrowings, resulting in the appropriate level of market risk the board wants to maintain. Other examples of ALCO policies designed to reduce our interest rate risk include limiting the premiums paid to purchase mortgage loans or mortgage-backed securities. This policy addresses mortgage prepayment risk by capping the yield loss from an unexpected high level of mortgage loan prepayments. At least once a quarter, ALCO members report to our board of directors the status of our interest rate risk profile.

We measure interest rate sensitivity as the difference between amounts of interest-earning assets and interest-bearing liabilities that mature within a given period of time. The difference, or the interest rate sensitivity gap, provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities and negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets.

In a rising interest rate environment, an institution with a positive gap would be in a better position than an institution with a negative gap to invest in higher yielding assets or to have its asset yields adjusted upward, which would result in the yield on its assets to increase at a faster pace than the cost of its interest-bearing liabilities.

During a period of falling interest rates, however, an institution with a positive gap would tend to have its assets mature at a faster rate than one with a negative gap, which would tend to reduce the growth in its net interest income.

Banking Business

The following table sets forth the amounts of interest earning assets and interest bearing liabilities that were outstanding at June 30, 2020 and the portions of each financial instrument that are expected to mature or reset interest rates in each future period:

	Term to Repricing, Repayment, or Maturity at June 30, 2021				
(Dollars in thousands)	**Six Months or Less**	**Over Six Months Through One Year**	**Over One Year through Five Years**	**Over Five Years**	**Total**
Interest-earning assets:					
Cash and cash equivalents	$ 694,717	$ —	$ —	$ —	$ 694,717
Mortgage-backed and other investment securities[1]	185,094	1,378	10,416	16,320	213,208
Stock of the FHLB, at cost	17,250	—	—	—	17,250
Loans, net of allowance for loan and lease losses[2]	7,215,162	1,418,651	2,835,817	37,622	11,507,252
Loans held for sale	42,062	—	—	—	42,062
Total interest-earning assets	8,154,285	1,420,029	2,846,233	53,942	12,474,489
Non-interest-earning assets	—	—	—	—	270,540
Total assets	$ 8,154,285	$ 1,420,029	$ 2,846,233	$ 53,942	$ 12,745,029
Interest-bearing liabilities:					
Interest-bearing deposits[3]	$ 6,175,706	$ 1,774,197	$ 491,319	$ 448	$ 8,441,670
Advances from the FHLB	196,000	40,000	57,500	60,000	353,500
Other borrowings	110,947	—	—	14,000	124,947
Total interest-bearing liabilities	6,482,653	1,814,197	548,819	74,448	8,920,117
Other non-interest-bearing liabilities	—	—	—	—	2,525,001
Stockholders' equity	—	—	—	—	1,299,911
Total liabilities and equity	$ 6,482,653	$ 1,814,197	$ 548,819	$ 74,448	$ 12,745,029
Net interest rate sensitivity gap	$ 1,671,632	$ (394,168)	$ 2,297,414	$ (20,506)	$ 3,554,372
Cumulative gap	$ 1,671,632	$ 1,277,464	$ 3,574,878	$ 3,554,372	$ 3,554,372
Net interest rate sensitivity gap—as a % of interest-earning assets	13.40 %	(3.16)%	18.42 %	(0.16)%	28.49 %
Cumulative gap—as a % of cumulative interest-earning assets	13.40 %	10.24 %	28.66 %	28.49 %	28.49 %

[1] *Comprised of U.S. government securities, mortgage-backed securities and other securities, which are classified as trading and available-for-sale. The table reflects contractual repricing dates.*
[2] *The table reflects either contractual repricing dates, or maturities.*
[3] *The table assumes that the principal balances for demand deposit and savings accounts will reprice in the first year.*

The above table provides an approximation of the projected re-pricing of assets and liabilities at June 30, 2021 on the basis of contractual maturities, adjusted for anticipated prepayments of principal and scheduled rate adjustments. The loan and securities prepayment rates reflected herein are based on historical experience. For the non-maturity deposit liabilities, we use decay rates and rate adjustments based upon our historical experience. Actual repayments of these instruments could vary substantially if future experience differs from our historic experience.

Although “gap” analysis is a useful measurement device available to management in determining the existence of interest rate exposure, its static focus as of a particular date makes it necessary to utilize other techniques in measuring exposure to changes in interest rates. For example, gap analysis is limited in its ability to predict trends in future earnings and makes no assumptions about changes in prepayment tendencies, deposit or loan maturity preferences or repricing time lags that may occur in response to a change in the interest rate environment.

Our net interest margin for the fiscal year ended June 30, 2021 decreased to 4.11% compared to 4.19% for the fiscal year ended June 30, 2020. During the fiscal year ended June 30, 2021, interest income earned on loans and on mortgage backed securities was influenced by interest rate changes and the amortization of premiums and discounts on purchases, and interest expense paid on deposits and new borrowings were influenced by the Fed Funds rate.

The following table indicates the sensitivity of net interest income movements to parallel instantaneous shocks in interest rates for the 1-12 months and 13-24 months’ time periods. For purposes of modeling net interest income sensitivity the Bank assumes no growth in the balance sheet other than for retained earnings:

	As of June 30, 2021			
	First 12 Months		Next 12 Months	
(Dollars in thousands)	Net Interest Income	Percentage Change from Base	Net Interest Income	Percentage Change from Base
Up 200 basis points	$ 552,820	8.3 %	$ 538,383	9.4 %
Base	$ 510,289	— %	$ 492,124	— %
Down 100 basis points	$ 502,930	(1.4)%	$ 478,353	(2.8)%

We attempt to measure the effect market interest rate changes will have on the net present value of assets and liabilities, which is defined as MVE. We analyze the MVE sensitivity to an immediate parallel and sustained shift in interest rates derived from current U.S. Treasury and LIBOR yield curves. For rising interest rate scenarios, the base market interest rate forecast was increased by 100, 200 and 300 basis points. For the falling interest rate scenarios, we used a 100 basis points decrease due to limitations inherent in the current rate environment.

The following table indicates the sensitivity of MVE to the interest rate movement as described above:

	As of June 30, 2021		
(Dollars in thousands)	Market Value of Equity	Percentage Change from Base	MVE as a Percentage of Assets
Up 300 basis points	$ 1,614,331	2.7 %	12.6 %
Up 200 basis points	$ 1,638,353	4.3 %	12.7 %
Up 100 basis points	$ 1,612,726	2.6 %	12.4 %
Base	$ 1,571,364	— %	11.9 %
Down 100 basis points	$ 1,395,457	(11.2)%	10.5 %

The computation of the prospective effects of hypothetical interest rate changes is based on numerous assumptions, including relative levels of interest rates, asset prepayments, runoffs in deposits and changes in repricing levels of deposits to general market rates, and should not be relied upon as indicative of actual results. Furthermore, the results included in the tables above do not take into account any actions that we may undertake in response to future changes in interest rates. Those actions include, but are not limited to, making changes in loan and deposit interest rates and changes in our asset and liability mix.

Securities Business

Our securities business is exposed to market risk primarily due to its role as a financial intermediary in customer transactions, which may include purchases and sales of securities, securities lending activities, and in our trading activities, which are used to support sales, underwriting and other customer activities. We are subject to the risk of loss that may result from the potential change in value of a financial instrument as a result of fluctuations in interest rates, market prices, investor expectations and changes in credit ratings of the issuer.

Our securities business is exposed to interest rate risk as a result of maintaining inventories of interest rate sensitive financial instruments and other interest earning assets including customer and correspondent margin loans and securities borrowing activities. Our exposure to interest rate risk is also from our funding sources including customer and correspondent cash balances, bank borrowings and securities lending activities. Interest rates on customer and correspondent balances and securities produce a positive spread with rates generally fluctuating in parallel.

With respect to securities held, our interest rate risk is managed by setting and monitoring limits on the size and duration of positions and on the length of time securities can be held. Much of the interest rates on customer and correspondent margin loans are indexed and can vary daily. Our funding sources are generally short term with interest rates that can vary daily.

At June 30, 2021, Axos Clearing held municipal obligations, these positions were classified as held for sale securities and had maturities greater than 10 years.

Our securities business is engaged in various brokerage and trading activities that expose us to credit risk arising from potential non-performance from counterparties, customers or issuers of securities. This risk is managed by setting and monitoring position limits for each counterparty, conducting periodic credit reviews of counterparties, reviewing concentrations of securities and conducting business through central clearing organizations.

Collateral underlying margin loans to customers and correspondents and with respect to securities lending activities is marked to market daily and additional collateral is required as necessary.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The following financial statements are filed as a part of this Annual Report on Form 10-K beginning on page F-1:

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management, under supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2021, the disclosure controls and procedures were effective to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report On Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(1) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of; our principal executive and principal financial officers and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework* (2013 version). Based on this assessment, management has determined that our internal control over financial reporting as of June 30, 2021 is effective.

BDO USA, LLP has audited the effectiveness of the company's internal control over financial reporting as of June 30, 2021, as stated in their report dated August 25, 2021.

Changes in Internal Control Over Financial Reporting. Beginning July 1, 2020, the Company adopted ASC 326. As a result, the Company made changes to and incorporated new policies, processes and controls over the estimation of the allowance for credit losses. These changes were not undertaken in response to any identified deficiency in the Company's internal control over financial reporting. There have been no other changes in the Company's internal control.

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Axos Financial, Inc.
Las Vegas, Nevada

Opinion on Internal Control over Financial Reporting

We have audited Axos Financial, Inc.'s (the "Company's") internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of June 30, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2021, and the related notes and our report dated August 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP
San Diego, California

August 25, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this item with respect to directors and executive officers is incorporated herein by reference to the information contained in the sections captioned “Election of Directors” and “Executive Compensation” in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2021 (the “Proxy Statement”).

The information with respect to our audit committee and our audit committee financial expert is incorporated herein by reference to the information contained in the section captioned “Committees of the Board of Directors” in the Proxy Statement. The information with respect to our Code of Ethics is incorporated herein by reference to the information contained in the section captioned “Corporate Governance—Code of Business Conduct” in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the information contained in the section captioned “Executive Compensation” in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this item is incorporated herein by reference to the information contained in the sections captioned “Principal Holders of Common Stock” and “Security Ownership of Directors and Named Executive Officers” in the Proxy Statement.

Information regarding securities authorized for issuance under equity compensation plans is disclosed above in Item 5, which information is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this item is incorporated herein by reference to the information contained in the sections captioned “Related Transactions And Other Matters” and “Corporate Governance—Board of Directors Composition and Independence” in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this item is incorporated herein by reference to the information contained in the section captioned “Ratification of Selection of Independent Public Accounting Firm” in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1). Financial Statements: See Part II, Item 8—Financial Statements and Supplementary data.

(a)(2). Financial Statement Schedules: All financial statement schedules have been omitted as they are either not required, not applicable, or the information is otherwise included.

(a)(3). Exhibits:

Exhibit Number	Description	Incorporated By Reference to
2.1	Agreement and Plan of Merger, by and among Axos Clearing, LLC, Axos Clarity MergeCo., Inc., Cor Securities Holdings, Inc., the Seller Parties thereto and the Holder Representative, dated September 28, 2018	Exhibit 2.1 to the Current Form 8-K filed on October 1, 2018.
3.1	Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on July 6, 1999	Exhibit 3.1 to the Registration Statement on Form S-1/A (File No. 333-121329) filed on January 26, 2005.
3.1.1	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on August 19, 1999	Exhibit 3.5 to the Registration Statement on Form S-1/A (File No. 333-121329) filed on January 26, 2005.
3.1.2	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on February 25, 2003	Exhibit 3.6 to the Registration Statement on Form S-1/A (File No. 333-121329) filed on January 26, 2005.
3.1.3	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on January 25, 2005	Exhibit 3.2 to the Registration Statement on Form S-1/A (File No. 333-121329) filed on January 26, 2005.
3.1.4	Certificate Eliminating Reference to a Series of Shares from the Certificate of Incorporation of the Company	Exhibit 3.3 to the Current Report on Form 8-K filed on September 7, 2011.
3.1.5	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on October 25, 2013	Exhibit 3.1 to the Current Report on Form 8-K filed on October 28, 2013.
3.1.6	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on November 5, 2015	Exhibit 3.1 to the Current Report on Form 8-K filed on November 6, 2015.
3.1.7	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on September 11, 2018	Exhibit 3.1 to the Current Report on Form 8-K filed on September 11, 2018.
3.1.8	Certificate of Elimination relating to the Series A - 6% Cumulative Nonparticipating Perpetual Preferred Stock Convertible through January 2009, filed with the Delaware Secretary of State on January 25, 2021.	Exhibit 3.1.8 to the Quarterly Report on Form 10-Q filed on January 28, 2021
3.2	Amended and Restated By-laws	Exhibit 3.2 to the Current Report on Form 8-K filed on February 26, 2021.
4.1	Form of Common Stock Certificate of the Company	Exhibit 4.1 to the Current Report on Form 8-K filed on September 12, 2018.
4.2	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Filed herewith.
4.3	Indenture for Subordinated Debt Securities, dated as of March 3, 2016, between Axos Financial, Inc. and U.S. Bank National Association, as trustee	Exhibit 4.1 to the Current Report on 8-K filed on September 18, 2020.
4.4	Second Supplemental Indenture, dated as of September 18, 2020, between Axos Financial, Inc. and U.S. Bank National Association, as trustee	Exhibit 4.2 to the Current Report on 8-K filed on September 18, 2020.

Exhibit Number	Description	Incorporated By Reference to
4.5	Form of Global Note to represent the 4.875% Fixed-to-Floating Rate Subordinated Notes due 2030 of Axos Financial, Inc.	Exhibit 4.3 to the Current Report on 8-K filed on September 18, 2020.
10.1	Form of Indemnification Agreement between the Company and each of its executive officers and directors	Exhibit 10.1 to the Registration Statement on Form S-1/A (File No. 333-121329) filed on February 24, 2005.
10.2*	Amended and Restated 1999 Stock Option Plan, as amended	Exhibit 10.2 to the Registration Statement on Form S-1 (File No. 333-121329) filed on December 16, 2004.
10.3*	2004 Stock Incentive Plan, as amended November 20, 2007	Exhibit 10.3 to the Registration Statement on Form S-1 (File No. 333-121329) filed on December 16, 2004.
10.4*	2004 Employee Stock Purchase Plan, including forms of agreements thereunder	Exhibit 10.4 to the Registration Statement on Form S-1 (File No. 333-121329) filed on December 16, 2004.
10.5*	First Amended Employment Agreement, dated April 22, 2010, between Bank of Internet USA and Andrew J. Micheletti.	Exhibit 99.1 to the Current Report on Form 8-K filed on April 28, 2010.
10.6	Amended and Restated Declaration of Trust of BofI Trust I dated December 16, 2004	Exhibit 10.10 to the Registration Statement on Form S-1/A (File No. 333-121329) filed on January 26, 2005.
10.7*	Amended and Restated Employment Agreement, dated May 26, 2011, between the Company and subsidiaries, and Gregory Garrabrants	Exhibit 99.1 to the Current Report on Form 8-K filed on May 27, 2011.
10.7.1*	Second Amended and Restated Employment Agreement, dated June 30, 2017, between the Company and subsidiaries, and Gregory Garrabrants	Exhibit 99.1 to the Current Report on Form 8-K filed on July 7, 2017.
10.8	Lease Agreement dated December 5, 2011 between La Jolla Village, LLC and the Company	Exhibit 99.1 to the Current Report on Form 8-K filed on December 9, 2011.
10.9*	BofI Holding, Inc. 2014 Stock Incentive Plan	Appendix A to the Definitive Proxy Statement on Schedule 14A, filed on September 8, 2014.
10.10*	Amendment to BofI Holding, Inc. 2014 Stock Incentive Plan	Exhibit 10.10 to the Annual Report on Form 10-K filed on August 24, 2017.
10.11*	Description of Amendment to Employment Letter between Eshel Bar-Adon and BofI Federal Bank	Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on May 6, 2014.
10.12*	Description of Amendment to Employment Letter between Brian Swanson and BofI Federal Bank	Exhibit 10.4 to the Quarterly Report on Form 10-Q filed on May 6, 2014.
10.12.1*	Description of Amendment to Employment Letter between Brian Swanson and BofI Federal Bank	Exhibits 99.1 and 99.2 to the Current Report on Form 8-K filed on January 15, 2015.
10.13	Office Space Lease Between Pacifica Tower LLC and BofI Holding, Inc.	Exhibit 10.1 to the Current Report on Form 8-K filed on May 18, 2018.
10.14	Sixth Amendment to Office Space Lease Between 4350 La Jolla Village LLC and BofI Holding, Inc.	Exhibit 10.2 to the Current Report on Form 8-K filed on May 18, 2018.
10.15	Guaranty of Payment and Performance of Agreement and Plan of Merger, executed by the Company in favor of Cor Securities Holdings, Inc. on September 28, 2018	Exhibit 10.1 to the Current Report on Form 8-K filed on October 1, 2018
10.16*	Amended and Restated to BofI Holding, Inc. 2014 Stock Incentive Plan	Appendix A to the Proxy Statement on Schedule 14A, filed on September 11, 2019
10.17*	Description of Amendment to Employment Letter between Raymond Matsumoto and Axos Financial, Inc.	Exhibit 10.1 to the Quarterly Report on 10-Q filed on October 29, 2020.

Exhibit Number	Description	Incorporated By Reference to
21.1	Subsidiaries of the Company consist of Axos Bank (federal charter), BofI Trust I (Delaware charter), Axos Clearing LLC (Delaware), Axos Invest, Inc. (Delaware), and Axos Invest LLC (Delaware)	
23.1	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm	Filed herewith.
24.1	Power of Attorney, incorporated by reference to the signature page to this report.	Signature page to this report.
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL**	Inline XBRL Taxonomy Calculation Linkbase Document	Filed herewith.
101.LAB**	Inline XBRL Taxonomy Label Linkbase Document	Filed herewith.
101.PRE**	Inline XBRL Taxonomy Presentation Linkbase Document	Filed herewith.
101.DEF**	Inline XBRL Taxonomy Definition Document	Filed herewith.
101.INS**	Inline XBRL Instance Document	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
104**	Cover Page Interactive Data File	Formatted as Inline XBRL and contained in Exhibit 101

**Indicates management contract or compensatory plan, contract or arrangement.*
***XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.*
****Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the Securities and Exchange Commission upon request copies of any omitted schedule. A list of the omitted schedules and exhibits is set forth on the final page of the exhibit, and is incorporated herein by reference.*

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AXOS FINANCIAL, INC.

Date: August 25, 2021

By: /s/ Gregory Garrabrants

Gregory Garrabrants
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Gregory Garrabrants and Andrew J. Micheletti, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant as of August 25, 2021 in the capacities indicated:

Signature	Title
/s/ Gregory Garrabrants Gregory Garrabrants	Chief Executive Officer (Principal Executive Officer), Director
/s/ Andrew J. Micheletti Andrew J. Micheletti	Chief Financial Officer (Principal Financial Officer)
/s/ Derrick K. Walsh Derrick K. Walsh	Chief Accounting Officer (Principal Accounting Officer)
/s/ Paul Grinberg Paul Grinberg	Chairman
/s/ Nicholas A. Mosich Nicholas A. Mosich	Vice Chairman
/s/ James S. Argalas James S. Argalas	Director
/s/ J. Brandon Black J. Brandon Black	Director
/s/ Tamra Bohlig Tamra Bohlig	Director
/s/ James Court James Court	Director
/s/ Edward J. Ratinoff Edward J. Ratinoff	Director
/s/ Uzair Dada Uzair Dada	Director

AXOS FINANCIAL, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Axos Financial, Inc.
Las Vegas, Nevada

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Axos Financial, Inc. and subsidiaries (the "Company") as of June 30, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated August 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Change in Accounting Principle

As discussed in Notes 1 and 5 to the consolidated financial statements, effective July 1, 2020, the Company changed its method of accounting for the allowance for credit losses due to the adoption of Accounting Standards Codification Topic 326, *Financial Instruments-Credit Losses* ("ASC 326").

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2019, the Company changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, Leases.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for credit losses

As discussed in Notes 1 and 5 to the consolidated financial statements, effective July 1, 2020, the Company adopted ASC 326, which modified the accounting for the allowance for credit losses ("ACL") from an incurred loss model to an expected loss model. The Company's ACL methodology utilizes models, some of which are complex, to determine reasonable and supportable forecasts of credit losses. The Company's ACL methodology considers many factors including, but not limited to, historical loss experience, where available, and estimated defaults based on portfolio trends and projected future economic conditions that will impact the amount of such future losses. Management's expectation of future economic conditions is reflected in management's selected economic forecast scenarios, based on various economic information including credit performance trends, changes in collateral values, portfolio composition and loan concentration, current lending policies and the effects of any new policies. Management also incorporates qualitative adjustments to capture the impact of expected events and conditions that are not captured in the quantitative model.

We identified a critical audit matter related to the complex modeling used within the quantitative ACL calculation and the qualitative adjustments applied to the ACL, as a result of their judgmental and subjective nature. Given the significance of the ACL, the complexity of the quantitative model, the magnitude of the qualitative adjustments, and management judgment required for the selection of appropriate models and determination of appropriate qualitative adjustments, performing audit procedures to evaluate the reasonableness of the ACL required a high degree of auditor judgment, an increased extent of audit effort, and the need to involve valuation and business analytics specialists.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and the operating effectiveness of controls over the ACL, including management's controls over the appropriate selection, validation and implementation of models and the determination of the qualitative adjustments selected.
- Evaluating the reasonableness and conceptual soundness of the ACL modeling framework, including the basis for and calculation of qualitative adjustments.
- Evaluating the completeness and accuracy of data used as inputs in the determination of the qualitative adjustments.
- Evaluating the reasonableness of the economic forecasts selected by management for use in the determination of the ACL.
- Utilizing professionals with specialized skill and knowledge in valuation and business analytics to assist in evaluating the reasonableness and conceptual soundness of the ACL modeling framework applied in the quantitative credit loss estimation models.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2013.

San Diego, California

August 25, 2021

AXOS FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par and stated value)	At June 30, 2021	At June 30, 2020
ASSETS		
Cash and due from banks	$ 715,624	$ 1,756,477
Cash segregated for regulatory purposes	322,153	194,042
Total cash, cash equivalents, cash segregated	1,037,777	1,950,519
Securities:		
Trading	1,983	105
Available-for-sale	187,335	187,627
Stock of regulatory agencies	19,995	20,610
Loans held for sale, carried at fair value	29,768	51,995
Loans held for sale, lower of cost or fair value	12,294	44,565
Loans—net of allowance for credit losses of $132,958 as of June 2021 and $75,807 as of June 2020	11,414,814	10,631,349
Mortgage servicing rights, carried at fair value	17,911	10,675
Other real estate owned and repossessed vehicles	6,782	6,408
Securities borrowed	619,088	222,368
Customer, broker-dealer and clearing receivables	369,815	220,266
Goodwill and other intangible assets—net	115,972	125,389
Other assets	432,031	380,024
TOTAL ASSETS	$ 14,265,565	$ 13,851,900
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 2,474,424	$ 1,936,661
Interest bearing	8,341,373	9,400,033
Total deposits	10,815,797	11,336,694
Advances from the Federal Home Loan Bank	353,500	242,500
Borrowings, subordinated notes and debentures	221,358	235,789
Securities loaned	728,988	255,945
Customer, broker-dealer and clearing payables	535,425	347,614
Accounts payable and accrued liabilities and other liabilities	209,561	202,512
Total liabilities	12,864,629	12,621,054
COMMITMENTS AND CONTINGENCIES (Note 18)		
STOCKHOLDERS' EQUITY:		
Preferred stock—$0.01 par value; 1,000,000 shares authorized;		
Series A—$10,000 stated value and liquidation preference per share; 0 shares issued and outstanding as of June 2021 and 515 shares issued and outstanding as of June 2020	—	5,063
Common stock—$0.01 par value; 150,000,000 shares authorized, 68,069,321 shares issued and 59,317,944 shares outstanding as of June 2021, 67,323,053 shares issued and 59,612,635 shares outstanding as of June 2020	681	673
Additional paid-in capital	432,550	411,873
Accumulated other comprehensive income (loss)—net of tax	2,507	(937)
Retained earnings	1,187,728	1,009,299
Treasury stock, at cost; 8,751,377 shares as of June 2021 and 7,710,418 shares as of June 2020	(222,530)	(195,125)
Total stockholders' equity	1,400,936	1,230,846
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,265,565	$ 13,851,900

See accompanying notes to the consolidated financial statements.

AXOS FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except earnings per share)	Year Ended June 30, 2021	2020	2019
INTEREST AND DIVIDEND INCOME:			
Loans, including fees	$ 584,410	$ 582,748	$ 525,317
Securities borrowed and customer receivables	20,466	16,585	8,746
Investments	12,987	23,506	30,824
Total interest and dividend income	617,863	622,839	564,887
INTEREST EXPENSE:			
Deposits	60,529	126,916	117,080
Advances from the Federal Home Loan Bank	4,672	11,988	32,834
Securities loaned	1,496	679	748
Other borrowings	12,424	5,645	5,620
Total interest expense	79,121	145,228	156,282
Net interest income	538,742	477,611	408,605
Provision for credit losses	23,750	42,200	27,350
Net interest income, after provision for credit losses	514,992	435,411	381,255
NON-INTEREST INCOME:			
Realized gain on sale of securities	—	—	709
Other-than-temporary loss on securities:			
Other-than-temporary loss on securities:	—	—	(1,666)
Less: Portion of other temporary impairment losses recognized in OCI	—	—	845
Change to net impairment losses recognized in earnings on securities	—	—	(821)
Total unrealized loss on securities	—	—	(821)
Prepayment penalty fee income	7,166	5,993	5,851
Gain on sale - other	491	6,871	6,160
Mortgage banking income	42,150	20,646	5,267
Broker-dealer fee income	26,317	23,210	11,737
Banking and service fees	29,137	46,267	53,854
Total non-interest income	105,261	102,987	82,757
NON-INTEREST EXPENSE:			
Salaries and related costs	152,576	144,341	127,433
Data processing	40,719	30,671	24,150
Depreciation and amortization	24,124	24,443	16,471
Professional services	22,241	11,095	11,916
Advertising and promotional	14,212	14,523	14,710
Occupancy and equipment	13,402	12,059	8,571
Broker-dealer clearing charges	11,152	8,210	2,822
FDIC and regulatory fees	10,603	5,538	9,005
General and administrative expense	25,481	24,886	36,128
Total non-interest expense	314,510	275,766	251,206
INCOME BEFORE INCOME TAXES	305,743	262,632	212,806
INCOME TAXES	90,036	79,194	57,675
NET INCOME	$ 215,707	$ 183,438	$ 155,131
NET INCOME ATTRIBUTABLE TO COMMON STOCK	$ 215,518	$ 183,129	$ 154,822
COMPREHENSIVE INCOME	$ 219,151	$ 182,485	$ 155,760
Basic earnings per share	$ 3.64	$ 3.01	$ 2.50
Diluted earnings per share	$ 3.56	$ 2.98	$ 2.48

See accompanying notes to the consolidated financial statements.

AXOS FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended June 30,		
(Dollars in thousands)	**2021**	**2020**	**2019**
NET INCOME	$ 215,707	$ 183,438	$ 155,131
Net unrealized gain (loss) from available-for-sale securities, net of tax expense (benefit) of $1,495, $(381), and $562 for the years ended June 30, 2021, 2020 and 2019, respectively.	3,444	(953)	1,741
Other-than-temporary impairment on securities sold, reclassified in other comprehensive income, net of tax expense (benefit) of $0, $0, and $(251) for the years ended June 30, 2021, 2020 and 2019, respectively.	—	—	(594)
Reclassification of net (gain) loss from available-for-sale securities included in income, net of tax expense (benefit) of $0, $0, and $191 for the years ended June 30, 2021, 2020 and 2019, respectively.	—	—	(518)
Other comprehensive income (loss)	3,444	(953)	629
COMPREHENSIVE INCOME	$ 219,151	$ 182,485	$ 155,760

See accompanying notes to the consolidated financial statements.

AXOS FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock								
			Number of Shares						Accumulated Other Comprehensive Income (Loss),		
(Dollars in thousands)	Shares	Amount	Issued	Treasury	Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Net of Income Tax	Treasury Stock	Total
Balance as of June 30, 2018	515	$ 5,063	65,796,060	(3,107,996)	62,688,064	$ 658	$ 366,515	$ 671,348	$ (613)	$ (82,458)	$ 960,513
Net income	—	—	—	—	—	—	—	155,131	—	—	155,131
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	629	—	629
Cash dividends on preferred stock	—	—	—	—	—	—	—	(309)	—	—	(309)
Purchase of treasury stock	—	—	—	(2,009,352)	(2,009,352)	—	—	—	—	(56,437)	(56,437)
Stock-based compensation expense and restricted stock unit vesting	—	—	767,862	(317,757)	450,105	8	23,430	—	—	(9,915)	13,523
Balance as of June 30, 2019	515	$ 5,063	66,563,922	(5,435,105)	61,128,817	$ 666	$ 389,945	$ 826,170	$ 16	$ (148,810)	$ 1,073,050
Net income	—	—	—	—	—	—	—	183,438	—	—	183,438
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(953)	—	(953)
Cash dividends on preferred stock	—	—	—	—	—	—	—	(309)	—	—	(309)
Purchase of treasury stock	—	—	—	(1,970,464)	(1,970,464)	—	—	—	—	(38,858)	(38,858)
Stock-based compensation expense and restricted stock unit vesting	—	—	759,131	(304,849)	454,282	7	21,928	—	—	(7,457)	14,478
Balance as of June 30, 2020	515	$ 5,063	67,323,053	(7,710,418)	59,612,635	$ 673	$ 411,873	$1,009,299	$ (937)	$ (195,125)	$ 1,230,846
Cumulative effect of change in accounting principle net of tax, adoption of ASU No. 2016-13	—	—	—	—	—	—	—	(37,088)	—	—	(37,088)
Net income	—	—	—	—	—	—	—	215,707	—	—	215,707
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	3,444	—	3,444
Cash dividends on preferred stock	—	—	—	—	—	—	—	(103)	—	—	(103)
Preferred stock - Series A redemption	(515)	(5,063)	—	—	—	—	—	(87)	—	—	(5,150)
Purchase of treasury stock	—	—	—	(753,597)	(753,597)	—	—	—	—	(16,757)	(16,757)
Stock-based compensation expense and restricted stock unit vesting	—	—	746,268	(287,362)	458,906	8	20,677	—	—	(10,648)	10,037
Balance as of June 30, 2021	—	$ —	68,069,321	(8,751,377)	59,317,944	$ 681	$ 432,550	$1,187,728	$ 2,507	$ (222,530)	$ 1,400,936

See accompanying notes to the consolidated financial statements.

AXOS FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Year Ended June 30, 2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 215,707	$ 183,438	$ 155,131
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Accretion and amortization on securities, net	(365)	291	(264)
Net accretion of discounts on loans	(7,050)	(35,493)	(30,176)
Amortization of borrowing costs	1,569	208	208
Amortization of operating lease right of use asset	10,598	10,543	—
Stock-based compensation expense	20,685	21,935	23,439
Trading activity	(1,878)	1,217	—
Net (gain) loss on sale of investment securities	—	—	(709)
Impairment charge on securities	—	—	821
Provision for credit losses	23,750	42,200	27,350
Broker-dealer reserve for bad debt	—	—	15,298
Deferred income taxes	(8,828)	(6,551)	(8,686)
Origination of loans held for sale	(1,608,700)	(1,601,579)	(1,471,906)
Unrealized (gain) loss on loans held for sale	1,469	(1,360)	(252)
Gain on sales of loans held for sale	(42,641)	(27,517)	(11,427)
Proceeds from sale of loans held for sale	1,671,515	1,614,379	1,481,911
Amortization and change in fair value of mortgage servicing rights	6,319	5,806	3,362
(Gain) loss on sale of other real estate and foreclosed assets	(201)	(449)	(283)
Depreciation and amortization	24,124	24,443	16,471
Net changes in assets and liabilities which provide (use) cash:			
Securities borrowed	(396,720)	(77,662)	13,192
Customer, broker-dealer and clearing receivables	(149,549)	(17,074)	13,684
Other assets	(7,259)	(36,979)	(27,564)
Securities loaned	473,043	57,589	(4,685)
Customer, broker-dealer and clearing payables	187,811	109,010	(1,506)
Accounts payable and other liabilities	(817)	17,723	11,012
Net cash provided by operating activities	412,582	284,118	204,421
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investment securities	(122,338)	(304,930)	(146,886)
Proceeds from sales of securities	—	—	15,863
Proceeds from repayment of securities	74,667	325,704	93,779
Purchase of stock of regulatory agencies	(305)	(55,870)	(204,206)
Proceeds from redemption of stock of regulatory agencies	920	55,536	203,611
Origination of loans held for investment	(5,761,303)	(6,573,568)	(6,756,832)
Proceeds from sale of loans held for investment	80,049	37,300	119,881
Mortgage warehouse loans activity, net	(139,806)	(172,319)	(126,491)
Purchases of loans, net of discounts and premiums	(3,619)	—	(11,525)
Principal repayments on loans	5,013,817	5,349,800	5,846,349
Proceeds from sales of other real estate owned and repossessed assets	1,586	2,241	2,202
Cash paid for deposit acquisition	—	—	(14,747)
Acquisition of business activity, net of cash paid	—	—	67,343
Purchases of furniture, equipment, software and intangibles	(10,437)	(12,333)	(20,082)
Net cash used in investing activities	(866,769)	(1,348,439)	(931,741)

AXOS FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

(Dollars in thousands)	Year Ended June 30, 2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	(520,897)	2,353,521	997,823
Proceeds from the Federal Home Loan Bank term advances	—	65,000	—
Repayments of the Federal Home Loan Bank term advances	(70,000)	(55,000)	(147,500)
Net (repayment) proceeds of Federal Home Loan Bank other advances	181,000	(226,000)	149,000
Net (repayment) proceeds of other borrowings	14,700	(85,300)	21,700
Redemption of subordinated notes	(51,000)	—	—
Repayment of Paycheck Protection Program Liquidity Facility advances	(151,952)	—	—
Proceeds from Paycheck Protection Program Liquidity Facility advances	—	151,952	—
Tax payments related to settlement of restricted stock units	(10,648)	(7,457)	(9,916)
Repurchase of treasury stock	(16,757)	(38,858)	(56,437)
Redemption of preferred stock, Series A	(5,150)	—	—
Cash dividends paid on preferred stock	(103)	(386)	(232)
Payment of debt issuance costs	(2,748)	—	—
Proceeds from issuance of subordinated notes	175,000	—	7,400
Net cash provided by (used in) financing activities	(458,555)	2,157,472	961,838
NET CHANGE IN CASH AND CASH EQUIVALENTS	(912,742)	1,093,151	234,518
CASH AND CASH EQUIVALENTS—Beginning of year	$ 1,950,519	$ 857,368	$ 622,850
CASH AND CASH EQUIVALENTS—End of year	$ 1,037,777	$ 1,950,519	$ 857,368
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid on interest-bearing liabilities	$ 77,995	$ 145,452	$ 152,756
Income taxes paid	92,506	80,430	64,117
Transfers to other real estate and repossessed vehicles	1,903	1,315	850
Transfers from loans held for investment to loans held for sale	71,136	141,849	106,911
Transfers from loans held for sale to loans held for investment	29,616	—	1,714
Loans held for investment sold, cash not received	—	61,029	—
Securities transferred from available-for-sale portfolio to other assets	70,751	17,482	—
Impact of adoption of ASC 326 on retained earnings	37,088	—	—
Operating lease liabilities for obtaining right of use assets	—	82,950	—
Preferred stock dividends declared but not paid	—	—	77

See accompanying notes to the consolidated financial statements.

AXOS FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED June 30, 2021, 2020 AND 2019

1. ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation. The consolidated financial statements include the accounts of Axos Financial, Inc. ("Axos") and its wholly owned subsidiaries, Axos Bank (the "Bank") and Axos Nevada Holding, LLC ("Axos Nevada Holding" and collectively, the "Company"). Axos Nevada Holding, LLC wholly owns the companies constituting the Securities Business segment. All significant intercompany balances and transactions have been eliminated in consolidation.

Axos Financial, Inc. was incorporated in the State of Delaware on July 6, 1999 for the purpose of organizing and launching an internet-based savings bank. Axos Bank (the "Bank"), which opened for business over the internet on July 4, 2000, is subject to regulation and examination by the Office of the Comptroller of the Currency ("OCC"), its primary regulator. The Federal Deposit Insurance Corporation ("FDIC") insures the Bank's deposit accounts up to the maximum allowable amount. Axos Clearing LLC, a clearing broker dealer, is regulated by the SEC and FINRA. Axos Invest, a platform through which digital investment advisory services are offered to retail investors, is regulated by the SEC and FINRA.

Business. The Company provides banking and securities products and services to its customers through its online and low-cost distribution channels and affinity partners. The Bank's deposit products are demand accounts, savings and money market accounts, and time deposits marketed to consumers and businesses located in all fifty states. The Bank's lending products include residential single family mortgage, multifamily mortgage, and commercial mortgage loans. Additionally, the Bank also originates loans secured by commercial real estate properties ("CRE"), loans secured by commercial assets and non-bank lenders (Commercial & Industrial - Non-Real Estate), auto and unsecured loans and other loans. The Bank's business is primarily concentrated in the State of California and is subject to the general economic conditions of that state. Securities products and services generate interest and fee income by providing comprehensive securities clearing services to introducing broker-dealers and registered investment advisor correspondents and digital investment advisory services to retail investors, respectively. On December 8, 2020, Emerald Financial Services, LLC, a subsidiary of H&R Block, terminated its Program Management Agreement with the Bank under its contractual Durbin event termination right. Under the Program Management Agreement, the Bank offered certain products to H&R Block customers.

Use of Estimates. In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, credit losses on available for sale debt securities and the fair value of certain financial instruments.

Revenue Recognition. On July 1, 2018, the Company adopted ASU 2014-09, "Revenue from Contracts with Customers" and all subsequent amendments that modified ASU 2014-09 (collectively, "ASC 606"). ASC 606 provides that an entity shall recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams, such as gain or loss associated with mortgage servicing rights, financial guarantees, derivatives and income from bank owned life insurance are not within the scope of the new guidance. Certain non-interest income, such as deposit service fees and broker-dealer clearing fees, is within the scope of ASC 606.

Deposit Service Fees. Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied and related revenue recognized, when incurred. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Fees, Exchange, and Other Service Charges. Fees, exchange, and other service charges are primarily comprised of debit and credit card income, ATM fees, merchant services income, and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Broker dealer clearing fees. The Company earns revenues for executing, settling and clearing securities transactions for other broker-dealers on a fully disclosed basis. Trade execution and clearing services, when provided together, represent a single performance obligation as the services are not separately identifiable in the context of the contract. Revenues associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, are recognized at a point in time on trade-date. The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying security or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer. The Company also earns revenues for custody services which are separately identifiable and represent a distinct performance obligation which is recognized over time as the customer simultaneously receives and consumes the benefits. Certain clearing or custody related fees represent a modification of the original contract as they are distinct services. All trade and execution services are priced at their standalone selling price. Clearing and other fees are generally deducted from the introducing brokers' commissions on a monthly basis.

Bankruptcy Trustee and Fiduciary Service Fees. Bankruptcy Trustee and Fiduciary Service income is primarily comprised of fees earned from the Monthly Basis Point Fee and Bank Account Service Charge. The products and services provided to the Trustee also indirectly provide additional deposits to the other banks. One of the uses of the increased deposits by the other banks is to fund the fees paid. The performance obligation is satisfied when the deposits are increased (or decreased) at the end of each month. The expected value method will be used to calculate and record the estimated revenue at the beginning of each month with a subsequent reconciliation to actual at the end of each month.

Contract Balances. A contract asset or receivable is recognized if the Company performs a service or transfers a good in advance of receiving consideration. A contract liability is recognized if the Company receives consideration (or has the unconditional right to receive consideration) in advance of performance. As of June 30, 2021 and 2020, respectively, the Company's contract assets and liabilities were not considered material.

Contract Acquisition Costs. The Company uses the practical expedient to expense contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in less than one year.

Other. Income from bank owned life insurance is accounted for in accordance with ASC 325, Investments - Other. Lending related income includes fees earned from gains or losses on the sale of loans, SBA income, and letter of credit fees. Gains and losses on the sale of loans and SBA income are recognized pursuant to ASC 860, Transfers and Servicing. Fees related to standby letters of credit are accounted for in accordance with ASC 440, Commitments. Net gain or loss on sales / valuations of repossessed and other assets is presented as a component of non-interest expense but may also be presented as a component of non-interest income in the event that a net gain is recognized. Net gain or loss on sales of repossessed and other assets are accounted for in accordance with ASC 610, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets.

Cash and Cash Equivalents. The Bank's cash, due from banks, money market mutual funds and federal funds sold, all of which have original maturities within 90 days, consist of cash and cash equivalents. Net cash flows are reported for customer deposit transactions.

Cash segregated for regulatory purposes. The Board of Governors of the Federal Reserve System ("the Federal Reserve") regulations require depository institutions to maintain certain minimum reserve balances. Included within this are cash balances required by the Federal Reserve Bank of San Francisco ("FRBSF") of the Bank. In addition, this line item includes qualified deposits in special reserve bank accounts for the exclusive benefit of Axos Clearing customers in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934 (the "Exchange Act") and other regulations.

Securities. The Company classifies securities at the time of purchase depending on intent. Debt securities are classified as held-to-maturity and carried at amortized cost when management has both the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are reported at estimated fair value, with unrealized gains and losses, net of the related tax effects, excluded from operations and reported as a separate component of accumulated other comprehensive income or loss. Trading securities refer to certain types of assets that banks hold for resale at a profit or when the Company elects to account for certain securities at fair value. Increases or decreases in the fair value of trading securities are recognized in earnings as they occur.

Gains and losses on securities sales are based on a comparison of sales proceeds and the amortized cost of the security sold using the specific identification method. Purchases and sales are recognized on the trade date. Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are amortized or accreted using the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates at the individual security level whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. The remaining change in fair value is recognized in other comprehensive income. Changes in the allowance for credit losses, if any, are recorded as a provision for (or reversal of) credit losses. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale investment security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Loans. Loans that are held for investment are loans that management has the intent and ability to hold for the foreseeable future or until maturity are reported at the principal balance outstanding, net of unearned interest, deferred purchase premiums and discounts, deferred loan and lease origination fees and costs, and an allowance for credit loss - loans. Interest income is accrued on the unpaid principal balance. Premiums and discounts on loans purchased as well as loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method.

As a result of the change from adopting Accounting Standards Update ("ASU") 2016-13, "Measurement of Credit Losses on Financial Instruments" and all subsequent amendments that modified ASU 2016-13 (collectively, "ASC 326") on July 1, 2020, the Company updated categorization of the loan portfolio.

Single Family - Mortgage & Warehouse. The Single Family Real Estate portfolio primarily consists of two loan types: single family mortgage loans and single family warehouse lines of credit. The single family mortgage loans consist of fixed-rate and adjustable-rate loans secured by one-to-four family residences located in the U.S. The Company's lending policies generally limit the maximum LTV ratio on one-to-four family loans to 80% of the lesser of the appraised value or the purchase price, plus pledged collateral. Terms of maturity typically range from 15 to 30 years. The Company attempts to mitigate residential lending risks by adhering to its underwriting policies in evaluating the collateral and the credit-worthiness of the borrower. The Company also originates home equity lines of credit and second mortgage loans. Single family warehouse lines of credit consist of short-term, secured advances to mortgage bankers on a revolving basis. These facilities enable the mortgage originators to close loans in their own names and temporarily finance inventories of closed mortgage loans until they can be sold to an approved investor. The Company attempts to mitigate residential lending risks by adhering to its underwriting policies in evaluating the collateral and the credit-worthiness of the borrower. Mortgage loans aged on a mortgage banking customer's line longer than 60 days are investigated by the Bank, which can require the borrower to pay down the line.

Multifamily and Commercial Mortgage. The Company originates loans secured by multifamily real estate (more than four units) and small balance commercial real estate (typically from $0.5 million to $10 million). These loans involve a greater degree of risk than one-to-four family residential mortgage loans as these loans can be greater in amount, dependent on the cash flow capacity of the project, and may be more difficult to evaluate and monitor. Repayment of loans secured by properties frequently depends on the successful operation and management of the properties. Consequently, repayment of such loans may be affected by adverse conditions in the real estate market or economy. The Company attempts to mitigate these risks by monitoring the LTV and minimum debt service coverage ratios, in addition to thoroughly evaluating the global financial condition of the borrower, the management experience of the borrower, and the quality of the collateral property securing the loan.

Commercial Real Estate. The Company originates loans across the U.S. secured by commercial real estate properties ("CRE") under a variety of structures that it classifies as commercial real estate. A few examples are as follows: Commercial Bridge to Sale, Commercial Bridge to Construction, Commercial Bridge to Refinance and Acquisition, Development, and Construction. CRE Loans are originated to businesses secured by first liens on single family, multifamily, condominium, office, retail, mixed-use, hospitality, undeveloped or to-be-redeveloped land or small business loans. Repayment of CRE loans depends on the successful completion of the real estate transition project and permanent take-out. The Company attempts to mitigate risk by adhering to its underwriting policies in evaluating the collateral and the credit-worthiness of borrowers and guarantors.

Commercial & Industrial - Non-Real Estate (Non-RE). Comprising the majority of this portfolio are commercial and industrial non-real estate, asset-backed loans, lines of credit and term loans made to commercial borrowers secured by commercial assets, including, but not limited to, receivables, inventory and equipment. The Company typically reduces it exposure in these loans by entering into a structured facility, under which the Company takes a senior lien position collateralized by the underlying assets at advance rates well inside the collateral value. Commercial and industrial leases comprise the remainder of this portfolio and are primarily made based on the operating cash flows of the borrower or conversion of working capital assets to cash and secondarily on the underlying collateral provided by the borrower. The Company assesses whether each lease arrangement qualifies as a sale under ASC 606. The Company has determined that the equipment financing lease arrangements do not qualify as a sale as the buyer lessors do not obtain control of the assets in the Company's ongoing sale leaseback arrangements. Therefore, the leased equipment is not capitalized on the balance sheet. Although commercial and industrial loans and leases are often collateralized directly or indirectly by equipment, inventory, accounts or loans receivable or other business assets, the liquidation of collateral in the event of a borrower default may be an insufficient source of repayment because accounts or loans receivable may be uncollectible and inventories and equipment may be obsolete or of limited use. The Company attempts to mitigate these risks through the structuring of these lending products, adhering to its underwriting policies in evaluating the management of the business and the credit-worthiness of borrowers and guarantors.

Auto and Consumer. This segment consists of the following distinct classes:

Auto. The Company originates prime loans to customers secured by new and used vehicles. The Company holds all of the auto loans originated and performs loan servicing functions for these loans. Auto loans carry a fixed interest rate and have terms that range from two to eight years. The Company attempts to mitigate auto lending risks by adhering to its underwriting policies in evaluating the collateral and the credit-worthiness of the borrower.

Consumer Unsecured Lending. The Company originates fixed rate unsecured loans to individual borrowers in all fifty states. Loans are normally in the range between $5,000 and $50,000 with terms that range between twelve and seventy-two months to well-qualified borrowers. The minimum credit score is 700. All applicants apply digitally and are required to supply proof of income, identity, and bank account documentation. The Company attempts to mitigate risks by using seasoned underwriters to review each loan, leveraging customer interviews and data analytics in the underwriting process.

Other. The Company originates other loans, which include structured settlements, Small Business Administration ("SBA") consumer loans and refund advance loans. Structured settlements are originated through the wholesale and retail purchase of state lottery prize and structured settlement annuities. These annuities are high credit quality deferred payment receivables having a state lottery commission or primarily highly rated insurance company payor. Purchases of state lottery prize or structured settlement annuities are governed by specific state statutes requiring judicial approval of each transaction. No transaction is funded before an order approving such transaction has been entered by a court of competent jurisdiction. The Company attempts to mitigate these risks by adhering to its underwriting policies in evaluating the credit-worthiness of the state or insurer. The Bank exclusively originated and funded all of H&R Block's interest-free Refund Advance loans for the 2019 tax season. Repayment of the Refund Advance loan is deducted from the client's tax refund proceeds; if an insufficient refund to repay the Refund Advance loan is received, there is no recourse to the client, no negative credit reporting occurs in respect of the client and no collection efforts are made against the client. Federal Paycheck Protection Program ("PPP") loans made by the Bank under the Federal Coronavirus Aid, Relief and Economic Security Act ("CARES") Act are guaranteed by the Small Business Administration ("SBA") and, if the loan funds are used by the borrower for specific purposes as provided under the PPP, may be fully or partially forgiven by the SBA at which time, the Bank will receive funds related to the PPP loan forgiveness directly from the SBA. Because of the underwriting policies and SBA guarantee, the Company does not expect any probable incurred credit losses and has provided a de minimis amount of allowance for credit losses.

Recognition of interest income on all portfolio segments is generally discontinued at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for loans placed on nonaccrual, is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans Held for Sale. Loans held for sale includes agency loans and non-agency loans held for sale. Agency loans originated and intended for sale in the secondary market are carried at fair value. Net unrealized gains and losses are recognized through mortgage banking income in the income statement. The Bank sells its mortgage loans with either servicing released or servicing retained depending upon market pricing. Gains and losses on loan sales are recorded as mortgage banking income or other gains on sale, based on the difference between sales proceeds and carrying value. Non-agency loans held for sale are carried at the lower of cost or fair value. The Company has elected the fair value option for Agency loans held for sale. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on loans held for investment.

Loans that were originated with the intent and ability to hold for the foreseeable future (loans held for investment) but which have been subsequently designated as being held for sale for risk management or liquidity needs are carried at the lower of cost or fair value calculated using pools of loans with similar characteristics.

There may be times when loans have been classified as held for sale and cannot be sold. Loans transferred to a long-term investment classification from held-for-sale are transferred at the lower of cost or fair value on the transfer date. Any difference between the carrying amount of the loan and its outstanding principal balance is recognized as an adjustment to yield by the interest method. A loan cannot be classified as a long-term investment unless the Bank has both the ability and the intent to hold the loan for the foreseeable future or until maturity.

Allowance for Credit Losses. The allowance for credit losses ("ACL") is a valuation account that offsets the amortized cost basis of loans and net investment in leases. Under ASC 326, amortized cost is the basis on which the ACL is determined. Amortized cost is principal outstanding, net of any purchase premiums and discounts and net of any deferred loan fees and costs.

Credit losses are charged off when the Company believes that collectability of at least some portion of outstanding principal is unlikely. These charge-offs are recorded as a reversal, thereby reducing, the allowance for credit losses. Recoveries on loans previously charged off are recorded as a provision to, thereby increasing, the allowance for credit losses. The allowance for credit losses is maintained at a level needed to absorb expected credit losses over the contractual life, considering the effects of prepayments, of the loan portfolio as of the reporting date. Determining the adequacy of the allowance is complex and requires judgment by Management about the effect of matters that are inherently uncertain. As such, a future assessment of current conditions may require material adjustments to the allowance.

The Company's process for determining expected life-time credit losses entails a portfolio, model-based approach utilizing loan level detail and requires consideration of a broad range of relevant information relating to historical loss experience, current economic conditions and reasonable and supportable forecasts.

A credit loss is estimated for all loans. Consequently, the Company stratifies the full loan population into segments sharing similar characteristics to perform the evaluation of the credit loss collectively.

The Company defines a segment as the level at which the Company develops a systematic methodology to determine the allowance for credit losses. Additionally, the Company can further stratify loans of similar type, risk attributes and methods for monitoring credit risk. The Company categorizes the loan portfolio into six segments: Single Family - Mortgage & Warehouse, Multifamily and Commercial Mortgage, Commercial Real Estate, Commercial & Industrial - Non Real Estate, Auto & Consumer and Other. Refer to detail above within this Note under *Loans*.

The method for estimating expected life-time credit losses includes, among other things, the following main components: 1) The use of a probability of default ("PD")/loss given default ("LGD") model; 2) defining a number of economic scenarios across the benign to adverse spectrum; 3) a reasonable forecast period of 12 months for all loan segments; and 4) a reversion period of 18 months using a linear transition to historical loss rates for each loan pool. After the reversion period, the historical loss rate is applied over the remaining contractual life of loan. Reasonable forecast periods and reversion periods are subject to periodic review and may be adjusted based on the Company's view of current economic conditions.

Given the inherent limitations of a solely quantitative model, qualitative adjustments are included to arrive at the ending calculated loss amount in order to account for data points not captured from quantitative inputs alone.

Qualitative criteria we consider includes, among other things, the following:

- Regulatory and Legal - matters that may impact the timeliness and/or amounts of repayments;
- Concentration - portfolio composition and loan concentration;
- Collateral Dependency - changes in collateral values;
- Lending/Underwriting Standards - current lending policies and the effects of any new policies;
- Nature and Volume - loan production volume and mix;
- Loan Trends - credit performance trends, including a borrower's financial condition and credit rating.

Specifically, Management reviews whether the model reflects the appropriate level of PD and LGD, given the macroeconomic forecasts used as compared to the Company's loan portfolio. Management determines the adequacy of the allowance based on reviews of individual loans, recent loss experience, current economic conditions, expectations about future economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. If, based on Management's evaluation, macroeconomic factors do not capture Management's assumption regarding collateral values (LGD) and defaults (PD), Management will apply additional qualitative overlays to the loan portfolio. This evaluation is inherently subjective and requires estimates that are susceptible to significant revision as more information becomes available.

Prior to July 1, 2020, the entire allowance for credit losses for each portfolio class was a valuation allowance for probable losses existing in the loan portfolio. Under the prior methodology, the quantitative analysis determined was based on the Bank's actual annual historic charge-off rates for the previous three fiscal years and applies the average historic rates to the outstanding loan and lease balances in each pool, the product of which is the general reserve amount. The qualitative analysis considered one or more of the following factors: changes in lending policies and procedures, changes in economic conditions, changes in the content of the portfolio, changes in lending management, changes in the volume of delinquency rates, changes to the scope of the loan and lease review system, changes in the underlying collateral of the loans and leases, changes in credit concentrations and any changes in the requirements to the credit loss calculations. When specific loan impairment analysis is performed under ASC 310-10, the impairment was either recorded as a charge-off to the loan allowance or, if such loan was a TDR, the impairment is recorded as a specific loan loss allowance.

Accrued Interest. Accrued interest receivable is excluded from amortized cost and is presented separately in "Other Assets" on the Consolidated Balance Sheets. Additionally, the Company does not estimate an allowance for credit losses on accrued interest receivable as the Company has a policy to charge off accrued interest deemed uncollectible in a timely manner. When a loan is placed on non-accrual status, which occurs when a borrower becomes delinquent by 90 days, interest previously accrued but not collected is reversed against current period interest income.

Individually Assessed Loans. Credit loss is estimated for any individual loan on a collective basis, unless an individual loan's credit characteristics has deteriorated below a range of the overall group, in which case the loan would then be individually assessed. Individually assessed loans are measured for credit loss based on present value of future expected cash flows, discounted at the loan's effective interest rate or the fair value of the collateral, less estimated selling costs, if the loan is collateral-dependent.

Available-for-Sale Debt Securities. Unrealized credit losses will be recognized through an allowance for credit losses instead of an adjustment to amortized cost basis, eliminating the other-than-temporary impairment concept. For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not, that it will be required to sell the security before recovery of its amortized cost basis. If either criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through earnings. For available-for-sale debt securities that do not meet the above conditions, the Company evaluates at the individual security level whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, Management considers the extent to which fair value is less than amortized cost and unfavorable conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recognized for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. All other changes in fair value of the security that have not been recognized through an allowance for credit losses are recognized in other comprehensive income. Changes in the allowance for credit losses, if any, are recognized as a provision for (or reversal of) credit losses. Losses are charged against the allowance when management believes an available-for-sale investment security is uncollectible or when either of the criteria regarding intent or requirement to sell is met.

Loan Commitments. Loans commitments not unconditionally cancellable are subject to an estimate of credit loss under a current expected credit loss model. The Company's process for determining the estimate of credit loss on loan commitments is the same as it is on loans. Refer to detail of Allowance on Credit Losses above. Allowance on Credit Losses of off-balance sheet commitments is presented separately in "Accounts payable and accrued liabilities and other liabilities" on the Consolidated Balance Sheets.

Leases. On July 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, "Leases" (ASC 842), using the modified retrospective transition approach. ASC 842 requires lessees to recognize operating leases on the balance sheet as right-of-use assets and lease liabilities based on the value of the discounted future lease payments. The Company elected to retain prior determinations of whether an existing contract contains a lease and how the lease should be classified. Upon adoption, the Company recognized right-of-use assets of $77.8 million and lease liabilities of $79.7 million.

The Company made an accounting policy election not to separate lease and non-lease components of a contract that is or contains a lease for its real estate and equipment leases. As such, lease payments represent payments on both lease and non-lease components. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Company's incremental borrowing rate, which is a blended rate comprised of the FHLB term rate and the Company's subordinated debt rate. Right-of-use assets initially equal the lease liability, adjusted for any lease payments made prior to lease commencement and for any lease incentives.

Lessor Arrangements. The Company provides equipment financing to its customers through a variety of lessor arrangements. Direct financing leases and sales-type leases are carried at the aggregate of lease payments receivable plus the estimated residual value of the leased property less unearned income, which is accreted to interest income over the lease terms using methods that approximate the interest method. As all former equipment financing arrangements have been accounted for as not meeting the criteria of a sale, we did not reassess any former equipment financing transactions. Operating lease income is recognized on a straight-line basis. Leases generally do not contain non-lease components.

Lessee Arrangements. Substantially all of the Company's lessee arrangements are operating leases. Under these arrangements, the Company records right-of-use assets and lease liabilities at lease commencement. Right-of-use assets are reported in other assets on the June 30, 2020 Consolidated Balance Sheet, and the related lease liabilities are reported in accounts payable and accrued liabilities and other liabilities. All leases are recorded on the Consolidated Balance Sheet except leases with an initial term less than 12 months for which the Company made the short-term lease election. Lease expense is recognized on a straight-line basis over the lease term and is recorded in occupancy and equipment expense in the Consolidated Statements of Income.

Mortgage Servicing Rights. Mortgage servicing assets are recognized when rights are retained upon sale of loans. The Company measures its servicing asset using the fair value method. Under the fair value method, the servicing rights are included on the consolidated balance sheet at fair value. The changes in fair value are reported in earnings in the period in which the changes occur and the adjustments are included in Non-Interest Income - Mortgage banking income in the Consolidated Statements of Income.

Mortgage Banking Derivatives. Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. The Company enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into, in order to hedge the change in interest rates resulting from its commitments to fund the loans. Changes in the fair values of these derivatives are included in mortgage banking income.

Furniture, Equipment and Software. Fixed assets are stated at cost less accumulated depreciation and amortization computed primarily using the straight-line method over the estimated useful lives of the assets, which are three to seven years and recorded within depreciation and amortization expense which is a component of non-interest expense on the consolidated statements of income. Leasehold improvements are amortized over the lesser of the assets' useful lives or the lease term. Furniture, equipment and software are included in the other assets line on the consolidated balance sheet.

Income Taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred income tax assets and liabilities are determined using the asset and liability method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. The Company records a valuation allowance when management believes it is more likely than not that deferred tax assets will not be realized. An income tax position will be recognized as a benefit only if it is more likely than not that it will be sustained upon IRS examination, based upon its technical merits. Once that status is met, the amount recorded will be the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Securities Borrowed and Securities Loaned. Securities borrowed and securities loaned transactions are reported as collateralized financings and recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount in excess of the fair value of securities loaned. The Company monitors the fair value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded, as necessary.

Customer, Broker-Dealer and Clearing Receivables and Payables. Customer, broker-dealer and clearing receivables include receivables of the Company's broker-dealer subsidiaries, which represent amounts due on cash and margin transactions and are generally collateralized by securities owned by clients. These receivables, primarily consisting of floating-rate loans collateralized by customer-owned securities, are charged interest at rates similar to other such loans made throughout the industry. The receivables are reported at their outstanding principal balance net of allowance for doubtful accounts. When a receivable is considered to be impaired, the amount of the impairment is generally measured based on the fair value of the securities acting as collateral, which is measured based on current prices from independent sources, such as listed market prices or broker-dealer price quotations. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the balance sheet. Also included in these accounts are receivables and payables from brokers and dealers and clearing organizations as well as securities failed to deliver and receive.

Business Combinations. Mergers and acquisitions are accounted for using the acquisition method of accounting. Assets and liabilities acquired and assumed are recorded at their fair values as of the date of the transaction. The excess of purchase price over the fair value of assets acquired and liabilities assumed is recorded as goodwill. Significant estimates and judgments are involved in the fair valuation and purchase price allocation process.

Goodwill and Other Intangible Assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as core deposit intangibles, are amortized over their estimated useful lives and subject to periodic impairment testing. Intangible assets (other than goodwill) are amortized to depreciation and amortization expense, a component of non-interest expense on the consolidated statements of income, using accelerated or straight-line methods over their respective estimated useful lives.

Goodwill is subject to impairment testing at the reporting unit level, which is conducted at least annually. The Company performs impairment testing during the third quarter of each year or when events or changes in circumstances indicate the assets might be impaired.

The Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing updated qualitative factors, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it does perform a quantitative goodwill impairment test. Determining the fair value of a reporting unit is judgmental and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows, discount rates reflecting the market rate of return, projected growth rates and determination and evaluation of appropriate market comparable. Future events could cause the Company to conclude that goodwill or other intangibles have become impaired, which would result in recording an impairment loss. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

Earnings per Common Share. Earnings per common share ("EPS") are presented under two formats: basic EPS and diluted EPS. Basic EPS is computed by dividing the net income attributable to common stock (net income after deducting dividends on preferred stock) by the sum of the weighted-average number of common shares outstanding during the year and the unvested average of participating restricted stock units ("RSU"). Diluted EPS is computed by dividing the sum of net income attributable to common stock and dividends on diluted preferred stock by the sum of the weighted-average number of common shares outstanding during the year and the impact of dilutive potential common shares, such as nonparticipating RSUs, stock options and convertible preferred stock. On October 30, 2020, the Company redeemed all 515 outstanding shares of its Series A - 6% Cumulative Nonparticipating Perpetual Preferred Stock.

The Company accounts for unvested stock-based compensation awards containing non-forfeitable rights to dividends or dividend equivalents (collectively, "dividends") as participating securities and includes the awards in the EPS calculation using the two-class method. The Company has granted restricted stock units under the 2004 Plan to certain directors and employees, which entitle the recipients to receive non-forfeitable dividends during the vesting period on a basis equivalent to the dividends paid to holders of common stock. These unvested awards meet the definition of participating securities. Under the two class method, all earnings (distributed and undistributed) are allocated to each class of common stock and participating securities, based on their respective rights to receive dividends. Under the 2014 Plan, restricted stock units have no shareholder rights, meaning they are not entitled to dividends and are considered nonparticipating. These nonparticipating restricted stock units are not included in the basic earnings per common share calculation and are included in the diluted earnings per common share calculation using the treasury stock method.

Stock-Based Compensation. Compensation cost is recognized for stock options and restricted stock unit awards issued to employees, based on the fair value of these awards at the date of grant. A Black–Scholes model is utilized to estimate fair value of the stock options, while market price of the Company's common stock at the date of grant is used for restricted stock unit awards. The Company has certain share awards that include market conditions that affect vesting. The fair value of these awards is estimated using a Monte Carlo simulation. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with only a service condition that have a graded vesting schedule, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. For awards that contain a market condition and have a graded vesting schedule compensation cost is recognized using an accelerated attribution method over the requisite service period for the awards. The Company accounts for forfeitures by recognizing forfeitures when they occur.

Stock of Regulatory Agencies. The Bank is a member of the Federal Home Loan Bank ("FHLB") system. Members are required to own a certain amount of FHLB stock based on the level of borrowings and other factors. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value.

Axos Securities, LLC is a member of the Depository Trust & Clearing Corporation ("DTCC"), a financial services company providing clearing and settlement services to the financial markets. Members are required to own a certain amount of DTCC stock based on the clearing levels and other factors. DTCC stock is carried at fair value, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value.

Low Income Housing Tax Credits ("LIHTC"). The Company invests as a limited partner in LIHTC partnerships that operate qualified affordable housing projects which generate tax benefits for investors through the realization of tax credits and deductions, which may be subject to recapture by taxing authorities if compliance requirements are not met. We amortize the investment in proportion to the allocated tax benefits using the proportional amortization method of accounting and record such benefits net of investment amortization in income taxes on the consolidated statements of income. The investment is included within other assets on the consolidated balance sheets.

Cash Surrender Value of Life Insurance. The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other amounts due that are probable at settlement. Cash surrender value of life insurance is included in the other assets line on the consolidated balance sheet. Changes to the cash surrender value are recorded within banking and service fees which is a component of non-interest expense on the consolidated statements of income.

Comprehensive Income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale, which are also recognized as separate components of equity. The method for determining the cost basis of securities sold or reclassed out of other comprehensive income into earnings is based on the value of the specific security and any previously recognized gain or loss associated with that specific security.

Reclassification of Prior Year Presentation. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Parent Only Condensed Financial Information footnote, Consolidated Statements of Cash Flows for fiscal year ended June 30, 2020, to identify the amortization of operating lease right of use asset of $9.1 million. This change in classification does not affect previously reported cash flows from operating activities in the Parent Only Condensed Financial Information footnote, Consolidated Statements of Cash Flows.

New Accounting Standards

Accounting Standards Adopted During Fiscal 2021

Financial Instruments. *Credit Losses*. On July 1, 2020, the Company adopted ASC 326. The update replaces incurred loss models based on the probable recognition threshold with a current expected credit loss model to estimate all credit losses over the contractual life for financial instruments carried at amortized cost and certain off-balance sheet credit exposures, such as loan commitments. The new model requires consideration of a broader range of relevant information, such as historical loss experience, current economic conditions and reasonable and supportable forecasts. The change will generally result in earlier, accelerated loss recognition. For available-for-sale debt securities, unrealized credit losses will be recognized through an allowance for credit losses rather than as adjustment to amortized cost basis, eliminating the other-than-temporary impairment concept. No credit loss adjustment on available-for-sale debt securities resulted upon adoption of ASC 326.

The Company adopted this standard using the modified retrospective transition method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Prior period amounts are not retroactively adjusted. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date.

The table that follows reflects the cumulative-effect adjustments the Company recorded on July 1, 2020 for the adoption of ASC 326:

	July 1, 2020		
(Dollars in thousands)	Pre-ASC 326 Adoption	Impact of ASC 326	Adoption Post-ASC 326 Adoption
Assets:			
Allowance for Credit Losses - Loans	$ (75,807)	$ (47,300)	$ (123,107)
Deferred tax asset (Other Assets)	30,749	15,912	46,661
Liabilities:			
Unfunded Loan Commitment Liabilities (Accounts payable and accrued liabilities and other liabilities)	(323)	(5,700)	(6,023)
Stockholder’s Equity:			
Retained Earnings	$ (1,009,299)	$ 37,088	$ (972,211)

As a result of the change from adopting ASC 326 on July 1, 2020, the Company updated categorization of the loan portfolio. For comparability purposes, certain reclassifications have been made to the presentation of loan categories as of June 30, 2020 and as of and for the year ended June 30, 2020 to conform with current presentation adopted under ASC 326. The Company reclassified its loan categories to align with the classes adopted for the measurement of credit losses under ASC 326. The reclassification had no impact on the total loan balances or the allowance for credit losses - loans.

Loans - Carrying Amount

(Dollars in thousands)	**Single Family Real Estate Secured - Mortgage**	**Single Family Real Estate Secured - Warehouse**	**Single Family Real Estate Secured - Financing**	**Multifamily Real Estate Secured - Mortgage and Financing**	**Commercial Real Estate - Mortgage**	**Commercial & Industrial**	**Auto & RV - Secured**	**Other**	**Total**
Balance July 1, 2020 Pre-ASC 326 Adoption	$4,244,563	$474,318	$682,477	$2,303,216	$371,176	$2,094,322	$291,452	$241,918	$10,703,442
Commercial Real Estate - Mortgage to Multifamily and Commercial Mortgage	—	—	—	371,176	(371,176)	—	—	—	—
Multifamily and Single Family Financing loans to Commercial Real Estate	—	—	(679,054)	(411,338)	1,090,392	—	—	—	—
Real estate secured Commercial & Industrial to Commercial Real Estate	—	—	—	—	1,207,528	(1,207,528)	—	—	—
Unsecured Consumer loans to Auto & Consumer	—	—	—	—	—	—	49,913	(49,913)	—
Single Family Warehouse and Mortgage combined	477,741	(474,318)	(3,423)	—	—	—	—	—	—
Other reclassifications	—	—	—	—	—	(1,474)	—	1,474	—
Balance July 1, 2020 Post ASC 326 Adoption	$4,722,304	$—	$—	$2,263,054	$2,297,920	$885,320	$341,365	$193,479	$10,703,442
Loan Category Post-ASC 326 Adoption	Single Family - Mortgage & Warehouse	N/A	N/A	Multifamily and Commercial Mortgage	Commercial Real Estate	Commercial & Industrial - Non RE	Auto & Consumer	Other	Total

Allowance for Credit Losses - Loans

(Dollars in thousands)	**Single Family Real Estate Secured - Mortgage**	**Single Family Real Estate Secured - Warehouse**	**Single Family Real Estate Secured - Financing**	**Multifamily Real Estate Secured - Mortgage and Financing**	**Commercial Real Estate - Mortgage**	**Commercial & Industrial**	**Auto & RV - Secured**	**Other**	**Total**
Balance July 1, 2020 Pre-ASC 326 Adoption	$24,041	$1,860	$5,094	$6,318	$1,456	$22,863	$5,738	$8,437	$75,807
Reclassification	1,860	(1,860)	(5,094)	(1,600)	19,596	(12,909)	3,723	(3,716)	—
Balance July 1, 2020 Post Reclassification	$25,901	$—	$—	$4,718	$21,052	$9,954	$9,461	$4,721	$75,807
Loan Category Post-ASC 326 Adoption	Single Family - Mortgage & Warehouse	N/A	N/A	Multifamily and Commercial Mortgage	Commercial Real Estate	Commercial & Industrial - Non RE	Auto & Consumer	Other	Total

Accounting Standards Issued But Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes. The amendments in ASU 2019-12 are intended to reduce the cost and complexity of applying ASC 740. The amendments that are applicable to the Company address: 1) franchise and other taxes partially based on income; 2) step-up in basis of goodwill in a business combination; 3) allocation of tax expense in separate entity financial statements; and 4) interim recognition of enactment of tax laws or rate changes. The amendments to Topic 740 are effective for interim and annual reporting periods beginning after December 15, 2020. The Company is evaluating the impact of ASU 2019-12 on the Company's consolidated financial statements, but it does not expect the adoption to have a material impact.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting, and the subsequent January 2021 clarification ASU 2021-04, Reference Rate Reform (Topic 848)—Scope, provide guidance to alleviate the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying generally accepted accounting principles to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions apply only to those transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. Adoption of the provisions are optional and are effective from March 12, 2020 through December 31, 2022. The Company is evaluating the impact on the Company's consolidated financial statements, but it does not expect the adoption to have a material impact.

2. ACQUISITIONS

The Company completed two business acquisitions and two asset acquisitions during the fiscal year ended June 30, 2019. The pro forma results of operations and the results of operations for the acquisitions since the acquisition date have not been separately disclosed because the effects were not material to the consolidated financial statements. The Company has included the financial results of the acquired businesses in its consolidated financial statements subsequent to the acquisition dates. The business acquisitions have been accounted for under the acquisition method of accounting. The assets, both tangible and intangible, were recorded at their estimated fair values as of the transaction date. The Company made significant estimates and exercised judgment in estimating fair values and accounting for such acquired assets and liabilities. The purchase transactions are detailed below.

E*TRADE Advisor Services acquisition. On August 2, 2021, Axos Clearing closed its acquisition of E*TRADE Advisor Services ("EAS"), the registered investment advisor ("RIA") custody business Morgan Stanley acquired in its acquisition of E*TRADE Financial Corporation in 2020. EAS has been rebranded Axos Advisor Services and operates as the RIA custody business within Axos Clearing. The $54.9 million cash purchase price was funded with existing capital.

MWABank deposit acquisition. On March 15, 2019, the Bank closed the deposit assumption agreement with MWABank and acquired approximately $173 million of deposits, including approximately $151 million of checking, savings and money market accounts and $22 million of time deposits, from MWABank. Axos did not acquire any assets, employees or branches in this transaction. The Bank received cash equal to the book value of the deposit liabilities.

WiseBanyan. On February 26, 2019 the Company's subsidiary, Axos Securities, LLC, acquired 100% of the equity of WiseBanyan Holding, Inc. and its subsidiaries (collectively "WiseBanyan"). Headquartered in Las Vegas, Nevada, WiseBanyan is a provider of personal financial and investment management services through a proprietary technology platform. When acquired, WiseBanyan served approximately 24,000 clients with approximately $150 million of assets under management. The Company paid $3.2 million in cash to acquire the assets of WiseBanyan and recorded $2.7 million in intangible assets. The Company purchased the whole WiseBanyan business and has the entire voting interest. Goodwill is not expected to be deducted for tax purposes.

COR Securities Holdings. On January 28, 2019 ("Acquisition Date"), Axos Clearing, LLC and Axos Clarity MergeCo., Inc. completed the acquisition of 100% of the equity of COR Securities Holdings Inc.("COR Securities"), the parent company of COR Clearing LLC ("COR Clearing"), pursuant to the terms of the Agreement and Plan of Merger, dated as of September 28, 2018 (the "Merger Agreement").

Headquartered in Omaha, Nebraska, COR Clearing is a full-service correspondent clearing firm for independent broker-dealers. Established as a part of Mutual of Omaha Insurance Company and spun off as Legent Clearing in 2002, COR Clearing provides clearing, settlement, custody, and securities and margin lending to more than sixty introducing broker-dealers and 90,000 customers. The total cash consideration of approximately $80.9 million was funded with existing capital. The Company issued subordinated notes totaling $7.5 million to the principal stockholders of COR Securities in an equal principal amount, with a maturity of 15 months, to serve as the sole source of payment of indemnification obligations of the principal stakeholders of COR Securities under the Merger Agreement. The Company is in the process of making an indemnification claim against the $7.4 million remaining.

The acquisition of COR Securities is accounted for as a business combination using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration paid are recorded at estimated fair values on the Acquisition Date. The Company recorded goodwill of $35.5 million and an additional $20.1 million in intangible assets as of the Acquisition Date. Included in the professional services line of the statement of income for the fiscal year ended June 30, 2020, the Company recognized $0.4 million in transaction costs.

The acquisition will enable the Company to expand its banking business to a new customer base through independent broker-dealers and consumer account relationships, scale entry into wealth management through technology-driven platforms, and increase and diversify fee revenue, all of which will improve key operating metrics. The goodwill recognized results from the expected synergies and potential earnings from this combination.

The consideration paid for COR Securities common equity was $88.4 million and the fair values of acquired identifiable assets and liabilities assumed as of the Acquisition Date were as follows:

(Dollars in thousands)		**January 28, 2019**
ASSETS		
Cash and due from banks	$	16,604
Cash segregated for regulatory purposes		142,016
Securities, available for sale		9,585
Stock of the regulatory agencies, at cost		2,431
Securities borrowed		157,898
Customer, broker-dealer and clearing receivables		234,352
Other assets		5,487
Total identifiable assets	$	568,373
LIABILITIES		
Borrowings, subordinated notes and debentures	$	85,100
Securities loaned		203,041
Customer, broker-dealer and clearing payables		240,110
Accounts payable and accrued liabilities		7,383
Total identifiable liabilities	$	535,634
Net identifiable assets	$	32,739
Intangible assets		20,120
Goodwill		35,501
Total net assets acquired	$	88,360
Total cash paid	$	80,860
Borrowings, subordinated notes and debentures issued		7,500
Total fair value of consideration paid	$	88,360

Nationwide Bank deposit acquisition. On November 16, 2018, the Bank completed the acquisition of substantially all of Nationwide Bank's ("Nationwide") deposits at the time of closing, adding $2.4 billion in deposits, including $661.4 million in checking, savings and money market accounts and $1.7 billion in time deposit accounts. The Bank received cash for the deposit balances transferred less a premium of $13.5 million, recorded in intangibles, commensurate with the fair market value of the deposits purchased.

3. FAIR VALUE

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for *similar* assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include securities with quoted prices that are traded less frequently than exchange-traded instruments and whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models such as discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Company generally uses quoted market prices to determine fair value. In some cases where a market price is available, the Company will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the nature of the participants are some of the factors the Company uses to help determine whether a market is active and orderly or inactive and not orderly. Price quotes based upon transactions that are not orderly are not considered to be determinative of fair value and are given little, if any, weight in measuring fair value.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, credit spreads, housing value forecasts, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified:

Securities—trading and available-for-sale. Trading securities are recorded at fair value. Available-for-sale securities are recorded at fair value and consist of mortgage-backed securities ("MBS") issued by U.S. government-backed or government-sponsored enterprises including Fannie Mae, Freddie Mac and Ginnie Mae ("agency"), MBS issued by non-agencies, municipal securities as well as other Non-MBS securities. Fair value for agency securities and municipal securities are generally based on quoted market prices of similar securities used to form a dealer quote or a pricing matrix. There continues to be significant illiquidity in the market for MBS issued by non-agencies, impacting the availability and reliability of transparent pricing. As orderly quoted market prices are not available, the Level 3 fair values for these securities are determined by the Company utilizing industry-standard tools to calculate the net present value of the expected cash flows available to the securities from the underlying mortgage assets. The Company computes Level 3 fair values for each non-agency MBS in the same manner (as described below) whether available-for-sale or held-to-maturity.

To determine the performance of the underlying mortgage loan pools, the Company estimates prepayments, defaults, and loss severities based on a number of macroeconomic factors, including housing price changes, unemployment rates, interest rates and borrower attributes such as credit score and loan documentation at the time of origination. The Company inputs for each security a projection of monthly default rates, loss severity rates and voluntary prepayment rates for the underlying mortgages for the remaining life of the security to determine the expected cash flows. The projections of default rates are derived by the Company from the historic default rate observed in the pool of loans collateralizing the security, increased by and decreased by the forecasted increase or decrease in the national unemployment rate. The projections of loss severity rates are derived by the Company from the historic loss severity rate observed in the pool of loans, increased by or decreased by the forecasted increase or decrease in the national home price appreciation ("HPA") index. The largest factors influencing the

Company's modeling of the monthly default rate are unemployment and HPA, as a strong correlation exists. The most updated unemployment rate reported in June 2021 was 5.9%. Consensus estimates for unemployment are that the rate will continue to decrease. The Company agrees with consensus estimates and thus is projecting lower monthly default rates. The Company projects that severities will continue to improve as HPA improves.

To determine the discount rates used to compute the present value of the expected cash flows for these non-agency MBS securities, the Company separates the securities by the borrower characteristics in the underlying pool. Specifically, "prime" securities generally have borrowers with higher FICO scores and better documentation of income. "Alt-A" securities generally have borrowers with a lower FICO and less documentation of income. "Pay-option ARMs" are Alt-A securities with borrowers that tend to pay the least amount of principal (or increase their loan balance through negative amortization). The Company calculates separate discount rates for prime, Alt-A and Pay-option ARM non-agency MBS securities using market-participant assumptions for risk, capital and return on equity. The range of annual default rates used in the Company's projections at June 30, 2021 are from 0.0% up to 5.6%. The range of loss severity rates applied to each default used in the Company's projections at June 30, 2021 are from 0.0% up to 100.0% based upon individual bond historical performance. The default rates and the severities are projected for every non-agency MBS security held by the Company and will vary monthly based upon the actual performance of the security and the macroeconomic factors discussed above. Based upon the actual performance of the underlying collateral, the securities' credit enhancement will be impacted. The range of existing credit enhancement is from 0.0% to 93.4%, with a weighted average credit enhancement 18.4%. The Company applies its discount rates to the projected monthly cash flows, which already reflect the full impact of all forecasted losses using the assumptions described above. When calculating present value of the expected cash flows at June 30, 2021, the Company computed its discount rates as a spread between 274 and 720 basis points over the LIBOR Index using the LIBOR forward curve.

The Bank's estimate of fair value for non-agency securities using Level 3 pricing is highly subjective and is based on the Bank's estimate of voluntary prepayments, default rates, severities and discount margins, which are forecasted monthly over the remaining life of each security. Changes in one or more of these assumptions can cause a significant change in the estimated fair value. For further details see the table later in this note that summarizes quantitative information about level 3 fair value measurements.

Loans Held for Sale. Loans held for sale at fair value are primarily single-family residential loans. The fair value of residential loans held for sale is determined by pricing for comparable assets or by existing forward sales commitment prices with investors.

Other Real Estate Owned and Repossessed Vehicles. Fair values are generally based on third party appraisals of the property, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Mortgage Servicing Rights. Fair value is derived from market-driven valuation changes as well as modeled amortization involving the run-off of value that occurs due to the passage of time as individual loans are paid by borrowers. Market expectations about loan duration, and correspondingly the expected term of future servicing cash flows, may vary from time to time due to changes in expected prepayment activity, especially when interest rates rise or fall. Market expectations of increased loan prepayment speeds may negatively impact the fair value of the single family MSRs. Fair value is also dependent on the discount rate used in calculating present value, which is input from observable market activity, market participants, and results in Level 3 classification. Management reviews and adjusts the discount rate on an ongoing basis. An increase in the discount rate would reduce the estimated fair value of the MSRs asset.

Mortgage Banking Derivatives. The fair value of interest rate locks is estimated based on changes in to be announced ("TBA") values which are based upon mortgage interest rates from the date the interest on the loan is locked, adjusted for items such as estimated fallout and costs to originate the loan.

The fair value of forward sale commitments is based upon prices in active secondary markets for identical securities or based on quoted market prices of similar assets used to form a dealer quote or a pricing matrix. If no such quoted price exists, the fair value of a commitment is determined by quoted prices for a similar commitment or commitments, adjusted for the specific attributes of each commitment.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	June 30, 2021			
(Dollars in thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
ASSETS:				
Securities—Trading: Municipal	$ —	$ 1,983	$ —	$ 1,983
Securities—Available-for-Sale:				
Agency Debt[1]	$ —	$ —	$ —	$ —
Agency MBS[1]	—	23,913	—	23,913
Non-Agency MBS[2]	—	—	67,615	67,615
Municipal	—	3,565	—	3,565
Asset-backed securities and structured notes	—	92,242	—	92,242
Total—Securities—Available-for-Sale	$ —	$ 119,720	$ 67,615	$ 187,335
Loans Held for Sale	$ —	$ 29,768	$ —	$ 29,768
Mortgage servicing rights	$ —	$ —	$ 17,911	$ 17,911
Other assets—Derivative instruments	$ —	$ —	$ 2,280	$ 2,280
LIABILITIES:				
Other liabilities—Derivative instruments	$ —	$ —	$ 75	$ 75

	June 30, 2020			
(Dollars in thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
ASSETS:				
Securities—Trading: Collateralized Debt Obligations	$ —	$ 105	$ —	$ 105
Securities—Available-for-Sale:				
Agency Debt[1]	—	1,799	—	1,799
Agency MBS[1]	$ —	$ 16,826	$ —	$ 16,826
Non-Agency MBS[2]	—	—	18,332	18,332
Municipal	—	10,400	—	10,400
Asset-backed securities and structured notes	—	140,270	—	140,270
Total—Securities—Available-for-Sale	$ —	$ 169,295	$ 18,332	$ 187,627
Loans Held for Sale	$ —	$ 51,995	$ —	$ 51,995
Mortgage servicing rights	$ —	$ —	$ 10,675	$ 10,675
Other assets—Derivative Instruments	$ —	$ —	$ 9,131	$ 9,131
LIABILITIES:				
Other liabilities—Derivative instruments	$ —	$ —	$ 1,715	$ 1,715

[1] *Includes securities guaranteed by Ginnie Mae, a U.S. government agency, and the government sponsored enterprises Fannie Mae and Freddie Mac.*

[2] *Private sponsors of securities collateralized primarily by first - lien mortgage loans on commercial properties or by pools of 1-4 family residential first mortgages. Primarily super senior securities secured by Alt-A or pay-option ARM mortgages.*

The following table presents additional information about assets measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Year Ended June 30, 2021			
(Dollars in thousands)	**Securities-Available-for-Sale: Non-Agency MBS**	**Mortgage Servicing Rights[1]**	**Derivative Instruments, net**	**Total**
Assets:				
Opening Balance	$ 18,332	$ 10,675	$ 7,416	$ 36,423
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Total gains or losses for the period:				
Included in earnings—Mortgage banking income	—	(6,319)	(5,211)	(11,530)
Included in other comprehensive income	2,289	—	—	2,289
Purchases, retentions, issues, sales and settlements:				
Purchases/Retentions	49,245	13,555	—	62,800
Issues	—	—	—	—
Sales	—	—	—	—
Settlements	(2,251)	—	—	(2,251)
Closing balance	$ 67,615	$ 17,911	$ 2,205	$ 87,731
Change in unrealized gains or losses for the period included in earnings for assets held at the end of the reporting period	$ —	$ (6,319)	$ (5,211)	$ (11,530)

	Year Ended June 30, 2020			
(Dollars in thousands)	**Securities-Available-for-Sale: Non-Agency MBS**	**Mortgage Servicing Rights[1]**	**Derivative Instruments, net**	**Total**
Assets:				
Opening Balance	$ 13,025	$ 9,784	$ 1,246	$ 24,055
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Total gains or losses for the period:				
Included in earnings—Mortgage banking income	—	(5,806)	6,170	364
Included in other comprehensive income	617	—	—	617
Purchases, retentions, issues, sales and settlements:				
Purchases/Retentions	7,000	6,697	—	13,697
Issues	—	—	—	—
Sales	—	—	—	—
Settlements	(2,310)	—	—	(2,310)
Closing balance	$ 18,332	$ 10,675	$ 7,416	$ 36,423
Change in unrealized gains or losses for the period included in earnings for assets held at the end of the reporting period	$ —	$ (5,806)	$ 6,170	$ 364

[1] *Additions to mortgage servicing rights were retained upon sale of loans held for sale.*

The table below summarizes the quantitative information about Level 3 fair value measurements as of the dates indicated:

	June 30, 2021			
(Dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Securities – Non-agency MBS	$ 67,615	Discounted Cash Flow	Projected Constant Prepayment Rate, Projected Constant Default Rate, Projected Loss Severity, Discount Rate over LIBOR	0.0 to 25.0% (2.7%) 0.0 to 5.6% (0.6%) 0.0 to 100.0% (19.4%) 2.7 to 7.2% (3.1%)
Mortgage Servicing Rights	$ 17,911	Discounted Cash Flow	Projected Constant Prepayment Rate, Life (in years), Discount Rate	7.5 to 37.4% (11.5%) 1.7 to 7.5 (6.4) 9.5 to 13.0% (9.6%)
Derivative Instruments	$ 2,205	Sales Comparison Approach	Projected Sales Profit of Underlying Loans	0.2 to 0.5% (0.3%)

	June 30, 2020			
(Dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Securities – Non-agency MBS	$ 18,332	Discounted Cash Flow	Projected Constant Prepayment Rate, Projected Constant Default Rate, Projected Loss Severity, Discount Rate over LIBOR	2.5 to 47.9% (26.1%) 0.5 to 4.5% (2.0%) 35.0 to 68.4% (50.1%) 2.9 to 9.4% (5.0%)
Mortgage Servicing Rights	$ 10,675	Discounted Cash Flow	Projected Constant Prepayment Rate, Life (in years), Discount Rate	4.7 to 39.6% (11.4%) 1.6 to 7.7 (6.2) 9.5 to 14.0% (9.8%)
Derivative Instruments	$ 7,416	Sales Comparison Approach	Projected Sales Profit of Underlying Loans	(0.3) to 0.8% (0.2%)

The significant unobservable inputs used in the fair value measurement of the Company's mortgage-backed securities are projected prepayment rates, probability of default, and projected loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the projected loss severity and a directionally opposite change in the assumption used for projected prepayment rates.

The table below summarizes the fair value of assets measured for impairment on a non-recurring basis:

	June 30, 2021			
(Dollars in thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Balance**
Other real estate owned and foreclosed assets:				
Single family real estate	$ —	$ —	$ 6,547	$ 6,547
Autos & RVs	—	—	235	235
Total	$ —	$ —	$ 6,782	$ 6,782

	June 30, 2020			
(Dollars in thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Balance**
Other real estate owned and foreclosed assets:				
Single family real estate	$ —	$ —	$ 6,114	$ 6,114
Autos & RVs	—	—	294	294
Total	$ —	$ —	$ 6,408	$ 6,408

Other real estate owned and foreclosed assets, which are measured at the lower of carrying value or fair value less costs to sell, had a net carrying amount of $6.8 million after charge-offs of $0.1 million at June 30, 2021. Our other real estate owned and foreclosed assets had a net carrying amount was $6.4 million after charge-offs of $1.4 million during the year ended June 30, 2020.

The aggregate fair value, contractual balance (including accrued interest), and unrealized gain for loans held for sale was as follows:

	At June 30,		
(Dollars in thousands)	2021	2020	2019
Aggregate fair value	$ 29,768	$ 51,995	$ 33,260
Contractual balance	28,940	49,700	32,342
Unrealized gain	$ 828	$ 2,295	$ 918

The total amount of gains and losses from changes in fair value included in earnings for the period indicated below for loans held for sale were:

	At June 30,		
(Dollars in thousands)	2021	2020	2019
Interest income	$ 1,411	$ 1,113	$ 1,006
Change in fair value	(6,680)	7,531	544
Total	$ (5,269)	$ 8,644	$ 1,550

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at the periods indicated:

	June 30, 2021			
(Dollars in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)[1]
Other real estate owned and foreclosed assets:				
Single family real estate	$ 6,547	Sales comparison approach	Adjustment for differences between the comparable sales	(1.5) to 6.1% (2.0%)
Autos and RVs	$ 235	Sales comparison approach	Adjustment for differences between the comparable sales	(2.1) to 14.7% ((2.1)%)

[1] For other real estate owned and foreclosed assets, the ranges shown may vary positively or negatively based on the comparable sales reported in the current appraisal. In certain instances, the range can be significant due to small sample sizes and in some cases the property being valued having limited comparable sales with similar characteristics at the time the current appraisal is conducted.

	June 30, 2020			
(Dollars in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)[1]
Other real estate owned and foreclosed assets:				
Single family real estate	$ 6,114	Sales comparison approach	Adjustment for differences between the comparable sales	18.7 to 18.7% (18.7%)
Autos & RVs	$ 294	Sales comparison approach	Adjustment for differences between the comparable sales	(24.6) to 44.2% (2.8%)

[1] For other real estate owned and foreclosed assets, the ranges shown may vary positively or negatively based on the comparable sales reported in the current appraisal. In certain instances, the range can be significant due to small sample sizes and in some cases the property being valued having limited comparable sales with similar characteristics at the time the current appraisal is conducted.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and estimated fair values of financial instruments at year-end were as follows:

	June 30, 2021				
(Dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash, cash equivalents, cash segregated, and federal funds sold	$ 1,037,777	$ 1,037,777	$ —	$ —	$ 1,037,777
Securities trading	1,983	—	1,983	—	1,983
Securities available-for-sale	187,335	—	119,720	67,615	187,335
Loans held for sale, at fair value	29,768	—	29,768	—	29,768
Loans held for sale, at lower of cost or fair value	12,294	—	—	12,336	12,336
Loans and leases held for investment—net	11,414,814	—	—	11,833,102	11,833,102
Securities borrowed	619,088	—	—	619,274	619,274
Customer, broker-dealer and clearing receivables	369,815	—	—	369,815	369,815
Mortgage servicing rights	17,911	—	—	17,911	17,911
Financial liabilities:					
Total deposits	10,815,797	—	10,297,450	—	10,297,450
Advances from the Federal Home Loan Bank	353,500	—	353,500	—	353,500
Borrowings, subordinated notes and debentures	221,358	—	210,196	—	210,196
Securities loaned	728,988	—	—	731,467	731,467
Customer, broker-dealer and clearing payables	535,425	—	—	535,425	535,425

	June 30, 2020				
(Dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash, cash equivalents, cash segregated, and federal funds sold	$ 1,950,519	$ 1,950,519	$ —	$ —	$ 1,950,519
Securities trading	105	—	105	—	105
Securities available-for-sale	187,627	—	169,295	18,332	187,627
Loans held for sale, at fair value	51,995	—	51,995	—	51,995
Loans held for sale, at lower of cost or fair value	44,565	—	—	44,625	44,625
Loans and leases held for investment—net	10,631,349	—	—	11,138,255	11,138,255
Securities borrowed	222,368	—	—	222,613	222,613
Customer, broker-dealer and clearing receivables	220,266	—	—	220,464	220,464
Mortgage servicing rights	10,675	—	—	10,675	10,675
Financial liabilities:					
Total deposits	11,336,694	—	11,088,447	—	11,088,447
Advances from the Federal Home Loan Bank	242,500	—	254,114	—	254,114
Borrowings, subordinated notes and debentures	235,789	—	234,445	—	234,445
Securities loaned	255,945	—	—	256,790	256,790
Customer, broker-dealer and clearing payables	347,614	—	—	347,614	347,614

The methods and assumptions, not previously presented, used to estimate fair value are described as follows: Carrying amount is the estimated fair value for cash and cash equivalents, interest bearing deposits, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans and leases or deposits that reprice frequently and fully. For fixed rate loans and leases, deposits, borrowings or subordinated debt and for variable rate loans and leases, deposits, borrowings or subordinated debt with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. A discussion of the methods of valuing trading securities, available for sale securities and loans held for sale can be found earlier in this footnote. The carrying amount of stock of regulatory agencies approximates the estimated fair value of this investment. The fair value of off-balance sheet items is not considered material.

4. SECURITIES

The amortized cost, carrying amount and fair value for the securities available-for-sale for the following periods were:

	June 30, 2021				
	Trading	Available-for-sale			
(Dollars in thousands)	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Mortgage-backed securities (MBS):					
Agencies[1]	$ —	$ 23,639	$ 420	$ (146)	$ 23,913
Non-agency[2]	—	65,174	2,862	(421)	67,615
Total mortgage-backed securities	—	88,813	3,282	(567)	91,528
Non-MBS:					
Municipal	1,983	3,466	99	—	3,565
Asset-backed securities and structured notes	—	90,549	1,693	—	92,242
Total Non-MBS	1,983	94,015	1,792	—	95,807
Total debt securities	$ 1,983	$ 182,828	$ 5,074	$ (567)	$ 187,335

	June 30, 2020				
	Trading	Available-for-sale			
(Dollars in thousands)	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Mortgage-backed securities (MBS):					
Agencies[1]	$ —	$ 16,192	$ 634	$ —	$ 16,826
Non-agency[2]	—	18,180	1,024	(872)	18,332
Total mortgage-backed securities	—	34,372	1,658	(872)	35,158
Non-MBS:					
Agencies[1]	—	1,799	—	—	1,799
Municipal	105	10,550	44	(194)	10,400
Asset-backed securities and structured notes	—	141,338	1	(1,069)	140,270
Total Non-MBS	105	153,687	45	(1,263)	152,469
Total debt securities	$ 105	$ 188,059	$ 1,703	$ (2,135)	$ 187,627

[1] *Includes securities guaranteed by Ginnie Mae, a U.S. government agency, and the government sponsored enterprises Fannie Mae and Freddie Mac.*

[2] *Private sponsors of securities collateralized primarily by first-lien mortgage loans on commercial properties or by pools of 1-4 family residential first mortgages. Primarily super senior securities secured by prime, Alt-A or pay-option ARM mortgages.*

The Company's non-agency MBS available-for-sale portfolio with a total fair value of $67.6 million at June 30, 2021 consists of fifteen different issues of senior and super senior securities.

Debt securities with evidence of credit quality deterioration since issuance and for which it is probable at purchase that the Company will be unable to collect all of the par value of the security are accounted for under ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC Topic 310-30"). Under ASC Topic 310-30, the excess of cash flows expected at acquisition over the purchase price is referred to as the accretable yield and is recognized in interest income over the remaining life of the security.

The face amounts of debt securities available-for-sale that were pledged to secure borrowings at June 30, 2021 and 2020 were $1.4 million and $3.5 million respectively.

The securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position were as follows:

	June 30, 2021					
	Available-for-sale securities in loss position for					
	Less Than 12 Months		More Than 12 Months		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
MBS:						
Agencies	$ 10,001	$ (146)	$ —	$ —	$ 10,001	$ (146)
Non-agency	—	—	6,018	(421)	6,018	(421)
Total MBS securities	10,001	(146)	6,018	(421)	16,019	(567)
Non-MBS:						
Municipal debt	—	—	—	—	—	—
Asset-backed securities and structured notes	—	—	—	—	—	—
Total Non-MBS	—	—	—	—	—	—
Total debt securities	$ 10,001	$ (146)	$ 6,018	$ (421)	$ 16,019	$ (567)

	June 30, 2020					
	Available-for-sale securities in loss position for					
	Less Than 12 Months		More Than 12 Months		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
MBS:						
Agencies	$ 85	$ —	$ —	$ —	$ 85	$ —
Non-agency	—	—	6,978	(872)	6,978	(872)
Total MBS securities	85	—	6,978	(872)	7,063	(872)
Non-MBS:						
Municipal debt	—	—	2,002	(194)	2,002	(194)
Asset-backed securities and structured notes	139,883	(1,069)	—	—	139,883	(1,069)
Total Non-MBS	139,883	(1,069)	2,002	(194)	141,885	(1,263)
Total debt securities	$ 139,968	$ (1,069)	$ 8,980	$ (1,066)	$ 148,948	$ (2,135)

There were seven securities that were in a continuous loss position at June 30, 2021 for a period of more than 12 months. There were seven securities that were in a continuous loss position at June 30, 2021 for a period of less than 12 months. There were ten securities that were in a continuous loss position at June 30, 2020 for a period of more than 12 months. There were four securities that were in a continuous loss position at June 30, 2020 for a period of less than 12 months.

During the fiscal years ended June 30, 2021 and 2020, there were no sales of securities.

The gross gains and losses realized through earnings upon the sale of available-for-sale securities were as follows:

	At June 30,		
(Dollars in thousands)	2021	2020	2019
Proceeds	$ —	$ —	$ 15,863
Gross realized gains	$ —	$ —	$ 842
Gross realized loss	—	—	(133)
Net gain on securities	$ —	$ —	$ 709

The Company records unrealized gains and unrealized losses in accumulated other comprehensive loss as follows:

	At June 30,	
(Dollars in thousands)	2021	2020
Available-for-sale debt securities—net unrealized gains	$ 4,507	$ (432)
Available-for-sale debt securities—non-credit related	(845)	(845)
Subtotal	3,662	(1,277)
Tax (provision) benefit	(1,155)	340
Net unrealized gain (loss) on investment securities in accumulated other comprehensive loss	$ 2,507	$ (937)

5. LOANS & ALLOWANCE FOR CREDIT LOSSES-LOANS

In conjunction with the adoption of ASC 326 on July 1, 2020, the Company updated categorization of the loan portfolio. The Company categorizes the loan portfolio into six segments: Single Family - Mortgage & Warehouse, Multifamily and Commercial Mortgage, Commercial Real Estate, Commercial & Industrial - Non Real Estate, Auto & Consumer and Other (for further detail of the change in accounting principle and detail of the segments and classes within of the Company's loan portfolio, refer to *Note 1 - "Summary of Significant Accounting Policies"*).

The following table sets forth the composition of the loan portfolio as of the dates indicated:

	At June 30,	
(Dollars in thousands)	2021	2020
Single Family - Mortgage & Warehouse	$ 4,359,472	$ 4,722,304
Multifamily and Commercial Mortgage	2,470,454	2,263,054
Commercial Real Estate	3,180,453	2,297,920
Commercial & Industrial - Non-RE	1,123,869	885,320
Auto & Consumer	362,180	341,365
Other	58,316	193,479
Total gross loans	11,554,744	10,703,442
Allowance for credit losses - loans	(132,958)	(75,807)
Unaccreted premiums (discounts) and loan fees	(6,972)	3,714
Total net loans	$ 11,414,814	$ 10,631,349

The following table summarizes activity in the allowance for credit losses - loans for the periods indicated:

	At June 30,		
(Dollars in thousands)	2021	2020	2019
Balance—beginning of period	$ 75,807	$ 57,085	$ 49,151
Effect of Adoption of ASC 326	47,300	—	—
Provision for loan and lease loss	23,750	42,200	27,350
Charged off	(16,558)	(25,833)	(19,663)
Transfers to held for sale	—	—	(2,356)
Recoveries	2,659	2,355	2,603
Balance—end of period	$ 132,958	$ 75,807	$ 57,085

Loans held for investment transferred to loans held for sale classification are carried at the lower of cost or fair value. At the time of transfer into the held for sale classification, any amount by which cost exceeds fair value is accounted for as a charge against the allowance for loan and lease losses, shown in the transfers to held for sale in the table above.

In the ordinary course of business, the Company has granted related party loans collateralized by real property to certain executive officers, directors and their affiliates. There were one and five refinances of related party loans in the amounts of $1.4 million and $8.5 million during the fiscal years ended June 30, 2021 and 2020, respectively. During the fiscal year ended June 30, 2021, the Company originated four new related party loans in the amount of $10.0 million. Total principal payments on related party loans were $7.0 million and $7.9 million during the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, these loans amounted to $23.8 million and $14.5 million, respectively, and are included in loans held for investment. Interest earned on these loans was $0.1 million and $0.2 million during the years ended June 30, 2021 and 2020, respectively.

The Company's loan portfolio consists of approximately 14.9% fixed interest rate loans and 85.1% adjustable interest rate loans as of June 30, 2021. The Company's adjustable rate loans are generally based upon indices using U.S. Treasury rates, LIBOR and Eleventh District Cost of Funds.

At June 30, 2021 and 2020, portfolio loans serviced by others were $44.7 million, or 0.39%, and $49.4 million, or 0.46%, respectively, of the loan portfolio.

As of June 30, 2021, the Company had $1,074.3 million of interest only loans and $0.9 million of option adjustable-rate mortgage loans. Through June 30, 2021, the net amount of deferred interest on these loan types was not material to the financial position or operating results of the Company.

The following tables summarize activity in the allowance for credit losses -loans by portfolio classes for the periods indicated:

	June 30, 2021						
(Dollars in thousands)	Single Family - Mortgage & Warehouse	Multifamily and Commercial Mortgage	Commercial Real Estate	Commercial & Industrial - Non-RE	Auto & Consumer	Other	Total
Balance at July 1, 2020	$ 25,899	$ 4,719	$ 21,052	$ 9,954	$ 9,462	$ 4,721	$ 75,807
Effect of Adoption of ASC 326	6,318	7,408	25,893	7,042	610	29	47,300
Provision for credit losses - loans	(3,242)	1,196	11,238	14,251	(1,354)	1,661	23,750
Charge-offs	(2,502)	(177)	(255)	(2,833)	(3,517)	(7,274)	(16,558)
Recoveries	131	—	—	46	1,318	1,164	2,659
Balance at June 30, 2021	$ 26,604	$ 13,146	$ 57,928	$ 28,460	$ 6,519	$ 301	$ 132,958

	June 30, 2020						
(Dollars in thousands)	Single Family - Mortgage & Warehouse	Multifamily and Commercial Mortgage	Commercial Real Estate	Commercial & Industrial - Non-RE	Auto & Consumer	Other	Total
Balance at July 1, 2019	$ 22,290	$ 3,807	$ 14,632	$ 9,544	$ 6,339	$ 473	$ 57,085
Provision for credit losses - loans	3,546	793	6,420	4,542	7,429	19,470	42,200
Charge-offs	(203)	—	—	(4,132)	(5,047)	(16,451)	(25,833)
Recoveries	266	119	—	—	741	1,229	2,355
Balance at June 30, 2020	$ 25,899	$ 4,719	$ 21,052	$ 9,954	$ 9,462	$ 4,721	$ 75,807

	June 30, 2019						
(Dollars in thousands)	Single Family - Mortgage & Warehouse	Multifamily and Commercial Mortgage	Commercial Real Estate	Commercial & Industrial - Non-RE	Auto & Consumer	Other	Total
Balance at July 1, 2018	$ 20,905	$ 4,054	$ 9,202	$ 10,438	$ 4,127	$ 425	$ 49,151
Provision for credit losses - loans	1,777	(356)	5,430	255	5,731	14,513	27,350
Charge-offs	(799)	—	—	(1,149)	(3,752)	(13,963)	(19,663)
Transfers to held for sale	—	—	—	—	—	(2,356)	(2,356)
Recoveries	407	109	—	—	233	1,854	2,603
Balance at June 30, 2019	$ 22,290	$ 3,807	$ 14,632	$ 9,544	$ 6,339	$ 473	$ 57,085

Credit Quality Disclosure. Nonaccrual loans consisted of the following as of the dates indicated:

	As of June 30, 2021		
(Dollars in thousands)	With Allowance	With No Allowance	Total
Single Family - Mortgage & Warehouse	$ 45,951	$ 59,757	$ 105,708
Multifamily and Commercial Mortgage	2,916	17,512	20,428
Commercial Real Estate	15,839	—	15,839
Commercial & Industrial - Non-RE	2,942	—	2,942
Auto & Consumer	230	48	278
Total nonaccrual loans	$ 67,878	$ 77,317	$ 145,195
Nonaccrual loans to total loans			1.26 %

Approximately 0.55% of our nonaccrual loans at June 30, 2021 were considered TDRs, compared to 0.34% at June 30, 2020. Borrowers who make timely payments after TDRs are considered non-performing for at least six months. Generally, after six months of timely payments, those TDRs are reclassified from the nonaccrual loan and lease category to performing and return to accrual status. Approximately 72.80% of the Bank’s nonaccrual loans are single family first mortgages.

The following tables provide the outstanding unpaid balance of loans and leases that are performing and nonaccrual by portfolio class as of the dates indicated:

	June 30, 2021						
(Dollars in thousands)	Single Family - Mortgage & Warehouse	Multifamily and Commercial Mortgage	Commercial Real Estate	Commercial & Industrial - Non-RE	Auto & Consumer	Other	Total
Performing	$ 4,253,764	$ 2,450,026	$ 3,164,614	$ 1,120,927	$ 361,902	$ 58,316	$ 11,409,549
Nonaccrual	105,708	20,428	15,839	2,942	278	—	145,195
Total	$ 4,359,472	$ 2,470,454	$ 3,180,453	$ 1,123,869	$ 362,180	$ 58,316	$ 11,554,744

	June 30, 2020						
(Dollars in thousands)	Single Family - Mortgage & Warehouse	Multifamily and Commercial Mortgage	Commercial Real Estate	Commercial & Industrial - Non-RE	Auto & Consumer	Other	Total
Performing	$ 4,638,274	$ 2,259,629	$ 2,297,920	$ 885,107	$ 341,092	$ 193,479	$ 10,615,501
Nonaccrual	84,030	3,425	—	213	273	—	87,941
Total	$ 4,722,304	$ 2,263,054	$ 2,297,920	$ 885,320	$ 341,365	$ 193,479	$ 10,703,442

Interest recognized on performing loans temporarily modified as TDRs was $0, $0, and $0 for the years ended June 30, 2021, 2020 and 2019 respectively. The average balances of nonaccrual loans was $142.0 million, $60.6 million and $39.5 million for the years ended June 30, 2021, 2020 and 2019, respectively. There was no amount in performing TDRs for each of the years ended June 30, 2021, 2020 and 2019. There was no interest income recognized on non-accrual loans for the years ended June 30, 2021, 2020 and 2019.

The Company had no TDRs classified as performing loans at June 30, 2021 or 2020.

Credit Quality Indicators. The Company categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans and leases individually by classifying the loans and leases as to credit risk. The Company uses the following definitions for risk ratings.

Pass. Loans and leases classified as pass are well protected by the current net worth and paying capacity of the obligor or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.

Special Mention. Loans and leases classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or of the institution's credit position at some future date.

Substandard. Loans and leases classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans and leases so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans and leases classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The Company reviews and grades loans and leases following a continuous loan and lease review process, featuring coverage of all loan and lease types and business lines at least quarterly. Continuous reviewing provides more effective risk monitoring because it immediately tests for potential impacts caused by changes in personnel, policy, products or underwriting standards.

The amortized cost basis by fiscal year of origination and credit quality indicator of the Company's loan and leases as of June 30, 2021 was as follows:

	Loans Held for Investment Origination Year								
(Dollars in thousands)	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Revolving Loans**	**Converted to Loans HFI**	**Total**
Single Family-Mortgage & Warehouse									
Pass	$ 962,787	$ 726,941	$ 492,421	$ 470,287	$ 351,274	$576,197	$ 585,785	$ —	$ 4,165,692
Special Mention	79	9,972	7,102	4,093	6,434	18,347	28,339	—	74,366
Substandard	—	32,363	16,386	17,624	15,032	38,009	—	—	119,414
Doubtful	—	—	—	—	—	—	—	—	—
Total	962,866	769,276	515,909	492,004	372,740	632,553	614,124	—	**4,359,472**
Multifamily and Commercial Mortgage									
Pass	636,870	571,530	357,900	288,698	195,257	340,553	—	—	2,390,808
Special Mention	—	26,224	18,132	855	1,321	1,409	—	—	47,941
Substandard	4,947	12,123	1,068	10,554	1,236	1,777	—	—	31,705
Doubtful	—	—	—	—	—	—	—	—	—
Total	641,817	609,877	377,100	300,107	197,814	343,739	—	—	**2,470,454**
Commercial Real Estate									
Pass	1,335,963	946,723	430,513	114,979	—	63,750	184,219	—	3,076,147
Special Mention	—	9,359	15,487	—	—	—	1,993	—	26,839
Substandard	—	24,842	36,786	15,839	—	—	—	—	77,467
Doubtful	—	—	—	—	—	—	—	—	—
Total	1,335,963	980,924	482,786	130,818	—	63,750	186,212	—	**3,180,453**
Commercial & Industrial - Non-RE									
Pass	45,396	80,139	16,842	24,210	8,679	—	927,449	—	1,102,715
Special Mention	—	11,693	262	2,197	—	—	—	—	14,152
Substandard	2,989	733	2,942	338	—	—	—	—	7,002
Doubtful	—	—	—	—	—	—	—	—	—
Total	48,385	92,565	20,046	26,745	8,679	—	927,449	—	**1,123,869**
Auto & Consumer									
Pass	156,391	78,641	70,071	32,725	15,885	7,410	—	—	361,123
Special Mention	30	144	62	—	—	31	—	—	267
Substandard	61	181	396	59	76	17	—	—	790
Doubtful	—	—	—	—	—	—	—	—	—
Total	156,482	78,966	70,529	32,784	15,961	7,458	—	—	**362,180**
Other									
Pass	17,078	37,909	—	1,663	649	1,017	—	—	58,316
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	17,078	37,909	—	1,663	649	1,017	—	—	**58,316**
Total									
Pass	3,154,485	2,441,883	1,367,747	932,562	571,744	988,927	1,697,453	—	11,154,801
Special Mention	109	57,392	41,045	7,145	7,755	19,787	30,332	—	163,565
Substandard	7,997	70,242	57,578	44,414	16,344	39,803	—	—	236,378
Doubtful	—	—	—	—	—	—	—	—	—
Total	$3,162,591	$2,569,517	$1,466,370	$ 984,121	$ 595,843	$1,048,517	$1,727,785	$ —	**$11,554,744**
As a % of total gross loans and leases	27.37%	22.24%	12.69%	8.52%	5.16%	9.07%	14.95%	—%	100.0%

The Company considers the performance of the loan and lease portfolio and its impact on the allowance for loan and lease losses. The Company also evaluates credit quality based on the aging status of its loans and leases. During the year, the Company holds certain short-term loans that do not have a fixed maturity date that are treated as delinquent if not paid in full 90 days after the origination date.

The Company has taken proactive measures to manage loans that became delinquent during the recent economic downturn as a result of the COVID-19 pandemic. As of June 30, 2021, the Company provided no forbearance nor deferrals of payment obligations on any single family, multifamily and commercial mortgage loans, warehouse loans and commercial real estate loans. Deferrals totaling $0.9 million of auto and consumer loans were granted during the fiscal year ended June 30, 2021.

The following tables provide the outstanding unpaid balance of loans and leases that are past due 30 days or more by portfolio class as of the dates indicated:

	June 30, 2021			
(Dollars in thousands)	30-59 Days	60-89 Days	90+ Days	Total
Single Family-Mortgage & Warehouse	$ 24,150	$ 46,552	$ 69,169	$ 139,871
Multifamily and Commercial Mortgage	7,991	1,816	12,122	21,929
Commercial Real Estate	36,786	—	—	36,786
Commercial & Industrial - Non-RE	—	—	2,960	2,960
Auto & Consumer	601	306	235	1,142
Other	—	—	—	—
Total	$ 69,528	$ 48,674	$ 84,486	$ 202,688
As a % of gross loans and leases	0.60 %	0.42 %	0.73 %	1.75 %

	June 30, 2020			
(Dollars in thousands)	30-59 Days	60-89 Days	90+ Days	Total
Single Family-Mortgage & Warehouse	$ 17,931	$ 23,115	$ 66,813	$ 107,859
Multifamily and Commercial Mortgage	7,744	5,287	—	13,031
Commercial Real Estate	—	—	—	—
Commercial & Industrial - Non-RE	—	—	—	—
Auto & Consumer	973	166	326	1,465
Other	—	—	—	—
Total	$ 26,648	$ 28,568	$ 67,139	$ 122,355
As a % of gross loans and leases	0.25 %	0.27 %	0.63 %	1.13 %

Allowance for Credit Losses

The allowance for credit losses is the sum of the allowance for credit losses - loans and the unfunded loan commitment liabilities. Unfunded loan commitment liabilities are included in "Accounts payable, accrued liabilities and other liabilities" in the Consolidated Balance Sheets. Provisions for the unfunded loan commitments are included in Consolidated Statements of Income in "General and administrative expenses".

The following tables present a summary of the activity in the allowance for credit losses for the periods indicated:

	For the Year Ended June 30, 2021		
(Dollars in thousands)	Allowance for Credit Losses - Loans	Unfunded Loan Commitment Liabilities	Total Allowance for Credit Losses
Balance at July 1, 2020	$ 75,807	$ 323	$ 76,130
Effect of Adoption of ASC 326	47,300	5,700	53,000
Provision for Credit Losses	23,750	(300)	23,450
Charge-offs	(16,558)	—	(16,558)
Recoveries	2,659	—	2,659
Balance at June 30, 2021	$ 132,958	$ 5,723	$ 138,681

	For the Year Ended June 30, 2020		
(Dollars in thousands)	Allowance for Credit Losses - Loans	Unfunded Loan Commitment Liabilities	Total Allowance for Credit Losses
Balance at July 1, 2019	$ 57,085	$ 227	$ 57,312
Provision for Credit Losses	42,200	96	42,296
Charge-offs	(25,833)	—	(25,833)
Recoveries	2,355	—	2,355
Balance at June 30, 2020	$ 75,807	$ 323	$ 76,130

6. OFFSETTING OF SECURITIES FINANCING AGREEMENTS

The Company enters into securities borrowed and securities loaned transactions. The Company executes these transactions to facilitate customer match-book activity, cover short positions and customer securities lending. The Company manages credit exposure from certain transactions by entering into master securities lending agreements. The relevant agreements allow for the efficient closeout of transactions, liquidation and set-off of collateral against the net amount owed by the counterparty following a default. Default events generally include, among other things, failure to pay, insolvency or bankruptcy of a counterparty.

The following table presents information about the offsetting of these instruments and related collateral amounts as of:

	June 30, 2021				
(Dollars in thousands)	Gross Assets / Liabilities	Amounts Offset	Net Balance Sheet Amount	Financial Collateral	Net Assets / Liabilities
Assets:					
Securities borrowed	$ 619,088	$ —	$ 619,088	$ 619,088	$ —
Liabilities:					
Securities loaned	$ 728,988	$ —	$ 728,988	$ 728,988	$ —

	June 30, 2020				
(Dollars in thousands)	Gross Assets / Liabilities	Amounts Offset	Net Balance Sheet Amount	Financial Collateral	Net Assets / Liabilities
Assets:					
Securities borrowed	$ 222,368	$ —	$ 222,368	$ 222,368	$ —
Liabilities:					
Securities loaned	$ 255,945	$ —	$ 255,945	$ 255,945	$ —

The securities loaned transactions represent equities with an overnight and open maturity classification.

7. CUSTOMER, BROKER-DEALER AND CLEARING RECEIVABLES AND PAYABLES

Customer, broker-dealer and clearing receivables and payables consisted of the following at June 30, 2021:

(Dollars in thousands)	At June 30, 2021	At June 30, 2020
Receivables:		
Customers	$ 326,176	$ 211,386
Broker-dealer and clearing organizations:		
Receivable from broker-dealers	38,887	6,782
Securities failed to deliver	4,752	2,098
Total customer, broker-dealer and clearing receivables	$ 369,815	$ 220,266
Payables:		
Customers	$ 497,098	$ 324,628
Broker-dealer and clearing organizations:		
Payable to broker-dealers	31,203	20,382
Securities failed to receive	7,124	2,604
Total customer, broker-dealer and clearing payables	$ 535,425	$ 347,614

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8. FURNITURE, EQUIPMENT AND SOFTWARE

A summary of the cost and accumulated depreciation and amortization for leasehold improvements, furniture, equipment and software is as follows:

(Dollars in thousands)	At June 30, 2021	At June 30, 2020
Leasehold improvements	$ 5,556	$ 5,434
Furniture and fixtures	7,793	7,749
Computer hardware and equipment	24,396	22,932
Software	60,086	51,554
Total	97,831	87,669
Less accumulated depreciation and amortization	(71,535)	(57,105)
Furniture, equipment and software—net[1]	$ 26,296	$ 30,564

[1]*Furniture, equipment and software are included in the other assets line on the consolidated balance sheet.*

Depreciation and amortization expense in respect of leasehold improvements, furniture, equipment and software for the years ended June 30, 2021, 2020 and 2019 was $14.4 million, $14.9 million and $11.7 million, respectively.

9. GOODWILL AND INTANGIBLE ASSETS

Management has evaluated and continues to monitor all key factors impacting the carrying value of the Company's recorded goodwill and long-lived assets. Adverse changes in the Company's actual or expected operating results, market capitalization, business climate, economic factors or other negative events that may be outside the control of management could result in material non-cash impairment charges in the future. Management performed impairment testing at the reporting unit level and there was no impairment identified for the fiscal years ended June 30, 2021 and June 30, 2020. There were no changes to goodwill in the year ended June 30, 2020 and the year ended June 30, 2021.

The following table summarizes the activity in the Company's goodwill balance as of the dates indicated:

(Dollars in thousands)		**Total**
Balance as of July 1, 2019	$	71,222
Goodwill from acquisitions		—
Balance as of July 1, 2020		71,222
Goodwill from acquisitions		—
Balance as of June 30, 2021	$	71,222

The Company's acquired intangible assets are summarized as follows as of the dates indicated:

	June 30, 2021			**June 30, 2020**		
(Dollars in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Covenant not to compete	$ 930	$ 756	$ 174	$ 930	$ 523	$ 407
Customer relationships	31,310	7,110	24,200	31,310	4,498	26,812
Customer deposit intangible	13,545	5,829	7,716	13,545	3,756	9,789
Developed technologies	23,050	10,769	12,281	23,050	5,963	17,087
Trademark	378	—	378	—	—	—
Trade name	290	290	—	290	218	72
Total intangible assets	$ 69,503	$ 24,754	$ 44,749	$ 69,125	$ 14,958	$ 54,167

The weighted-average useful lives of intangible assets at the time of acquisition were as follows:

	Weighted-Average Useful Lives (Years)
Covenant not to compete	4
Customer relationships	12
Customer deposit intangible	10
Developed technologies	5
Trade name	3

The amortization expense for intangible assets that are subject to amortization was $9.8 million and $9.5 million for the years ended June 30, 2021 and 2020, respectively. Each intangible asset subject to amortization is amortized using the straight-line method over the estimated useful life of the asset. Estimated future amortization expense related to finite-lived intangible assets at June 30, 2021 is as follows:

(Dollars in thousands)		**Amortization Expense**
For the fiscal year ending June 30,		
2022	$	8,441
2023		8,020
2024		7,551
2025		4,061
2026		2,927
Thereafter		13,371
Total	$	44,371

10. LEASES

The Company leases office space under operating lease agreements scheduled to expire at various dates. Operating lease expense for the years ended June 30, 2021, 2020 and 2019 was $10.6 million, $10.5 million and $7.8 million, respectively.

Supplemental balance sheet information related to leases as of June 30, 2021 was as follows:

	Years End June 30,	
(Dollars in thousands)	**2021**	**2020**
Operating lease right-of-use assets	$ 64,077	$ 73,014
Operating lease liabilities	70,119	76,827
Weighted-average remaining lease term:		
Operating leases	8.30 years	9.12 years
Weighted-average discount rate:		
Operating leases	2.90 %	2.90 %

Maturities of Operating Lease Liabilities. The Company leases office space under operating lease agreements scheduled to expire at various dates. The following table represents maturities of lease liabilities as of June 30, 2021:

(Dollars in thousands)	
Within one year	$ 9,548
After one year and within two years	9,820
After two years and within three years	9,422
After three years and within four years	8,791
After four years and within five years	8,031
After five years	33,937
Total lease payments	79,549
Less: amount representing interest	(9,430)
Total Lease Liability	$ 70,119

As of June 30, 2021, the Company is in compliance with all covenants contained in lease agreements.

11. DEPOSITS

Deposit accounts are summarized as follows:

	At June 30,			
	2021		2020	
(Dollars in thousands)	Amount	Rate[1]	Amount	Rate[1]
Non-interest bearing	$ 2,474,424	— %	$ 1,936,661	— %
Interest bearing:				
Demand	3,369,845	0.15 %	3,456,127	0.37 %
Savings	3,458,687	0.21 %	3,697,188	0.78 %
	6,828,532	0.18 %	7,153,315	0.58 %
Time deposits:				
$250 and under	1,070,139	1.30 %	1,584,034	2.12 %
Greater than $250	442,702	1.03 %	662,684	1.39 %
Total time deposits	1,512,841	1.22 %	2,246,718	1.91 %
Total interest bearing[2]	8,341,373	0.37 %	9,400,033	0.90 %
Total deposits	$ 10,815,797	0.29 %	$ 11,336,694	0.75 %

[1] Based on weighted-average stated interest rates at end of period.
[2] The total interest-bearing includes brokered deposits of $621.4 million and $1,318.0 million as of June 30, 2021 and June 30, 2020, respectively, of which $380.0 million and $603.6 million, respectively, are time deposits classified as $250 and under.

The scheduled maturities of time deposits are as follows:

(Dollars in thousands)	June 30, 2021
Within 12 months	$ 1,021,465
13 to 24 months	214,232
25 to 36 months	125,943
37 to 48 months	138,485
49 to 60 months	12,716
Thereafter	—
Total	$ 1,512,841

At June 30, 2021 and 2020, the Company had deposits from certain executive officers, directors and their affiliates in the amount of $3.2 million and $2.7 million, respectively.

12. ADVANCES FROM THE FEDERAL HOME LOAN BANK

At June 30, 2021 and 2020, the Company's fixed-rate FHLB advances had interest rates that ranged from 0.15% to 2.86% with a weighted average of 1.18% and ranged from 0.00% to 2.89% with a weighted average of 2.22%, respectively.

Fixed-rate advances from FHLB are scheduled to mature as follows:

	At June 30,			
	2021		2020	
(Dollars in thousands)	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Within one year[1]	$ 236,000	0.64 %	$ 75,000	1.99 %
After one but within two years	27,500	2.08 %	50,000	2.47 %
After two but within three years	—	— %	27,500	2.08 %
After three but within four years	30,000	2.82 %	—	— %
After four but within five years	—	— %	30,000	2.82 %
After five years	60,000	2.07 %	60,000	2.07 %
Total	$ 353,500	1.18 %	$ 242,500	2.22 %

1. Within one year category includes of term advances of $186,000 and $0 at June 30, 2021 and 2020, respectively.

The Company's advances from the FHLB were collateralized by certain real estate loans with an aggregate unpaid balance of $4,286.1 million and $4,806.9 million at June 30, 2021 and 2020, respectively, by the Company's investment in capital stock of the FHLB of San Francisco and by its investment in mortgage-backed securities. Generally, each advance carries a prepayment penalty and is payable in full at its maturity date.

The maximum amounts advanced at any month-end during the period from the FHLB were $353.5 million, $1,462.5 million, and $3,424.0 million during the years ended June 30, 2021, 2020, and 2019, respectively. At June 30, 2021, the Company had $2,292.9 million available immediately and $3,076.5 million available with additional collateral for advances from the FHLB for terms up to ten years.

13. BORROWINGS, SUBORDINATED NOTES AND DEBENTURES

The following table sets forth the composition of the borrowings, subordinated notes and debentures as of the dates indicated:

(Dollars in thousands)	June 30, 2021	June 30, 2020
Borrowings from other banks	$ 36,200	$ 21,500
Paycheck protection program liquidity facility advances	—	151,952
Subordinated loans	7,400	7,400
Subordinated notes	175,000	51,000
Junior subordinated debentures	5,155	5,155
Less unamortized issuance costs	(2,397)	(1,218)
Total borrowings, subordinated notes and debentures	$ 221,358	$ 235,789

Borrowings from other banks. Axos Clearing has $133.8 million uncommitted secured lines of credit available for borrowing. As of June 30, 2021, there was $36.2 million outstanding. These credit facilities bear interest at rates based on the Federal Funds rate and are due upon demand. The weighted average interest rate on the borrowings at June 30, 2021 was 1.75%, a rate blending fixed and variable components.

Axos Clearing has a $50.0 million committed unsecured line of credit available for limited purpose borrowing. As of June 30, 2021, there was $0.0 million outstanding. This credit facility bears interest at rates based on the Federal Funds rate and are due upon demand. The unsecured line of credit requires Axos Clearing operate in accordance of specific covenants surrounding capital and debt ratios. Axos Clearing was in compliance of all covenants as of June 30, 2021.

Paycheck Protection Program Liquidity Facility Advances . The Bank has zero advances outstanding from the Federal Reserve Bank through the Paycheck Protection Program Liquidity Facility, and no Small Business Administration Paycheck Protection Program Loans pledged as of June 30, 2021. The advances during the year had interest rates of 0.35% and mature at the earlier of PPP borrower forgiveness or June 2022.

Subordinated Loans. The Company issued subordinated notes totaling $7.5 million on January 28, 2019, to the principal stockholders of COR Securities in an equal principal amount, with a maturity of 15 months, to serve as the sole source of payment of indemnification obligations of the principal stockholders of COR Securities under the Merger Agreement. Interest accrues at a rate of 6.25% per annum. During the fiscal year ended June 30, 2019, $0.1 million of subordinated loans were repaid. The Company is in the process of making an indemnification claim against the $7.4 million remaining.

Subordinated Notes. In September 2020, the Company completed the sale of $175.0 million aggregate principal amount of its 4.875% Fixed-to-Floating Rate Subordinated Notes due October 1, 2030 (the "Notes"). The Notes mature on October 1, 2030 and accrue interest at a fixed rate per annum equal to 4.875%, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2021. From and including October 1, 2025, to, but excluding October 1, 2030 or the date of early redemption, the Notes will bear interest at a floating rate per annum equal to a benchmark rate (which is expected to be the Three-Month Term Secured Overnight Financing Rate) plus a spread of 476 basis points, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on January 2026. The Notes may be redeemed on or after October 1, 2025, which date may be extended at the Company's discretion, at a redemption price equal to principal plus accrued and unpaid interest, subject to certain conditions. Fees and costs incurred in connection with the debt offering amortize to interest expense over the term of the Notes.

On March 31, 2021, the Company completed the redemption of $51.0 million aggregate principal amount of its 6.25% Subordinated Notes due 2026 (the "Notes 2026"). The Notes 2026 were redeemed for cash by the Company at 100% of their principal amount, plus accrued and unpaid interest, in accordance with the terms of the indenture governing the Notes 2026. Remaining unamortized deferred financing costs associated with such notes were expensed and included under *Interest Expense - Other Borrowings* in the Consolidated Statements of Income.

Junior Subordinated Debentures. On December 13, 2004, the Company entered into an agreement to form an unconsolidated trust which issued $5.0 million of trust preferred securities in a transaction that closed on December 16, 2004. The net proceeds from the offering were used to purchase $5.2 million of junior subordinated debentures ("Debentures") of the Company with a stated maturity date of February 23, 2035. The Debentures are the sole assets of the trust. The trust preferred securities are mandatorily redeemable upon maturity, or upon earlier redemption as provided in the indenture. The Company has the right to redeem the Debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indenture plus any accrued but unpaid interest through the redemption date. Interest accrues at the rate of three-month LIBOR plus 2.4% for a rate of 2.55% as of June 30, 2021, with interest paid quarterly starting February 16, 2005.

The Bank has the ability to borrow short-term from the Federal Reserve Bank of San Francisco ("FRBSF") Discount Window. At June 30, 2021 and 2020 there were no amounts outstanding and the available borrowings from this source were $2,091.3 million and $1,783.4 million, respectively. The 2021 available borrowings would be collateralized by residential real estate loans, certain C&I loans. The Bank has additional unencumbered collateral that could be pledged to the FRBSF Discount Window to increase borrowing liquidity.

The Bank has federal funds lines of credit with two major banks totaling $175.0 million. At June 30, 2021 and 2020 the Bank had no outstanding balances on these lines.

14. INCOME TAXES

The provision for income taxes is as follows:

(Dollars in thousands)	At June 30, 2021	2020	2019
Current:			
Federal	$ 61,827	$ 51,893	$ 42,065
State	37,037	33,852	24,296
	98,864	85,745	66,361
Deferred:			
Federal	(5,562)	(3,814)	(5,483)
State	(3,266)	(2,737)	(3,203)
	(8,828)	(6,551)	(8,686)
Total	$ 90,036	$ 79,194	$ 57,675

The differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	At June 30, 2021	2020	2019
Statutory federal tax rate	21.00 %	21.00 %	21.00 %
Increase (decrease) resulting from:			
State taxes—net of federal tax benefit	8.70 %	9.27 %	8.66 %
Cash surrender value	(0.01)%	(0.02)%	(0.06)%
Deferred tax asset write-off	— %	0.77 %	— %
Tax credits	(0.59)%	(0.77)%	(1.55)%
Non-taxable income	(0.09)%	(0.10)%	(0.15)%
Excess benefit RSU vesting	(0.64)%	(0.05)%	(0.95)%
Other	1.08 %	0.05 %	0.15 %
Effective tax rate	29.45 %	30.15 %	27.10 %

The components of the net deferred tax asset are as follows:

(Dollars in thousands)	At June 30, 2021	At June 30, 2020
Deferred tax assets:		
Allowance for loan and lease losses and charge-offs	$ 51,663	$ 30,705
State taxes	903	2,682
Stock-based compensation expense	4,891	4,249
Unrealized net losses on securities	—	1,135
Deferred bonus / vacation	3,388	2,385
Securities impaired	266	266
Deferred loan fees	4,182	2,900
Lease liability	1,959	1,236
Net operating loss carryforward	1,811	2,244
Total deferred tax assets	69,063	47,802
Deferred tax liabilities:		
FHLB stock dividend	(830)	(830)
Other assets—prepaids	(2,717)	(2,095)
Depreciation and amortization	(9,998)	(13,111)
Unrealized net gains on securities	(1,155)	—
Total deferred tax liabilities	(14,700)	(16,036)
Net deferred tax asset[1]	$ 54,363	$ 31,766

[1]*Net deferred tax asset is included in the other assets line on the consolidated balance sheet.*

The Company records deferred tax assets for net operating losses when the benefit is more likely than not to be realized. As of June 30, 2021, the Company had federal net operating loss carryforwards of approximately $7.4 million. The annual 382 limitation is approximately $2.3 million for federal purposes. The Company also had state net operating loss carryforwards of $2.3 million. Of this amount, $1.8 million is subject to an annual 382 limitation of approximately $0.1 million for state purposes. These carryforwards begin to expire in 2034 and 2035 for federal and state purposes, respectively.

During the year ended June 30, 2020, the Company determined that certain stock-based compensation awards would not be granted under the plan, and the deferred tax assets related to these awards will not be realized. Accordingly, the Company wrote-off $6.8 million of stock-based compensation deferred tax asset, resulting in a $2.0 million increase in tax expense for fiscal 2020. The RSU tax benefit calculation determined no write-off was necessary for fiscal 2021 based on the Company's strong stock price performance.

The Company establishes a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of June 30, 2021 and 2020, the Company believes that it will have sufficient future earnings to realize its deferred tax asset and has not provided an allowance.

The following is a reconciliation of the beginning and ending amount of unrecognized tax positions for the periods presented:

(Dollars in thousands)	2021	2020	2019
Balance—beginning of period	$ 813	$ 1,084	$ 1,135
Additions—current year tax positions	355	115	107
Additions—prior year tax positions[1]	2,205	31	—
Reductions—prior year tax positions	(4)	(417)	(158)
Total liability for unrecognized tax positions—end of period	$ 3,369	$ 813	$ 1,084

[1] *The Company added an allowance on credits claimed.*

The Company is subject to federal income tax and income tax of state taxing authorities. The Company's federal income tax returns for the years ended June 30, 2018, 2019, and 2020 and its state taxing authorities income tax returns for the years ended June 30, 2017, 2018, 2019 and 2020 are open to audit under the statutes of limitations by the Internal Revenue Service and state taxing authorities.

During the year ended June 30, 2019, the Company acquired COR Securities Holdings. The Company recognized a deferred tax liability of $2.2 million.

The Company received federal and state tax credits for the years ended June 30, 2021, 2020, and 2019, respectively. These tax credits reduced the effective tax rate by approximately 0.59%, 0.77%, and 1.55% respectively.

15. STOCKHOLDERS' EQUITY

Common Stock Repurchases. On March 17, 2016, the Board of Directors of the Company (the "Board"), authorized a program to repurchase up to $100 million of common stock and extended the program by an additional $100 million on August 2, 2019. The Company may repurchase shares on the open market or through privately negotiated transactions at times and prices considered appropriate, at the discretion of the Company, and subject to its assessment of alternative uses of capital, stock trading price, general market conditions and regulatory factors. The repurchase program does not obligate the Company to acquire any specific number of shares. The share repurchase program will continue in effect until terminated by the Board. With the March 17, 2016 authorization, the Company repurchased a total of $100 million or 3,567,051 common shares at an average price of $28.03 per share. With the August 2, 2019 authorization, the Company has repurchased a total of $47.2 million or 2,399,853 common shares at an average price of $19.68 per share and there remains $52.8 million under the plan. During the year ended June 30, 2021, the Company repurchased a total of $16.8 million, or 753,597 common shares at an average price of $22.24 per share. The Company accounts for treasury stock using the cost method as a reduction of shareholders' equity in the accompanying consolidated financial statements.

Preferred Stock. The Company redeemed for cash all 515 outstanding shares of Series A-6% Cumulative Nonparticipating Perpetual Preferred Stock on October 30, 2020, at the face value $10,000 liquidation price per share plus accrued dividends.

The Company declared dividends to holders of its Series A preferred stock totaling $0.3 million for each of the years ended June 30, 2020 and 2019. Dividends totaling $0.1 million were declared for the year ended June 30, 2021, an amount less than prior years as preferred stock was redeemed before the full year.

16. STOCK-BASED COMPENSATION

The Company has an equity incentive plan, the Amended and Restated 2014 Stock Incentive Plan ("2014 Plan"), which provides for the granting of non-qualified and incentive stock options, restricted stock and restricted stock units, stock appreciation rights and other awards to employees, directors and consultants. The Plan is designed to encourage selected employees and directors to improve operations and increase profits, and to accept or continue employment or association with the Company through participation in the growth in the value of the common stock. The Plan requires that option exercise prices be not less than fair market value per share of common stock on the option grant date for incentive and non-qualified options. The options issued under the Plans generally vest in between three and five years. Option expiration dates are established by the Plans' administrator but may not be later than ten years after the date of the grant.

2014 Plan. In September and October 2019, the Company's Board of Directors and stockholders, respectively, approved the 2014 Plan, as amended and restated. The number of shares authorized for issuance pursuant to awards under the 2014 Plan is 4,680,000, less restricted stock unit awards granted, plus any restricted stock units that become available upon the forfeiture, expiration, cancellation or settlement in cash awards outstanding under the 2014 Plan. At June 30, 2021, 1,537,686 shares of common stock remained available for issuance pursuant to grant awards under the 2014 Plan.

Restricted Stock Units. During the fiscal year ended June 30, 2019, the Company's Board of Directors granted 623,249 restricted stock units to employees and directors. The chief executive officer received 480,000 restricted stock units, which vest ratably on each of the four fiscal year ends after the issue date. All other restricted stock unit awards granted during the year ended June 30, 2019, vest over three years, one-third on each anniversary of the grant date and 699,223 shares were vested and issued and 90,909 shares were canceled as of June 30, 2019.

During the fiscal year ended June 30, 2020, the Company's Board of Directors granted 714,569 restricted stock units to employees and directors. The chief executive officer received no restricted stock units. All restricted stock unit awards granted during the year ended June 30, 2020, vest over three years, one-third on each anniversary of the grant date and 693,660 shares were vested and issued and 122,217 shares were canceled as of June 30, 2020.

During the fiscal year ended June 30, 2021, the Company's Board of Directors granted 617,833 restricted stock units to employees and directors. The chief executive officer received no restricted stock units. All restricted stock unit awards granted during the year ended June 30, 2021, vest over three years, one-third on each anniversary of the grant date and 666,790 shares were vested and issued and 159,620 shares were canceled as of June 30, 2021.

Effective July 1, 2017 the Company entered into an employment agreement with its Chief Executive Officer (the "Agreement") that authorizes an award of restricted stock units (the "RSU award"). The RSU award is an equity-based award and carries a service condition and a market condition that incorporates a measurement of the Company's total stock return to shareholders in comparison to the total stock return of the ABA Nasdaq Community Bank Index. The accounting grant date of the RSU award is July 1, 2017 and expensing of the RSU award began on this date at the fair value measurement amount as determined by the Company's valuation process. The Company utilized a Monte Carlo simulation to estimate the value of path-dependent options and determined the fair value using an expected return based on the 5-year US Treasury constant maturity rate, an equity volatility based on 6-month and 1-year historical daily trading history, market capitalization, and stock price for the RSU award. As of July 1, 2017, the estimated fair value of the RSU award was $20.5 million, which vests in five tranches over a total period of nine years. Unrecognized compensation expense to be expensed over the remaining five years related to the non-vested RSU award is $4.8 million at June 30, 2021 and is included in the table below. The actual RSU award in future years is determined by the actual performance of Company's total stock return in comparison to the total stock return of the ABA Nasdaq Community Bank Index.

The Company's income before income taxes and net income for the years ended June 30, 2021, 2020 and 2019 included stock compensation expense of $20.7 million, $21.9 million and $23.4 million, respectively. The income tax benefit was $6.1 million, $6.6 million and $6.4 million, respectively. The Company recognizes compensation expense based upon the grant-date fair value divided by the service period between each vesting date.

At June 30, 2021 unrecognized compensation expense related to non-vested awards aggregated to $28.1 million and is expected to be recognized in future periods as follows:

(Dollars in thousands)	**Stock Award Compensation Expense**
For the fiscal year ending June 30:	
2022	$ 15,014
2023	9,350
2024	3,309
2025	331
2026	101
Total	$ 28,105

The following table presents the status and changes in restricted stock units for the periods indicated:

	Restricted Stock Units	**Weighted-Average Grant-Date Fair Value**
Non-vested balance at June 30, 2019	1,546,848	$ 30.73
Granted	714,569	24.05
Vested	(693,660)	28.52
Forfeitures	(122,217)	29.10
Non-vested balance at June 30, 2020	1,445,540	$ 28.62
Granted	617,833	32.12
Vested	(666,790)	29.23
Forfeitures	(176,113)	27.42
Non-vested balance at June 30, 2021	1,220,470	$ 30.18

The total fair value of shares vested during the years ended June 30, 2021, 2020 and 2019 was $24.4 million, $17.1 million and $22.1 million, respectively.

17. EARNINGS PER COMMON SHARE

The following table presents the calculation of basic and diluted EPS:

(Dollars in thousands, except per share data)	At June 30, 2021	2020	2019
Earnings Per Common Share			
Net income	$ 215,707	$ 183,438	$ 155,131
Preferred stock dividends	(103)	(309)	(309)
Preferred stock redemption	(86)	—	—
Net income attributable to common shareholders	$ 215,518	$ 183,129	$ 154,822
Average common shares issued and outstanding	59,229,495	60,794,555	61,898,447
Average unvested RSUs	—	—	—
Total qualifying shares	59,229,495	60,794,555	61,898,447
Earnings per common share	$ 3.64	$ 3.01	$ 2.50
Diluted Earnings Per Common Share			
Dilutive net income attributable to common shareholders	$ 215,518	$ 183,129	$ 154,822
Average common shares issued and outstanding	59,229,495	60,794,555	61,898,447
Dilutive effect of average unvested RSUs	1,290,116	643,080	483,618
Total dilutive common shares outstanding	60,519,611	61,437,635	62,382,065
Diluted earnings per common share	$ 3.56	$ 2.98	$ 2.48

18. COMMITMENTS, CONTINGENCIES, AND OFF-BALANCE-SHEET ACTIVITIES

COVID-19 Impact. The Company has closely monitored the rapid developments of and uncertainties caused by the COVID-19 pandemic. In response to the changes in economic and business conditions as a result of the COVID-19 pandemic, the Company continues to take the following actions to support customers, employees, partners and shareholders:

- Actively communicating with borrowers and partners to assess individual needs;
- Providing secure and efficient remote work options for our team members;
- Adjusting provisions for credit losses;
- Tightening underwriting standards;
- Reallocating personnel to increase resources for customer service and portfolio management; and
- Limiting business travel.

Under the guidelines set forth in the CARES Act, the Company had provided certain borrowers the ability to delay or make interest-only payments. Starting on September 30, 2020, the Company no longer allows delayed or interest-only payments.

Credit-Related Financial Instruments. The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the unaudited condensed consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At June 30, 2021, the Company had commitments to originate $55.0 million in fixed rate loans and $653.5 million in variable rate loans, totaling an aggregate outstanding principal balance of $708.6 million. For June 30, 2021, the Company's fixed rate commitments to originate had a weighted-average rate of 1.94%. For June 30, 2020, the Company had fixed and variable rate commitments to originate or purchase loans with an aggregate outstanding principal balance of $231.8 million and $769.3 million for total commitments to originate of $1,001.1 million. For June 30, 2020, the Company's fixed rate commitments to originate had a weighted average rate of 3.32%. At June 30, 2021, the Company also had fixed rate and variable rate commitments of $28.9 million and $26.9 million, respectively, to sell loans with an aggregate outstanding principal balance of $55.9 million. For June 30, 2020, the Company had fixed rate commitments to sell of $240.9 million. At June 30, 2021 and 2020, 48.2% and 79.4% of the commitments to originate loans are matched with commitments to sell related to conforming single family loans classified as held for sale, respectively.

Commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

In addition, we invest in low income housing project partnerships, which provide income tax credits, and in small business investment companies that call for capital contributions up to an amount specified in the partnership agreements. As of June 30, 2021 and 2020, we had commitments to contribute capital to these entities totaling $15.1 million and $19.3 million.

In the normal course of business, Axos Clearing's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose Axos Clearing to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and Axos Clearing has to purchase or sell the financial instrument underlying the contract at a loss. Axos Clearing's clearing agreements with broker-dealers for which it provides clearing services requires them to indemnify Axos Clearing if customers fail to satisfy their contractual obligation. As of June 30, 2021, non-customer and customer margin securities of approximately $402.9 million and stock borrowings of approximately $619.1 million were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company utilized $729.0 million of these available securities as collateral for securities loaned, $187.2 million for bank loans, and $51.6 million for OCC margin requirements.

Litigation. On October 15, 2015, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a putative class action lawsuit styled Golden v. BofI Holding, Inc., et al, and brought in United States District Court for the Southern District of California (the "Golden Case"). On November 3, 2015, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a second putative class action lawsuit styled Hazan v. BofI Holding, Inc., et al, and also brought in the United States District Court for the Southern District of California (the "Hazan Case"). On February 1, 2016, the Golden Case and the Hazan Case were consolidated as In re BofI Holding, Inc. Securities Litigation, Case #: 3:15-cv-02324-GPC-KSC (the "Class Action"), and the Houston Municipal Employees Pension System was appointed lead plaintiff. The plaintiffs allege that the Company and other named defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by failing to disclose wrongful conduct that was alleged in a complaint filed in connection with a wrongful termination of employment lawsuit filed on October 13, 2015 (the "Employment Matter") and that as a result the Company's statements regarding its internal controls, as well as portions of its financial statements, were false and misleading. On March 21, 2018, the Court entered a final order dismissing the Class Action with prejudice. Subsequently, the plaintiff appealed, the Court overturned the dismissal and the Company is preparing a petition for a rehearing.

On April 3, 2017, the Company, its Chief Executive Officer and its Chief Financial Officer were named defendants in a putative class action lawsuit styled Mandalevy v. BofI Holding, Inc., et al, and brought in United States District Court for the Southern District of California (the "Mandalevy Case"). The Mandalevy Case seeks monetary damages and other relief on behalf of a putative class that has not been certified by the Court. The complaint in the Mandalevy Case (the "Mandalevy Complaint") alleges a class period that differs from that alleged in the First Class Action, and that the Company and other named defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by failing to disclose wrongful conduct that was alleged in a March 2017 media article. The Mandalevy Case has not been consolidated into the First Class Action. On December 7, 2018, the Court entered a final order granting the defendants' motion and dismissing the Mandalevy Case with prejudice. Subsequently, the plaintiff filed a notice of appeal and the Court took the matter under advisement. On November 3, 2020, the Court issued a ruling affirming in part and reversing in part the District Court's Order dismissing the Class Action Second Amended Complaint. The defendants filed a petition for rehearing en banc on November 17, 2020, which petition was denied on December 16, 2020. The defendants filed a motion to dismiss the remanded complaint on February 19, 2021.

The Company and the other named defendants dispute the allegations of wrongdoing advanced by the plaintiffs in the Class Action, the Mandalevy Case, and in the Employment Matter, as well as those plaintiffs' statement of the underlying factual circumstances, and are vigorously defending each case.

In addition to the First Class Action and the Mandalevy Case, two separate shareholder derivative actions were filed in December, 2015, purportedly on behalf of the Company. The first derivative action, *Calcaterra v. Garrabrants, et al*, was filed in the United States District Court for the Southern District of California on December 3, 2015. The second derivative action, *Dow v. Micheletti, et al*, was filed in the San Diego County Superior Court on December 16, 2015. A third derivative action, *DeYoung v. Garrabrants, et al*, was filed in the United States District Court for the Southern District of California on January 22, 2016, a fourth derivative action, *Yong v. Garrabrants, et al*, was filed in the United States District Court for the Southern District of California on January 29, 2016, a fifth derivative action, *Laborers Pension Trust Fund of Northern Nevada v. Allrich et al*, was filed in the United States District Court for the Southern District of California on February 2, 2016, and a sixth derivative action, *Garner v. Garrabrants, et al*, was filed in the San Diego County Superior Court on August 10, 2017. Each of these six derivative actions names the Company as a nominal defendant, and certain of its officers and directors as defendants. Each complaint sets forth allegations of breaches of fiduciary duties, gross mismanagement, abuse of control, and unjust enrichment against the defendant officers and directors. The plaintiffs in these derivative actions seek damages in unspecified amounts on the Company's behalf from the officer and director defendants, certain corporate governance actions, and an award of their costs and attorney's fees.

The United States District Court for the Southern District of California ordered the four above-referenced derivative actions pending before it to be consolidated and appointed lead counsel in the consolidated action. On June 7, 2018, the Court entered an order granting defendant's motion for judgment on the pleadings, but giving the plaintiffs limited leave to amend by June 28, 2018. The plaintiffs failed to file an amended complaint, and instead plaintiffs filed on June 28, 2018 a motion to stay the case pending resolution of the securities class action and Employment Matter. On August 10, 2018, defendants filed an opposition to plaintiffs' motion. On September 11, 2018, the plaintiffs filed a second amended complaint. On October 16, 2018, defendants filed a motion to dismiss the second amended complaint. On October 16, 2018, defendants filed a motion to dismiss the second amended complaint. The Court dismissed the second amended complaint with prejudice on May 23, 2019. Subsequently, the plaintiff filed a notice of appeal and opening brief and the Company filed its answering brief. Oral argument was held September 2, 2020 and the Court took the matter under advisement.

The two derivative actions pending before the San Diego County Superior Court have been consolidated and have been stayed by agreement of the parties.

In view of the inherent difficulty of predicting the outcome of each legal action, particularly since claimants seek substantial or indeterminate damages, it is not possible to reasonably predict or estimate the eventual loss or range of loss, if any, related to each legal action.

19. MINIMUM REGULATORY CAPITAL REQUIREMENTS

Consolidated and Banking Business

The Company and Bank are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. Failure by the Company or Bank to meet minimum capital requirements could result in certain mandatory and discretionary actions by regulators that could have a material adverse effect on the consolidated financial statements. The Federal Reserve establishes capital requirements for the Company and the OCC has similar requirements for the Bank. The following tables present regulatory capital information for the Company and Bank. Information presented for June 30, 2021, reflects the Basel III capital requirements that became effective January 1, 2015 for both the Company and Bank. Under these capital requirements and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company and Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require the Company and Bank to maintain certain minimum capital amounts and ratios. Federal bank regulators require the Company and Bank maintain minimum ratios of core capital to adjusted average assets of 4.0%, common equity tier 1 capital to risk-weighted assets of 4.5%, tier 1 capital to risk-weighted assets of 6.0% and total risk-based capital to risk-weighted assets of 8.0%. At June 30, 2021, the Company and Bank met all the capital adequacy requirements to which they were subject. At June 30, 2021, the Company and Bank were "well capitalized" under the regulatory framework for prompt corrective action. To be "well capitalized," the Company and Bank must maintain minimum leverage, common equity tier 1 risk-based, tier 1 risk-based and total risk-based capital ratios of at least 5.0%, 6.5%, 8.0% and 10.0%, respectively. Management believes that no conditions or events have occurred since June 30, 2021 that would materially adversely change the Company's and Bank's capital classifications. From time to time, we may need to raise additional capital to support the Company's and Bank's further growth and to maintain their "well capitalized" status.

The Company's and Bank's capital amounts, capital ratios and capital requirements under Basel III were as follows:

	Axos Financial, Inc.		Axos Bank		"Well Capitalized" Ratio	Minimum Capital Ratio
(Dollars in thousands)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020		
Regulatory Capital:						
Tier 1	$ 1,309,496	$ 1,106,393	$ 1,262,885	$ 1,080,455		
Common equity tier 1	$ 1,309,496	$ 1,101,330	$ 1,262,885	$ 1,080,455		
Total capital (to risk-weighted assets)	$ 1,587,625	$ 1,240,923	$ 1,358,430	$ 1,156,401		
Assets:						
Average adjusted	$14,851,462	$12,333,030	$13,359,578	$11,679,819		
Total risk-weighted	$11,522,645	$ 9,817,374	$10,283,135	$ 9,160,365		
Regulatory Capital Ratios:						
Tier 1 leverage (core) capital to adjusted average assets	8.82 %	8.97 %	9.45 %	9.25 %	5.00 %	4.00 %
Common equity tier 1 capital (to risk-weighted assets)	11.36 %	11.22 %	12.28 %	11.79 %	6.50 %	4.50 %
Tier 1 capital (to risk-weighted assets)	11.36 %	11.27 %	12.28 %	11.79 %	8.00 %	6.00 %
Total capital (to risk-weighted assets)	13.78 %	12.64 %	13.21 %	12.62 %	10.00 %	8.00 %

Beginning January 1, 2016, Basel III implements a requirement for all banking organizations to maintain a capital conservation buffer above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer will be exclusively composed of common equity tier 1 capital, and it applies to each of the three risk-based capital ratios but not the leverage ratio. At June 30, 2021, the Company and Bank are in compliance with the capital conservation buffer requirement. Inclusive of the fully phased-in capital conservation buffer, the common equity Tier 1 capital, Tier 1 risk-based capital and total risk-based capital ratio minimums are 7.0%, 8.5% and 10.5%, respectively. A banking organization with a buffer of less than the required amount is subject to increasingly stringent limitations on such distributions and payments as the buffer approaches zero. The new rule also generally prohibits a banking organization from making such distributions or payments during any quarter if its eligible retained income is negative and its capital conservation buffer ratio was 2.5% or less at the end of the previous quarter. The eligible retained income of a banking organization is defined as its net income for the four calendar quarters preceding the current calendar quarter, based on the organization's quarterly regulatory reports, net of any distributions and associated tax effects not already reflected in net income.

Securities Business

Pursuant to the net capital requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Axos Clearing is subject to the SEC Uniform Net Capital (Rule 15c3-1 of the Exchange Act). Under this rule, the Company has elected to operate under the alternate method and is required to maintain minimum net capital of $250,000 or 2% of aggregate debit balances arising from client transactions, as defined. Under the alternate method, Axos Clearing may not repay subordinated debt, pay cash distributions, or make any unsecured advances or loans to its parent or employees if such payment would result in net capital of less than 5% of aggregate debit balances or less than 120% of its minimum dollar requirement.

The net capital position of Axos Clearing was as follows:

(Dollars in thousands)	June 30, 2021	June 30, 2020
Net capital	$ 35,950	$ 34,022
Less: required net capital	8,046	4,572
Excess capital	$ 27,904	$ 29,450
Net capital as a percentage of aggregate debit items	8.94 %	14.88 %
Net capital in excess of 5% aggregate debit items	$ 15,836	$ 22,593

Axos Clearing as a clearing broker, is subject to SEC Customer Protection Rule (Rule 15c3-3 of the Exchange Act) which requires segregation of funds in a special reserve account for the benefit of customers. At June 30, 2021, the Company had a deposit requirement of $258.1 million and maintained a deposit of $251.2 million. On July 1, 2021, Axos Clearing made a deposit to satisfy the deposit requirement. At June 30, 2020, the Company had a deposit requirement of $159.5 million and maintained a deposit of $178.8 million.

Certain broker-dealers have chosen to maintain brokerage customer accounts at the Axos Clearing. To allow these broker-dealers to classify their assets held by the Company as allowable assets in their computation of net capital, the Company computes a separate reserve requirement for Proprietary Accounts of Brokers (PAB). At June 30, 2021, the Company had a deposit requirement of $73.6 million and maintained a deposit of $71.0 million. On July 1, 2021, Axos Clearing made a deposit to satisfy the deposit requirement . At June 30, 2020, the Company had a deposit requirement of $17.0 million and maintained a deposit of $15.2 million. On July 1, 2020, Axos Clearing made a deposit to satisfy the deposit requirement.

20. EMPLOYEE BENEFIT PLAN

The Company has two 401(k) plans whereby substantially all of its employees may participate in one of the plans. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. The Company provides an employer matching contribution to each of the 401(k) plans based on an employee's designated deferral of their eligible compensation. For the fiscal years ended June 30, 2021, 2020, and 2019, expenses attributable to the plans amounted to $2.4 million, $2.4 million, and $2.4 million, respectively.

21. PARENT-ONLY CONDENSED FINANCIAL INFORMATION

The following tables present Axos Financial, Inc. (Parent company only) financial information and should be read in conjunction with the consolidated financial statements of the Company and the other notes to the consolidated financial statements. Adjustments to to investment in subsidiary, stockholders' equity and equity in undistributed earnings of subsidiary have been made to eliminate an intercompany transaction between multiple subsidiaries and the Parent company.

CONDENSED BALANCE SHEETS

	At June 30,	
(Dollars in thousands)	2021	2020
ASSETS		
Cash and due from banks	$ 126,409	$ 23,130
Investment securities	14,985	14,038
Other assets	111,084	92,200
Investment in subsidiary	1,411,950	1,254,610
Total assets	$ 1,664,428	$ 1,383,978
LIABILITIES AND STOCKHOLDERS' EQUITY		
Borrowings, subordinated notes and debentures	$ 185,158	$ 62,337
Accounts payable and accrued liabilities and other liabilities	78,334	90,795
Total liabilities	263,492	153,132
Stockholders' equity	1,400,936	1,230,846
Total liabilities and stockholders' equity	$ 1,664,428	$ 1,383,978

STATEMENTS OF INCOME

	Year Ended June 30,		
(Dollars in thousands)	2021	2020	2019
Interest income	$ 1,262	$ 619	$ 472
Interest expense	10,891	4,348	3,931
Net interest (expense) income	(9,629)	(3,729)	(3,459)
Net interest (expense) income, after provision for loan losses	(9,629)	(3,729)	(3,459)
Non-interest income (loss)	217	58	—
Non-interest expense and tax benefit[1]	4,360	11,903	15,143
Income (loss) before dividends from subsidiary and equity in undistributed income of subsidiary	(13,772)	(15,574)	(18,602)
Dividends from subsidiary	45,000	119,114	80,000
Equity in undistributed earnings of subsidiary	184,479	79,898	93,733
Net income	$ 215,707	$ 183,438	$ 155,131
Comprehensive income	$ 219,151	$ 182,485	$ 155,760

[1] Includes tax benefits of $8,967, $5,152, and $10,749 for the years ended June 30, 2021, 2020, and 2019, respectively.

Axos Financial, Inc. **(Parent Company Only)**
STATEMENT OF CASH FLOWS

(Dollars in thousands)	Year Ended June 30, 2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 215,707	$ 183,438	$ 155,131
Adjustments to reconcile net income to net cash used in operating activities:			
Accretion of discounts on securities	48	26	—
Amortization of borrowing costs	1,569	208	208
Amortization of operating lease right of use asset	9,197	9,079	—
Stock-based compensation expense	20,685	21,935	23,439
Equity in undistributed earnings of subsidiary	(184,479)	(79,898)	(93,733)
Decrease (increase) in other assets	(25,835)	(79,227)	(8,477)
Increase (decrease) in other liabilities	(14,550)	72,175	7,986
Net cash provided by operating activities	22,342	127,736	84,554
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investment securities	—	(15,301)	—
Origination of loans and leases held for investment	—	—	(844)
Purchases of loans and leases, net of discounts and premiums	—	(59,391)	—
Proceeds from principal repayments on loans	—	10	854
Purchases of furniture, equipment, software and intangibles	(457)	—	—
Investment in subsidiary	(7,200)	(10,130)	(106,557)
Net cash used in investing activities	(7,657)	(84,812)	(106,547)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Tax payments related to the settlement of restricted stock units	(10,648)	(7,457)	(9,916)
Repurchase of treasury stock	(16,757)	(38,858)	(56,437)
Net (repayment) proceeds of other borrowings	(51,000)	—	—
Payments of debt issuance costs	(2,748)	—	—
Proceeds from issuance of subordinated notes	175,000	—	7,400
Redemption of preferred stock, Series A	(5,150)	—	—
Cash dividends on preferred stock	(103)	(386)	(232)
Net cash provided by (used in) financing activities	88,594	(46,701)	(59,185)
NET CHANGE IN CASH AND CASH EQUIVALENTS	103,279	(3,777)	(81,178)
CASH AND CASH EQUIVALENTS—Beginning of year	23,130	26,907	108,085
CASH AND CASH EQUIVALENTS—End of year	$ 126,409	$ 23,130	$ 26,907

22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarters Ended in Fiscal Year 2021			
(Dollars in thousands, except per share data)	June 30,	March 31,	December 31,	September 30,
Interest and dividend income	$ 156,921	$ 155,674	$ 155,379	$ 149,889
Interest expense	15,267	20,005	21,287	22,562
Net interest income	141,654	135,669	134,092	127,327
Provision for loan and lease losses	1,250	2,700	8,000	11,800
Net interest income after provision for loan and lease losses	140,404	132,969	126,092	115,527
Non-interest income	16,801	23,887	28,718	35,855
Non-interest expense	81,860	80,807	76,297	75,546
Income before income tax expense	75,345	76,049	78,513	75,836
Income tax expense	21,090	22,404	23,728	22,814
Net income	$ 54,255	$ 53,645	$ 54,785	$ 53,022
Net income attributable to common stock	$ 54,255	$ 53,645	$ 54,672	$ 52,945
Basic earnings per share	$ 0.92	$ 0.91	$ 0.93	$ 0.89
Diluted earnings per share	$ 0.90	$ 0.89	$ 0.91	$ 0.88

	Quarters Ended in Fiscal Year 2020			
(Dollars in thousands, except per share data)	June 30,	March 31,	December 31,	September 30,
Interest and dividend income	$ 144,143	$ 185,063	$ 147,288	$ 146,345
Interest expense	26,871	36,447	38,868	43,042
Net interest income	117,272	148,616	108,420	103,303
Provision for loan and lease losses	6,500	28,500	4,500	2,700
Net interest income after provision for loan and lease losses	110,772	120,116	103,920	100,603
Non-interest income	28,702	31,542	21,207	21,536
Non-interest expense	71,544	71,790	66,965	65,467
Income before income tax expense	67,930	79,868	58,162	56,672
Income tax expense	22,630	23,811	16,867	15,886
Net income	$ 45,300	$ 56,057	$ 41,295	$ 40,786
Net income attributable to common stock	$ 45,223	$ 55,980	$ 41,217	$ 40,709
Basic earnings per share	$ 0.76	$ 0.92	$ 0.67	$ 0.66
Diluted earnings per share	$ 0.75	$ 0.91	$ 0.67	$ 0.66

23. SEGMENT REPORTING

The operating segments reported below are the segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance. The Company operates through two operating segments: Banking Business and Securities Business.

Banking Business. The Banking Business includes a broad range of banking services including online banking, concierge banking, prepaid card services, and mortgage, vehicle and unsecured lending through online and telephonic distribution channels to serve the needs of consumer and small businesses nationally. In addition, the Banking Business focuses on providing deposit products nationwide to industry verticals (e.g., Title and Escrow), cash management products to a variety of businesses, and commercial & industrial and commercial real estate lending to clients. The Banking Business also includes a bankruptcy trustee and fiduciary service that provides specialized software and consulting services to Chapter 7 bankruptcy and non-Chapter 7 trustees and fiduciaries.

Securities Business. The Securities Business consists of two sets of products and services, securities services provided to third-party securities firms and investment management provided to consumers.

Securities services includes fully disclosed clearing services through Axos Clearing to FINRA- and SEC-registered member firms for trade execution and clearance as well as back office services such as record keeping, trade reporting, accounting, general back-office support, securities and margin lending, reorganization assistance and custody of securities. Providing financing to our brokerage customers for their securities trading activities through margin loans that are collateralized by securities, cash, or other acceptable collateral. Securities lending activities that include borrowing and lending securities with other broker-dealers. These activities involve borrowing securities to cover short sales and to complete transactions in which clients have failed to deliver securities by the required settlement date, and lending securities to other broker dealers for similar purposes.

Investment management includes our digital investment management business, which provides our retail customers with investment management services through a comprehensive and flexible technology platform.

In order to reconcile the two segments to the consolidated totals, the Company includes parent-only activities and intercompany eliminations. The following tables present the operating results, goodwill, and assets of the segments:

	Year Ended June 30, 2021			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Net interest income	$ 527,760	$ 18,746	$ (7,764)	$ 538,742
Provision for loan losses	23,750	—	—	23,750
Non-interest income	79,150	27,627	(1,516)	105,261
Non-interest expense	254,596	48,095	11,819	314,510
Income (Loss) before income taxes	$ 328,564	$ (1,722)	$ (21,099)	$ 305,743

	Year Ended June 30, 2020			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Net interest income	$ 464,448	$ 16,630	$ (3,467)	$ 477,611
Provision for loan losses	42,200	—	—	42,200
Non-interest income	80,374	24,817	(2,204)	102,987
Non-interest expense	216,895	43,525	15,346	275,766
Income (Loss) before income taxes	$ 285,727	$ (2,078)	$ (21,017)	$ 262,632

	As of June 30, 2021			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Goodwill	$ 35,721	$ 35,501	$ —	$ 71,222
Total assets	$ 12,745,029	$ 1,450,512	$ 70,024	$ 14,265,565

	As of June 30, 2020			
(Dollars in thousands)	Banking Business	Securities Business	Corporate/ Eliminations	Axos Consolidated
Goodwill	$ 35,721	$ 35,501	$ —	$ 71,222
Total assets	$ 13,018,814	$ 737,419	$ 95,667	$ 13,851,900

24. SUBSEQUENT EVENT

On August 2, 2021, the Company closed its acquisition of E*TRADE Advisor Services ("EAS"), the registered investment advisor ("RIA") custody business Morgan Stanley acquired in its acquisition of E*TRADE Financial Corporation in 2020. EAS has been rebranded Axos Advisor Services and operates as the RIA custody business within Axos Clearing LLC. The $54.9 million cash purchase price was funded with existing capital.

Exhibit 4.2

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of August 25, 2021, Axos Financial, Inc. (the "**Company**") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"): (1) our common stock.

DESCRIPTION OF COMMON STOCK

We may issue, from time to time, shares of our common stock, the general terms and provisions of which are summarized below. This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our Certificate of Incorporation and Bylaws.

General

We are authorized to issue up to 150,000,000 shares of common stock, par value $0.01 per share. As of August 21, 2021, there were 67,459,812 shares of common stock issued and 59,355,332 shares of common stock outstanding. Under our Certificate of Incorporation, we have the authority to issue an aggregate of 150,000,000 shares of common stock. We have also previously granted stock options and restricted stock units representing the right to purchase or receive shares of our common stock under our equity incentive plans.

Listing of the Common Stock

The common stock is listed for trading on the New York Stock Exchange under the symbol "AX."

Dividends

Subject to preferences that may be applicable to any of the outstanding shares of our preferred stock, and subject to compliance with limitations imposed by law, the holders of our common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

Voting Rights

Each holder of our common stock is entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preferences granted to the holders of any outstanding shares of our preferred stock, including our Series A preferred stock and any other series of preferred stock which we may designate in the future.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock, including our Series A preferred stock and any series of preferred stock which we may designate in the future.

Fully Paid and Nonassessable

All outstanding shares of our common stock are, fully paid and nonassessable.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is Computershare Trust Company, N.A.

Certain Anti-takeover Effects

General. Certain provisions of our Certificate of Incorporation, our Bylaws and the Delaware General Corporation Law (the "**DGCL**") could make it more difficult to consummate an acquisition of control of us by means of a tender offer, a proxy fight, open market purchases or otherwise in a transaction not approved by our Board of Directors, regardless of whether our stockholders support the transaction. The summary of the provisions set forth below does not purport to be complete and is qualified in its entirety by reference to our Certificate of Incorporation, our Bylaws and the DGCL.

Business Combinations. Section 203 of the DGCL restricts a wide range of transactions ("business combinations") between a corporation and an interested stockholder. An "interested stockholder" is, generally, any person who beneficially owns, directly or indirectly, 15% or more of the corporation's outstanding voting stock. Business combinations are broadly defined to include (i) mergers or consolidations with, (ii) sales or other dispositions of more than 10% of the corporation's assets to, (iii) certain transactions resulting in the issuance or transfer of any stock of the corporation or any subsidiary to, (iv) certain transactions resulting in an increase in the proportionate share of stock of the corporation or any subsidiary owned by, or (v) receipt of the benefit (other than proportionately as a stockholder) of any loans, advances or other financial benefits by, an interested stockholder. Section 203 provides that an interested stockholder may not engage in a business combination with the corporation for a period of three years from the time of becoming an interested stockholder unless (a) the Board of Directors approved either the business combination or the transaction which resulted in the person becoming an interested stockholder prior to the time that person became an interested stockholder; (b) upon consummation of the transaction which resulted in the person becoming an interested stockholder, that person owned at least 85% of the corporation's voting stock (excluding, for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, shares owned by persons who are directors and also officers and shares owned by certain employee stock plans); or (c) the business combination is approved by the Board of Directors and authorized by the affirmative vote of at least 66 $^{2/3}$% of the outstanding voting stock not owned by the interested stockholder.

Classified Board of Directors. Our Certificate of Incorporation provides that our Board be divided into three classes of directors, as nearly equal in number as possible, with each class serving a staggered three-year term. The classification system of electing directors may tend to discourage a third-party from making a tender offer or otherwise attempting to obtain control of us since the classification of the board of directors generally increases the difficulty of replacing a majority of directors.

Advance Notice Provisions. Stockholders seeking to nominate candidates to be elected as directors at an annual meeting or to bring business before an annual meeting must comply with an advance written procedure specified in our Bylaws. Only persons who are nominated by or at the direction of our board, or by a stockholder who has given timely written notice to our Secretary before the meeting to elect directors as specified in our Bylaws, will be eligible for election as directors.

At any stockholders' meeting the business to be conducted is limited to business brought before the meeting by or at the direction of the board of directors, or a stockholder who has given timely written notice to our Secretary in compliance with the advance written procedure specified in our Bylaws.

Special Stockholder Meetings. Under our Certificate of Incorporation and our Bylaws, only our Chairman of the Board, President, or Secretary (upon receipt of a written request of a majority of the directors then in office), may call special meetings of stockholders. Stockholders do not have the authority to call special meetings of stockholders.

No Stockholder Written Consents. Our Certificate of Incorporation denies the power of stockholders to act by consent without a meeting.

Additional Authorized Shares of Capital Stock. The additional shares of authorized common stock and preferred stock available for issuance under our Certificate of Incorporation could be issued at such times, under such circumstances and with such terms and conditions as to impede a change in control.

Supermajority Voting Provisions. Our Certificate of Incorporation provides that certain sections of our Certificate of Incorporation and our Bylaws may not be amended or repealed by our stockholders without the affirmative vote of the holders of at least 75% of the voting power of all shares of the corporation entitled to vote generally in the election of directors, voting together as a single class. Our Certificate of Incorporation also provides that the affirmative vote of the holders of at least 75% of the voting power of all shares of the corporation entitled to vote generally in the election of directors, voting together as a single class, may remove such director or directors only for cause and in the manner provided in our Certificate of Incorporation.

Limitation of Liability; Indemnification

Our Certificate of Incorporation and Bylaws provide that we will indemnify all of our directors and officers to the fullest extent permitted by Delaware law. Our Certificate of Incorporation and Bylaws also authorize us to indemnify our employees and other agents, at our option, to the fullest extent permitted by Delaware law. We have entered into agreements to indemnify our directors and officers, in addition to indemnification provided for in our charter documents. These agreements, among other things, provide for the indemnification of our directors and officers for expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any person in any action or proceeding, including any action by or in the right of our company, arising out of that person's services as a director or officer of our company or any other company or enterprise to which that person provides services at our request to the fullest extent permitted by applicable law.

Delaware law permits a corporation to provide in its Certificate of Incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law or for any transaction from which the director derived an improper personal benefit. Our Certificate of Incorporation provides for the elimination of personal liability of a director for breach of fiduciary duty to the extent permitted by Delaware law.

The limitation of liability and indemnification provisions in our Certificate of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

We maintain insurance on behalf of our officers and directors, insuring them against liabilities that they may incur in such capacities or arising out of this status.

Exclusive Forum Provision

In accordance with an exclusive forum provision set forth in our Bylaws, unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the corporation; (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder of the corporation to the corporation or to the corporation's stockholders; (c) any action arising pursuant to any provision of the DGCL or our Certificate of Incorporation or our Bylaws (as each may be amended from time to time); (d) any action to interpret, apply, enforce or determine the validity of our Certificate of Incorporation or our Bylaws; or (e) any action asserting a claim against the corporation governed by the internal affairs doctrine; in each case, subject to said court having personal jurisdiction over the indispensable parties named as defendants therein.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Axos Financial, Inc.
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 ASR (No. 333-253797) and Form S-8 (Nos. 333-235228, 333-199691 and 333-124702) of Axos Financial, Inc. of our reports dated August 25, 2021, relating to the consolidated financial statements, and the effectiveness of Axos Financial, Inc.'s internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, LLP
San Diego, California

August 25, 2021

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AXOS FINANCIAL, INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gregory Garrabrants, certify that:

1. I have reviewed this annual report on Form 10-K of Axos Financial, Inc. (the "registrant").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting or, caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 25, 2021

/s/ GREGORY GARRABRANTS
GREGORY GARRABRANTS
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AXOS FINANCIAL, INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Andrew J. Micheletti, certify that:

1. I have reviewed this annual report on Form 10-K of Axos Financial, Inc. (the "registrant").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting or, caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 25, 2021

/s/ ANDREW J. MICHELETTI
ANDREW J. MICHELETTI
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CEO CERTIFICATION PURSUANT TO SECTION 906

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Axos Financial, Inc. (the “Company”) on Form 10-K for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory Garrabrants, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

(a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 25, 2021

/s/ GREGORY GARRABRANTS
GREGORY GARRABRANTS
President and Chief Executive Officer
(Principal Executive Officer)

CFO CERTIFICATION PURSUANT TO SECTION 906

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Axos Financial, Inc. (the “Company”) on Form 10-K for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Andrew J. Micheletti, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

(a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 25, 2021

/s/ ANDREW J. MICHELETTI

ANDREW J. MICHELETTI
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXECUTIVE OFFICER

Gregory Garrabrants
President and
Chief Executive Officer

Eshel Bar-Adon
Executive Vice President
Specialty Finance and
Chief Legal Officer

Thomas Constantine
Executive Vice President
Chief Credit Officer

Jan Durrans
Executive Vice President
Chief of Staff and
Chief Performance Officer

Raymond Matsumoto
Executive Vice President
Chief Operating Officer

Andrew J. Micheletti
Executive Vice President
Chief Financial Officer

David Park
Executive Vice President
Commercial Banking and
Treasury Management

Brian Swanson
Executive Vice President
Head of Consumer Bank

John Tolla
Executive Vice President
Chief Governance, Risk and
Compliance Officer

Derrick K. Walsh
Senior Vice President
Chief Accounting Officer

BOARD OF DIRECTORS

Paul J. Grinberg
Chairman

Nicholas A. Mosich
Vice Chairman

James S. Argalas

J. Brandon Black

Tamara N. Bohlig

Stefani D. Carter

James J. Court

Uzair Dada

Gregory Garrabrants

Edward J. Ratinoff

CORPORATE HEADQUARTERS

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www.axosfinancial.com

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Corporate Secretary,
Vice President Corporate
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alopez@axosfinancial.com

INVESTOR RELATIONS

Johnny Lai
Vice President,
Corporate Development
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TRANSFER AGENT

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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San Diego, California

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