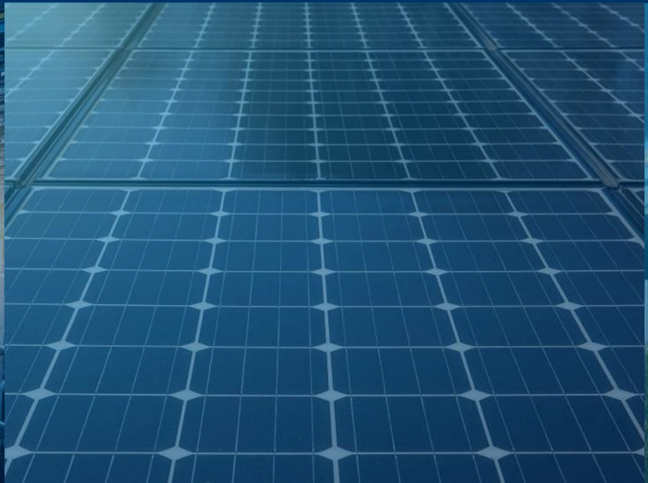
HANNON ARMSTRONG

INVESTING IN CLIMATE SOLUTIONS®

EARNINGS PRESENTATION

Third Quarter 2022


FORWARD LOOKING STATEMENTS

Some of the information contained herein are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used herein, words such as "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may," "target," or similar expressions, are intended to identify such forward-looking statements. Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements include those discussed under the caption "Risk Factors" included in our Form 10-K for the year ended December 31, 2021 (the "Form 10-K"), which was filed with the U.S. Securities and Exchange Commission (SEC), as well as in other reports that we file with the SEC.

Other important factors that we think could cause our actual results to differ materially from expected results are summarized below, including the ongoing impact of the Inflation Reduction Act and the outbreak of the novel coronavirus ("COVID-19"), on the U.S., regional and global economies, the U.S. climate solutions market and the broader financial markets. The current outbreak of COVID-19 has also impacted, and is likely to continue to impact, directly or indirectly, many of the other important factors below and the risks described in the Form 10-K and in our subsequent filings under the Exchange Act. Other factors besides those listed could also adversely affect us. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. In particular, it is difficult to fully assess the impact of COVID-19 at this time due to, among other factors, uncertainty regarding new virus variants and uncertainty regarding whether "herd immunity" can be achieved through vaccination campaigns.

Forward-looking statements are based on beliefs, assumptions and expectations as of September 30, 2022. The guidance discussed herein reflects our estimates of (i) yield on our existing portfolio; (ii) yield on incremental portfolio investments, inclusive of our existing pipeline; (iii) the volume and profitability of transactions; (iv) amount, timing, and costs of debt and equity capital to fund new investments; (v) changes in costs and expenses reflective of our forecasted operations; (vi) the ongoing impact of the current outbreak of COVID-19; (vii) disruptions to the renewable energy supply chain that may result from changes in the regulatory environment and other factors, (viii) the general interest rate and market environment, (ix) the impact of the Inflation Reduction Act on our industry and our business, and (x) our ability to expand into new climate solutions markets. All guidance is based on current expectations of the future impact of COVID-19 and the economic conditions, the regulatory environment, the dynamics of the markets in which we operate and the judgment of our management team, among other factors. In addition, actual dividend distributions are subject to approval by our Board of Directors on a quarterly basis. We have not provided GAAP guidance as discussed in the Supplemental Financial Data slides of this presentation. We disclaim any obligation to publicly release the results of any revisions to these forward-looking statements reflecting new estimates, events or circumstances after the date of this presentation.

This presentation refers to certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Reconciliations of those non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the Appendix herein.

Estimated carbon savings are calculated using the estimated kilowatt hours, gallons of fuel oil, million British thermal units of natural gas and gallons of water saved as appropriate, for each project. The energy savings are converted into an estimate of metric tons of CO_2 equivalent emissions based upon the project's location and the corresponding emissions factor data from the U.S. Government and International Energy Agency. Portfolios of projects are represented on an aggregate basis. The carbon and water savings information included in this presentation is based on data from a third-party source that we believe to be reliable. We have not independently verified such data, which involves risks and uncertainties and is subject to change based on various factors.

Past performance is not indicative nor a guarantee of future returns.

BUSINESS OUTLOOK REMAINS ROBUST

Affirm Guidance

- **3Q22 Distributable EPS of $0.49[1] (up 20% YOY) and GAAP EPS of $0.38**
- Declared dividend of $0.375 per share
- Affirm guidance for (2021 – 2024)[2]: Distributable EPS 10% – 13% (CAGR) and DPS: 5% – 8% (CAGR)

Improving Yield on New Investments

- Higher power prices and market rates support higher yield on new investments, which will improve our portfolio yield over time

Pipeline Expansion

- Increased 12-month pipeline to >$4.5b from >$4.0b
- Additionally, IRA impact on pipeline likely to be noticeable beginning in 2024-25

$383m Term Loan A

- Reflects HASI's broad access to capital markets across both institutional and bank lenders; raised ~$1b bank debt in 2022
- Pro forma liquidity of >$1.2b provides runway for originations

1) See Appendix for an explanation of Distributable Earnings, including reconciliations to the relevant GAAP measures
2) Relative to 2020 baseline

INCREASE IN PIPELINE TO >$4.5B, IRA UPSIDE STILL TO COME

Markets

Behind-the-Meter

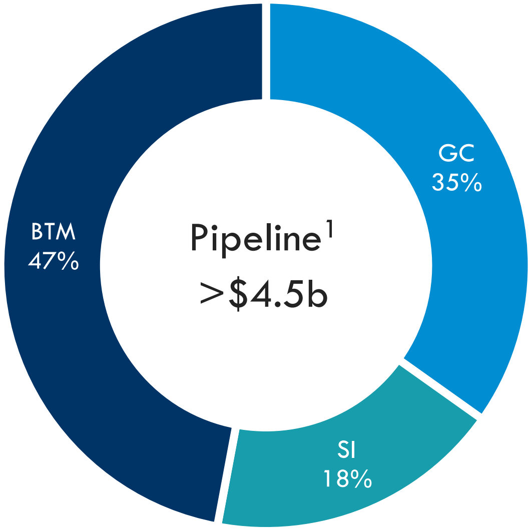
- Residential & Community Solar remain strong
- Increase in Fed ESPC and State & Local

Grid-Connected

- Driven by GC Solar opportunities with programmatic clients

Sustainable Infrastructure

- Growth driven in part by new markets such as transportation, standalone storage, and renewable natural gas

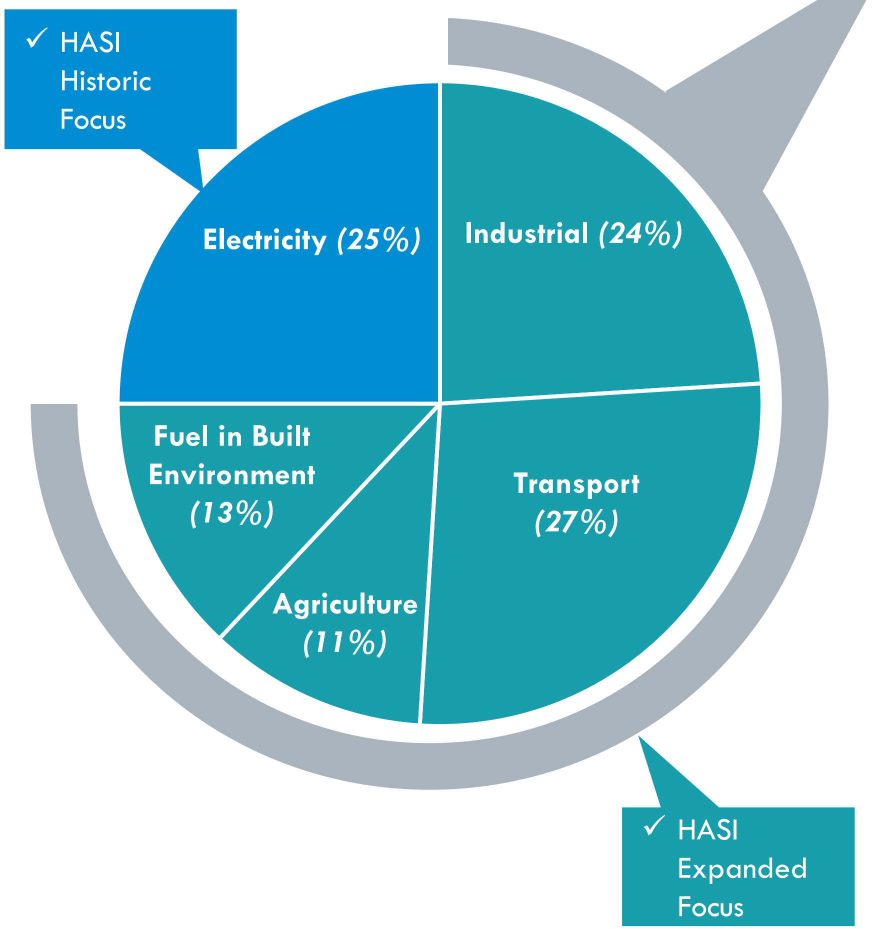


Robust pipeline driven by diverse set of >40 programmatic and prospective clients.

1) As of 9/30/22; reflects transactions that have the potential to close over the next 12 months

EXPANDING TO ADDITIONAL CLIMATE SOLUTIONS MARKETS

Carbon is Everywhere
U.S. GHG Emissions by Sector



Climate Solutions expanding to include Industrial, Transport, Agriculture, and Built Environment comprising 75% of U.S. GHG emissions[1]

Recent Investment Highlights		
Clients	AMERESCO	Zūm
Asset Class	RNG	Transport
HASI Investment Size	$125m	$72m
Wtd. Avg Life	2.7 years	5.1 years
CarbonCount®	0.2	0.04

1) Source: www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks

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HASI'S CLIENTS, AND IN TURN HASI, WILL BENEFIT SIGNIFICANTLY FROM THE IRA

In the near term, project economics will improve due to the IRA. In the mid to longer term, the energy transition will accelerate because of policy stability, improved economics versus alternatives and maturing technology.

2022-23

- Additional economics to projects. Solar switching to PTC
- BTM faster to capitalize due to shorter build time
- Immediate expansion of residential solar TAM
- RNG and Transportation benefit from ITC and Clean Fuel credits

2024-26

- Our clients' pipeline reflects IRA volume growth, but not yet in our pipeline
- Tax credit certainty, adders and transferability will help accelerate development
- Stand alone storage ITC makes projects more economic

2026+

- More transmission and grid modernization will improve interconnection and transmission challenges, and provide potential new investment opportunities
- 5-10yr for full benefit of IRA to be realized
- IRA credits make Green-Hydrogen projects attractive in the long term

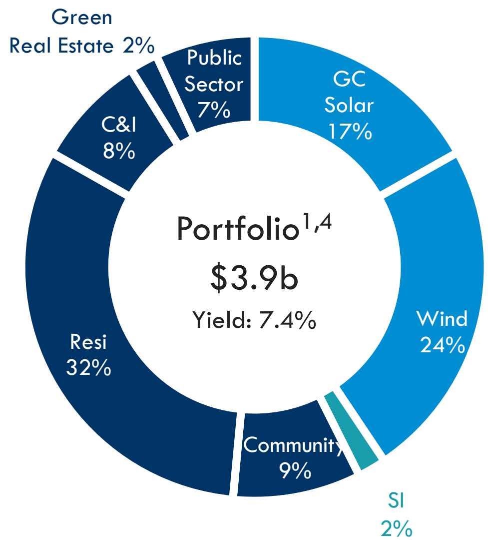
PORTFOLIO EXPANDS 22% YOY WITH >100 NEW FUNDED INVESTMENTS THAT ADD TO PORTFOLIO GROWTH AND RECURRING NII

Markets[1]

Behind-the-Meter
Yield: 7.7%
Avg. Investment: $9m
3.1 GW

Grid-Connected
Yield: 7.0%
Avg. Investment: $16m
9.3 GW

Sustainable Infrastructure[2]
Yield: 7.0%
Avg. Investment: $17m



Portfolio Change	($m)[4]
Beginning Portfolio (6/30/22)	$3,937
Funding of new investments	53
Funding of prior investments	38
Principal collections	(99)
Syndications and Securitizations[5]	(67)
Other	60
Ending Portfolio (9/30/22)	$3,922

Anticipated Funding Schedule of Previously Closed Transactions[6]

Period	Closed Transactions
4Q22 and 2023	>$625m

Diversified and Long-Dated Cashflows. 99% of Investments Performing within Expectations.

>365
Total Investments[3]

$11m
Average Investment[3]

18 yrs
WAVG Life

1) GAAP-based Portfolio, as of 9/30/22; see Appendix for an explanation of Portfolio Yield.
2) Includes all other asset classes that are not specifically designated as BTM or GC
3) Individual investments with outstanding balances > $1m; GAAP-based Portfolio, as of 9/30/22
4) Total may not sum due to rounding
5) Includes only securitizations of assets on the balance sheet as of the end of the previous quarter (6/30/22)
6) Anticipated funding schedule for closed transactions subject to completion milestones

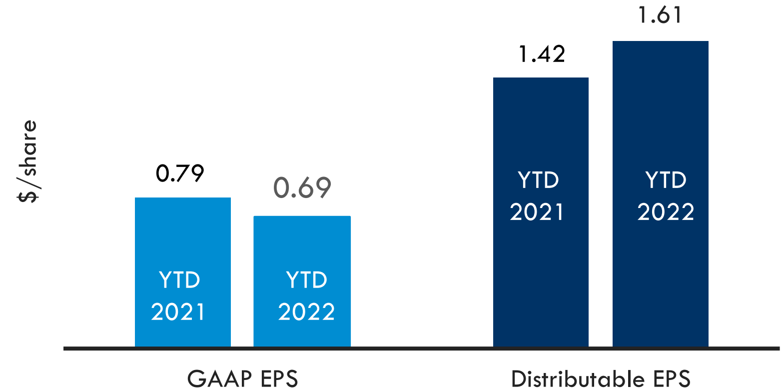
GROWTH IN DISTRIBUTABLE EPS DRIVEN BY NII AND GAIN ON SALE

Financial Results (3Q22)

Results, Unaudited[1] ($ in millions, except per share figures)	3Q21	3Q22	Change YOY
GAAP Diluted EPS	$(0.04)	**$0.38**	
Distributable EPS	$0.41	**$0.49**	+20%
GAAP NII	$5.3m	**$11.4m**	
Distributable NII	$32.0m	**$43.4m**	+36%
GAAP Gain on Sale and Fees	$16.2m	**$19.2m**	
Transactions Closed	$359m	**$273m**	
Portfolio[2]	$3.2b	**$3.9b**	+22%
Managed Assets	$8.2b	**$9.4b**	
Distributable ROE[3]	10.0%	**10.8%**	

GAAP and Distributable EPS[1]

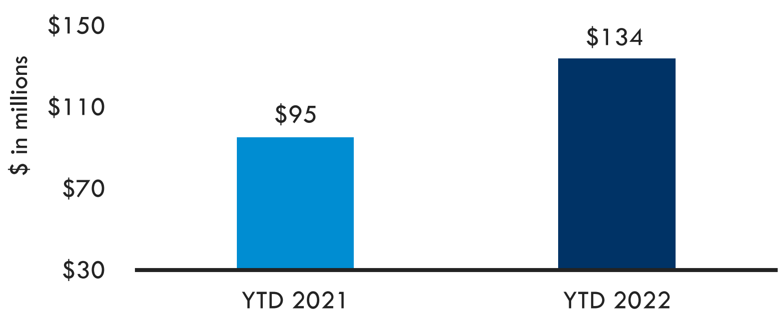
Dist EPS: +13% (YOY)



Distributable NII[1]

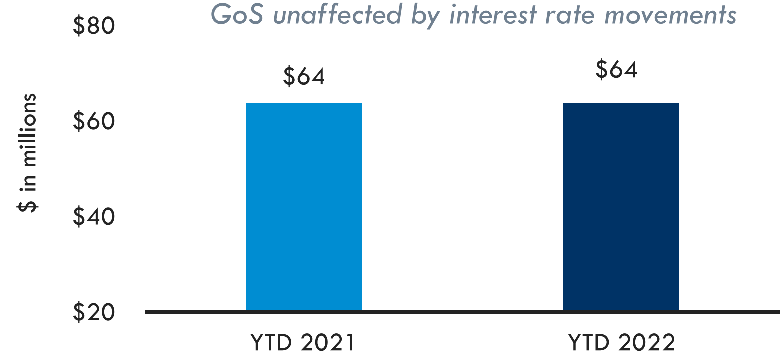
+40% (YOY)

NII driven by growth in portfolio



Gain on Sale and Fees

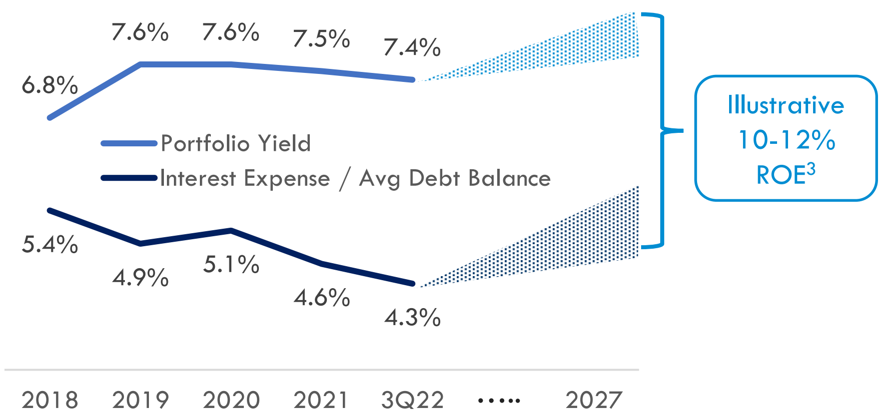
GoS unaffected by interest rate movements



1) See Appendix for an explanation of Distributable Earnings, Distributable Net Investment Income and Managed Assets, including reconciliations to the relevant GAAP measures, where applicable.
2) GAAP-based
3) Distributable ROE is calculated using Distributable Earnings for the period and the average of the quarterly ending equity balances for the period.

NET INTEREST MARGINS AND ROE ARE EXPECTED TO REMAIN CONSISTENT OVER TIME

Portfolio Yield[1] vs. Cost of Debt[2]



- **Achieving higher yields on new investments**
- **No material refinancing risk until 2026**
- **Managing interest expense.** Lower leverage and private debt can be utilized until public debt market volatility subsides
- **We can maintain attractive margins despite potentially refinancing debt at higher cost**. Even if we increase the coupon on our $1b debt maturing in 2026 by 3.5-4%, in this hypothetical example, we would maintain our ROE ~10-12%

% of assets	Illustrative Business Model	
Gross Asset Yield	**7.75 - 8.25%**	• Newer business at higher rates gradually increases overall portfolio yield
- Interest Expense	(3.75 - 4.25%)	• Interest expense likely to increase as we issue new debt at higher than historic rates (shown here as a % of assets)
= Net Investment Margin	**3.5 - 4.5%**	
+ Gain on Sale & Fees	1.5%	• Generally consistent over time and not impacted by rates
- SG&A	(1.5%)	• As the business scales we expect to benefit from operating leverage
= Illustrative ROA	**3.5 - 4.5%**	
Debt/Equity	~1.7x	• Leverage consistent with recent history
Illustrative ROE	**10 - 12%**	• Consistent with long term targets; EPS grows in proportion with the balance sheet

1) See Appendix for an explanation of Portfolio Yield
2) Excludes incremental interest expense related to debt prepayments
3) Distributable ROE is calculated using Distributable Earnings for the period and the average of the quarterly ending equity balances for the period.

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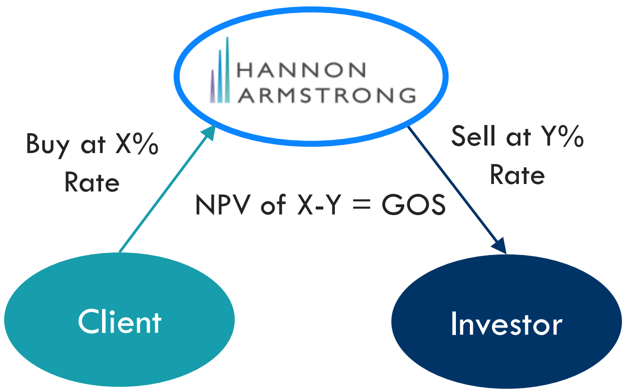
SECURITIZATION PLATFORM IS DESIGNED TO AVOID INTEREST RATE AND MARKET RISK

- **Resilient to interest rate fluctuations.** We price the purchase of receivables from our clients after negotiating the sale price with our investors, so subsequent changes in rates do not impact profitability. The vast majority of transactions are simultaneous purchase/sale or utilize rate locks
- **Bilateral transactions outside the ABS market.** Typically with insurance companies with long history of transacting with HASI and non-cyclical demand as they use these transactions to match fund long term insurance liabilities
- **Profitable even in recessions.** >20 years of transaction history. Generated profits even in 2008-09 financial crisis

- We buy a long-term receivable at X% rate and sell it at Y% with the NPV of the difference being the gain

Illustrative Securitization of Receivables



LIQUIDITY BOLSTERED BY PRIVATE DEBT RAISE AND PORTFOLIO COLLECTIONS PROVIDES RUNWAY FOR ROBUST PIPELINE

Successful Capital Raise of $383m Private Debt

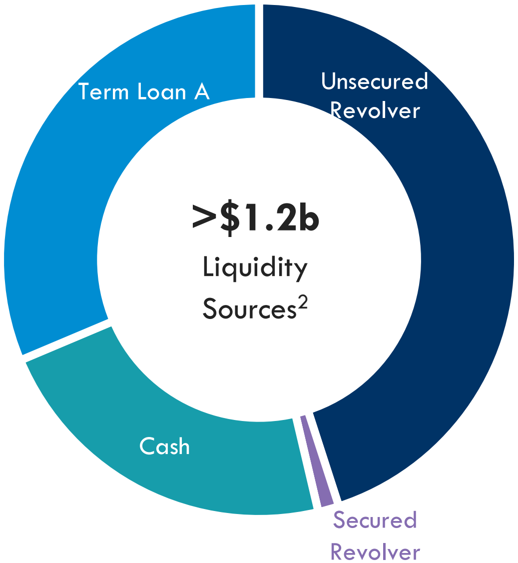
- Three year Term Loan A matures in October 2025
- Credit spread of 222.5 bps above term SOFR base rate
- Arranged by JP Morgan and includes Bank of America, KeyBank, RBC, SMBC and Truist
- Pricing adjustment linked to CarbonCount® and conforms with Sustainability-Linked Loan Principles ("SLLP")

Cash available for reinvestment of $158m YTD 2022

- Represents portfolio collections net of dividend

Conservative Leverage and Ample Liquidity

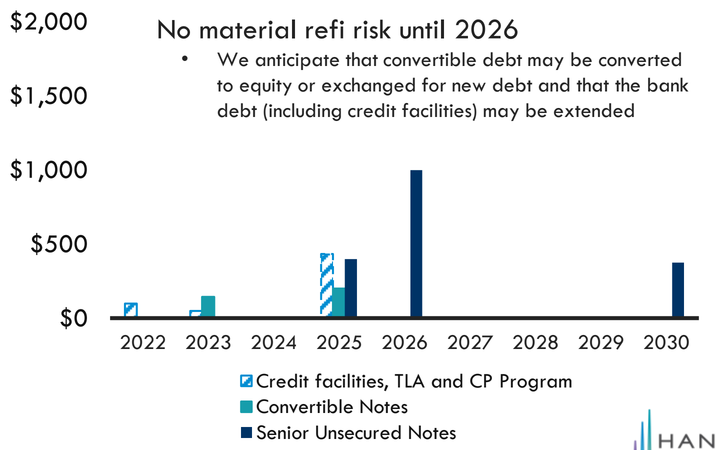
- Raised $49m of equity in 3Q22
- 1.7x debt to equity[1]
- 93% of debt is fixed rate
- Maintain credit rating of Baa3 (Investment Grade) by Moody's, and BB+ by S&P / Fitch



Recourse Debt Maturities ($m) Sources[2]

No material refi risk until 2026

- We anticipate that convertible debt may be converted to equity or exchanged for new debt and that the bank debt (including credit facilities) may be extended



1) Below previously communicated target limit of less than 2.5x
2) As of 3Q22; shown on pro forma basis to include $383m of undrawn Term Loan A that closed in November 2022 and matures in 2025

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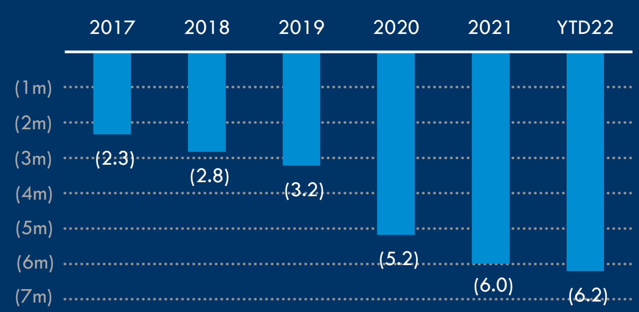
RECENT ESG ACTIVITY

E	Environmental	Finalizing improved CarbonCount methodology, which will likely be released in 1Q23
S	Social	Kicked off Business Partner ESG Engagement Program
G	Governance	Lizabeth Ardisana joined the Board and Audit Committee

Carbon Emissions[1]

CarbonCount®: 0.2 (3Q22)

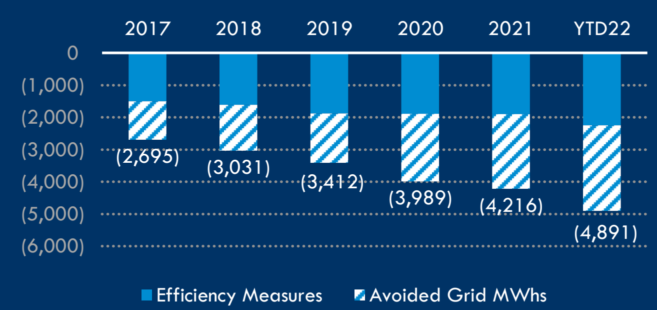
Cumulative Metric Tons of CO_2 Avoided Annually



Water Savings[2]

WaterCount™: 710 (3Q22)

Cumulative Gallons of Water Saved Annually (million gallons)



1) CarbonCount® is a scoring tool that evaluates investments in U.S.-based energy efficiency and renewable energy projects to estimate the expected CO_2 emission reduction per $1,000 of investment.
2) WaterCount™ is a scoring tool that evaluates investments in U.S.-based projects to estimate the expected water consumption reduction per $1,000 of investment.

RESILIENT BUSINESS MODEL AND GROWING PIPELINE

1	Dual revenue model is resilient	• Distributable NII[1] for 3Q22 is up 36% YOY • Securitization gain on sales consistent despite higher interest rates
2	Pipeline expands with higher yields	• Growth in Sustainable Infrastructure opportunities • Industry adapting to higher price of capital
3	Despite higher interest rates, able to affirm guidance	• Distributable EPS (2021 – 2024)[1,2]: 10% – 13% (CAGR) and DPS: 5% – 8% (CAGR)

1) See Appendix for an explanation of Distributable Earnings and Distributable Net Investment Income
2) Relative to 2020 baseline

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APPENDIX

CASH FLOW SOURCES AND USES

- Adjusted cash flows from operations plus other portfolio collections have exceeded dividends
- Excess cash flows are reinvested in the portfolio

$ Millions[1]	YTD 2022	2021	2020	2019
Adjusted Cash Flow from Operations Plus Other Portfolio Collections[2]	**$257**	**$259**	**$309**	**$314**
(-) Dividend	**($98)**	**($114)**	**($100)**	**($86)**
(=) Cash Available for Reinvestment	**$158**	**$146**	**$209**	**$227**
(-) Investments Funded[3]	($496)	($960)	($1,183)	($715)
(+) Capital Raised	$368	$796	$1,206	$540
Other Sources/Uses of Cash	$16	($41)	($28)	($5)
Change in Cash	$47	($59)	$204	$47

- Certain companies consolidate the projects and include project cash flows in Cash Flows from Operations; since we don't consolidate, we report project cash flows in Cash Flows from Investing

1) Amounts may not sum due to rounding
2) See explanatory notes for an explanation Adjusted Cash Flow from Operations Plus Other Portfolio Collections, including reconciliations to the relevant GAAP measures, where applicable
3) Does not include receivables held-for-sale

ADJUSTED CASH FLOW FROM OPERATIONS PLUS OTHER PORTFOLIO COLLECTIONS

GAAP CASHFLOW STATEMENT

$ Millions		2022 YTD	2021	2020	2019
Cash flows from operating activities					
Net income (loss)		62	127	83	82
Adjustments to reconcile net income to net cash provided by operating activities:			0	0	0
Provision for loss on receivables		6	0	10	8
Depreciation and amortization		3	4	4	4
Amortization of financing costs		9	11	8	6
Equity-based compensation		18	17	17	14
Equity method investments		(26)	(95)	13	(34)
Non-cash gain on securitization		(25)	(48)	(55)	(57)
Gain (loss) on sale of receivables and investments		(0)	(1)	14	13
Changes in receivables held-for-sale	−	5	(22)	0	0
Loss on debt extinguishment		0	15	0	0
Changes in accounts payable and accrued expenses		28	11	8	5
Change in accrued interest on receivables and investments		(10)	(1)	(24)	(18)
Other		(6)	(6)	(3)	6
Net cash provided by operating activities	+	**64**	**13**	**73**	**29**
Cash flows from investing activities			0	0	0
Equity method investments		(144)	(402)	(886)	(152)
Equity method investment distributions received	+	100	22	99	71
Proceeds from sales of equity method investments	+	2	0	0	81
Purchases of and investments in receivables		(338)	(553)	(256)	(498)
Principal collections from receivables	+	107	149	133	58
Proceeds from sales of receivables	+	5	76	59	135
Purchases of real estate		(5)	0	0	0
Purchases of investments		(2)	(5)	(40)	(46)
Principal collections from investments	+	0	0	2	7
Proceeds from sales of investments and securitization assets	+	7	15	69	139
Funding of escrow accounts		0	(12)	(23)	(29)
Withdrawal from escrow accounts		0	2	8	31
Other		14	5	4	2
Net cash provided by (used in) investing activities		**(254)**	**(703)**	**(832)**	**(201)**
Cash flows from financing activities			0	0	0
Proceeds from credit facilities		100	100	126	102
Principal payments on credit facilities		-100	(22)	(135)	(328)
Proceeds from issuance of commercial paper notes		50	50	0	0
Proceeds from issuance of non-recourse debt		-	0	16	131
Principal payments on non-recourse debt	+	(22)	(38)	(126)	(207)
Proceeds from issuance of senior unsecured notes		-	1,000	771	507
Redemption of senior unsecured notes			(500)	0	0
Proceeds from issuance of convertible notes		200	0	144	0
Payments on deferred funding obligations			0	0	(19)
Net proceeds of common stock issuances		127	201	298	138
Payments of dividends and distributions		-98	(114)	(100)	(86)
Withholdings on employee share vesting		-3	(14)	(17)	(9)
Redemption premium paid			(14)	0	0
Payment of debt issuance costs		-8	(18)	0	0
Other		-8	(0)	(15)	(10)
Net cash provided by (used in) financing activities		**237**	**631**	**962**	**219**
Increase (decrease) in cash, cash equivalents, and restricted cash		47	(59)	204	47
Cash, cash equivalents, and restricted cash at beginning of period		251	310	107	59
Cash, cash equivalents, and restricted cash at end of period		298	251	310	107

Adjusted Cash Flow from Operations Plus Other Portfolio Collections

	$ Millions
YTD 2022	257
2021	259
2020	309
2019	314

STRONG PORTFOLIO WITH POSITIVE CREDIT ATTRIBUTES

Recent Portfolio Performance

Rating	Description	Performance Metric
1	Performing[1]	99%
2	Slightly below metrics[2]	1%
3	Significantly below metrics[3]	~0%

Outstanding Credit History

De minimis <20 bps cumulative credit losses since 2012[4]

Positive Credit Attributes

Asset Class	Portfolio (%)[6]	Structural Seniority	Obligor Credit
Residential	32%	Typically Preferred	>240k consumers WAVG FICO: "Very Good"[5]
Wind	24%	Preferred	Typically IG corporates or utilities
GC Solar	17%	Super Senior or Preferred	Typically IG corporates or utilities
Community	9%	Typically Preferred	Typically creditworthy consumers and/or IG corporates
C&I	8%	Senior or Preferred	Typically IG corporates
Public Sector	7%	Senior or Preferred	Predominantly IG govt or quasi-govt entities
Green Real Estate	2%	Super Senior or Subordinated Debt	Real-estate secured
Sustainable Infrastructure	2%	Senior	Predominantly IG govt entities

1) This category includes our assets where based on our credit criteria and performance to date we believe that our risk of not receiving our invested capital remains low.
2) This category includes our assets where based on our credit criteria and performance to date we believe there is a moderate level of risk to not receiving some or all of our invested capital.
3) This category includes our assets where based on our credit criteria and performance to date, we believe there is substantial doubt regarding our ability to recover some or all of our invested capital
4) Calculation represents credit losses as a percentage of cumulative originations, excluding equity method investments.
5) As of 3Q22; located across 21 states and the District of Columbia; qualitative FICO Rating corresponds to average FICO Score range for consumer obligors (as of lease origination dates).
6) Total may not sum due to rounding

EXPLANATORY NOTES

Adjusted Cash Flow from Operations plus Other Portfolio Collections

We operate our business in a manner that considers total cash collected from our portfolio and necessary operating and debt service payments to assess the amount of cash we have available to fund investments and distributions. The line items from our Statement of Cash Flows that are relevant to this measure are highlighted in the Table Below. We believe that the aggregate of these items, which combine as a non-GAAP financial measure titled Adjusted Cash Flow from Operations plus Other Portfolio Collections, is a useful measure of the liquidity we have available from our assets to fund both new investments and our regular quarterly dividends. This non-GAAP financial measure may not be comparable to similarly titled or other similar measures used by other companies. There is also not a directly comparable GAAP measure that demonstrates how we consider cash available for dividend payment.

As shown on this slide Adjusted Cash Flow from Operations plus Other Portfolio Collections differs from Net cash provided by operating activities, in that it (A) excludes Changes in receivables held-for-sale, (B) adds cash flow from Equity method investment distributions received, Proceeds from sales of equity method investments, Principal collections from receivables, Proceeds from sales of receivables, Principal collections from investments, and Proceeds from sales of investments and securitization assets, and (C) subtracts Principal payments on non-recourse debt. This measure is not intended to demonstrate an alternative view of cash available from investment returns for dividend payment.

Also, Adjusted Cash Flow from Operations plus Other Portfolio Collections differs from Net cash provided by (used in) investing activities in that by definition it excludes many of the uses of cash used in our investing activities such as in Equity method investments, Purchases of and investments in receivables, Purchases of real estate, Purchases of investments, Funding of escrow accounts, and excludes Withdrawal from escrow accounts, and Other.

In addition, Adjusted Cash Flow from Operations plus Other Portfolio Collections is not comparable to Net cash provided by (used in) financing activities.

Explanatory Notes

Distributable Earnings and Earnings on Equity Method Investments

We calculate distributable earnings as GAAP net income (loss) excluding non-cash equity compensation expense, provisions for loss on receivables, amortization of intangibles, non-cash provision (benefit) for taxes, gains or (losses) from modification or extinguishment of debt facilities, any one-time acquisition related costs or non-cash tax charges and the earnings attributable to our non-controlling interest of our Operating Partnership. We also make an adjustment to our equity method investments in the renewable energy projects as described below. Judgment will be utilized in determining when we will reflect the losses on receivables in our distributable earnings. In making this determination, we will consider certain circumstances such as, the time period in default, sufficiency of collateral as well as the outcomes of any related litigation. In the future, distributable earnings may also exclude one-time events pursuant to changes in GAAP and certain other adjustments as approved by a majority of our independent directors.

Certain of our equity method investments in renewable energy and energy efficiency projects are structured using typical partnership "flip" structures where the investors with cash distribution preferences receive a pre-negotiated return consisting of priority distributions from the project cash flows, in many cases, along with tax attributes. Once this preferred return is achieved, the partnership "flips" and the cash equity investors receive more of the cash flows through its equity interests while the previously preferred investors retain an ongoing residual interest. We have made investments in both the preferred and common equity of these structures. Regardless of the nature of our equity interest, we typically negotiate the purchase prices of our equity investments, which have a finite expected life, based on our underwritten cash flows we will receive from these projects discounted back to the net present value, based on a target investment rate, with the cash flows to be received in the future reflecting both a return on the capital (at the investment rate) and a return of the capital we have committed to the project. We use a similar approach in the underwriting of our receivables.

Under GAAP, we account for these equity method investments utilizing the HLBV method. Under this method, we recognize income or loss based on the change in the amount each partner would receive, typically based on the negotiated profit and loss allocation, if the assets were liquidated at book value, after adjusting for any distributions or contributions made during such quarter. The HLBV allocations of income or loss may be impacted by the receipt of tax attributes, as tax equity investors are allocated losses in proportion to the tax benefits received, while the sponsors of the project are allocated gains of a similar amount. The investment tax credit typically used in solar projects is a one-time credit realized in the quarter when the project is considered operational for tax purposes and is fully allocated under HLBV in that quarter (subject to an impairment test), while the production tax credit used in wind is a ten year credit and thus is allocated under HLBV over a ten year period. In addition, the agreed upon allocations of the project's cash flows may differ materially from the profit and loss allocation used for the HLBV calculations.

The cash distributions for those equity method investments where we apply HLBV are segregated into a return on and return of capital on our cash flow statement based on the cumulative income (loss) that has been allocated using the HLBV method. However, as a result of the application of the HLBV method, including the impact of tax allocations, the high levels of depreciation and other non-cash expenses that are common to renewable energy projects and the differences between the agreed upon profit and loss and the cash flow allocations, the distributions and thus the economic returns (i.e. return on capital) achieved from the investment are often significantly different from the income or loss that is allocated to us under the HLBV method. Thus, in calculating Distributable Earnings, for certain of these investments where there are characteristics as described above, we further adjust GAAP net income (loss) to take into account our calculation of the return on capital (based upon the investment rate) from our renewable energy equity method investments, as adjusted to reflect the performance of the project and the cash distributed. We believe this equity method investment adjustment to our GAAP net income (loss) in calculating our Distributable Earnings measure is an important supplement to the HLBV income allocations determined under GAAP for an investor to understand the economic performance of these investments where HLBV income can differ substantially from the economic returns.

We believe a non-GAAP measure, such as Distributable Earnings, that adjusts for the items discussed above is and has been a meaningful indicator of our economic performance and is useful to our investors as well as management in evaluating our performance as it relates to expected dividend payments over time. As a REIT, we are required to distribute substantially all of our taxable income to investors in the form of dividends, which is a principal focus of our investors. Additionally, we believe that our investors also use Distributable Earnings, or a comparable supplemental performance measure, to evaluate and compare our performance to that of our peers, and as such, we believe that the disclosure of Distributable Earnings is useful to our investors.

However, Distributable Earnings does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), or an indication of our cash flow from operating activities (determined in accordance with GAAP), or a measure of our liquidity, or an indication of funds available to fund our cash needs, including our ability to make cash distributions. In addition, our methodology for calculating Distributable Earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported Distributable Earnings may not be comparable to similar metrics reported by other companies.

Explanatory Notes

Managed Assets

As we both consolidate assets on our balance sheet and securitize assets off-balance sheet, certain of our receivables and other assets are not reflected on our balance sheet where we may have a residual interest in the performance of the investment, such as servicing rights or a retained interest in cash flows. Thus, we present our investments on a non-GAAP “Managed Assets” basis, which assumes that securitized receivables are not sold. We believe that our Managed Asset information is useful to investors because it portrays the amount of both on- and off-balance sheet receivables that we manage, which enables investors to understand and evaluate the credit performance associated with our portfolio of receivables, investments and residual assets in off-balance sheet securitized receivables. Our non-GAAP Managed Assets measure may not be comparable to similarly titled measures used by other companies.

Distributable Net Investment Income

Distributable Net Investment Income is calculated as GAAP-based Net Investment Income (Interest Income and Rental Income less Interest Expense) as reported within our financial statements prepared in accordance with US GAAP plus Distributable Earnings from our Equity Method Investments when allocating cash distributions between a return on and return of invested capital plus amortization of real estate intangibles. We utilize this measure in operating our business and believe it is useful information for our investors for the reasons discussed in our core earnings measure.

Portfolio Yield

We calculate portfolio yield as the weighted average underwritten yield of the investments in our Portfolio as of the end of the period. Underwritten yield is the rate at which we discount the cash flows from the assets in our portfolio to determine our purchase price. In calculating underwritten yield, we make certain assumptions, including the timing and amounts of cash flows generated by our investments, which may differ from actual results, and may update this yield to reflect our most current estimates of project performance. We believe that portfolio yield provides an additional metric to understand certain characteristics of our Portfolio as of a point in time. Our management uses portfolio yield this way and we believe that our investors use it in a similar fashion to evaluate certain characteristics of our portfolio compared to our peers, and as such, we believe that the disclosure of portfolio yield is useful to our investors.

Guidance

We expect that annual Distributable Earnings per share will grow at a compounded annual rate of 10% to 13% from 2021 to 2024, relative to the 2020 baseline of $1.55 per share, which is equivalent to a 2024 midpoint of 2.40 per share. We also expect growth of annual dividends per share to be at a compounded annual rate of 5% to 8%. This guidance reflects our judgments and estimates of (i) yield on its existing portfolio; (ii) yield on incremental portfolio investments, inclusive of our existing pipeline; (iii) the volume and profitability of securitization transactions; (iv) amount, timing, and costs of debt and equity capital to fund new investments; (v) changes in costs and expenses reflective of our forecasted operations, (vi) the ongoing impact of COVID-19 and the speed and efficacy of vaccine distribution on economic conditions and (vii) the general interest rate and market environment. All guidance is based on current expectations of the ongoing and future impact of COVID-19 and the speed and efficacy of vaccine distribution on economic conditions, the regulatory environment, the dynamics of the markets in which we operate and the judgment of our management team, among other factors. In addition, actual dividend distributions are subject to approval by our Board of Directors on a quarterly basis. We have not provided GAAP guidance as discussed in the Forward-Looking Statements section of the press release.

INCOME STATEMENT

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue				
Interest income	$ 34,303	$ 26,236	$ 97,904	$ 76,352
Rental income	6,609	6,430	19,716	19,361
Gain on sale of receivables and investments	14,490	13,072	51,252	54,988
Fee income	4,748	3,144	12,557	8,769
Total revenue	**60,150**	**48,882**	**181,429**	**159,470**
Expenses				
Interest expense	29,556	27,349	85,035	95,394
Provision for loss on receivables	(2,463)	1,485	6,222	2,896
Compensation and benefits	12,933	12,218	50,108	39,850
General and administrative	8,150	4,964	22,696	14,814
Total expenses	**48,176**	**46,016**	**164,061**	**152,954**
Income before equity method investments	**11,974**	**2,866**	**17,368**	**6,516**
Income (loss) from equity method investments	30,552	(7,215)	58,533	69,519
Income (loss) before income taxes	**42,526**	**(4,349)**	**75,901**	**76,035**
Income tax (expense) benefit	(7,585)	1,250	(13,794)	(11,510)
Net income (loss)	**$ 34,941**	**$ (3,099)**	**$ 62,107**	**$ 64,525**
Net income (loss) attributable to non-controlling interest holders	407	(261)	676	366
Net income (loss) attributable to controlling stockholders	**$ 34,534**	**$ (2,838)**	**$ 61,431**	**$ 64,159**
Basic earnings (loss) per common share	$ 0.39	$ (0.04)	$ 0.70	$ 0.81
Diluted earnings (loss) per common share	$ 0.38	$ (0.04)	$ 0.69	$ 0.79
Weighted average common shares outstanding—basic	87,721,756	79,335,173	86,784,895	78,407,028
Weighted average common shares outstanding—diluted	90,762,820	79,335,173	89,928,741	82,069,464

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BALANCE SHEET

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 272,808	$ 226,204
Equity method investments	1,921,515	1,759,651
Commercial receivables, net of allowance of $34 million and $36 million, respectively	1,511,261	1,298,529
Government receivables	103,346	125,409
Receivables held-for-sale	16,885	22,214
Real estate	358,346	356,088
Investments	10,600	17,697
Securitization assets	177,927	210,354
Other assets	125,204	132,165
Total Assets	**$ 4,497,892**	**$ 4,148,311**
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable, accrued expenses and other	$ 118,655	$ 88,866
Credit facilities	100,626	100,473
Green commercial paper notes	99,873	50,094
Non-recourse debt (secured by assets of $606 million and $573 million, respectively)	408,469	429,869
Senior unsecured notes	1,777,343	1,762,763
Convertible notes	341,900	149,731
Total Liabilities	2,846,866	2,581,796
Stockholders' Equity:		
Preferred stock, par value $0.01 per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, par value $0.01 per share, 450,000,000 shares authorized, 88,838,705 and 85,326,781 shares issued and outstanding, respectively	888	853
Additional paid in capital	1,861,466	1,727,667
Accumulated deficit	(231,417)	(193,706)
Accumulated other comprehensive income (loss)	(14,769)	9,904
Non-controlling interest	34,858	21,797
Total Stockholders' Equity	1,651,026	1,566,515
Total Liabilities and Stockholders' Equity	**$ 4,497,892**	**$ 4,148,311**

RECONCILIATION OF GAAP NET INCOME TO DISTRIBUTABLE EARNINGS

	For the three months ended September 30, 2022		For the three months ended September 30, 2021	
	(dollars in thousands, except per share amounts)			
	$	*per share*	*$*	*per share*
Net income attributable to controlling stockholders [(1)]	$ 34,534	$ 0.38	$ (2,838)	$ (0.04)
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(30,552)		7,215	
Add equity method investments earnings	31,315		25,898	
Equity-based compensation charges	2,060		3,715	
Provision for loss on receivables	(2,463)		1,485	
Other adjustments [(2)]	8,752		(688)	
Distributable earnings [(3)]	**$ 43,646**	**$ 0.49**	**$ 34,787**	**$ 0.41**

(1) The per share amounts represent GAAP diluted earnings per share and is the most comparable GAAP measure to our distributable earnings per share.

(2) See Other adjustments table below.

(3) Distributable earnings per share for the three months ended September 30, 2022 and 2021, are based on 89,635,572 shares and 83,912,769 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards, restricted stock units, long-term incentive plan units, and the non-controlling interest in our Operating Partnership. We include any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. As it relates to convertible notes, we will assess the market characteristics around the instrument to determine if it is more akin to debt or equity based on the value of the underlying shares upon conversion. If the instrument is more debt-like then we will include any related interest expense and exclude the underlying shares issuable upon conversion of the instrument. If the instrument is more equity-like and is more dilutive when treated as equity then we will exclude any related interest expense and include the weighted average shares underlying the instrument.

RECONCILIATION OF GAAP NET INCOME TO DISTRIBUTABLE EARNINGS

	For the nine months ended September 30, 2022		For the nine months ended September 30, 2021	
	(dollars in thousands, except per share amounts)			
	$	*per share*	*$*	*per share*
Net income attributable to controlling stockholders [(1)]	$ 61,431	$ 0.69	$ 64,159	$ 0.79
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(58,533)		(69,519)	
Add equity method investments earnings	98,960		76,570	
Equity-based compensation charges	17,993		13,503	
Provision for loss on receivables [(2)]	6,222		2,896	
(Gain) loss on debt modification or extinguishment	—		16,083	
Other adjustments [(3)]	16,830		14,344	
Distributable earnings [(4)]	**$ 142,903**	**$ 1.61**	**$ 118,036**	**$ 1.42**

(1) The per share amounts represent GAAP diluted earnings per share and is the most comparable GAAP measure to our distributable earnings per share.

(2) In addition to these provisions, in the second quarter of 2022 we wrote-off two commercial receivables with a combined total carrying value of approximately $8 million which represented assignments of land lease payments from two wind projects that we had originated in 2014. In 2017, the operator of the projects terminated the lease, at which time we filed a legal claim and placed these assets on non-accrual status. In 2019, we received a court decision indicating that the owners of the projects were within their rights under the contract terms to terminate the lease which impacts the land lease assignments to us, at which time we reserved the receivables for their full carrying amount. In the second quarter of 2022, we received a court decision indicating that our appeal was not successful, and accordingly wrote off the full amount of the receivable. We have excluded the write off from Distributable earnings due to the infrequent occurrence of credit losses as well as the unique nature of the receivables, as the assignment of land lease payments from wind projects represent a small portion of our total portfolio.

(3) See Other adjustments table below.

(4) Distributable earnings per share for the nine months ended September 30, 2022 and 2021, are based on 88,612,178 shares and 83,118,733 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards, restricted stock units, long-term incentive plan units, and the non-controlling interest in our Operating Partnership. We include any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. As it relates to convertible notes, we will assess the market characteristics around the instrument to determine if it is more akin to debt or equity based on the value of the underlying shares upon conversion. If the instrument is more debt-like then we will include any related interest expense and exclude the underlying shares issuable upon conversion of the instrument. If the instrument is more equity-like and is more dilutive when treated as equity then we will exclude any related interest expense and include the weighted average shares underlying the instrument.

RECONCILIATION OF GAAP-BASED NII TO DISTRIBUTABLE NII

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	(in thousands)			
Interest income	$ 34,303	$ 26,236	$ 97,904	$ 76,352
Rental income	6,609	6,430	19,716	19,361
GAAP-based investment revenue	40,912	32,666	117,620	95,713
Interest expense	29,556	27,349	85,035	95,394
GAAP-based net investment income	11,356	5,317	32,585	319
Equity method earnings adjustment (1)	31,315	25,898	98,960	76,570
(Gain) loss on debt modification or extinguishment (2)	—	—	—	16,083
Amortization of real estate intangibles (3)	760	772	2,292	2,317
Distributable net investment income	**$ 43,431**	**$ 31,987**	**$ 133,837**	**$ 95,289**

(1) Reflects adjustment for equity method investments described above.

(2) Adds back losses related to debt prepayments included in interest expense in our income statement.

(3) Adds back non-cash amortization related to acquired real estate leases.

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ADDITIONAL GAAP TO NON-GAAP RECONCILIATIONS

The table below provides a reconciliation of the Other adjustments:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		*(in thousands)*	
Other adjustments				
Amortization of intangibles [1]	$ 760	$ 823	$ 2,360	$ 2,468
Non-cash provision (benefit) for income taxes	7,585	(1,250)	13,794	11,510
Net income attributable to non-controlling interest	407	(261)	676	366
Other adjustments	**$ 8,752**	**$ (688)**	**$ 16,830**	**$ 14,344**

(1) Adds back non-cash amortization of lease and pre-IPO intangibles.

The table below provides a reconciliation of GAAP SG&A expenses to Distributable SG&A expenses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		*(in thousands)*	
GAAP SG&A expenses				
Compensation and benefits	$ 12,933	$ 12,218	$ 50,108	$ 39,850
General and administrative	8,150	4,964	22,696	14,814
Total SG&A expenses (GAAP)	**$ 21,083**	**$ 17,182**	**$ 72,804**	**$ 54,664**
Distributable SG&A expenses adjustments:				
Non-cash equity-based compensation charge [1]	$ (2,060)	$ (3,715)	$ (17,993)	$ (13,503)
Amortization of intangibles [2]	—	(51)	(68)	(151)
Distributable SG&A expenses adjustments	(2,060)	(3,766)	(18,061)	(13,654)
Distributable SG&A expenses	**$ 19,023**	**$ 13,416**	**$ 54,743**	**$ 41,010**

(1) Reflects add back of non-cash amortization of equity-based compensation. Outstanding grants related to equity-based compensation are included in the distributable earnings per share calculation.

(2) Adds back non-cash amortization of pre-IPO intangibles.

ADDITIONAL GAAP TO NON-GAAP RECONCILIATIONS

The following is a reconciliation of our GAAP-based Portfolio to our Managed Assets as of September 30, 2022 and December 31, 2021:

	As of	
	September 30, 2022	**December 31, 2021**
	(dollars in millions)	
Equity method investments	$ 1,922	$ 1,760
Commercial receivables, net of allowance	1,511	1,299
Government receivables	103	125
Receivables held-for-sale	17	22
Real estate	358	356
Investments	11	18
GAAP-Based Portfolio	3,922	3,580
Assets held in securitization trusts	5,464	5,199
Managed assets	**$ 9,386**	**$ 8,779**

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